# NSL LTD
# ANNUAL REPORT
# 2019

Precast & PBU

Environmental Services

# Contents

NSL is committed to continue delivering value to its customers, shareholders, partners and people through its core values of integrity, care, commitment, innovation and respect.

# Corporate Profile

NSL and its group of companies is a leading industrial group in Asia Pacific. The Group's core businesses are Precast & Prefabricated Bathroom Unit ("Precast & PBU") and Environmental Services.

The Precast & PBU division is a market leader in manufacturing precast concrete components in Singapore and Malaysia while the PBU business is a dominant producer in Scandinavia.

The Environmental Services division is a key player in integrated environmental services in Singapore, covering treatment and logistics services for hazardous industrial wastewater from the chemical sector and oily wastewater from both land and marine transportation sectors.

In addition, NSL Group has indirect shareholdings in Raffles Marina, Asia's Premier Marina Club in Tuas, Singapore and Salzgitter Maschinenbau AG in Germany, which is a worldwide market leader in the manufacturing of cutting equipment, process technology and special purpose machines.

NSL Group has an active Research and Development programme that leverages on technology to develop innovative products and process improvements for productivity. It also partners local government agencies and tertiary institutions to develop new and sustainable solutions for industrial applications.

The Group has operations and joint ventures in eight countries and has been listed on the Singapore Exchange since 1964.

# Group Financial Highlights

| | 2018* | 2019 | Change (%) |
|---|---|---|---|
| **For the Year (S$'000)** | | | |
| Turnover from continuing operations | 283,299 | 272,350 | (4) |
| Loss before tax from continuing operations | (3,079) | (34,952) | n/m |
| (Loss) / profit attributable to shareholders | | | |
| - from continuing operations | (4,300) | (33,637) | n/m |
| - from discontinued operations | 445 | 494 | 11 |
| Total group loss attributable to shareholders | (3,855) | (33,143) | n/m |
| **At Year-end (S$'000)** | | | |
| Shareholders' funds | 561,754 | 510,307 | (9) |
| Total assets | 699,292 | 664,829 | (5) |
| **Per Share** | | | |
| Basic loss per share (cents) | (1.0) | (8.9) | n/m |
| Dividends (exempt - one tier, cents per share) | | | |
| - Final | 5 | 5 | - |
| **Others** | | | |
| Number of employees | 2,750 | 2,611 | (5) |

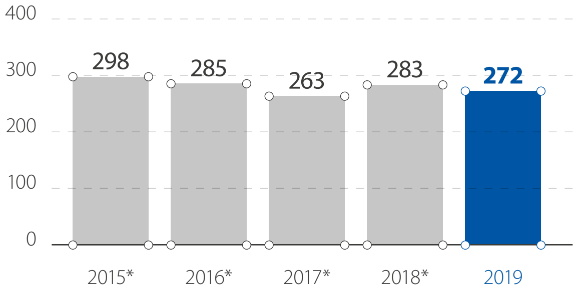
n/m : not meaningful
* Certain comparative figures have been reclassified to be in line with current financial year presentation.

# 5-Year Financial Summary

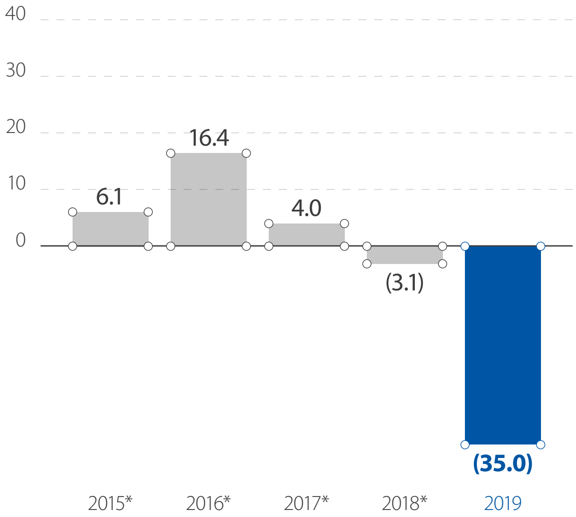
| Financial Profile (S$'000) | 2015* | 2016* | 2017* | 2018* | 2019 |
|---|---|---|---|---|---|
| Turnover | 298,368 | 285,090 | 263,137 | 283,299 | 272,350 |
| Profit / (loss) before share of results of associated companies | 4,237 | 16,712 | 3,555 | (3,086) | (34,788) |
| Share of results of associated companies, net of tax | 1,859 | (291) | 438 | 7 | (164) |
| Profit / (loss) before tax | 6,096 | 16,421 | 3,993 | (3,079) | (34,952) |
| Taxation | 791 | (3,878) | (1,014) | (1,332) | (2,606) |
| Profit / (loss) after tax | 6,887 | 12,543 | 2,979 | (4,411) | (37,558) |
| Profit / (loss) attributable to shareholders | | | | | |
| - from continuing operations | 7,337 | 13,043 | 3,211 | (4,300) | (33,637) |
| - from discontinued operations | 59,418 | 118,312 | 702 | 445 | 494 |
| Total group profit / (loss) attributable to shareholders | 66,755 | 131,355 | 3,913 | (3,855) | (33,143) |
| Dividends (exempt-one tier) | | | | | |
| - Final | 18,678 | 18,678 | 18,678 | 18,678 | 18,678 |
| - Special | 11,207 | 74,712 | - | - | - |
| Share capital | 193,839 | 193,839 | 193,839 | 193,839 | 193,839 |
| Reserves | 366,598 | 479,959 | 391,407 | 367,915 | 316,468 |
| Dividend cover | 2.2x | 1.4x | 0.2x | -0.2x | -1.8x |
| **Financial Position (S$'000)** | | | | | |
| **What We Owned** | | | | | |
| Property, plant and equipment | 136,751 | 123,251 | 125,611 | 156,030 | 124,859 |
| Right-of-use assets | - | - | - | - | 38,439 |
| Associated companies & joint venture | 52,692 | 50,529 | 6,520 | 51,265 | 47,569 |
| Investment properties | 8,376 | - | - | - | - |
| Long term receivables, prepayments & investments | 10,280 | 15,221 | 14,412 | 15,014 | 18,458 |
| Intangible assets | 9,306 | 10,351 | 11,584 | 11,187 | 10,341 |
| Deferred tax assets | 5,290 | 3,044 | 3,044 | 3,901 | 3,081 |
| Current assets | 504,326 | 612,435 | 558,805 | 461,895 | 422,082 |
| | 727,021 | 814,831 | 719,976 | 699,292 | 664,829 |
| **What We Owed and Equity** | | | | | |
| Shareholders' funds | 560,437 | 673,798 | 585,246 | 561,754 | 510,307 |
| Non-controlling interests | 11,007 | 4,577 | 4,803 | 4,572 | (1,133) |
| Long term liabilities | 17,394 | 25,846 | 18,281 | 31,472 | 49,304 |
| Current liabilities | 138,183 | 110,610 | 111,646 | 101,494 | 106,351 |
| | 727,021 | 814,831 | 719,976 | 699,292 | 664,829 |
| **Cash & Debt Position (S$'000)** | | | | | |
| Group borrowings | 28,249 | 31,522 | 12,701 | 22,170 | 33,979 |
| Group net cash (cash less borrowings) | 306,199 | 430,241 | 335,109 | 282,491 | 247,613 |
| **Per Share Data** | | | | | |
| Basic earnings / (loss) per share (cents) | 17.9 | 35.2 | 1.0 | (1.0) | (8.9) |
| Net tangible assets per share (S$) | 1.48 | 1.78 | 1.54 | 1.47 | 1.34 |
| **Dividends** | | | | | |
| Dividends (exempt - one tier, cents per share) | | | | | |
| - Final | 5 | 5 | 5 | 5 | 5 |
| - Special | 3 | 20 | - | - | - |

* Certain comparative figures have been reclassified to be in line with current financial year presentation.

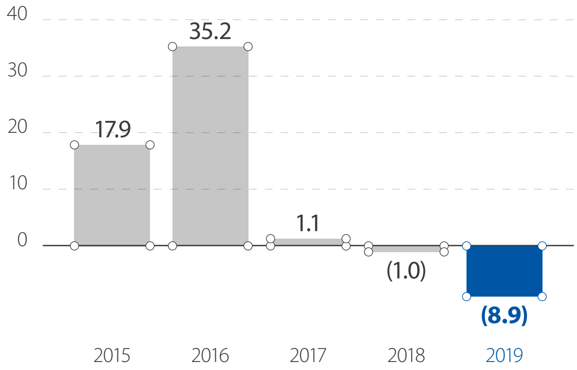
**Group Turnover** (continuing operations)
(S$million)



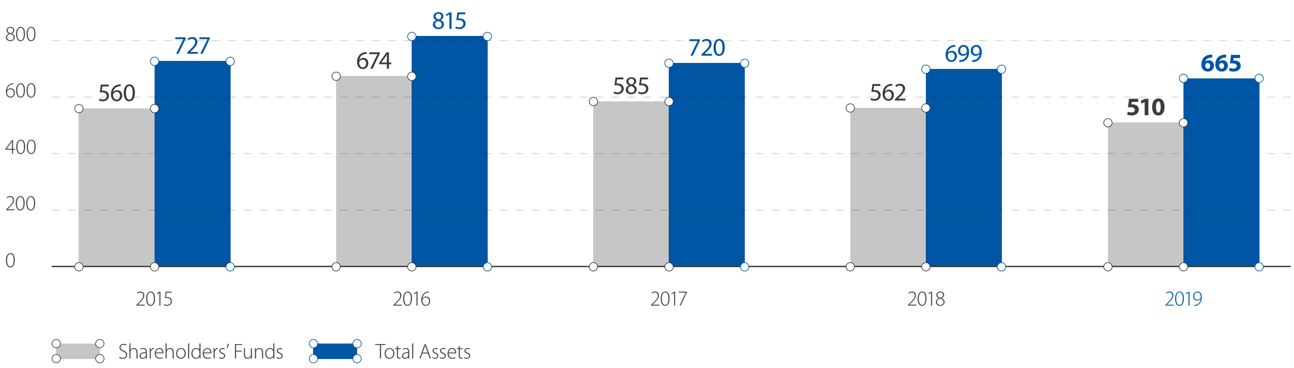

**Group Profit / (Loss) Before Tax** (continuing operations)
(S$million)




**Basic Earnings / (Loss) Per Share**
(cents)




**Shareholders' Funds & Total Assets**
(S$million)




* Certain comparative figures have been reclassified to be in line with current financial year presentation.

# Letter to Shareholders

Dear Shareholders

Year 2019 continued to be another challenging year for NSL Group's businesses with heightened business uncertainties globally.

NSL Group achieved a turnover of $272.4 million in FY2019, a 4% decrease from $283.3 million in FY2018 due mainly to lower revenue from both the Precast & PBU division and the Environmental Services division.

The Group incurred a significant loss before tax of $35.0 million in FY2019 compared to loss before tax of $3.1 million in FY2018. This was largely due to loss of $23.5 million incurred by the Environmental Services division as a result of impairment charge of $17.2 million for its slop processing assets due to increasingly difficult market conditions in its reduced sales of recycled fuel oil ("RFO") business, higher regulatory cost of compliance and the loss of a major customer. Increased operating losses was also reported by the division from reduced sales of RFO and comprehensive plant maintenance, and further impacted by higher legal fees.

Its Precast & PBU division also incurred higher loss of $9.7 million mainly due to impairment charge of $7.3 million for the plant assets of its Precast operations in Malaysia as a result of weak project margin.

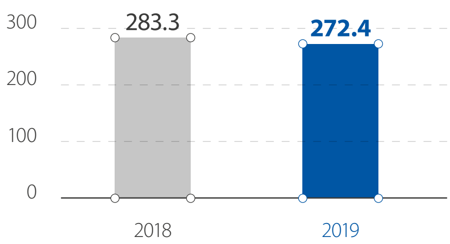
After taking into account income tax and non-controlling interests, the Group reported a loss attributable to shareholders of $33.7 million in FY2019, compared to a loss of $4.3 million in FY2018.

## Significant Events

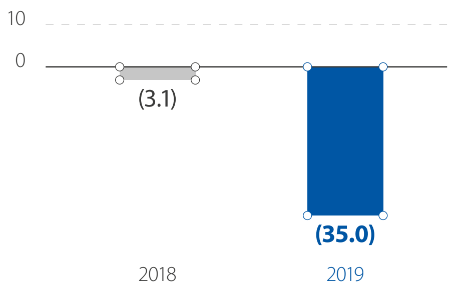
On 25 July 2019, NSL OilChem Waste Management Pte Ltd, the Environmental Services division of NSL Ltd, officially opened its $40 million new industrial wastewater treatment complex at 7 Tuas Avenue 10. This new facility, an expansion of the Company's wastewater capability to support Singapore's high-value chemical industry sector, is designed to treat a wide spectrum of industrial wastewater from industries like petrochemicals, pharmaceutical, and automotive. The official opening was graced by Guest-of-Honour, Dr Beh Swan Gin, Chairman of the Economic Development Board, and attended by many customers, industry partners and associates.

To streamline its Environmental Services division, NSL OilChem Waste Management Pte Ltd divested its 82.75%


**Group Turnover**
(S$million)




**Group Loss Before Tax**
(S$million)



Turnover of
**$272.4 million**

Dividend of
**$0.05 per share**

stake in NSL Fuel Management Services Pte Ltd, a non-core business involved in distributing oil products in August 2019.

During the year, the Group's Precast Malaysia and Singapore operations clinched several iconic projects such as JTC's nine-storey industrial development, ASM Front-End Manufacturing Singapore, NTUC FairPrice fresh food distribution centre, 11-storey social media data centre, Hospital Putrajaya, Penang International Airport carpark and schools.

Dubai Precast was awarded key projects, including Saudi German Hospital and Moroccan Pavilion at Expo 2020. Together with the Aqua Green team from Ajman Academy, Dubai Precast won first place in the Global Solar Decathlon competition for developing a new type of insulated sandwich walls to enable passive cooling system.

The PBU business, a dominant producer in Scandinavia, was awarded key projects such as Aveny Vest housing project in Norway and Sockerbruket apartment block in Sweden.

NSL Group continued to use technology as an enabler to enhance productivity and competitiveness. During the year, the Group's Corporate Research and Development and IT departments worked closely with various subsidiaries to harness digitalisation opportunities, automating processes and streamlining workflows. The team successfully automated business processes and stepped up laboratory capabilities in the Group's new industrial wastewater plant in Tuas, improving its productivity and efficiency. At the Tanjong Kling plant, the wastewater treatment processes were enhanced to strengthen its capability in meeting stringent regulatory discharge standards. Concurrently, the Group's Precast operations implemented vehicle tracking for deliveries from Johor, Malaysia, to Singapore, achieving a greater level of customer satisfaction.

## Looking Ahead

The business outlook for the Precast business in Singapore and Malaysia is expected to remain subdued. Whilst order book is strong in the first half of 2020, there are challenges to keep plant utilisation high in the second half amidst the weak construction sector outlook. Construction demand in Dubai is expected to soften post Expo 2020, and a cost-cutting plan is in place to rightsize the operations. The overall performance of the division's PBU business in Finland is expected to remain satisfactory.

In the Environmental Services division, the RFO business which is currently being reviewed, continues to face challenging market conditions amidst changing market dynamics and low RFO prices. The business has been restructured to lower its operating costs and improve asset utilisation. Plant utilisation of the division's new organic wastewater treatment facility in Tuas is expected to increase gradually with more new customers being secured.

The COVID-19 outbreak has caused disruption to our operations but the extent of any adverse financial impact to the Group is uncertain at this point.

## Dividend

Subject to the approval of shareholders at the annual general meeting of the Company to be held by 30 June 2020, the Board is recommending a final dividend of $0.05 per share for the financial year ended 31 December 2019 to be paid on a date to be determined by the Directors.

## In Appreciation

On behalf of the Board of directors, I would like to express gratitude to our shareholders, management, business partners, customers and employees for their unwavering support and contributions to the Group during the past year.

We look forward to your continued support in the years ahead.

**Prof Cham Tao Soon**
Chairman
6 March 2020

# Board of Directors

## CHAIRMAN

### Prof Cham Tao Soon
**Chairman**
- Soup Restaurant Group Ltd
- Singapore Rail Academy
- Singapore Quality Awards

## EXECUTIVE DIRECTOR

### Dr Low Chin Nam
**Director**
- Bangkok Cogeneration Company Limited
- Eastern Pretech Pte Ltd
- NSL OilChem Waste Management Pte Ltd
- Raffles Marina Holdings Ltd

## DIRECTORS

### Ban Song Long
**Director**
- Excel Partners Pte Ltd
- 98 Holdings Pte Ltd

### David Fu Kuo Chen
**Director**
- Hotel Properties Ltd
- 98 Holdings Pte Ltd

### John Koh Tiong Lu
**Director**
- Mapletree Industrial Trust Management Ltd
- Global Counsel Asia Pte Ltd
- KrisEnergy Ltd

### Dr Tan Tat Wai
**Director**
- Southern Steel Berhad

# Corporate Research & Development Advisory Panel

### CHAIRMAN

**Prof Cham Tao Soon**

### MEMBERS

**David Fu Kuo Chen**

**Lam Siew Wah**

**Chairman and Board Member**

- Tiong Seng Engineering Solutions Pte. Ltd.

**Board Member**

- Tiong Seng Contractors Pte Ltd

**Lim Swee Cheang**

**Adjunct Professor**

- National University of Singapore School of Continuing and Lifelong Learning

**Director**

- EZ-Link Pte Ltd

**Dr Low Chin Nam**

**Prof Ng Wun Jern**

**Professor**

- Nanyang Technological University School of Civil and Environmental Engineering

**Principal Lead**

- Nanyang Technological University Environmental Bio-innovations Group

**Dr Robert Tiong**

**Associate Professor**

- Nanyang Technological University School of Civil and Environmental Engineering

# Key Management

**Dr Low Chin Nam** was promoted to Executive Director in August 2016. Prior to this present appointment, he was the Chief Operating Officer. Dr Low joined NSL Ltd as Chief Strategy and Operations in 2011. He is responsible for the overall management of the NSL Group. Dr Low started his career in the elite Administrative Service of the Singapore Government before leaving for the commercial sector. He was previously the Chief Operating Officer of M1 Ltd, subsequently, Director of Business Operations of Smartone Telecom Ltd, Hong Kong, and Managing Director of Digiland Pty Ltd., Australia. He holds a Bachelor of Science (1st Class Honours) in Electronics Engineering from King's College, University of London, a Master of Science in Management Science from Imperial College, University of London as well as a Ph.D in Econometrics from Monash University in Australia.

**Mr Chia Tong Hee** is presently Senior Vice-President (Finance and Corporate Services) of NSL Ltd. He is responsible for the Finance & Accounting, Treasury and Taxation functions of the Group. Prior to joining NSL Ltd in 2005, Mr Chia was an auditor with Pricewaterhouse and subsequently was the financial controller of Wearnes International (1994) Ltd. Mr Chia holds a Bachelor of Accountancy from the National University of Singapore and is a member of the Institute of Singapore Chartered Accountants.

**Dr See Soo Loi** joined NSL Ltd in 1991 as research engineer and she is now heading the Corporate Research and Development Department. Dr See works closely with government agencies and tertiary institutions and is a member of Hazardous substances and Toxic Wastes advisory committee at National Environment Agency and Chemical Technology advisory committee at Nanyang Polytechnic. In addition, she is also a committee member of Energy and Chemicals Industry Group at Singapore Manufacturing Federation. Dr See holds a Bachelor of Engineering (Honours) in Chemical Engineering and a Ph.D from the University of New South Wales, Australia.

# Corporate Information

## FINANCIAL CALENDAR

### Announcement of Quarterly Results 2019

- 1st Quarter – 10 May 2019
- 2nd Quarter – 13 August 2019
- 3rd Quarter – 12 November 2019

### Financial Year-end

- 31 December 2019

### Announcement of Unaudited Results 2019

- 27 February 2020

### 2020 Annual General Meeting

- by 30 June 2020

## CORPORATE DATA

### Registered Office

317 Outram Road
#03-02
Singapore 169075
Tel: 6536 1000 | Fax: 6536 1008
www.nsl.com.sg

### Company Secretary

Lim Su-Ling

### Share Registrar

M & C Services Private Limited
112 Robinson Road, #05-01
Singapore 068902
Tel: 6227 6660 | Fax: 6225 1452

### Auditors

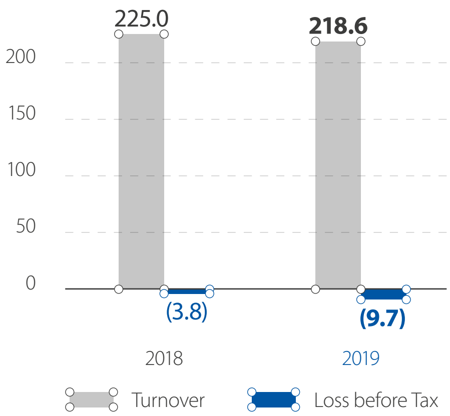
PricewaterhouseCoopers LLP
7 Straits View, Marina One,
East Tower Level 12
Singapore 018936
Certified Public Accountants
Audit Partner: Sim May Ling Theresa
(Appointed in year 2017)

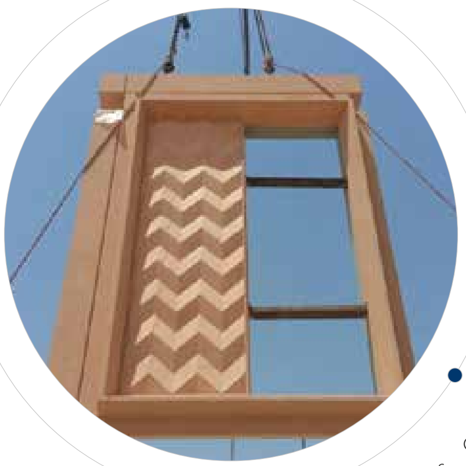
### Banks

DBS Bank Ltd
Malayan Banking Berhad
Oversea-Chinese Banking
Corporation Limited
Standard Chartered Bank
United Overseas Bank Limited


# Review of Operations
## Precast & PBU

### Turnover & Loss Before Tax
(S$million)



### Performance
The Precast & PBU division's turnover declined 3% from $225 million in FY2018 to $218.6 million in FY2019, mainly as a result of lower delivery volumes by operations in Dubai and Finland.

The division registered a loss before tax of $9.7 million in FY2019 compared to $3.8 million in FY2018. The higher loss before tax was primarily due to a one-off impairment charge of $7.3 million for the plant assets of its Precast operations in Malaysia as a result of weak project margin. Excluding the impairment charge, the Singapore and Malaysia operations reported lower operating loss, driven by improved sales. However, its operations in Finland and Dubai registered lower operating performances because of lower revenue.

### Development Highlights
During the year, the Precast business in Singapore and Malaysia clinched several iconic projects such as JTC's nine-storey industrial development, ASM Front-End Manufacturing Singapore, NTUC FairPrice fresh food distribution centre, 11-storey data centre, Hospital Putrajaya, Penang International Airport carpark and schools.

The significant projects that its Dubai operations successfully completed were the supply and installation of 78 units of two-storey villas in Umm Suqeim and coloured cladding façade panels with white sandblasted and brown wood textured surface for a 13-storey apartment at Al Jadaf.

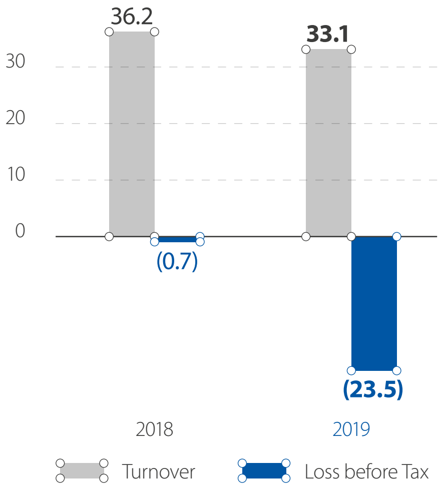
The PBU business, a dominant producer in Scandinavia, was awarded key projects including Disney cruise ships, Aveny Vest housing project in Norway and Sockerbruket apartment block in Sweden.

### Going forward
The business outlook for the Precast business in Singapore and Malaysia is expected to remain subdued. Whilst order book is strong in the first half of 2020, there are challenges to keep plant utilisation high in the second half amidst the weak construction sector outlook.

Construction demand in Dubai is expected to soften post Expo 2020, and a cost-cutting plan is in place to rightsize the operations. The overall performance of the division's PBU business in Finland is expected to remain satisfactory.

# Review of Operations
## Environmental Services

### Turnover & Loss Before Tax
(S$million)




### Performance
Turnover of Environmental Services division slid 9% to $33.1 million in FY2019 due mainly to lower sales from the RFO business as a result of weak market demand and comprehensive plant maintenance.

The division registered a loss before tax of $23.5 million in FY2019 as compared to a loss before tax of $0.7 million in FY2018. The significantly higher loss was largely due to a one-off $17.2 million impairment charge for its slop processing assets. Excluding the impairment charge, the division reported operating loss of $6.3 million mainly as a result of reduced RFO sales, comprehensive plant maintenance and significantly higher legal fees.

### Development Highlights
The Environmental Services division officially opened its new industrial wastewater treatment complex at Tuas in July 2019 and received full operation licence from the National Environment Agency in 4Q2019. During the year, the division established a Treatability laboratory in the complex, which works closely with operations to find cost effective treatment solutions for new difficult-to-treat wastewater types.

To enhance process efficiency and strengthen Environment, Safety and Health compliance, the division undertook a comprehensive plant maintenance of its slop processing plant during the year.

To ensure the division is always ready in an emergency, the Company Emergency Response Team ("CERT") trains and refreshes its skills in mandatory safety trainings regularly. In recognition of its safety efforts, the CERT team received a pass with commendation from Singapore Civil Defence Force during the audit in 4Q2019.

During the year, the division enhanced its operational efficiency through the implementation of the Maintenance Management System, an online platform to keep a digital record of all maintenance activities and track status of each maintenance job request.

### Going Forward
In the Environmental Services division, the RFO business which is currently being reviewed, continues to face challenging market conditions amidst changing market dynamics and low RFO prices. The business has been restructured to lower its operating costs and improve asset utilisation. Plant utilisation of the division's new organic wastewater treatment facility in Tuas is expected to increase gradually with more new customers being secured.

# Corporate Social Responsibility

NSL believes in contributing back to society while achieving business goals. With a strong commitment towards Corporate Social Responsibility, NSL and its group of companies rolled out programmes and activities that contribute to the community, Arts and Cultural Scene, environment and stakeholders.

### Caring for the Community, and the Local Arts and Cultural Scene

NSL partnered primary and secondary schools to inculcate positive values in students using real-life examples and out-of-classroom experiences with the Sailing and Sustainability Programme ("SSP"). NSL Ltd hosted 23 Secondary Two students from Woodlands Secondary School at NSL OilChem Waste Management's ("NOWM") new Industrial Wastewater Treatment Complex in October. Staff from NOWM conducted a tour of the newly built Industrial Wastewater Treatment Complex and provided insights into how a wastewater treatment plant operates.

Melrose Home continued to be one of the many beneficiaries of NSL Group. In 2019, NSL raised $16,388 which will go towards sponsoring daily meals for about 60 children in the Home.

Directing our Corporate Social Responsibility efforts towards the community, Eastern Pretech Malaysia collaborated with Aisha Kidz Planet and Zensori Solutions, a school for kids with special needs on 7 April to commemorate Autism Awareness Month. The session comprised a simulation session conducted by a speech therapist, allowing participants to become more aware of the effects of autism on children and their families as well as how autistic kids interact with others.

During the year, NSL contributed to the local arts and cultural scene through its support for the Singapore Symphony Orchestra as a Corporate Patron.

### People – Employees as Assets

Employees are valuable to the Company and are at the heart of what NSL does. On top of trainings, NSL ensures that employees' health, safety and well-being are taken care of.

In an effort to promote a healthy lifestyle, NSL participated in Season 4 of the National Steps Challenge, a nationwide corporate challenge supported by Singapore Health Promotion Board. A total of 23 teams made up of 164 staff took part and one of the teams achieved tenth position out of 368 participating organisations.

Connecting with people is an essential part of working life at NSL Group. In January 2019, NSL Group held its annual Dinner & Dance, which included staff from NSL, NOWM, NSC and EPS.


Subsequently in March 2019, EPM held its Dinner & Dance with 277 staff in attendance.

Workplace Health and Safety is important in ensuring the welfare of our employees. In 2019, a new Cross Safety Audit initiative was introduced throughout the Group by NSL Safety Committee where safety officers were assigned to audit a company from a different industry within the Group. This initiative aims to bring about fresh perspectives to help each business unit strengthen their safety measures and practices.

To ensure the division's readiness during an emergency, staff continued to be trained or refreshed in mandatory safety trainings required for CERT. At NOWM, Singapore Civil Defence Force ("SCDF") conducted a CERT audit to validate the competency and effectiveness of the CERT team. NOWM was awarded a pass with commendation.

Through the years, NSL's Sports and Recreational Committee has been organising workshops and interactive activities to promote work-life balance for all. Besides brush lettering workshops and futsal competitions, a 2D1N trip to Desaru had been organised for staff, family and friends which included firefly viewing and a visit to a fruit farm in December.

## Protecting the Environment

NSL aims to educate the young on the importance of caring for the environment.

In October 2019, 17 NOWM representatives volunteered for Project SeedLinks at Yangzheng Primary School. Through the programme, Primary Five student "buddies" from Yangzheng Primary School guided 110 preschoolers from My First Skool, PCF Sparkletots and Bethesda Kindergarten in growing seedlings using recycled materials as seed holders. This was followed by a short garden trail in the eco-garden. This outreach programme has been running since 2017. NSL will continue to nurture the young to care for the environment, which holds a greater goal of creating a positive impact in society.

Taking into account how business operations create an impact on the environment, sustainability is central to the Group's efforts in ensuring that the environment is protected. In July 2019, NOWM's new Industrial Wastewater Treatment Complex was officially opened. It was built to treat a wide spectrum of industrial wastewater and challenging trade effluents to meet PUB's regulatory standards for discharge into public channels. NOWM's investment in industrial wastewater treatment capability underscores our commitment towards building a more sustainable and environmentally friendly future.

# Corporate Directory

## PRECAST & PBU

### Eastern Pretech Pte Ltd
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Singapore 628051
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**F** (65) 6832 9501
www.easternpretech.com

### Eastern Pretech (Malaysia) Sdn Bhd
10th Floor, Office Block Mines 2,
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Jalan Mines 2,
The Mines Resort City
43300 Seri Kembangan,
Selangor Darul Ehsan, Malaysia
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**F** (60-3) 8949 3399
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### Parmarine Ltd
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**T** (358) 377 77400
**F** (358) 341 27395
www.parmarine.fi

### Parmarine Malaysia Sdn Bhd
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The Mines Resort City
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Selangor Darul Ehsan, Malaysia
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**F** (60-3) 8949 3399
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**F** (971) 4 8802159
www.dubaiprecast.ae

## ENVIRONMENTAL SERVICES

### NSL OilChem Waste Management Pte Ltd

### NSL OilChem Green Energy Pte Ltd

### NSL OilChem Marine Pte Ltd

### NSL OilChem Specialties Pte Ltd
23 Tanjong Kling Road
Singapore 628049
**T** (65) 6351 9700
**F** (65) 6513 3998
www.nsloilchem.com.sg

### NSL OilChem Logistics Pte Ltd
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**T** (65) 6863 5270 / 6863 5272
**F** (65) 6861 1928

## OTHERS

### NSL Chemicals Ltd
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**T** (65) 6513 6900
**F** (65) 6268 7592
www.nslchemicals.com.sg

### Raffles Marina Ltd
10 Tuas West Drive
Singapore 638404
**T** (65) 6861 8000
**F** (65) 6861 1020
www.rafflesmarina.com.sg

### Salzgitter Maschinenbau AG
Windmühlenbergstraße 20-22
38259 Salzgitter, Germany
**T** (49) 5341 302 0
**F** (49) 5341 302 424
www.smag.de

### Bangkok Cogeneration Co Ltd
183 Rajanakarn Building
11th Fl., South Sathorn,
Yannawa, Sathorn
Bangkok 10120, Thailand
**T** (662) 685 6700
**F** (662) 685 6715
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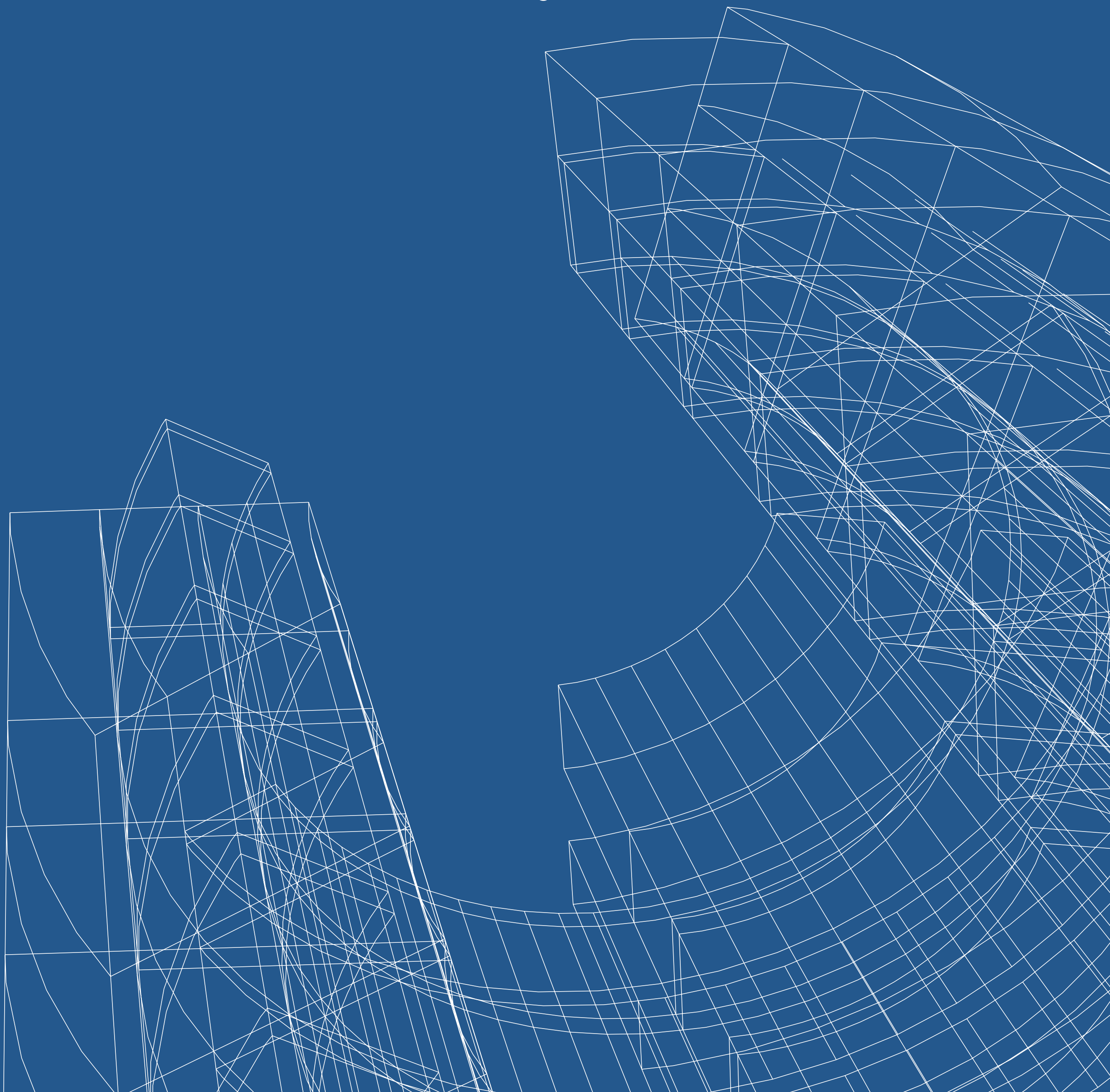
### NSL Properties Pte Ltd

### NSL Resorts International Pte Ltd

### Raffles Marina Holdings Ltd
317 Outram Road
#03-02
Singapore 169075
**T** (65) 6536 1000
**F** (65) 6536 1008

# Contents





# Directors' Statement

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 41 to 127 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## DIRECTORS

The directors of the Company in office at the date of this statement are:

Prof CHAM Tao Soon
John KOH Tiong Lu
Dr TAN Tat Wai
BAN Song Long
David FU Kuo Chen
Dr LOW Chin Nam

## ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings kept by the Company, for the purpose of Section 164 of the Companies Act, none of the directors of the Company at the beginning and at the end of the financial year and as at 21 January 2020 had any interest in the shares and debentures of the Company and its related corporations except, as follows:

| | Interest held in the name of Director | | | Deemed interest of Director | | |
|---|---|---|---|---|---|---|
| **Name of directors and corporations in which interest held** | **At 21.01.2020** | **At 31.12.2019** | **At 01.01.2019** | **At 21.01.2020** | **At 31.12.2019** | **At 01.01.2019** |
| **NSL Ltd** | | | | | | |
| Ordinary shares | | | | | | |
| Prof Cham Tao Soon | 30,000 | 30,000 | 30,000 | 10,000* | 10,000* | 10,000* |
| **Related Corporation** | | | | | | |
| **Raffles Marina Holdings Ltd** | | | | | | |
| Class B Ordinary Shares | | | | | | |
| Dr Low Chin Nam | 9,000 | 9,000 | 9,000 | - | - | - |

* Prof Cham Tao Soon is deemed to have an interest in the NSL Ltd shares held by his spouse.

# Directors' Statement

For the financial year ended 31 December 2019

## MATERIAL CONTRACTS

Except as disclosed in the Statement of Corporate Governance and the financial statements, no material contract (including loans) of the Company or its subsidiaries involving the interests of the chief executive officer or any director or controlling shareholders subsisted at the end of the financial year or has been entered into since the end of the financial year or has been entered into since the end of the previous financial year.

## SHARE OPTIONS

**(Principle 8)**

In line with the guidance under Provision 8.3 of the 2018 Code, the Company has a share option scheme, known as NSL Share Option Plan (the "**Plan**"), which was approved by the shareholders at an Extraordinary General Meeting on 25 April 2012.

The Plan is administered by the Remuneration Committee ("**RC**") whose members are:

Prof CHAM Tao Soon (Chairman), Non-Executive, Independent
John KOH Tiong Lu, Non-Executive, Independent
Dr TAN Tat Wai, Non-Executive, Independent
David FU Kuo Chen, Non-Executive

The aggregate number of new shares which may be issued pursuant to options granted under the Plan on any date shall not exceed 10% of the total number of issued shares (excluding treasury shares) on the day preceding that date.

Under the Plan, options to subscribe for the ordinary shares of the Company are to be granted to (i) Group Employees who hold such rank as may be designated by the RC from time to time; (ii) Non-Executive Directors who, in the opinion of the RC, have contributed or will contribute to the success of the Group; and (iii) Associated Company Employees who hold such rank as may be designated by the RC from time to time and who, in the opinion of the RC, have contributed or will contribute to the success of the Group. Controlling shareholders of the Company or an associate of such controlling shareholder(s) are not eligible to participate in the Plan.

The exercise price for each share in respect of which an option is exercisable shall be determined by the RC at its absolute discretion, and fixed by the RC at a price equal to the average of the last dealt prices of the Company's ordinary shares, as determined by reference to the daily official list or any other publication published by SGX-ST, for the three (3) consecutive trading days immediately preceding the grant date of that option. No option is to be granted at a discount to the prevailing market price of the shares.

No option has been granted since the commencement of the Plan.

## AUDIT COMMITTEE

The Board of Directors has reviewed and is satisfied with the adequacy and effectiveness of internal controls which comes under the supervision of the Audit Committee. The details and function of the Audit Committee are set out in the Statement of Corporate Governance.

The Audit Committee has nominated PricewaterhouseCoopers LLP for re-appointment by the shareholders as independent auditor at the forthcoming Annual General Meeting.

# Directors' Statement

For the financial year ended 31 December 2019

## INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, being eligible, has expressed their willingness to accept re-appointment.

On behalf of the Directors

Prof CHAM Tao Soon
Director

Dr LOW Chin Nam
Director

Singapore
6 March 2020

# Statement of Corporate Governance

For the financial year ended 31 December 2019

The Board recognises that it is the focal point of corporate governance of NSL Ltd. (the "**Company**") and its group of companies and believes that good corporate governance will, in the long term enhance return on capital through increased accountability.

The Group had in 1998 adopted an internal Corporate Governance Guide which has been updated from time to time to reflect, as far as practicable, the Code of Corporate Governance issued by the Monetary Authority of Singapore ("**2018 Code**"), the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the Companies Act, Chapter 50 of Singapore (the "**Singapore Companies Act**"). NSL Ltd's Corporate Governance Guide (2019) contains, inter alia, matters relating to code of conduct for employees, whistle-blower provisions, terms of reference for the Executive Committee, Audit Committee, Nominating Committee and Remuneration Committee and reporting procedures for interested person transactions, disclosure of directors' interest and dealings in the Company's securities.

Rule 710 of the Listing Manual of the SGX-ST was amended on 1 January 2019 to provide that an issuer must describe in its annual report its corporate governance practices with specific reference to the principles and the provisions of the 2018 Code. Accordingly, (a) an issuer must comply with the principles of the 2018 Code and (b) where an issuer's practices vary from any provisions of the 2018 Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reasons for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

The Company has complied with the principles of the 2018 Code and has largely complied with the provisions of the 2018 Code. Where there is a variation from any provisions of the 2018 Code, appropriate explanations have been provided on the reason for such variations and how the existing practices adopted are consistent with the intent, aim and philosophy of the relevant principles of the 2018 Code.

The following describes the Company's corporate governance practices with specific reference to the 2018 Code.

**Board of Directors**
**(Principles 1 to 3)**

The Board charts the strategic course for NSL Ltd. and its group of companies in its Precast & Prefabricated Bathroom Unit ("**PBU**") and Environmental Services businesses.

The Board comprises the following members as at the date of this statement:

| | |
|---|---|
| Prof CHAM Tao Soon | (Chairman), Non-Executive, Independent |
| John KOH Tiong Lu | Non-Executive, Independent |
| Dr TAN Tat Wai | Non-Executive, Independent |
| BAN Song Long | Non-Executive |
| David FU Kuo Chen | Non-Executive |
| Dr LOW Chin Nam | Executive |

In line with the guidance under Provision 3.1 of the 2018 Code, the positions of Chairman and Executive Director are separately held by two persons in order to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

In line with the guidance under Provision 3.2 of the 2018 Code, the Chairman is responsible for the overall management of the Board and leads the Board to ensure its effectiveness in all aspects of its role. Among other things, the Chairman sets the agenda and ensures that adequate time is available for discussion of all agenda items. He encourages constructive relations within the Board and between the Board and Management, and also facilitates the effective contribution of non-executive directors in particular. The Chairman plays a key role in promoting high standards of corporate governance and ensuring effective communications with shareholders of the Company. The Executive Director is responsible for the overall management of the Group.

Given that the roles of the Chairman and Executive Director are separate and the Chairman is independent, no lead independent director has been appointed.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

In line with the guidance under Provision 1.1 of the 2018 Code, the Board is responsible for putting in place a code of conduct and ethics, setting appropriate tone-from-the-top and desired organisational culture, and ensuring proper accountability within the Company. Directors facing conflicts of interest are required to recuse themselves from discussions and decisions involving the issues of conflict.

In line with the guidance under Provisions 2.1, 2.2 and 2.3 of the 2018 Code, the Board, half of which comprise independent non-executive directors, is able to exercise its powers objectively and independently from Management. All non-executive directors, except for Mr Ban Song Long and Mr David Fu Kuo Chen, who are also directors of 98 Holdings Pte Ltd, the ultimate holding company of the Group, are independent i.e. they have no relationship with the Company, its related corporations (as defined in the Singapore Companies Act), its substantial shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group, and they are able to exercise objective judgement on corporate affairs independently from Management and its substantial shareholders.

All directors are required to disclose any relationship or appointments which would impair their independence to the Board. Based on an internal evaluation conducted by the Nominating Committee, the Board views all the non-executive directors of the Company, except for Mr Ban Song Long and Mr David Fu Kuo Chen, as independent in character, judgement and that there are no relationships which are likely to affect or could appear to affect the director's judgement.

In line with the guidance under Provision 1.5 of the 2018 Code, the directors attend and actively participate in Board and Board Committee meetings to oversee the business affairs of the Group, approve financial objectives, annual budgets, investment and divestment proposals, business strategies and monitor standards of performance of the Group. In line with the guidance under Provision 1.6 of the 2018 Code, Board members are provided with complete, adequate and timely information prior to meetings and on an ongoing basis to enable them to make informed decisions to discharge their duties and responsibilities.

In line with the guidance under Provision 2.5 of the 2018 Code, non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management, and the chairman of such meetings provides feedback to the Board and/or the Chairman as appropriate.

In line with the guidance under Provision 1.7 of the 2018 code, all directors have separate and independent access to the Company's senior management, the advice and services of the Company Secretary and external advisers (where necessary). The Company Secretary attends all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Executive Committee, Nominating Committee and Remuneration Committee. Under the direction of the Chairman, the Company Secretary ensures information flow within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as and when required. Under the Constitution of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

Provision 1.2 of the 2018 Code states, among other things, that the induction, training and development provided to new directors are disclosed in the annual report. In this regard, no new director was appointed to the Board in the financial year ended 31 December 2019 and accordingly, no such induction, training and development was provided during such financial year. With respect to existing directors, they were provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. In particular, the existing directors are periodically informed of upcoming programmes which are relevant to their roles as directors of the Company.

In line with the guidance under Provision 1.1 of the 2018 Code, the Board objectively takes decisions in the best interests of the Group and holds Management accountable for performance. In line with the guidance under Provision 1.4 of the 2018 Code, the Board has delegated specific responsibilities to four Committees, namely the Audit, Executive, Nominating and Remuneration Committees. Information on each of the four Committees is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board. Matters requiring the Board's decision and endorsement are defined in the NSL Ltd Group Corporate Authorisation, which has been clearly communicated to Management and sets out (a) the matters reserved for the Board's decision, including bank borrowings and (b) clear directions to Management on matters that must be approved by the Board.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

With reference to the guidance under Provision 2.4 of the 2018 Code, the Board and Board Committees are of an appropriate size, and (notwithstanding there is presently no female representation) comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience and other aspects of diversity such as age, so as to avoid groupthink and foster constructive debate. While the Board recognises the value of gender diversity in relation to the composition of the Board, the Board believes it is of an appropriate size and has an appropriate diversity of thought and background to enable the Board to make decisions in the best interests of the Company in line with Principle 2 of the Code and accordingly, the Board does not presently propose to appoint female candidates for the sole purpose of achieving gender diversity on the Board. In view of the foregoing and on the basis that the Company already adopts a culture of diversity as a matter of its existing Board practices, the Board does not currently have a formal board diversity policy (which includes qualitative and measurable quantitative objectives).

Key information on the directors is set out on pages 33 and 34.

The Constitution of the Company allows directors to participate in a Board meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group, without requiring the directors' physical presence at the meeting. In line with the guidance under Provisions 1.5 and 11.4 of the 2018 Code, the number of Board, General and Board Committee meetings held in the financial year ended 31 December 2019 and the attendance of directors during these meetings is as follows:

**Directors' Attendance At Board, General And Board Committee Meetings**
**1 January 2019 to 31 December 2019**

| | BOARD | | AUDIT | | NOMINATING | | REMUNERATION | | EXECUTIVE COMMITTEE | | GENERAL MEETING | | CORPORATE RESEARCH | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meetings | Attendance | No. of Meetings | Attendance |
| Prof Cham Tao Soon | 4 | 4 | 4 | 4 | 1 | 1 | 3 | 3 | n/a | n/a | 1 | 1 | 3 | 3 |
| Ban Song Long | 4 | 4 | 4 | 4 | n/a | n/a | n/a | n/a | 9 | 9 | 1 | 1 | n/a | n/a |
| David Fu Kuo Chen | 4 | 4 | n/a | n/a | 1 | 1 | 3 | 3 | 9 | 9 | 1 | 1 | 3 | 3 |
| John Koh Tiong Lu | 4 | 4 | 4 | 4 | 1 | 1 | 3 | 3 | n/a | n/a | 1 | 1 | n/a | n/a |
| Dr Low Chin Nam | 4 | 4 | n/a | n/a | n/a | n/a | n/a | n/a | 9 | 9 | 1 | 1 | 3 | 3 |
| Dr Tan Tat Wai | 4 | 4 | 4 | 4 | 1 | 1 | 3 | 3 | n/a | n/a | 1 | 1 | n/a | n/a |

**Audit Committee**
**(Principle 10)**

In line with the guidance under Provision 10.2 of the 2018 Code, the Audit Committee comprises the following members, the majority of whom, including the Chairman, are independent directors. The members of the Audit Committee at the date of this statement are:

John KOH Tiong Lu (Chairman), Non-Executive, Independent
Prof CHAM Tao Soon, Non-Executive, Independent
Dr TAN Tat Wai, Non-Executive, Independent
BAN Song Long, Non-Executive

The members of the Audit Committee, collectively, have expertise or experience in financial management and are qualified to discharge the Audit Committee's responsibilities. In line with the guidance under Provision 10.3 of the 2018 Code, none of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

In line with the guidance under Provision 10.1 of the 2018 Code, the Audit Committee performs duties as specified in the Singapore Companies Act and the 2018 Code. Its duties include overseeing the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group, and its exposure to risks. It also keeps under review the adequacy and effectiveness of the Company's systems of accounting and internal controls for which the directors are responsible. The Audit Committee is empowered to investigate any matter within its terms of reference and in this regard will have full access to and co-operation by Management and reasonable resources to enable it to discharge its functions.

The Audit Committee Guidance Committee issued the first edition of the Guidebook for Audit Committees in Singapore in October 2008 and the second edition in August 2014. Both editions were distributed to all members of the Audit Committee. Where appropriate, the Audit Committee will adopt relevant best practices set out in the Guidebook; which will be used as reference to assist the Audit Committee in performing its functions.

In line with the guidance under Provision 10.4 of the 2018 Code, the internal auditors have unfettered access to the all the Company's documents, records, properties and personnel, including the Audit Committee, and has appropriate standing within the Company.

The Audit Committee held four meetings for the financial year ended 31 December 2019.

In carrying out its duties, the Audit Committee:

(a) Reviewed the independence, adequacy, effectiveness, scope and results of the Group's internal audit function and external audits;

(b) Met with the auditors to discuss the results of their audits, significant financial reporting issues and judgements, to enquire if there are material weaknesses and control deficiencies over the Group's financial reporting process and the corresponding effects of the financial statements. In line with the guidance under Provision 10.5 of the 2018 Code, the Audit Committee also met the auditors separately in the absence of Management;

(c) Reviewed significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and all announcements relating to the Group's financial performance;

(d) Reviewed at least annually the adequacy and effectiveness of the Group's internal controls and risk management systems;

(e) Reviewed the assurance from the Executive Director and Senior Vice-President, Finance on the financial records and financial statements;

(f) Reviewed the quarterly and annual financial statements, SGXNET announcements and all related disclosures before submission to the Board for approval;

(g) Reviewed, on an annual basis, non-audit services rendered to the Group by the external auditors to ascertain that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;

(h) Reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on;

(i) Decided on the appointment, termination and remuneration of the head of the internal audit function; and

(j) Being satisfied with the independence and objectivity of the external auditors, recommended to the Board of Directors the re-appointment of PricewaterhouseCoopers LLP as auditors of the Company at the forthcoming annual general meeting. The Audit Committee also reviewed and approved the remuneration and terms of engagement of the external auditors.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

The Audit Committee also considered the report from the external auditors, including their findings on the key areas of audit focus. Significant matters that were discussed with management and the external auditors have been included as key audit matters (KAMs) in the audit report for the financial year ended 31 December 2019. Refer to pages 35 to 37 of this Annual Report.

In assessing each KAM, the Audit Committee took into consideration the approach and methodology applied in the valuation of assets. The Audit Committee concluded that management's accounting treatment in each of the KAMs were appropriate.

The Audit Committee has reviewed all non-audit services provided by the external auditors for the financial year ended 31 December 2019 as well as the fees paid and is satisfied that the independence and objectivity of the external auditors have not been impaired.

The Audit Committee and Board of Directors confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associated companies would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Group has complied with Rules 712 and 716 of the Listing Manual of the SGX-ST in relation to its auditors.

On the basis of the foregoing, the Company has complied with Rule 1207(6)(c) of the Listing Manual of the SGX-ST.

The Audit Committee undertakes to investigate complaints of suspected fraud, unlawful business practices and unsafe working conditions in an objective manner and the Company has put in place a whistle-blower policy and procedures which provide employees with direct access to the Audit Committee Chairman.

Whistle-blowing posters, outlining confidential channels for whistle-blowing directly to the Audit Committee Chairman (cellphone, e-mail and P.O. Box) have been prominently displayed in high traffic areas, in all offices and plants of the Group world-wide. The Company has made available (vide its website as well as the websites of each of its main business units) to its vendors, suppliers and customers the same confidential channels for whistle-blowing directly to the Audit Committee Chairman. In addition, the poster has been translated into 12 languages and disseminated as a pamphlet to most non-English speaking employees of the Group.

**Executive Committee**

The Executive Committee ("**EC**") comprises the following members:

BAN Song Long (Chairman), Non-Executive
David FU Kuo Chen, Non-Executive
Dr LOW Chin Nam, Executive

Under its terms of reference, the EC is authorised to approve and execute such transactions as are authorised and delegated by the Board as set out in the NSL Ltd Group Corporate Authorisation.

**Nominating Committee**
**(Principles 1, 4 & 5)**

In line with the guidance under with Provision 4.2 of the 2018 Code, the Nominating Committee ("**NC**") comprises the following members:

Prof CHAM Tao Soon (Chairman), Non-Executive, Independent
John KOH Tiong Lu, Non-Executive, Independent
Dr TAN Tat Wai, Non-Executive, Independent
David FU Kuo Chen, Non-Executive

# Statement of Corporate Governance

For the financial year ended 31 December 2019

In line with the guidance under Provision 4.1 of the 2018 Code, under its terms of reference, the principal duties of the NC are:

- To review and make recommendations to the Board on succession plans for directors, in particular the appointment and/or replacement of the Chairman, the Executive Director and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("**key management personnel**").
- To review and make recommendations to the Board on all Board appointments and re-nominations.
- To review and make recommendations to the Board on the process and criteria for evaluation of the performance of the Board, Board Committees and directors.
- To review and make recommendations to the Board on the training and professional development programmes for the Board and its directors.
- To propose objective performance criteria to evaluate the Board's performance.
- To assess and determine annually the independence of the directors.

With reference to the guidance under Provision 4.3 of the 2018 Code, in reviewing and making recommendations to the Board on Board appointments and re-nominations, the NC takes into consideration the composition and renewal of the Board, as well as each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, his or her performance as an independent director, so as to ensure that the Board and its Board Committees are of an appropriate size, and comprise directors who as a group provide an appropriate balance and mix of skills, knowledge and experience and other aspects of diversity such as age, so as to avoid groupthink and foster constructive debate. Provision 4.3 of the 2018 Code states, among other things, that the Company discloses the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates. In this regard, as the Board believes it is of an appropriate size and has an appropriate diversity of thought and background to enable the Board to make decisions in the best interests of the Company in line with Principle 2 of the Code and in view that the directors who retired at the last Annual General Meeting had offered themselves for re-election and had been re-elected successfully, the NC had not undertaken a search for new candidates during the financial year ended 31 December 2019.

In line with the guidance under Provision 5.1 of the 2018 Code, the Company has in place a process for assessing the effectiveness of the Board as a whole, and of each Board Committee separately, as well as the contribution by the Chairman and each individual director to the Board.

The NC is also responsible for determining annually, the independence of directors.

In conducting its assessment on the independence of non-shareholder related non-executive directors, the NC was guided by the 2018 Code and a set of specific criteria. The NC noted that prior to 1 January 2022, Guideline 2.4 of the Code of Corporate Governance 2012 issued on 2 May 2012 (the "**2012 Code**") shall apply. Guideline 2.4 of the 2012 Code states that the independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. In this regard, the NC is of the view that an individual's independence cannot be arbitrarily determined merely on the basis of a set period of time. On the contrary, these directors continued to provide stability to the Board and the Company had benefited greatly from the presence of individuals who were specialists in their own field and they had, over time, not only gained valuable insight into the Group, its business, markets and industry but have brought their breadth and depth of business experience to the Company.

The NC considered specifically whether their length of service had compromised their independence and having regard to all the other relevant circumstances, concluded that these non-executive directors i.e. Prof Cham Tao Soon, Mr John Koh Tiong Lu and Dr Tan Tat Wai remained independent from Management and provided a strong independent element on the Board, being free from any business or other relationship which could materially interfere with the exercise of their judgement.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

In line with the guidance under Provision 4.5 of the 2018 Code, the NC ensures that new directors are aware of their duties and obligations and also decides if a director is able to and has been adequately carrying out his or her duties as a director of the Company, taking into account the number of directorships and principal commitments of each director. Key information on the directors, including listed company directorships and principal commitments, is set out on pages 33 and 34.

The NC noted the 2018 Code requirement for the Board of Directors to decide on the issue of multiple board representations of directors and was of the view that the onus was placed on individual directors to ensure he could discharge all his duties and responsibilities as a director. Therefore, the NC did not recommend the setting of the maximum number of listed company board representations which a director may hold and would leave this issue to be determined by individual directors. In line with the guidance under Provision 4.5 of the Code, the NC is satisfied that sufficient time and attention was given by the directors to the affairs of the Group, taking into consideration the director's number of listed company board representations and other principal commitments.

The Board, through the NC, reviews the size and composition of the Board and is of the opinion that, given the scope and nature of the Group's operations, the size of the Board is appropriate in facilitating effective decision-making.

The NC does not have a practice of appointing alternate directors. No alternate director was appointed in this financial year.

With reference to the guidance under Provision 5.2 of the Code, the NC undertook or, as the case may be, is completing an assessment of the Board, its board committees and each director. For purposes of such assessment, evaluation forms were sent to the directors to assess the effectiveness of the Board, its board committees and each director. The evaluation forms were or, as the case may be, will be collated and tabled to the NC for deliberation. No external facilitator was appointed for purposes of such assessment.

**Remuneration Committee**
**(Principles 6 & 7)**

In line with the guidance under Provision 6.2 of the 2018 Code, the Remuneration Committee ("**RC**") comprises the following members:

Prof CHAM Tao Soon (Chairman), Non-Executive, Independent
John KOH Tiong Lu, Non-Executive, Independent
Dr TAN Tat Wai, Non-Executive, Independent
David FU Kuo Chen, Non-Executive

In line with the guidance under Provisions 6.1, 7.1, 7.2 and 7.3 of the 2018 Code, under its terms of reference, the principal duties of the RC include:

- To review and make recommendations to the Board a framework of remuneration for the Board and key management personnel, with the objective of, among others, ensuring that the level and structure of remuneration of the Board and key management personnel are appropriate to attract, retain and motivate the directors to provide good stewardship of the Group and key management personnel to successfully manage the Group for the long term.

- To review and recommend to the Board specific remuneration packages for each of the directors and the key management personnel, taking into consideration the following:

    - a significant and appropriate proportion of the remuneration for executive directors and key management personnel is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promote the long-term success of the Group; and

    - the remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors, such as effort, time spent and responsibilities.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

- To review all benefits and long-term incentive schemes (including share option schemes) for the Board and key management personnel.

In line with the guidance under Provision 8.1 of the 2018 Code, in reviewing and determining the remuneration packages of the Executive Director and key management personnel, the RC shall consider, amongst other things, their responsibilities, skills, expertise and contribution to the Group's performance and if the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talent.

With reference to Provision 6.4 of the 2018 Code, no remuneration consultant was engaged to advise on the remuneration of directors and key management personnel.

**Remuneration and Benefits of Directors and Key Executives (Principle 8)**

In line with the guidance under Provisions 8.1 and 8.3 of the 2018 Code, the level and mix of each of the Directors' remuneration, and that of each of the top 5 key executives (who are not directors), are set out below:

(a) Directors

| Remuneration Band & Name of Director | Base / Fixed Salary(1) S$'000 | Variable or Performance-related Income / Bonuses(1) S$'000 | Directors' Fees S$'000 | Benefits-in-kind S$'000 | Share Options Granted(2) S$'000 | Total Compensation S$'000 |
|---|---|---|---|---|---|---|
| **Non-Executive Directors** | | | | | | |
| Prof CHAM Tao Soon | - | - | 152 | - | - | 152 |
| BAN Song Long | - | - | 102 | - | - | 102 |
| David FU Kuo Chen | - | - | 96 | - | - | 96 |
| John KOH Tiong Lu | - | - | 120 | - | - | 120 |
| Dr TAN Tat Wai | - | - | 90 | - | - | 90 |
| **Executive Director** | | | | | | |
| Dr LOW Chin Nam | 420 | - | 54 | 22 | - | 496 |

(1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.

(2) No options were granted during the financial year.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

(b) Key Executives

In line with the guidance under Provisions 8.1 and 8.3 of the 2018 Code, the table below shows the level and mix of gross remuneration received by the top 5 executives (excluding the Executive Director) of the Group in bands of S$250,000:

| Remuneration Band & Name of Key Executive | Base / Fixed Salary[1] % | Variable or Performance-related Income / Bonuses[1] % | Benefits-in-kind % | Share Options Granted[2] % | Total Compensation % |
|---|---|---|---|---|---|
| S$250,000 to S$499,999 | | | | | |
| Matti MIKKOLA | 83 | - | 17 | - | 100 |
| TAN Meow Cheng | 99 | - | 1 | - | 100 |
| Henrik Bondrup JENSEN | 74 | - | 26 | - | 100 |
| Jussi RAUNIO | 59 | 37 | 4 | - | 100 |
| Jeffrey FUNG Tian Piow | 100 | - | - | - | 100 |

(1) The salary and performance bonus amounts shown are inclusive of allowances, leave pay and CPF.

(2) No options were granted during the financial year.

The annual aggregate remuneration paid to the top five key executives (excluding the Executive Director) for the financial year ended 31 December 2019 was S$1,848,000.

In line with the guidance under Provision 8.2 of the 2018 Code, there is no employee whose remuneration exceeds S$100,000 during the financial year who a substantial shareholder of the Company, or is an immediate family member of a director, chief executive officer or substantial shareholder of NSL Ltd.

**Corporate Research and Development Advisory Panel**

The Corporate Research and Development Advisory Panel ("**CRD**") as at the date of this statement comprises the following members:

Prof CHAM Tao Soon (Chairman)
David FU Kuo Chen
LAM Siew Wah
LIM Swee Cheang
Dr LOW Chin Nam
Prof NG Wun Jern
Dr TIONG Lee Kong, Robert

The CRD serves as a forum for open discussion between the academic circle, government bodies and the Group. Members comprise senior management, scientists and academicians from Universities and Government bodies. The CRD usually meets 2 to 3 times a year.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

**Risk Management and Internal Controls**
**(Principle 9)**

The Board of Directors, with the assistance of the Audit Committee, ensures that the Management maintains adequate risk management and internal control systems to safeguard shareholders' investment and the Group's assets.

In line with the guidance under Provision 9.1 of the 2018 Code, Management regularly reviews the Group's business and operational activities to identify areas of significant risks as well as implement appropriate measures to control and mitigate these risks. These measures provide reasonable, but not absolute, assurance against material misstatements or loss, as well as ensure the safeguarding of assets, maintenance of proper accounting records and reliable financial information, and compliance with applicable law and regulations.

The nature and management of financial risks are discussed in Note 37 to the Financial Statements.

Review and tests of internal control procedures are carried out by the Company's internal auditors based on approved internal audit plan. Significant internal control weaknesses noted by the internal auditors (if any) together with their recommendations, are included in their reports which are submitted to the Audit Committee.

In line with the guidance under Provision 9.2 of the 2018 Code, the Board has obtained assurance from Dr Low Chin Nam, Executive Director and Mr Chia Tong Hee, Senior Vice-President, Finance, that:

(a) the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the operations and finances of the Group; and

(b) the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls were adequate and effective as at 31 December 2019.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board is of the opinion that the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls were adequate and effective as at 31 December 2019.

The Audit Committee concurred with the Board's view that the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls were adequate and effective as at 31 December 2019.

**Internal Audit Function**

The Company has an in-house internal audit department with a round-the-year internal audit program for the Group. The role of the internal auditors is to assist the Audit Committee to ensure that the Group maintains a sound system of internal controls and may undertake investigations as directed by the Audit Committee.

Internal Audit prepares an annual audit plan. The Audit Committee reviews and approves the annual internal audit plan, which complements that of the external auditors, so as to review the adequacy and effectiveness of the system of internal controls of the Group. The external auditors will highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All audit findings and recommendations raised by the internal and external auditors are reported to the Audit Committee. Internal Audit follows up on all recommendations by internal and external auditors to ensure management has implemented these in a timely and appropriate manner and reports the results to the Audit Committee every quarter.

Staffed by suitably qualified executives, Internal Audit has unrestricted direct access to the Audit Committee. The Head of Internal Audit's primary line of reporting is to the Chairman of the Audit Committee.

Overall, the Audit Committee is satisfied that the internal audit function is independent and effective and that internal audit department has adequate resources and appropriate standing within the Group to perform its function effectively.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

**Shareholder Rights, Conduct of General Meetings and Communication with Shareholders (Principles 11, 12 & 13)**

The Company makes all necessary disclosures to the public via SGXNET. When material information is disseminated to the SGX-ST, such information is simultaneously posted on the Company's website at www.nsl.com.sg.

The Board, endeavours, by the release of quarterly and full year results, to provide shareholders with a balanced and understandable assessment of the Group's performance and prospects.

In line with the guidance under Provision 11.1 of the 2018 Code, shareholders of the Company receive the notice of the annual general meeting. The notice is also advertised in the newspapers. At annual general meetings, shareholders are given the opportunity to seek clarification from directors and management on the financial affairs of the Company.

In line with the guidance under Provision 11.3 of the 2018 Code, to the extent possible, all directors will attend general meetings of shareholders. External auditors will also be present to assist the directors in addressing shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

The Company does not intend to adopt absentia voting methods (e.g. via mail, email or fax) until issues such as the authentication of shareholder identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, under the Company's Constitution:

(a) a member of the Company who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) is entitled to appoint not more than two proxies to attend, speak and vote at the meeting; and

(b) a member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

Accordingly, the Board is of the view that shareholders will still be able to participate effectively in and vote at general meetings even in the absence of absentia voting.

In line with the guidance under Provision 11.2 of the 2018 Code, resolutions submitted at annual general meetings are typically separate and not bundled or made inter-conditional on each other, unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are bundled, the Company will explain the reasons and material implications in the notice of annual general meeting.

The Company had put all resolutions to vote by poll at shareholders meetings since December 2002 and announced detailed results showing the number of votes cast for and against each resolution and the respective percentages since 2012.

The Company does not publish minutes of general meetings or shareholders on its corporate website as contemplated by Provision 11.5 of the 2018 Code. There are potential adverse implications for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting) including disclosure of sensitive information to the Group's competitors. Further, shareholders, including those who did not attend the relevant general meeting, have a right to be furnished copies of minutes of general meeting pursuant to Section 189 of the Singapore Companies Act. Accordingly, the Company is of the view that its position is consistent with the intent of Principle 11 of the 2018 Code as shareholders are treated fairly and equitably by the Company.

The Company does not have a formal dividend policy as contemplated by Provision 11.6 of the 2018 Code. The Board may from time to time consider paying dividends in a manner that is in line with the Group's financial performance, taking into consideration the Group's earnings, capital requirements and overall financial position. Any dividends declared are clearly communicated to shareholders in public announcements and through announcements via SGXNET when the Company discloses its financial results. Subject to the approval of shareholders at the forthcoming annual general meeting, the Board has recommended a final dividend of S$0.05 per share for the financial year ended 31 December 2019 to be paid on a date to be determined by the directors.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

In line with the guidance under Provision 12.1 of the 2018 Code, the Company communicates (at least once annually at the annual general meeting) with its shareholders and facilitates the participation of shareholders during general meetings and (where applicable) other dialogues to allow shareholders to communicate their views on various matters affecting the Company. The Company also provides avenues for communication between the Board and all shareholders.

The Company currently does not have an investor relations policy in place as contemplated by Provisions 12.2 and 12.3 of the 2018 Code but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. The Company will consider the appointment of a professional investor relations officer should such a need arise. Shareholders could contact the Company's corporate communications department directly with questions and the Company may respond to such questions through such department. The contact details of the department are also set out on the Company's website.

In line with the guidance under Provisions 13.1, 13.2 and 13.3 of the 2018 Code, the Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served. The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups, and maintains a current corporate website to communicate and engage with stakeholders.

**Securities Transactions**

The Company has issued a policy on dealings in the securities of the Company to its directors, employees and directors of its subsidiaries, setting out the implications of insider trading and guidance on such dealings. Accordingly, the Company has complied with Rule 1207 (19) of the Listing Manual of the SGX-ST since 1998.

The Company and its officers are not allowed to deal in the Company's securities during the period commencing two weeks before the announcement of the company financial statements for each of the first three quarters of its financial year and one month before the announcement of the company's full year financial statements (if the Company announces its quarterly results, whether required by the SGX-ST or otherwise) or during the one month preceding, and up to the time of announcement of, the Company's results for the half-year and the full financial year (if the Company does not announce its quarterly results).

The directors and key employees are also expected to observe insider trading laws at all times, even when dealing in securities outside of the prohibited periods and to refrain from dealing in the securities on short-term considerations.

**Interested Person Transactions**

Pursuant to Rule 907 of the Listing Manual of the SGX-ST, no interested person transaction was entered into during the financial year.

# Statement of Corporate Governance

For the financial year ended 31 December 2019

## PARTICULARS OF DIRECTORS AS AT 6 MARCH 2020

| NAME OF DIRECTOR | ACADEMIC & PROFESSIONAL QUALIFICATIONS | BOARD COMMITTEE AS CHAIRMAN OR MEMBER | DIRECTORSHIP DATE FIRST APPOINTED DATE LAST RE-ELECTED | BOARD APPOINTMENT WHETHER EXECUTIVE OR NON-EXECUTIVE | DUE FOR RE-ELECTION AT AGM | LISTED COMPANY DIRECTORSHIPS | PRINCIPAL COMMITMENTS |
|---|---|---|---|---|---|---|---|
| Prof Cham Tao Soon | • Bachelor of Engineering degree from Malaya University<br>• Bachelor of Science degree from University of London<br>• Doctorate of Philosophy degree from University of Cambridge<br>• Fellow of the Institution of Engineers, Singapore<br>• Fellow of the Institution of Mechanical Engineers, UK | *Chairman:*<br>Nominating Committee<br><br>Remuneration Committee<br><br>Corporate Research and Development Advisory Panel<br><br>*Member:*<br>Audit Committee | 26 May 1988<br>24 April 2018 | Non-Executive / Independent | N/A | Soup Restaurant Group Ltd | No |
| John Koh Tiong Lu | • LLM degree from Harvard Law School<br>• BA and MA degree (Economics and Law) from Trinity College, University of Cambridge | *Chairman:*<br>Audit Committee<br><br>*Member:*<br>Nominating Committee<br><br>Remuneration Committee | 30 January 2003<br>11 April 2017 | Non-Executive / Independent | Re-election (Article 90) | • KrisEnergy Ltd<br>• Athenex Inc<br>• Aurora Mobile Limited | No |
| Dr Tan Tat Wai | • Bachelor of Science degrees in Electrical Engineering and Economics from Massachusetts Institute of Technology<br>• Master's degrees in Economics from the University of Wisconsin (Madison) and Harvard University<br>• Doctor of Philosophy degree in Economics from University of Harvard | *Member:*<br>Audit Committee<br><br>Nominating Committee<br><br>Remuneration Committee | 15 February 1993<br>11 April 2017 | Non-Executive / Independent | Re-election (Article 90) | Southern Steel Berhad | Hospital Lam Wah Ee (Non-profit hospital)<br><br>Penang Chinese Girls School<br><br>Phor Tay Schools |

# Statement of Corporate Governance

For the financial year ended 31 December 2019

| NAME OF DIRECTOR | ACADEMIC & PROFESSIONAL QUALIFICATIONS | BOARD COMMITTEE AS CHAIRMAN OR MEMBER | DIRECTORSHIP DATE FIRST APPOINTED DATE LAST RE-ELECTED | BOARD APPOINTMENT WHETHER EXECUTIVE OR NON-EXECUTIVE | DUE FOR RE-ELECTION AT AGM | LISTED COMPANY DIRECTORSHIPS | PRINCIPAL COMMITMENTS |
|---|---|---|---|---|---|---|---|
| Ban Song Long | Associate of the Institute of Bankers, London | *Chairman:* Executive Committee<br><br>*Member:* Audit Committee | 25 January 2003<br>24 April 2018 | Non-Executive | N/A | No | Excelfin Pte Ltd (Managing Director)<br><br>Yotei Pte Ltd (Managing Director) |
| David Fu Kuo Chen | Bachelor of Science degree in Engineering from University of Southern California | *Member:* Nominating Committee<br><br>Remuneration Committee<br><br>Executive Committee<br><br>Corporate Research and Development Advisory Panel | 25 January 2003<br>26 April 2019 | Non-Executive | N/A | Hotel Properties Ltd | No |
| Dr Low Chin Nam | • Bachelor of Science (First Class Honours) in Electronics Engineering from King's College, University of London<br>• Master of Science in Management Science from Imperial College, University of London<br>• Doctor of Philosophy degree in Econometrics from Monash University, Australia | *Member:* Executive Committee<br><br>Corporate Research and Development Advisory Panel | 1 August 2016<br>26 April 2019 | Executive (Responsible for the overall Management of the NSL Group) | N/A | No | Full-time executive of NSL Ltd |

# Independent Auditor's Report

To the members of NSL LTD.

## Report on the Audit of the Financial Statements

### Our opinion

In our opinion, the accompanying consolidated financial statements of NSL Ltd. (the "Company") and its subsidiaries (the "Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

*What we have audited*

The financial statements of the Company and the Group comprise:
- the consolidated income statement of the Group for the financial year ended 31 December 2019;
- the consolidated statement of comprehensive income of the Group for the financial year then ended;
- the balance sheets of the Group and of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence*

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

### Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditor's Report

To the members of NSL LTD.

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| ***Impairment assessment on trade receivables*** | |
| *Refer to Note 3a, Note 17, Note 23 and Note 37b to the financial statements for the related disclosures*<br><br>At 31 December 2019, the Group had outstanding trade receivables of S$76,192,000 (net of accumulated loss allowance for impairment of trade receivables of S$15,488,000).<br><br>For trade receivables, the Group applies the simplified approach permitted under SFRS(I) 9, which required expected lifetime losses to be recognised from initial recognition of the receivables as set out in accounting policy stated in Note 2K.<br><br>Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, default payments and/or legal enforcement action undertaken by the Group for recovery against the debtor are considered evidence that the debtor is non-performing ("Non-performing receivable"). In such instances, the expected credit loss of the non-performing receivable is measured at the maximum exposure to the Group at balance sheet date.<br><br>In relation to trade receivables that are other than non-performing, they were grouped based on similar credit risk characteristics and days past due; and a provision matrix was used to measure the lifetime expected credit loss within each revenue segment.<br><br>In estimating the expected loss rates, management considers historical loss rates for each aging category and takes into consideration adjustments to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.<br><br>We focused on this area because of the significant judgement required in assessing if the expected credit loss recognised by the Group as at 31 December 2019 was adequate. | We obtained an understanding of the Group's process for estimating the expected credit loss and assessed management's measurement of the lifetime expected credit losses.<br><br>We also assessed management's judgement on whether these historical credit loss rates used by management were reflective of current market conditions for customers within each revenue segment, and considered the impact of forward-looking information on expected credit losses. For forward-looking assumptions used by the Group, we held discussion with management and corroborated the expected credit loss rates using both internal and publicly available information.<br><br>We verified the mathematical accuracy of the impairment loss of trade receivables and assessed the reasonableness of the loss rates for the respective aging brackets of trade receivables based on days past due, in assessing the adequacy of impairment required.<br><br>We also considered the appropriateness and adequacy of the disclosures in respect of this matter.<br><br>Based on our procedures, we found the judgement exercised by management in the determination of impairment of trade receivables and the impairment loss charged in the financial statements to be appropriate. |

# Independent Auditor's Report

To the members of NSL LTD.

**Key Audit Matter**

***Impairment assessment on property, plant and equipment ("PPE") and right-of-use assets ("RoU assets")***

*Refer to Note 3b, Note 19c and Note 20a to the financial statements for the related disclosures.*

As at 31 December 2019, the Group's PPE and RoU assets were carried at net book values of S$124,859,000 and S$38,439,000 respectively. For PPE and RoU assets with indicators of impairment, management performed an impairment review to assess the recoverable amounts of these assets based on the higher of value-in-use ("VIU") and fair value less cost to sell ("FVLCS").

In the current financial year, management assessed that there was objective evidence or indication that the PPE and RoU assets of certain cash-generating units ("CGU") of the Group may be impaired. For the financial year ended 31 December 2019, impairment losses of S$20,901,000 and S$3,453,000 were recorded for the PPE and RoU assets respectively to write down the carrying amounts of these assets to their estimated recoverable amounts.

In the determination of impairment losses of PPE and RoU assets of the Group, management's assessment of the VIUs of the assets in a CGU of the Precast & PBU segment involve significant judgement about the projected sales growth rates and gross profit margins, particularly in relation to the future results of the business; and the discount rates applied to cash flow projections.

We focused on this area as the assessment of recoverable amounts using the VIU model required management to exercise significant judgement in estimating the projected sales growth rate, projected gross profit margins and discount rates applied to future cash flow projections.

**How our audit addressed the Key Audit Matter**

We assessed management's identification of the CGUs which contained indicators of impairment as at 31 December 2019.

In respect of CGUs where indicators of impairment were present, we assessed management's basis of measuring the recoverable amount of the PPE based on higher of VIU and FVLCS.

We evaluated the process by which management's VIU computations were developed, including verifying the mathematical accuracy of the underlying calculations.

We assessed the reasonableness of the cash flow projections, and compared the projected sales growth rate and gross profit margins against the CGU's historical data and performance and latest financial budgets approved by management. We have also independently verified and noted that the methodology and the discount rates used by management were appropriate.

We also considered the appropriateness and adequacy of the disclosures relating to the assumptions.

Based on our procedures performed, we found that the assumptions used in the cash flow projections and results of management's assessment were within a reasonable range and sensitivity analyses were adequately disclosed in the financial statements.

# Independent Auditor's Report

To the members of NSL LTD.

**Other Information**

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

**Responsibilities of Management and Directors for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

# Independent Auditor's Report

To the members of NSL LTD.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report

To the members of NSL LTD.

**Report on Other Legal and Regulatory Requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Sim May Ling Theresa.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants
Singapore, 6 March 2020

# Consolidated Income Statement

For the financial year ended 31 December 2019

| | Note | The Group 2019 S$'000 | The Group 2018 S$'000 (restated) |
|---|---|---|---|
| **Continuing operations** | | | |
| Sales | 4 | 272,350 | 283,299 |
| Cost of sales | | (251,771) | (257,638) |
| Gross profit | | 20,579 | 25,661 |
| Other income | | | |
| - Interest | 5 | 5,210 | 4,536 |
| - Others | 5 | 6,284 | 9,052 |
| Other gains and losses | 6 | (23,985) | (1,502) |
| Distribution costs | | (8,845) | (9,912) |
| Administrative expenses | | (32,577) | (29,890) |
| Impairment loss on financial assets | 37b | (106) | (561) |
| Finance costs | 7 | (1,348) | (470) |
| Share of results of associated companies, net of tax | 22 | (164) | 7 |
| Loss before income tax | 8 | (34,952) | (3,079) |
| Income tax expense | 10 | (2,606) | (1,332) |
| Loss from continuing operations | | (37,558) | (4,411) |
| **Discontinued operations** | | | |
| Profit from discontinued operations | 11 | 596 | 538 |
| **Total loss for the financial year** | | (36,962) | (3,873) |
| (Loss) / profit attributable to equity holders of the Company: | | | |
| - from continuing operations | | (33,637) | (4,300) |
| - from discontinued operations | | 494 | 445 |
| | | (33,143) | (3,855) |
| (Loss) / profit attributable to non-controlling interest: | | | |
| - from continuing operations | | (3,921) | (111) |
| - from discontinued operations | | 102 | 93 |
| | | (3,819) | (18) |
| **Basic and fully diluted (loss) / earnings per share (cents)** | | | |
| - from continuing operations | 13 | (9.00) | (1.15) |
| - from discontinued operations | 13 | 0.13 | 0.12 |

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2019

| | Note | The Group 2019 S$'000 | The Group 2018 S$'000 |
|---|---|---|---|
| **Total loss for the financial year** | | (36,962) | (3,873) |
| **Other comprehensive income:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations | | | |
| - (Losses) / gains arising during the year | | (3,418) | 104 |
| Share of other comprehensive income / (losses) of associated companies | | 87 | (299) |
| Income tax relating to components of other comprehensive income | | - | 56 |
| | | (3,331) | (139) |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Gains / (losses) arising from financial assets, at FVOCI* | | 3,417 | (20) |
| Exchange differences on translating foreign operations | | | |
| - Gains / (losses) arising during the year | | 68 | (96) |
| Share of other comprehensive losses of associated companies | | (1,540) | - |
| Other comprehensive losses for the year, net of tax | | (1,386) | (255) |
| **Total comprehensive losses for the year, net of tax** | | (38,348) | (4,128) |
| Total comprehensive losses attributable to: | | | |
| Equity holders of the Company | | (34,597) | (4,014) |
| Non-controlling interests | | (3,751) | (114) |
| | | (38,348) | (4,128) |

* Financial assets measured at fair value through other comprehensive income

The accompanying notes form an integral part of the financial statements.

# Balance Sheets

As at 31 December 2019

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Share capital | 14 | 193,839 | 193,839 | 193,839 | 193,839 |
| Reserves | 15 | 316,468 | 367,915 | 155,566 | 169,234 |
| Shareholders' equity | | 510,307 | 561,754 | 349,405 | 363,073 |
| Non-controlling interests | 21 | (1,133) | 4,572 | - | - |
| TOTAL EQUITY | | 509,174 | 566,326 | 349,405 | 363,073 |
| | | | | | |
| CURRENT ASSETS | | | | | |
| Inventories | 16 | 45,726 | 54,175 | - | - |
| Receivables, prepayments and other current assets | 17 | 92,556 | 101,435 | 49,226 | 40,758 |
| Other investments at amortised cost | 25 | 500 | - | 500 | - |
| Tax recoverable | | 1,708 | 1,624 | - | - |
| Cash and cash equivalents | 18 | 281,592 | 304,661 | 224,221 | 257,326 |
| | | 422,082 | 461,895 | 273,947 | 298,084 |
| NON-CURRENT ASSETS | | | | | |
| Property, plant and equipment | 19 | 124,859 | 156,030 | 446 | 170 |
| Right-of-use assets | 20 | 38,439 | - | 1,415 | - |
| Investments in subsidiaries | 21 | - | - | 85,232 | 85,232 |
| Investments in associated companies | 22 | 47,569 | 51,265 | - | - |
| Long term receivables | 23 | 5,130 | 4,588 | 28,051 | 27,912 |
| Financial assets, at FVOCI | 24 | 11,202 | 7,785 | 10,911 | 7,494 |
| Other investments at amortised cost | 25 | 2,021 | 2,536 | 2,021 | 2,536 |
| Intangible assets | 26 | 10,341 | 11,187 | 71 | 163 |
| Deferred tax assets | 31 | 3,081 | 3,901 | - | - |
| Other non-current assets | | 105 | 105 | - | - |
| | | 242,747 | 237,397 | 128,147 | 123,507 |
| TOTAL ASSETS | | 664,829 | 699,292 | 402,094 | 421,591 |

The accompanying notes form an integral part of the financial statements.

# Balance Sheets

As at 31 December 2019

| | Note | The Group 2019 S$'000 | The Group 2018 S$'000 | The Company 2019 S$'000 | The Company 2018 S$'000 |
|---|---|---|---|---|---|
| CURRENT LIABILITIES | | | | | |
| Borrowings | 27a | (10,872) | (2,109) | - | - |
| Lease liabilities | 27b | (3,206) | - | (266) | - |
| Trade, other payables and other current liabilities | 28 | (91,795) | (98,599) | (41,556) | (48,683) |
| Current income tax liabilities | | (295) | (618) | - | - |
| Deferred income | 29 | (183) | (168) | - | - |
| | | (106,351) | (101,494) | (41,822) | (48,683) |
| NON-CURRENT LIABILITIES | | | | | |
| Provision for retirement benefits | 30 | (3,901) | (3,473) | - | - |
| Deferred tax liabilities | 31 | (2,111) | (2,179) | (129) | (236) |
| Borrowings | 27a | (23,107) | (20,061) | - | - |
| Lease liabilities | 27b | (17,409) | - | (1,059) | - |
| Deferred income | 29 | (377) | (535) | - | - |
| Other non-current liabilities | 32 | (2,399) | (5,224) | (9,679) | (9,599) |
| | | (49,304) | (31,472) | (10,867) | (9,835) |
| TOTAL LIABILITIES | | (155,655) | (132,966) | (52,689) | (58,518) |
| NET ASSETS | | 509,174 | 566,326 | 349,405 | 363,073 |

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2019

| | Note | Attributable to Equity Holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Share Capital S$'000 | Revenue Reserve S$'000 | Foreign Currency Translation Reserve S$'000 | Capital Reserve S$'000 | Fair Value Reserve S$'000 | General And Other Reserve S$'000 | Total S$'000 | Non-controlling Interests S$'000 | Total Equity S$'000 |
| **THE GROUP** | | | | | | | | | | |
| **Balance as at 1 January 2019** | | 193,839 | 368,372 | (1,050) | (1,944) | 1,556 | 981 | 561,754 | 4,572 | 566,326 |
| Loss for the year | | - | (33,143) | - | - | - | - | (33,143) | (3,819) | (36,962) |
| Other comprehensive (losses) / income for the year | | - | - | (3,331) | - | 3,417 | (1,540) | (1,454) | 68 | (1,386) |
| **Total comprehensive (losses) / income for the year** | | - | (33,143) | (3,331) | - | 3,417 | (1,540) | (34,597) | (3,751) | (38,348) |
| Dividends paid | 12 | - | (18,678) | - | - | - | - | (18,678) | - | (18,678) |
| Dividends paid to non-controlling interests of subsidiary | | - | - | - | - | - | - | - | (244) | (244) |
| Write-back of long outstanding dividend payables | | - | 118 | - | - | - | - | 118 | - | 118 |
| **Total transactions with owners, recognised directly in equity** | | - | (18,560) | - | - | - | - | (18,560) | (244) | (18,804) |
| **Disposal of subsidiaries** | 15b | - | (234) | - | 1,944 | - | - | 1,710 | (1,710) | - |
| **Balance as at 31 December 2019** | | 193,839 | 316,435 | (4,381) | - | 4,973 | (559) | 510,307 | (1,133) | 509,174 |
| | | | | | | | | | | |
| **Balance as at 1 January 2018** | | 193,839 | 390,939 | (286) | (1,944) | 1,520 | 947 | 585,015 | 4,778 | 589,793 |
| Loss for the year | | - | (3,855) | - | - | - | - | (3,855) | (18) | (3,873) |
| Other comprehensive losses for the year | | - | - | (195) | - | 36 | - | (159) | (96) | (255) |
| **Total comprehensive income / (losses) for the year** | | - | (3,855) | (195) | - | 36 | - | (4,014) | (114) | (4,128) |
| Transfer of reserves | | - | (34) | - | - | - | 34 | - | - | - |
| Dividends paid | 12 | - | (18,678) | - | - | - | - | (18,678) | - | (18,678) |
| Dividends paid to non-controlling interests of subsidiary | | - | - | - | - | - | - | - | (92) | (92) |
| **Total transactions with owners, recognised directly in equity** | | - | (18,678) | - | - | - | - | (18,678) | (92) | (18,770) |
| **Disposal of an associated company** | 15b | - | - | (569) | - | - | - | (569) | - | (569) |
| **Balance as at 31 December 2018** | | 193,839 | 368,372 | (1,050) | (1,944) | 1,556 | 981 | 561,754 | 4,572 | 566,326 |

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

| | Note | The Group 2019 S$'000 | The Group 2018 S$'000 |
|---|---|---|---|
| **Cash Flows from Operating Activities** | | | |
| Loss from continuing operations | | (37,558) | (4,411) |
| Profit from discontinued operations | | 596 | 538 |
| Loss for the financial year | | (36,962) | (3,873) |
| *Adjustments for:* | | | |
| Taxation | | 2,681 | 1,247 |
| Amortisation of intangible assets | | 1,036 | 1,720 |
| Amortisation of deferred income | | (170) | (250) |
| Depreciation of property, plant and equipment | | 14,609 | 13,588 |
| Depreciation of right-of-use assets | | 3,557 | - |
| Interest expense | | 1,408 | 691 |
| Interest income | | (5,210) | (4,536) |
| Dividend income from financial assets, at FVOCI | | (12) | (2,620) |
| Impairment of property, plant and equipment | | 20,901 | 253 |
| Impairment of right-of-use assets | | 3,453 | - |
| Impairment of intangible assets | | 122 | - |
| (Gain) / Loss on disposal including write-off of property, plant and equipment (net) | | (508) | 194 |
| Plant closure and restructuring costs | | 203 | 2,049 |
| Insurance compensation | | (3,393) | (3,406) |
| Provision for retirement benefits (net) | | 637 | 598 |
| Share of results of associated companies, net of tax | | 164 | (7) |
| Gain on disposal of an associated company | | - | (650) |
| Loss on disposal of subsidiaries | 18a | 34 | - |
| Fair value gain on redemption liability | | (630) | - |
| Exchange differences and other adjustments | | (1,004) | 118 |
| *Operating cash flows before working capital changes* | | 916 | 5,116 |
| *Changes in working capital, net of effects from acquisition and disposal of subsidiaries:* | | | |
| Inventories | | 6,580 | (4,056) |
| Receivables and prepayments | | (5,703) | 14,533 |
| Deferred income | | 26 | 41 |
| Trade and other payables | | 1,611 | (6,389) |
| *Cash generated from operations* | | 3,430 | 9,245 |
| Income tax paid | | (1,462) | (2,438) |
| Insurance compensation received | | 4,393 | 1,500 |
| Plant closure and restructuring costs | | - | (2,049) |
| Retirement benefits paid | | (179) | (154) |
| *Net cash generated from operating activities* | | 6,182 | 6,104 |

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

| | Note | The Group 2019 S$'000 | The Group 2018 S$'000 |
|---|---|---|---|
| **Cash Flows from Investing Activities** | | | |
| Proceeds from disposal of property, plant and equipment | | 1,228 | 771 |
| Insurance compensation received | | 906 | - |
| Net cash inflow from disposal of subsidiaries | 18a | 5,034 | - |
| Professional fees paid for disposal of an associated company | | - | (591) |
| Purchases of property, plant and equipment | | (24,217) | (45,231) |
| Purchases of right-of-use assets | | (4,698) | - |
| Purchases of intangible assets | | (577) | (1,323) |
| Interest received | | 5,578 | 4,449 |
| Dividends received from financial assets, at FVOCI/ available-for-sale | | 12 | 2,620 |
| *Net cash used in investing activities* | | (16,734) | (39,305) |
| **Cash Flows from Financing Activities** | | | |
| Proceeds from borrowings | | 13,402 | 22,559 |
| Repayment of borrowings | | (1,513) | (12,662) |
| Principal payment of lease liability | | (2,954) | (415) |
| Interest paid | | (2,166) | (557) |
| Bank deposits pledged | | (11,037) | - |
| Dividends paid to shareholders | 12 | (18,678) | (18,678) |
| Dividends paid to non-controlling interests | | (244) | (92) |
| *Net cash used in financing activities* | | (23,190) | (9,845) |
| **Net decrease in cash and cash equivalents** | | (33,742) | (43,046) |
| Cash and cash equivalents at beginning of the financial year | | 298,161 | 341,310 |
| Effects of exchange rate changes on cash and cash equivalents | | (364) | (103) |
| **Cash and cash equivalents at end of the financial year** | 18 | 264,055 | 298,161 |

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

### Reconciliation of liabilities arising from financing activities

| | 1 January 2019 S$'000 | Proceeds from borrowings S$'000 | Principal repayments S$'000 | Non-cash changes: Adoption of SFRS(I) 16 S$'000 | Non-cash changes: Additions during the year S$'000 | Non-cash changes: Foreign exchange movement S$'000 | 31 December 2019 S$'000 |
|---|---|---|---|---|---|---|---|
| Bank borrowings | 22,110 | 13,402 | (1,513) | - | - | (20) | 33,979 |
| Lease liabilities | 60 | - | (2,954) | 20,742 | 2,666 | 101 | 20,615 |

| | 1 January 2018 S$'000 | Proceeds S$'000 | Principal repayments S$'000 | Non-cash changes: Foreign exchange movement S$'000 | 31 December 2018 S$'000 |
|---|---|---|---|---|---|
| Bank borrowings | 12,226 | 22,559 | (12,662) | (13) | 22,110 |
| Hire purchase and finance lease liabilities | 475 | - | (415) | - | 60 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. GENERAL INFORMATION

NSL Ltd. (the "Company") is incorporated and domiciled in Singapore and is listed on the Singapore Exchange. The Company's registered office is at 317 Outram Road, #03-02 Singapore 169075.

The principal activities of the Company are provision of management services and investment holding. The principal activities of its subsidiaries are mainly manufacturing and sale of building materials, oil and petroleum related products and provision of environmental services (Note 40).

As set out in Note 11, NSL Fuel Management Services Pte Ltd ("NSL Fuel") and its subsidiaries, which are the major distributor of Automotive Diesel Oil and other petroleum products in Singapore and represents a major line of business within the environmental services segment, have been disposed during the year. The operating results of the NSL Fuel and its subsidiaries were presented separately on the income statement as part of "discontinued operations", and the comparatives are restated in compliance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations.

## 2. SIGNIFICANT ACCOUNTING POLICIES

A. Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

These financial statements are expressed in thousands of Singapore Dollars.

B. Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 Leases.

**Adoption of SFRS(I) 16 Leases**

(a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Interpretations and amendments to published standards effective in 2019 (continued)

**Adoption of SFRS(I) 16 Leases** (continued)

(a) When the Group is the lessee (continued)

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2Q.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 Lease and SFRS(I) INT 4 Determining whether an Arrangement contains a Leases, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and

(ii) On a lease-by-lease basis, the Group has:

a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;

c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;

d) excluded initial direct costs in the measurement of the right-of-use ("RoU") asset at the date of initial application; and

e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

(i) On a lease-by-lease basis, the Group chose to measure its right-of-use ("RoU") assets at amount equal to lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of initial application (i.e. 1 January 2019).

(ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.

(iii) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the RoU assets and lease liabilities.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Interpretations and amendments to published standards effective in 2019 (continued)

**Adoption of SFRS(I) 16 Leases** (continued)

(a) When the Group is the lessee (continued)

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows:

| | Increase/(decrease) $'000 |
|---|---|
| Property, plant and equipment | (17,365) |
| Right-of-use assets | 38,107 |
| Lease liabilities | (20,742) |

The difference between the total operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 is mainly due to the discounting effect of the weighted average incremental borrowing rate of 4.21% being applied to the total operating lease commitments, offset by an increase in the lease liabilities arising from lease extension options which are reasonably certain to be exercised as required by SFRS(I) 16 and for which were not considered in the prior year operating lease commitments disclosure.

The adoption of SFRS(I) 16 on 1 January 2019 had no material effect on the amounts reported by the Company for the current or prior financial years.

(b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor.

C. Revenue recognition

(1) Sale of goods

The Group manufactures and sells a range of building materials and recycled oil and other petroleum related products ("oil and petroleum products"). Revenue from the sale of goods is recognised when the Group has delivered the goods to the locations specified by its customers and control of the goods has transferred, being when the customers have accepted the products in accordance with the sales contract.

The period between the transfer of the promised goods and payment by the customer may exceed one year (i.e. retention monies). For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the Group's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Revenue recognition

(1) Sale of goods (continued)

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(2) Services rendered

The Group provides environmental services which involves sludge and slop processing related services. Revenue from providing these services is recognised in the accounting period in which the services are rendered.

Subscription services for the membership in the Group's marina club is recognised in the accounting period in which the services are rendered. This includes entrance fees and membership transfer fees of membership clubs which are recognised in profit or loss on a straight-line basis over the term of membership. Unamortised entrance fees and membership transfer fees are recognised as deferred income in the balance sheet.

(3) Rental income

Rental income from operating lease (net of any incentives given to the lessee) is recognised on a straight-line basis over the lease term.

(4) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(5) Interest income

Interest income is recognised using the effective interest method.

(6) Sale of scrap

The Group recognises sale of scrap when the customers accepted the scrap and the collectability of the related receivables is reasonably assured.

D. Cost of sales

Cost of sales comprises cost of purchased and manufactured goods sold, other relevant costs attributable to goods sold and costs of rendering services.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Group accounting

(1) Subsidiaries

(i) *Consolidation*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

(ii) *Acquisitions*

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to Note 2G for the subsequent accounting policy on goodwill.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Group accounting (continued)

(1) Subsidiaries (continued)

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to revenue reserve if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to Note 2I for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(2) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interests and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

(3) Associated companies

Associated companies are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) *Acquisitions*

Investments in associated companies are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investments.

(ii) *Equity method of accounting*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of its associated companies' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associated companies are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Group accounting (continued)

(3) Associated companies (continued)

(ii) *Equity method of accounting* (continued)

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interest in the associated companies. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred. The accounting policies of associated companies are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(iii) *Disposals*

Investments in associated companies are derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is re-measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss.

Refer to Note 2I for the accounting policy on investments in associated companies in the separate financial statements of the Company.

F. Property, plant and equipment

(1) Measurement

Property, plant and equipment are initially recognised at cost, and subsequently carried at cost less accumulated depreciation and impairment losses (refer to Note 2J for accounting policy on impairment of property, plant and equipment).

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (refer to Note 2H for accounting policy on borrowing costs).

(2) Depreciation

Freehold land and construction-in-progress are not depreciated. Depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

| | | |
|---|---|---|
| Leasehold land | - | over the lease period of up to 98 years |
| Buildings | - | 8 to 60 years |
| Leasehold improvements | - | 4 to 15 years |
| Plant and machinery | - | 3 to 15 years |
| Vessels (including dry docking) | - | 15 to 18 years |
| Other assets | - | 3 to 15 years |

Other assets comprise furniture and fittings, office appliances and equipment and motor vehicles.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Property, plant and equipment (continued)

(2) Depreciation (continued)

A proportion of the price paid for vessel is capitalised as dry docking. These costs are depreciated over the period to the next scheduled dry docking, which is 5 years. The remaining carrying amount of the old dry docking as a result of the commencement of new dry docking will be written off to profit or loss.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(3) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised as an expense in profit or loss when incurred.

(4) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses".

G. Intangible assets

(1) Goodwill on acquisitions

Goodwill on acquisitions of subsidiaries and businesses represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on acquisitions of associated companies represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associated companies is included in the carrying amount of the investments.

Gains and losses on the disposal of subsidiaries and associated companies include the carrying amount of goodwill relating to the entity sold.

(2) Acquired intangible assets

Acquired intangible assets consists of computer software licenses that are recognised at cost less accumulated amortisation and accumulated impairment losses (refer to Note 2J for accounting policy for impairment of other intangible assets). These costs are amortised to profit or loss using the straight-line method over their expected useful lives ranging from 3 to 5 years, which is the shorter of their estimated useful lives and period of contractual rights. Costs associated with maintaining the acquired intangible assets are expensed off when incurred.

The amortisation period and amortisation method of intangible assets (other than goodwill) are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to assets under construction. This includes those costs on borrowings acquired specifically for assets under construction, as well as those in relation to general borrowings used to finance assets under construction.

I. Investments in subsidiaries and associated companies

Investments in subsidiaries and associated companies are carried at cost less accumulated impairment losses (refer to Note 2J for accounting policy on impairment of investment in subsidiaries and associated companies) in the Company's balance sheet.

On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

J. Impairment of non-financial assets

(1) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired. For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-unit ("CGU") expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(2) Other intangible assets
Property, plant and equipment
Right-of-use assets
Investments in subsidiaries and associated companies

Other intangible assets, property, plant and equipment, right-of-use assets, investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

J. Impairment of non-financial assets (continued)

(2) Other intangible assets
Property, plant and equipment
Right-of-use assets
Investments in subsidiaries and associated companies (continued)

An impairment loss for an asset (other than goodwill) is reversed if, and only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset (other than goodwill) is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset (other than goodwill) is recognised in profit or loss.

K. Financial assets

(1) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income ("FVOCI")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

*At initial recognition*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*At subsequent measurement*

(i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and listed debt instruments.

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Financial assets (continued)

(1) Classification and measurement (continued)

*At subsequent measurement* (continued)

(ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains / losses" in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as "dividend income".

(2) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 37 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(3) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to revenue reserve along with the amount previously recognised in other comprehensive income relating to that asset.

(4) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

M. Borrowings

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

N. Trade and other payables / liabilities

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

Included in other non-current liability is a redemption liability relating to a call and put option over the remaining non-controlling interest of a subsidiary. It is recognised at the present value of the redemption amount and all subsequent changes to the liability (other than cash settlement) is recognised in profit or loss. As significant risks and rewards of ownership relating to the call and put options remain with the non-controlling interest, the financial liability recognised reduces the equity of the Group.

O. Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities, bonds and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of forward foreign exchange contracts are determined using actively quoted forward exchange rates at the balance sheet date.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods, and makes assumptions based on current market conditions that are existing at each balance sheet date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and/or discounted cash flow analysis. The Group also estimates the fair values of the financial assets by reference to the net assets of these equity securities, adjusting where applicable using appropriate measures to fair value the underlying assets and liabilities. In determining these fair values, management evaluates, among other factors, the reliability and appropriateness of the use of the underlying net asset information provided, taking into consideration factors such as industry and sector outlook, other market comparable and other prevailing market factors and conditions.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fair value estimation of financial assets and liabilities (continued)

The fair value of non-current financial liabilities carried at amortised cost are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

The fair value of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

P. Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

Q. Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

(1) When the Group is the lessee:

The Group leases lands under finance leases and office and buildings, and motor vehicles and other assets under operating leases from non-related parties.

Lessee - Finance leases

Leases where the Group assumes substantially all the risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding leased liabilities (net of finance charges) under finance lease are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Lessee - Operating leases

Leases of property, plant and equipment where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in profit or loss in the period in which termination takes place.

Contingent rents are recognised as an expense in profit or loss when incurred.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Leases (continued)

(a) The accounting policy for leases before 1 January 2019 are as follows: (continued)

(2) When the Group is the lessor:

The Group leases certain property, plant and equipment to non-related parties.

Lessor - Operating leases

Leases of assets where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. The property, plant and equipment are depreciated over the useful lives of the assets as set out in Notes 2F. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

(b) The accounting policy for leases from 1 January 2019 are as follows:

(1) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(i) Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

These right-of-use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, as follows:

| | | |
|---|---|---|
| Leasehold land | - | Over a lease period of up to 35 years |
| Office and buildings | - | 2 to 5 years |
| Motor vessels | - | 1 to 3 years |
| Other assets | - | 2 to 4 years |

(ii) Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Leases (continued)

(a) The accounting policy for leases from 1 January 2019 are as follows: (continued)

(1) When the Group is the lessee: (continued)

(ii) Lease liabilities (continued)

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise an extension option; or
- There are modifications in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Short term and low value leases

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

(2) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16.

R. Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

R. Income taxes (continued)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries and associated companies, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income taxes are recognised as income or expenses in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, productivity and innovation credit) similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

S. Provisions for other liabilities and charges

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in profit or loss as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in the profit or loss when the changes arise.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

T. Employee compensation

(1) Pension benefits

The Group operates both defined contribution post-employment benefit plans and defined benefit.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

Certain subsidiaries of the Group operate separate defined retirement benefit schemes for certain employees. Such benefits are unfunded.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. Retirement benefits are assessed annually using the projected unit credit method. The present value of the defined benefit obligation is measured by discounting the estimated future cash outflows using a discount rate by reference to market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to the terms of the related post-employment benefit obligations.

Actuarial gains and losses arising from experience adjustments and changes in actual assumptions are charged or credited to equity in other comprehensive income in the period when they arise. The experience adjustments are not to be reclassified to profit or loss in a subsequent period. Changes in the defined benefit liability arising from past service cost and net interest on the defined benefit obligation for the financial year are recognised in profit or loss.

(2) Employee leaves entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

U. Currency translation

(1) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollar, which is the functional currency of the Company.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

U. Currency translation (continued)

(2) Transaction and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of transaction. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investments in foreign operations are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance cost". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other gains and losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

(3) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rate at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date. For acquisitions prior to 1 January 2005, the goodwill and fair value adjustments are translated at the exchange rates at the dates of acquisition.

V. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

W. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

X. Dividends

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

Y. Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held-for-sale and:

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3a. Impairment of trade receivables

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which required expected lifetime losses to be recognised from initial recognition of the receivables as set out in accounting policy stated in Note 2K.

In relation to trade receivables that are other than non-performing, management has grouped the receivables based on similar credit risk characteristics and days past due and have used a provision matrix to measure the lifetime expected credit losses within each revenue segment. The loss allowance rates within the provision matrix to be applied on receivables with different risk characteristics are based on historical default rates and takes into consideration forward-looking information affecting the ability of the customers to settle the receivables. The loss allowance rates are reviewed on a regular basis.

A loss allowance of S$106,000 for trade receivable was recognised as at 31 December 2019.

The Group's credit risk exposure for trade receivables by different revenue segment and days past due are set out in Note 37b.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3b. Impairment of property, plant and equipment ("PPE") and right-of-use assets ("RoU assets")

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever there is indication that the assets are impaired in accordance with the accounting policy stated in Note 2J. If any such indication exists, the recoverable amount (i.e. higher of value-in-use ("VIU") and fair value less costs to sell ("FVLCS")) of the asset is estimated to determine the impairment loss.

Arising from management's assessment for the financial year ended 31 December 2019, impairment losses of S$20,901,000 and S$3,453,000 were recorded for the PPE (Note 19) and RoU assets (Note 20) respectively to write down the carrying amounts of these assets to their estimated recoverable amounts.

In the determination of impairment losses of PPE and RoU assets of the Group, management's assessment of the VIUs of these assets specific to a CGU in the Precast & PBU segment involve significant judgement about the projected sales growth rates and gross profit margins, particularly in relation to the future results of the business; and the discount rates applied to cash flow projections. The VIU calculation used cash flow projections which were based on financial budgets approved by management covering a 5-year period discounted using the pre-tax weighted average cost of capital of 10.6%. Management had determined the forecasted cash flows based on past performance and their current expectations of market development. If management's projected sale growth rates or gross profit margins had been 10% lower/higher from management's assumptions and assuming all other variables remain unchanged, the impairment losses would be higher/lower by S$2,026,000 and the corresponding tax expense would have been higher/lower by S$650,000 respectively. If the weighted average costs of capital were to be higher/lower by 10% from management's assumption and assuming all other variables remain unchanged, the impairment losses would be higher/lower by S$115,000 would have to be recorded.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

4a Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services at a point in time and overtime in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

| | At a point in time S$'000 | Overtime S$'000 | Total S$'000 |
|---|---|---|---|
| **The Group** | | | |
| **2019** | | | |
| Manufacturing and sale of building materials | | | |
| - Singapore | 40,274 | - | 40,274 |
| - Malaysia | 38,121 | - | 38,121 |
| - United Arab Emirates | 47,910 | - | 47,910 |
| - Finland & other parts of Europe | 91,446 | - | 91,446 |
| | 217,751 | - | 217,751 |
| Provision of environmental services and sale of oil and petroleum products | | | |
| - Singapore | 4,736 | 24,677 | 29,413 |
| - Malaysia | 1,130 | - | 1,130 |
| - United Arab Emirates | 172 | - | 172 |
| - Others | 2,384 | - | 2,384 |
| | 8,422 | 24,677 | 33,099 |
| Others | | | |
| - Singapore | 11,061 | 2,655 | 13,716 |
| - Malaysia | 3,346 | - | 3,346 |
| - Others | 1,460 | - | 1,460 |
| | 15,867 | 2,655 | 18,522 |
| | 242,040 | 27,332 | 269,372 |
| Rental income on operating lease | - | - | 2,978 |
| **Total** | | | 272,350 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

4a Disaggregation of revenue from contracts with customers (continued)

| | At a point in time S$'000 | Overtime S$'000 | Total S$'000 |
|---|---|---|---|
| **The Group** | | | |
| **2018** (restated) | | | |
| Manufacturing and sale of building materials | | | |
| - Singapore | 35,563 | - | 35,563 |
| - Malaysia | 31,164 | - | 31,164 |
| - United Arab Emirates | 52,187 | - | 52,187 |
| - Finland & other parts of Europe | 106,134 | - | 106,134 |
| | 225,048 | - | 225,048 |
| Provision of environmental services and sale of oil and petroleum products | | | |
| - Singapore | 5,962 | 22,463 | 28,425 |
| - Malaysia | 1,672 | - | 1,672 |
| - United Arab Emirates | 139 | - | 139 |
| - Others | 5,223 | - | 5,223 |
| | 12,996 | 22,463 | 35,459 |
| Others | | | |
| - Singapore | 10,692 | 2,608 | 13,300 |
| - Malaysia | 2,738 | - | 2,738 |
| - Others | 2,813 | - | 2,813 |
| | 16,243 | 2,608 | 18,851 |
| | 254,287 | 25,071 | 279,358 |
| Rental income on operating lease | - | - | 3,941 |
| **Total** | | | 283,299 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

4b Contract liabilities

| | The Group | | |
|---|---|---|---|
| | 31 December 2019 S$'000 | 31 December 2018 S$'000 | 1 January 2018 S$'000 |
| Contract liabilities | | | |
| - Manufacturing and sale of building materials | 11,733 | 13,783 | 9,999 |
| - Others | 37 | - | - |
| Total contract liabilities (Note 28) | 11,770 | 13,783 | 9,999 |

Contract liabilities for manufacturing and sale of building material has decreased due to lesser contracts in which the Group billed and received consideration ahead of the provision of services.

*(i) Revenue recognised in relation to contract liabilities*

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| *Revenue recognised in current period that was included in the contract liability balance at the beginning of the period* | | |
| - Manufacturing and sale of building materials | 13,244 | 9,067 |

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less is not disclosed.

4c Assets recognised from costs to fulfil contracts

The Group has recognised assets in relation to costs of contract-specific moulds used in production in the Precast & PBU segment. These costs incurred to fulfill contracts are presented within other current assets in the balance sheet and amortised to the profit or loss as cost of sales on a basis consistent with the pattern of recognition of the associated revenue.

| | The Group | | |
|---|---|---|---|
| | 31 December | | 1 January |
| | 2019 S$'000 | 2018 S$'000 | 2018 S$'000 |
| **Other current assets** | | | |
| Asset recognised from costs incurred to fulfill contracts as at 31 December (Note 17) | 1,931 | 1,406 | 1,588 |
| Amortisation recognised as cost of sales during the year | 4,833 | 3,820 | 1,009 |

The costs to fulfil contracts increased mainly due to more contracts secured during the year within the Precast and PBU segment which required specific mould designs.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

4d Trade receivables from contracts with customers

| | The Group | | |
|---|---|---|---|
| | 31 December | | 1 January |
| | 2019 S$'000 | 2018 S$'000 | 2018 S$'000 |
| **Current assets** | | | |
| Trade receivables from contracts with customers (Note 17 and 23) | 91,680 | 104,888 | 118,122 |
| Loss allowance | (15,488) | (18,667) | (17,405) |
| | 76,192 | 86,221 | 100,717 |

## 5. OTHER INCOME

The following has been included in arriving at other income:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| | | (restated) |
| Interest income | | |
| - Financial assets measured at amortised cost | | |
| - Fixed deposits | 5,058 | 4,420 |
| - Others | 152 | 116 |
| | 5,210 | 4,536 |
| Dividend income from financial assets, at FVOCI / available-for-sale | 12 | 2,620 |
| Sale of scrap | 1,312 | 1,124 |
| Insurance claim for business interruption due to fire incident of a subsidiary | 3,393 | 2,500 |
| Other income | 1,567 | 2,808 |
| | 6,284 | 9,052 |
| | 11,494 | 13,588 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 6. OTHER GAINS AND LOSSES

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| | | (restated) |
| Currency exchange losses - net | (314) | (526) |
| Plant closure and restructuring costs of a subsidiary | (203) | (2,049) |
| Property, plant and equipment | | |
| - Gain / (loss) on disposal including write-off, net | 509 | (231) |
| - Allowance for impairment loss, net (Note 19c) | (20,901) | (253) |
| Impairment of intangible assets, net | (122) | - |
| Impairment of right-of-use assets, net (Note 20a) | (3,453) | - |
| Gain on disposal of an associated company | - | 650 |
| Loss on disposal of a subsidiary (Note 18a) | (37) | - |
| Insurance claim for damage of plant and equipment | - | 906 |
| Fair value gain on redemption liability (Note 32) | 630 | - |
| Miscellaneous | (94) | 1 |
| | (23,985) | (1,502) |

## 7. FINANCE COSTS

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| | | (restated) |
| Interest expense | | |
| - Bank borrowings | (295) | (147) |
| - Lease liabilities/finance lease liabilities (Note 20) | (790) | (12) |
| - Redemption liability (Note 32) | (181) | (243) |
| - Others | (82) | (68) |
| | (1,348) | (470) |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 8. LOSS BEFORE INCOME TAX

The following have been included in arriving at loss before income tax:

| | Note | The Group 2019 S$'000 | The Group 2018 S$'000 |
|---|---|---|---|
| | | | (restated) |
| (Charged) / credited: | | | |
| Amortisation of intangible assets | 26 | (922) | (1,078) |
| Amortisation of deferred income | 29 | 170 | 250 |
| Depreciation of property, plant and equipment | 19 | (14,294) | (13,132) |
| Depreciation of right-of-use assets | 20 | (3,557) | - |
| Employee compensation | 9 | (84,496) | (93,221) |
| Cost of inventories as expense (included in 'Cost of sales') | | (96,724) | (97,736) |
| Sub-contractor charges | | (18,701) | (20,215) |
| Auditor's remuneration paid / payable to | | | |
| - auditors of the Company(1) | | (443) | (527) |
| - other auditors of subsidiaries(2) | | (210) | (218) |
| Non-audit fees paid / payable to | | | |
| - auditors of the Company(1) | | (218) | (261) |
| - other auditors of subsidiaries | | (56) | (43) |
| Rental expense | | (6,087) | (9,126) |
| Transportation expense | | (9,783) | (8,726) |
| Allowance for impairment of trade receivables and bad debts written off, net | 37b | (106) | (561) |
| Allowance for stocks obsolescence | | 49 | (225) |
| Write-down of inventories to net realisable value, net | | (642) | (1,706) |

(1) PricewaterhouseCoopers LLP, Singapore
(2) Comprises S$166,000 (2018: S$174,000) paid or payable to the network of member firms of PricewaterhouseCoopers International Limited outside Singapore and S$44,000 (2018: S$44,000) paid or payable to other firms of auditors in respect of the audit of subsidiaries.

## 9. EMPLOYEE COMPENSATION

| | The Group 2019 S$'000 | The Group 2018 S$'000 |
|---|---|---|
| | | (restated) |
| Wages and salaries | 74,361 | 80,850 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | 2,814 | 2,614 |
| Retirement benefits (Note 30) | 637 | 598 |
| Other staff benefits | 6,684 | 9,159 |
| | 84,496 | 93,221 |

Key management's remuneration is disclosed in Note 34b.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 10. INCOME TAX EXPENSE

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| | | (restated) |
| Tax expense attributable to profit is made up of: | | |
| Profit for the financial year: | | |
| From continuing operations | | |
| Current income tax | | |
| - Singapore | 191 | 126 |
| - Foreign | 1,697 | 2,517 |
| | 1,888 | 2,643 |
| Deferred income tax (Note 31) | 835 | (1,046) |
| | 2,723 | 1,597 |
| From discontinued operations | | |
| Current income tax | | |
| - Singapore (Note 11) | 75 | (85) |
| Total current taxation | 2,798 | 1,512 |
| Over provision in prior financial years: | | |
| From continuing operations | | |
| Current income tax | (110) | (49) |
| Deferred income tax (Note 31) | (7) | (216) |
| Total over provision in prior years | (117) | (265) |
| Tax expense is attributable to: | | |
| - continuing operations | 2,606 | 1,332 |
| - discontinued operations | 75 | (85) |
| | 2,681 | 1,247 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 10. INCOME TAX EXPENSE (CONTINUED)

The deferred tax credit relating to each component of other comprehensive income is as follows:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | | 2018 | | |
| | Before Tax S$'000 | Tax credit S$'000 | After Tax S$'000 | Before Tax S$'000 | Tax credit S$'000 | After Tax S$'000 |
| Fair value gain / (loss) of financial assets, at FVOCI/ available-for-sale | 3,417 | - | 3,417 | (20) | 56 | 36 |
| Other comprehensive (loss) / income | 3,417 | - | 3,417 | (20) | 56 | 36 |

The tax expense on the Group's profit before tax differs from the amount that would arise using the Singapore corporate income tax rate as explained below:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 (restated) |
| (Loss) / profit before tax from | | |
| - continuing operations | (34,952) | (3,079) |
| - discontinued operations (Note 11) | 671 | 453 |
| | (34,281) | (2,626) |
| Share of results of associated companies, net of tax [(1)] | 164 | (7) |
| Loss before tax and share of results of associated companies | (34,117) | (2,633) |
| Tax calculated at a tax rate of 17% (2018: 17%) | (5,800) | (447) |
| Income not subject to tax | (225) | (778) |
| Expenses not deductible for tax purposes | 1,804 | 1,974 |
| Utilisation of previously unrecognised tax assets | (46) | (162) |
| Tax benefit from current year's tax losses not recognised | 5,817 | 1,028 |
| Effects of different tax rates in other countries | 1,388 | 304 |
| Tax incentives and rebates | (82) | (388) |
| Under / (over) provision of income tax | (117) | (265) |
| Others | (58) | (19) |
| Tax charge | 2,681 | 1,247 |

(1) Share of results of associated companies is a tax expense of S$313,000 (2018: tax expense of S$102,000).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 11. DISCONTINUED OPERATIONS

On 5 August 2019, a subsidiary, NSL OilChem Waste Management Pte Ltd ("NSL OilChem") entered into a sale and purchase agreement with the non-controlling interests of NSL Fuel Management Services Pte Ltd ("NSL Fuel") for the proposed disposal of 6,000,000 ordinary shares, representing 82.75% of the issued share capital in NSL Fuel and its subsidiaries.

The sale was completed on 27 August 2019. Following completion, NSL Fuel ceased to be a member of the Group.

11a. An analysis of the results of discontinued operation is as follows:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Sales | 48,539 | 93,285 |
| Net expenses | (47,871) | (92,832) |
| Profit before tax from discontinued operations | 668 | 453 |
| Income tax (expense) / credit | (75) | 85 |
| Profit after tax from discontinued operations | 593 | 538 |
| Gain on disposal of subsidiaries | 3 | - |
| Profit after tax from discontinued operations | 596 | 538 |

11b. The impact of the discontinued operations on the cash flows of the Group was as follows:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Operating cash outflows | (825) | (3,286) |
| Investing cash outflows | (45) | (23) |
| Financing cash outflows | (43) | (86) |
| Total cash outflows | (913) | (3,395) |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 12. DIVIDENDS

| | The Group and Company 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| *Ordinary dividends paid* | | |
| Final dividend of 5 cents in respect of the previous financial year (2018: Final dividend of 5 cents in respect of the previous financial year) | 18,678 | 18,678 |

Subsequent to the balance sheet date, the Directors proposed a final dividend of 5 cents for financial year ended 31 December 2019 (2018: a final dividend of 5 cents) amounting to S$18,678,000 (2018: S$18,678,000). This dividend will be accounted for in the shareholders' equity as an appropriation of revenue reserve in the financial year ending 31 December 2020 (2018: 31 December 2019).

## 13. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

For purposes of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for effects of all dilutive potential ordinary shares. The Company does not have any potential ordinary shares with dilutive potential.

| | Continuing operations | | Discontinued operations | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 (restated) | 2019 | 2018 (restated) | 2019 | 2018 |
| Net (loss) / profit attributable to equity holders of the Company (S$'000) | (33,637) | (4,300) | 494 | 445 | (33,143) | (3,855) |
| Weighted average number of ordinary shares outstanding for basic and diluted earnings per share ('000) | 373,558 | 373,558 | 373,558 | 373,558 | 373,558 | 373,558 |
| Basic and diluted (loss) / earnings per share (cents per share) | (9.00) | (1.15) | 0.13 | 0.12 | (8.87) | (1.03) |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 14. SHARE CAPITAL

| The Group and Company | Issued ordinary shares No of shares '000 | Issued ordinary shares Amount S$'000 |
|---|---|---|
| **2019 and 2018** | | |
| Balance at 1 January and 31 December | 373,558 | 193,839 |

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

The Company's immediate and ultimate holding corporations are 98 Holdings Pte. Ltd. and Excel Partners Pte. Ltd. respectively, both incorporated in Singapore.

## 15. RESERVES

15a Composition

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Revenue reserve | 316,435 | 368,372 | 150,884 | 167,969 |
| Foreign currency translation reserve | (4,381) | (1,050) | - | - |
| Capital reserve | - | (1,944) | - | - |
| Fair value reserve | 4,973 | 1,556 | 4,682 | 1,265 |
| General and other reserves | (559) | 981 | - | - |
| | 316,468 | 367,915 | 155,566 | 169,234 |

Revenue reserve relates to distributable retained profits of the Group.

Capital reserve relates to adjustments to non-controlling interests arising from transactions that do not involve the loss of control. The capital reserve has been fully reversed as the redemption liability relating to the call and put option with non-controlling interests has lapsed upon disposal of subsidiaries (Note 11).

General reserve is relating to funds appropriated from the net profits to statutory reserves of a subsidiary established in the United Arab Emirates. 10% of the annual net profits of the subsidiary are allocated to the statutory reserves until the reserves reach 50% of the paid-up capital of the subsidiary. In accordance with the Commercial Companies Law in United Arab Emirates, no contribution (2018: S$34,000) has been made to statutory reserve during the current financial year.

Other reserve relates to the Group's share of other comprehensive losses of an associated company of S$1,540,000 (2018: S$nil), which will not be reclassified subsequently to profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 15. RESERVES (CONTINUED)

15b Reserves movements

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019<br>S$'000 | 2018<br>S$'000 | 2019<br>S$'000 | 2018<br>S$'000 |
| ***(i) Revenue reserve*** | | | | |
| Beginning of financial year | 368,372 | 391,939 | 167,969 | 183,405 |
| Net (loss) / profit for the year | (33,143) | (3,855) | 1,475 | 3,242 |
| Transfer of reserves | - | (34) | - | - |
| Dividends paid (Note 12) | (18,678) | (18,678) | (18,678) | (18,678) |
| Write-back of long outstanding dividend payables | 118 | - | 118 | - |
| Disposal of subsidiaries | (234) | - | - | - |
| End of financial year | 316,435 | 368,372 | 150,884 | 167,969 |
| ***(ii) Foreign currency translation reserve*** | | | | |
| Beginning of financial year | (1,050) | (286) | - | - |
| Other comprehensive losses for the year | (3,331) | (195) | - | - |
| Disposal of an associated company | - | (569) | - | - |
| End of financial year | (4,381) | (1,050) | - | - |
| ***(iii) Capital reserve*** | | | | |
| Beginning and end of financial year | (1,944) | (1,944) | - | - |
| Disposal of subsidiaries | 1,944 | - | - | - |
| End of financial year | - | (1,944) | - | - |
| ***(iv) Fair value reserve*** | | | | |
| Beginning of financial year | 1,556 | 1,520 | 1,265 | 1,247 |
| Other comprehensive income for the year | 3,417 | 36 | 3,417 | 18 |
| End of financial year | 4,973 | 1,556 | 4,682 | 1,265 |
| ***(v) General and other reserve*** | | | | |
| Beginning of financial year | 981 | 947 | - | - |
| Transfer of reserves | - | 34 | - | - |
| Other comprehensive losses for the year | (1,540) | - | - | - |
| End of financial year | (559) | 981 | - | - |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 16. INVENTORIES

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| At lower of cost and net realisable value | | |
| Raw materials | 19,800 | 18,758 |
| Finished goods | 20,596 | 30,443 |
| General stores and consumables | 5,330 | 4,974 |
| | 45,726 | 54,175 |

For the financial year ended 31 December 2019, the Group recorded S$642,000 (2018: S$1,706,000) in the profit or loss to write down the inventories to its net realisable value. The amount has been included in "cost of sales".

## 17. RECEIVABLES, PREPAYMENTS AND OTHER CURRENT ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Trade receivables | | | | |
| - Associated companies | 1,555 | 99 | - | - |
| - Non-related parties | 85,123 | 100,330 | - | - |
| | 86,678 | 100,429 | - | - |
| Less: Allowance for impairment of trade receivables | (15,149) | (18,323) | - | - |
| Trade receivables – net | 71,529 | 82,106 | - | - |
| | | | | |
| Non-trade amounts owing by subsidiaries[17a] | - | - | 48,043 | 39,183 |
| Prepayments | 8,058 | 7,255 | 212 | 196 |
| Costs to fulfil contracts | 1,931 | 1,406 | - | - |
| Deposits | 1,416 | 2,524 | 13 | 11 |
| Interest receivables | 975 | 1,343 | 929 | 1,339 |
| Recoverable expenditure | 670 | 711 | - | - |
| Sale consideration receivable [17c] | 3,000 | - | - | - |
| Sundry receivables [17b] | 4,977 | 6,090 | 29 | 29 |
| | 92,556 | 101,435 | 49,226 | 40,758 |

17a Non-trade amounts owing by subsidiaries are unsecured, repayable on demand and are interest-free, except for an amount of S$38,130,000 (2018: S$32,560,000) that bears interest at average of 2.4% (2018: 2.4%) per annum.

17b Sundry receivables are unsecured, interest free and expected to be repaid within the next 12 months after the balance sheet date.

In 2018, included in sundry receivables was an insurance claim receivable of S$1,906,000 which was received in the current financial year. The insurance claim arose from business interruption and damage of plant and equipment subsequent to a fire incident at a subsidiary. During the financial year, total insurance claims for business interruption amounting to S$3,393,000 (2018: S$2,500,000) (Note 5) and insurance claim for damage of plant and equipment of S$ nil (2018: S$906,000) (Note 6) had been recorded in the profit or loss.

17c The sale consideration receivable relates to the disposal of NSL Fuel (Note 11) and was settled after the balance sheet date.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 18. CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Fixed deposits | 232,826 | 250,228 | 214,472 | 242,954 |
| Cash at bank and on hand | 48,766 | 54,433 | 9,749 | 14,372 |
| | 281,592 | 304,661 | 224,221 | 257,326 |

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Cash and bank balances | 281,592 | 304,661 | 224,221 | 257,326 |
| Less: bank deposits pledged | (17,537) | (6,500) | - | - |
| Cash and cash equivalents per statement of cash flows | 264,055 | 298,161 | 224,221 | 257,326 |

Bank deposits of S$17,537,000 (2018: S$6,500,000) are pledged to banks for banking facilities granted to subsidiaries (Note 27).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 18. CASH AND CASH EQUIVALENTS (CONTINUED)

18a Disposal of subsidiaries

During the year, the Group completed the disposal of NSL Fuel (Note 11) for a net cash consideration of approximately S$9,353,000. In addition, the Group also disposed its subsidiary, NSL OilChem (Timor), Unipessoal Lda for a cash consideration of S$595,000.

The effects of the disposal of subsidiaries on the cash flows of the Group were as follow:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Carrying amounts of assets and liabilities disposed of | | |
| Cash and cash equivalents | 1,941 | - |
| Trade and other receivables | 14,776 | - |
| Inventories | 1,869 | - |
| Property, plant and equipment | 2,651 | - |
| Intangible assets | 253 | - |
| Total assets | 21,490 | - |
| Trade and other payables | (8,825) | - |
| Contingent consideration payable | (655) | - |
| Deferred tax liabilities | (79) | - |
| Total liabilities | (9,559) | - |
| Net assets derecognised | 11,931 | - |
| Less: Non-controlling interests | (1,949) | - |
| Net assets disposed of | 9,982 | - |

The aggregate cash inflows arising from the disposal of subsidiaries were:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Net assets disposed of | 9,982 | - |
| Loss on disposal | (34) | - |
| Total sale consideration, net of transaction costs | 9,948 | - |
| Less: Cash and cash equivalents in subsidiaries disposed of | (1,941) | - |
| Less: Sale consideration receivable (Note 17) | (3,000) | - |
| Add: Professional fees payable | 27 | - |
| Net cash inflow on disposal of subsidiaries | 5,034 | - |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 19. PROPERTY, PLANT AND EQUIPMENT

| | Freehold Land S$'000 | Leasehold Land S$'000 | Buildings S$'000 | Leasehold Improvements S$'000 | Plant & Machinery S$'000 | Vessels S$'000 | Other Assets* S$'000 | Construction in-progress S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **The Group – 2019** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At 1 January 2019 | 6,245 | 25,892 | 152,621 | 921 | 101,378 | 13,479 | 48,151 | 31,323 | 380,010 |
| Adoption of SFRS(I) 16 (Note 2B) | - | (25,892) | - | - | - | - | - | - | (25,892) |
| Currency realignment | (5) | - | (525) | - | (798) | - | (239) | (2) | (1,569) |
| Additions ** | - | - | 1,086 | - | 4,532 | 1,113 | 6,118 | 12,726 | 25,575 |
| Disposals and write off | - | - | (1) | (47) | (357) | - | (4,005) | (10) | (4,420) |
| Disposal of subsidiaries (Note 18a) | - | - | - | - | (1,197) | - | (3,865) | - | (5,062) |
| Reclassifications | - | - | 17,400 | 271 | 1,593 | - | 616 | (19,880) | - |
| At 31 December 2019 | 6,240 | - | 170,581 | 1,145 | 105,151 | 14,592 | 46,776 | 24,157 | 368,642 |
| **Accumulated Depreciation and Impairment Losses** | | | | | | | | | |
| At 1 January 2019 | - | 8,527 | 109,786 | 253 | 68,628 | 1,541 | 35,245 | - | 223,980 |
| Adoption of SFRS(I) 16 (Note 2B) | - | (8,527) | - | - | - | - | - | - | (8,527) |
| Currency realignment | - | - | (332) | - | (587) | - | (150) | - | (1,069) |
| Depreciation charge for the year** | | | | | | | | | |
| - continuing operations | - | - | 3,884 | 115 | 5,137 | 976 | 4,182 | - | 14,294 |
| - discontinued operations | - | - | - | - | 83 | - | 232 | - | 315 |
| Disposals and write off | - | - | - | (46) | (110) | - | (3,544) | - | (3,700) |
| Disposal of subsidiaries (Note 18a) | - | - | (1) | - | (506) | - | (1,904) | - | (2,411) |
| Reclassifications | - | - | - | - | 1 | - | (1) | - | - |
| Impairment loss | - | - | 2,337 | - | 14,068 | 1,868 | 476 | 2,152 | 20,901 |
| At 31 December 2019 | - | - | 115,674 | 322 | 86,714 | 4,385 | 34,536 | 2,152 | 243,783 |
| **Net Book Value** | | | | | | | | | |
| At 31 December 2019 | 6,240 | - | 54,907 | 823 | 18,437 | 10,207 | 12,240 | 22,005 | 124,859 |

* Other assets comprise furniture & fittings, office appliances & equipment and motor vehicles.

** Additions of construction-in-progress include capitalisation of depreciation of property, plant and equipment and right-of-use assets amounting to S$569,000 (2018: S$256,000) and borrowing costs of S$758,000 (2018: S$ nil).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Freehold Land S$'000 | Leasehold Land S$'000 | Buildings S$'000 | Leasehold Improvements S$'000 | Plant & Machinery S$'000 | Vessels S$'000 | Other Assets* S$'000 | Construction in-progress S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|---|
| **The Group – 2018** | | | | | | | | | |
| **Cost** | | | | | | | | | |
| At 1 January 2018 | 6,248 | 26,166 | 149,991 | 725 | 111,496 | 7,606 | 46,882 | 3,785 | 352,899 |
| Currency realignment | (3) | 4 | 66 | - | (148) | - | 282 | 261 | 462 |
| Additions** | - | 22 | 2,060 | 196 | 4,145 | 5,873 | 2,956 | 30,147 | 45,399 |
| Disposals and write off | - | (300) | - | - | (16,113) | - | (2,276) | (61) | (18,750) |
| Reclassifications | - | - | 504 | - | 1,998 | - | 307 | (2,809) | - |
| At 31 December 2018 | 6,245 | 25,892 | 152,621 | 921 | 101,378 | 13,479 | 48,151 | 31,323 | 380,010 |
| **Accumulated Depreciation and Impairment Losses** | | | | | | | | | |
| At 1 January 2018 | - | 7,569 | 106,531 | 159 | 79,122 | 988 | 32,919 | - | 227,288 |
| Currency realignment | - | 246 | 5 | - | (78) | - | 208 | - | 381 |
| Depreciation charge for the year** | - | 459 | 3,250 | 94 | 5,177 | 553 | 4,312 | - | 13,845 |
| Disposals and write off | - | - | - | - | (15,656) | - | (2,131) | - | (17,787) |
| Reclassifications | - | - | - | - | 63 | - | (63) | - | - |
| Impairment loss | - | 253 | - | - | - | - | - | - | 253 |
| At 31 December 2018 | - | 8,527 | 109,786 | 253 | 68,628 | 1,541 | 35,245 | - | 223,980 |
| **Net Book Value** | | | | | | | | | |
| At 31 December 2018 | 6,245 | 17,365 | 42,835 | 668 | 32,750 | 11,938 | 12,906 | 31,323 | 156,030 |

* Other assets comprise furniture & fittings, office appliances & equipment and motor vehicles.

** Additions of construction-in-progress include capitalisation of depreciation of property, plant and equipment and right-of-use assets amounting to S$569,000 (2018: S$256,000) and borrowing costs of S$758,000 (2018: S$ nil).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Other Assets* S$'000 | Total S$'000 |
|---|---|---|
| **The Company – 2019** | | |
| **Cost** | | |
| At 1 January 2019 | 1,776 | 1,776 |
| Additions | 397 | 397 |
| Disposals and write off | (370) | (370) |
| At 31 December 2019 | 1,803 | 1,803 |
| **Accumulated Depreciation** | | |
| At 1 January 2019 | 1,606 | 1,606 |
| Depreciation charge for the year | 121 | 121 |
| Disposals and write off | (370) | (370) |
| At 31 December 2019 | 1,357 | 1,357 |
| **Net Book Value** | | |
| At 31 December 2019 | 446 | 446 |
| **The Company – 2018** | | |
| **Cost** | | |
| At 1 January 2018 | 1,834 | 1,834 |
| Additions | 42 | 42 |
| Disposals and write off | (100) | (100) |
| At 31 December 2019 | 1,776 | 1,776 |
| **Accumulated Depreciation** | | |
| At 1 January 2018 | 1,551 | 1,551 |
| Depreciation charge for the year | 139 | 139 |
| Disposals and write off | (84) | (84) |
| At 31 December 2019 | 1,606 | 1,606 |
| **Net Book Value** | | |
| At 31 December 2019 | 170 | 170 |

* Other assets comprise furniture & fittings, office appliances & equipment and motor vehicles.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 19. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

19a The Group's major properties comprise freehold land in Malaysia and Finland and leasehold land and buildings in Singapore, Malaysia and United Arab Emirates. Certain leasehold land of a Singapore subsidiary is used for the operation of a resort-style marina. On 1 January 2019, the leasehold lands of the Group had been re-classified as RoU assets arising from the adoption of SFRS (I) 16 Leases (Note 20).

19b Included in the Group's property, plant and equipment are property, plant and equipment of subsidiaries with net book value of S$50,063,000 (2018: S$53,038,000) charged by way of debentures to banks for banking facilities granted (Note 27).

19c Following management's assessment of impairment of property, plant and equipment, the Group recorded net impairment loss of S$20,901,000 for the financial year ended 31 December 2019 (2018: S$253,000) based on recoverable amounts derived from the higher of VIU and FVLCS.

For the Precast & PBU segment, an impairment loss of S$5,327,000 (2018: S$ nil) was recognised for property, plant and equipment specific to a CGU. Refer to Note 3b for further details.

For the Group's Environmental Services segment, due to continued challenging market conditions, an impairment loss of S$13,706,000 was recognised to fully impair certain plant and equipment of a CGU based on its VIU calculated on the basis of financial budgets approved by management and applying pre-tax discount rate of 11.3%. In addition, an impairment loss of S$1,868,000 was recognised for vessels associated with the CGU to write-down their carrying amounts to the recoverable amounts derived from FVLCS. The fair values were determined by an independent professional valuer using the market approach where comparable transaction prices of similar vessels were considered.

In the previous financial year, the Group recorded net impairment loss of S$253,000, based on recoverable amounts derived from the higher of VIU and FVLCS. The property, plant and equipment residing within the Group's Investment Holding and Others segment was impaired due to the cessation of operation on leasehold lands owned by a subsidiary. The net carrying amounts of these leasehold lands were insignificant as at balance sheet date.

19d Upon adoption of SFRS(I) 16 Leases, cost and accumulated depreciation for leasehold land have been reclassified to RoU assets (Note 20), amounting to S$25,892,000 and S$8,527,000 respectively on 1 January 2019.

## 20. RIGHT-OF-USE ASSETS

**Leases – The Group as a lessee**

Nature of the Group's leasing activities are as follows:

**Leasehold lands**

The Group has made upfront payments to secure the right-of-use of leasehold lands which are used in the Group's business operations. These leasehold lands are recognised as right-of-use ("RoU") assets.

**Office and buildings**

The Group leases office space for the purpose of back office operations, and buildings used in the Group's business operations. The Company also leases office space for the purpose of back office operations.

**Motor vehicles and other assets**

The Group leases motor vehicles to render logistic services and other assets comprising, plant and machineries and office equipment, for their business operations.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 20. RIGHT-OF-USE ASSETS (CONTINUED)

### Leases – The Group as a lessee (continued)

20a. The carrying amounts of RoU assets are as follows:

| | Leasehold lands S$'000 | Office and buildings S$'000 | Motor vehicles S$'000 | Other assets S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **The Group – 2019** | | | | | |
| Cost | | | | | |
| Beginning of financial year | - | - | - | - | - |
| Adoption of SFRS(I) 16 (Note 2B) | 43,080 | 2,619 | 601 | 334 | 46,634 |
| Additions | 4,698 | 1,459 | 814 | 393 | 7,364 |
| Currency realignment | (18) | (12) | - | - | (30) |
| End of financial year | 47,760 | 4,066 | 1,415 | 727 | 53,968 |
| Accumulated depreciation and impairment losses | | | | | |
| Beginning of financial year | - | - | - | - | - |
| Adoption of SFRS(I) 16 (Note 2B) | 8,527 | - | - | - | 8,527 |
| Depreciation charge (Note 8) | 2,175 | 670 | 494 | 218 | 3,557 |
| Impairment (Note 6) | 3,236 | 217 | - | - | 3,453 |
| Currency realignment | (5) | (3) | - | - | (8) |
| End of financial year | 13,933 | 884 | 494 | 218 | 15,529 |
| **Net book value at end of financial year** | 33,827 | 3,182 | 921 | 509 | 38,439 |

| | Office and buildings S$'000 | Other assets S$'000 | Total S$'000 |
|---|---|---|---|
| **The Company – 2019** | | | |
| Cost | | | |
| Beginning of financial year | - | - | - |
| Adoption of SFRS(I) 16 (Note 2B) | - | 11 | 11 |
| Additions | 1,459 | - | 1,459 |
| End of financial year | 1,459 | 11 | 1,470 |
| Accumulated depreciation | | | |
| Beginning of financial year | - | - | - |
| Adoption of SFRS(I) 16 (Note 2B) | - | - | - |
| Depreciation charge | 48 | 7 | 55 |
| End of financial year | 48 | 7 | 55 |
| **Net book value at end of financial year** | 1,411 | 4 | 1,415 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 20. RIGHT-OF-USE ASSETS (CONTINUED)

**Leases – The Group as a lessee (continued)**

For the financial year ended 31 December 2019, following management's assessment of impairment of RoU assets based on recoverable amounts derived from the higher of VIU and FVLCS, the Group recorded net impairment loss of S$3,453,000; comprising impairment charges of S$1,811,000 (2018: S$ nil) and S$1,642,000 (2018: S$ nil) relating to Precast & PBU segment and Environmental Services segment respectively (Note 3b).

The impairment charges of RoU assets recorded by the Group are determined based on their VIUs and recognised on a pro-rata basis based on the carrying amounts of the property, plant and equipment and RoU assets within the respective CGUs.

20b. RoU assets of subsidiaries with net book value of S$8,847,000 (2018: S$ nil) are charged by way of debentures to banks for banking facilities granted (Note 27).

20c. The following charges relating to RoU assets have been included in profit or loss:

| | 2019<br>S$'000 |
|---|---|
| Interest expense on lease liabilities | 790 |
| Lease expense not capitalised in lease liabilities | |
| Lease expense – short-term leases | 6,073 |
| Lease expense – low-value leases | 14 |
| | 6,087 |

20d. Cash outflow of RoU assets

Total cash outflow for all the leases in 2019 was S$9,831,000.

20e. Extension options

The lease for a land of a subsidiary contain extension periods, for which the related lease payments had been included in lease liabilities as the Group is reasonably certain to exercise this extension option. The extension options are exercisable by the Group and not by the lessor. In determining whether to utilise the extension options and the duration of the extension period, the Group considers and seeks to optimise operational flexibility in terms of managing the asset used in the Group's operations.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 20. RIGHT-OF-USE ASSETS (CONTINUED)

### Leases – The Group as a lessor

Nature of the Group's leasing activities are as follows:

The Group has leased out their owned property, plant and equipment to a third party for monthly lease payments. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from property, plant and equipment are disclosed in Note 4a.

The following table shows the maturity analysis of the undiscounted lease payments to be received:

| | 31 December 2019 S$'000 | 1 January 2019 S$'000 |
|---|---|---|
| Less than one year | 375 | 406 |
| One to two years | 122 | 113 |
| Two to three years | 36 | 31 |
| Total undiscounted lease payments | 533 | 550 |

## 21. INVESTMENTS IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Equity investments at cost | | |
| Balance at 1 January and 31 December | 85,232 | 85,232 |

Details regarding significant subsidiaries are set out in Note 40.

21a Carrying value of non-controlling interests

| | 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| Dubai Precast LLC | (5,168) | (4,474) |
| NSL OilChem Waste Management Pte. Ltd. | 2,386 | 4,705 |
| Other subsidiaries with immaterial non-controlling interests | 1,649 | 4,341 |
| Total | (1,133) | 4,572 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

21b Summarised financial information on subsidiaries with material non-controlling interests

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial year ended 31 December 2019 and 2018, except as disclosed in Note 11 and Note 32.

*Summarised balance sheet*

| | Dubai Precast LLC | | NSL OilChem Waste Management Pte. Ltd. | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| **Current** | | | | |
| Assets | 39,644 | 36,758 | 34,058 | 25,572 |
| Liabilities | (23,270) | (18,148) | (58,079) | (44,465) |
| Total current net assets / (liabilities) | 16,374 | 18,610 | (24,021) | (18,893) |
| **Non-current** | | | | |
| Assets | 14,999 | 15,062 | 72,820 | 78,343 |
| Liabilities | (56,771) | (55,603) | (29,382) | (21,167) |
| Total non-current net (liabilities) / assets | (41,772) | (40,541) | 43,438 | 57,176 |
| **Net (liabilities) / assets** | (25,398) | (21,931) | 19,417 | 38,283 |

*Summarised statement of comprehensive income*

| | Dubai Precast LLC | | NSL OilChem Waste Management Pte. Ltd. | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Revenue | 47,910 | 52,187 | 32,972 | 31,993 |
| **Profit / (loss) before income tax** | (3,808) | 736 | (19,214) | (612) |
| Income tax credit | - | - | 348 | 374 |
| **Post-tax (loss) / profit** | (3,808) | 736 | (18,866) | (238) |
| **Other comprehensive income** | 342 | (494) | - | - |
| Total comprehensive (loss) / income | (3,466) | 242 | (18,866) | (238) |
| Total comprehensive (loss) / income allocated to non-controlling interests | (693) | 48 | (2,318) | (29) |
| Dividends paid to non-controlling interests | - | - | - | - |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 21. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

21b Summarised financial information on subsidiaries with material non-controlling interests (continued)

*Summarised cash flows*

| | Dubai Precast LLC | | NSL OilChem Waste Management Pte. Ltd. | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Net cash generated from / (used in) operating activities | 1,512 | 3,369 | (3,656) | 4,143 |
| Net cash used in investing activities | (1,088) | (857) | (4,515) | (30,212) |
| Net cash (used in) / provided by financing activities | (1,082) | (2,073) | 10,233 | 25,673 |

## 22. INVESTMENTS IN ASSOCIATED COMPANIES

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Carrying value of Group's interest in associated companies | 47,569 | 51,265 |

22a The Group has S$ nil (2018: S$4,052,000) unrecognised losses of associated companies during the year. The accumulated losses of associated companies not recognised were S$ 25,531,000 (2018: S$26,043,000) at the balance sheet date.

22b There are no contingent liabilities relating to the Group's interest in the associated companies.

22c The summarised financial information (not adjusted for the proportionate of effective ownership interest held by the Group) of associated companies as at balance sheet date is as follows:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| - Assets | 524,191 | 573,305 |
| - Liabilities | (418,585) | (442,187) |
| - Revenue | 468,321 | 264,102 |
| - Net loss for the financial year | (12,974) | (15,084) |

22d The investment in associated companies comprised mainly of the following:

| Name of entity | Place of business / country of incorporation | % of ownership interest | |
|---|---|---|---|
| | | 2019 | 2018 |
| Salzgitter Maschinenbau AG ("SMAG") | Germany | 25.5 | 25.5 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

22e Summarised financial information for associated companies

Set out below are the summarised financial information for SMAG.

Amounts presented in the financial statements of the associated company (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated company and fair value adjustments made at the time of acquisition:

| | 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| Revenue | 398,558 | 198,624 |
| Loss after tax | (1,585) | (370) |
| Other comprehensive losses | (13,520) | (2,637) |
| Total comprehensive loss | (15,105) | (3,007) |
| Attributable to: | | |
| - Non-controlling interests | (1,485) | 1,476 |
| - Shareholders of associated company | (13,620) | (4,483) |
| Current assets | 164,004 | 213,761 |
| Non-current assets | 231,901 | 238,436 |
| Current liabilities | (107,127) | (148,877) |
| Non-current liabilities | (122,343) | (120,631) |
| Net assets | 166,435 | 182,689 |
| Attributable to: | | |
| - Non-controlling interests | 8,656 | 8,616 |
| - Shareholders of associated company | 157,779 | 174,073 |
| Group's share of net assets at beginning of the year | 24,639 | 22,263 |
| Goodwill at beginning of the year | 19,677 | 23,185 |
| Carrying value of interest in associated company at beginning of the year | 44,316 | 45,448 |
| Group's share of: | | |
| Loss after tax | (782) | (442) |
| Other comprehensive losses, which included currency translation differences | (3,442) | (690) |
| Total comprehensive losses | (4,224) | (1,132) |
| Carrying value of interest in associated company at end of the year | 40,092 | 44,316 |
| Add: Carrying value of individually immaterial associated companies, in aggregate | 7,477 | 6,949 |
| Carrying value of Group's interest in associated companies | 47,569 | 51,265 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. INVESTMENTS IN ASSOCIATED COMPANIES (CONTINUED)

22f The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial associated companies accounted for using the equity method:

| | 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| Net profit and total comprehensive income | 618 | 449 |

## 23. LONG TERM RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Amounts owing by subsidiaries | | | | |
| - non-trade[23a] | - | - | 69,113 | 68,974 |
| Less: Allowance for impairment of receivables | - | - | (41,062) | (41,062) |
| | - | - | 28,051 | 27,912 |
| Amounts owing by associated companies | | | | |
| - non-trade[23b] | 467 | 473 | - | - |
| Long-term trade receivables [23c] | 5,002 | 4,459 | - | - |
| Less: Allowance for impairment | (339) | (344) | - | - |
| | 4,663 | 4,115 | - | - |
| | 5,130 | 4,588 | 28,051 | 27,912 |

23a The amounts owing by subsidiaries are non-trade, interest free, unsecured and are not expected to be repaid within the next 12 months after the balance sheet date. Settlement of the amounts owing by subsidiaries are neither planned nor likely to occur in the foreseeable future. As a result, such amounts are in substance part of Company's net investments in subsidiaries. The amounts owing by subsidiaries are accounted for in accordance with Note 2l.

23b Non-trade amount owing by associated companies are unsecured and interest-free and not expected to be repaid within the next 12 months after the balance sheet date.

23c The long-term trade receivables comprise retention monies and their carrying values approximate their fair values.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 24. FINANCIAL ASSETS, AT FVOCI

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Beginning of financial year | 7,785 | 7,805 | 7,494 | 7,476 |
| Fair value gains / (losses) | 3,417 | (20) | 3,417 | 18 |
| End of financial year | 11,202 | 7,785 | 10,911 | 7,494 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Unlisted securities | | | | |
| - Bangkok Cogeneration Co., Ltd | 10,360 | 7,243 | 10,360 | 7,243 |
| Others (listed and unlisted securities) | 842 | 542 | 551 | 251 |
| **Total** | 11,202 | 7,785 | 10,911 | 7,494 |

## 25. OTHER INVESTMENTS AT AMORTISED COST

| | The Group and the Company | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Beginning of financial year | 2,536 | 2,551 |
| Accrued interest | | |
| - Recognised in profit or loss during the year | (15) | (15) |
| End of financial year | 2,521 | 2,536 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. OTHER INVESTMENTS AT AMORTISED COST (CONTINUED)

The fair values of the bonds at the balance sheet date are as follows:

| | The Group and the Company | | | |
|---|---|---|---|---|
| | Carrying amount 2019 S$'000 | Fair value 2019 S$'000 | Carrying amount 2018 S$'000 | Fair value 2018 S$'000 |
| As at 31 December 2019 | | | | |
| **Current** | | | | |
| - Bonds with fixed interest of 3.1% and maturity date of 10 December 2020 | 500 | 503 | - | - |
| **Non-current** | | | | |
| - Bonds with fixed interest of 3.1% and maturity date of 10 August 2020 | - | - | 500 | 502 |
| - Bonds with fixed interest of 3.145% and maturity date of 04 August 2021 | 1,007 | 1,018 | 1,013 | 1,020 |
| - Bonds with fixed interest of 3.85% and maturity date of 27 May 2021 | 1,014 | 1,023 | 1,023 | 1,032 |
| | 2,021 | | 2,536 | |
| | 2,521 | | 2,536 | |

The fair values are within Level 1 of the fair value hierarchy.

## 26. INTANGIBLE ASSETS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Goodwill arising on consolidation(26a) | 8,678 | 8,678 | - | - |
| Acquired intangible assets(26b) | 1,663 | 2,509 | 71 | 163 |
| | 10,341 | 11,187 | 71 | 163 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. INTANGIBLE ASSETS (CONTINUED)

26a Goodwill arising on consolidation

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Cost and Net Book Value | 8,678 | 8,678 |

*Impairment tests for goodwill*

Goodwill is allocated to the Group's cash-generating-units ("CGU") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

**Group**

| | 31 December 2019 and 2018 | | |
|---|---|---|---|
| | Singapore S$'000 | Finland S$'000 | Total S$'000 |
| Precast & PBU | - | 8,024 | 8,024 |
| Environmental Services | 654 | - | 654 |
| | 654 | 8,024 | 8,678 |

The recoverable amount of a CGU is determined based on value-in-use calculations. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management. Cash flows cover at least a five-year period and the growth rate used to extrapolate the cash flows beyond the budget period did not exceed the long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value-in-use calculations are as follows:

| | 31 December 2019 | | 31 December 2018 | |
|---|---|---|---|---|
| | Growth rate (1) | Discount rate (2) | Growth rate (1) | Discount rate (2) |
| Precast & PBU | 2.2% | 12.0% | 1.9% | 12.0% |
| Environmental Services | 1.0% | 11.3% | 1.0% | 11.3% |

(1) Projected average sales growth rate covering at least five-year period cash flow projections.

(2) Pre-tax discount rate applied to cash flow projections.

These assumptions have been used for the analysis of each CGU within the business segment. The projected average sales growth rates used are consistent with the industry forecast. The discount rates used are pre-tax and reflected specific risks relating to the relevant segments.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. INTANGIBLE ASSETS (CONTINUED)

26b Acquired intangible assets

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Cost | | | | |
| Balance at 1 January | 7,225 | 7,141 | 322 | 300 |
| Additions | 578 | 1,323 | - | - |
| Write off | - | (1,168) | - | - |
| Disposal of subsidiary (Note 18a) | (536) | - | - | - |
| Currency realignment | (139) | (71) | - | 22 |
| Balance at 31 December | 7,128 | 7,225 | 322 | 322 |
| Accumulated amortisation | | | | |
| Balance at 1 January | 4,716 | 4,235 | 159 | 52 |
| Amortisation charge for the year: | | | | |
| - Continuing operations | 922 | 1,078 | 92 | 102 |
| - Discontinued operations | 113 | 642 | - | - |
| Write off | - | (1,168) | - | - |
| Impairment | 122 | - | - | - |
| Disposal of subsidiary (Note 18a) | (283) | - | - | - |
| Currency realignment | (125) | (71) | - | 5 |
| Balance at 31 December | 5,465 | 4,716 | 251 | 159 |
| Net Book Value at 31 December | 1,663 | 2,509 | 71 | 163 |

Amortisation expense included in the consolidated income statement is analysed as follows:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 (restated) |
| Cost of sales | 159 | 187 |
| Administrative expenses | 763 | 891 |
| Total | 922 | 1,078 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 27. BORROWINGS AND LEASE LIABILITIES

27a Borrowings

Total borrowings of the Group include bank borrowings and other short-term borrowings. The maturity profile of these borrowings are as follows:

| | 2019 S$'000 | 2018 S$'000 |
|---|---|---|
| **The Group** | | |
| *Current:* | | |
| Bank loans | | |
| - Secured | 6,053 | 1,801 |
| - Unsecured | 4,597 | - |
| Hire purchase and finance lease payables – secured (Note 33) | - | 60 |
| Bills payable – secured | 222 | 248 |
| | 10,872 | 2,109 |
| *Non-current:* | | |
| Bank loans | | |
| - Secured | 23,107 | 20,061 |
| | 33,979 | 22,170 |

The carrying value of non-current borrowings approximate their fair values.

27b Lease liabilities

As at 31 December 2019, the Group and the Company has total lease liabilities of S$20,615,000 and S$1,325,000 respectively. The lease liabilities of the Group and the Company has the following maturity profile:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Current | 3,206 | - | 266 | - |
| Non-current | 17,409 | - | 1,059 | - |
| | 20,615 | - | 1,325 | - |

27c The interest rates per annum of the bank borrowings during the financial year are as follows:

| | The Group | |
|---|---|---|
| | 2019 | 2018 |
| Loans denominated in: | | |
| - Singapore Dollars | 3.0% to 4.4% | 2.6% to 4.4% |
| - Malaysian Ringgit | 3.8% | - |
| - United Arab Emirates Dirhams | 3.5% | 3.5% |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 27. BORROWINGS AND LEASE LIABILITIES (CONTINUED)

27d The banking facilities are secured against fixed and floating charge over bank deposits (Note 18), property, plant and equipment (Note 19) and right-of-use assets (Note 20) of certain subsidiaries of the Group.

## 28. TRADE, OTHER PAYABLES AND OTHER CURRENT LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Trade payables – non-related parties | 37,759 | 44,630 | - | - |
| Accrued operating expenses, including staff compensation | 17,463 | 15,835 | 1,276 | 1,536 |
| Project related accruals | 15,515 | 13,732 | - | - |
| Accrued liability for capital expenditure | 2,236 | 3,110 | - | - |
| Contract liabilities | 11,770 | 13,783 | - | - |
| Sundry payables[28a & b] | 6,490 | 6,725 | 1,488 | 1,326 |
| Amounts owing to subsidiaries | | | | |
| - Non-trade[28a] | - | - | 38,792 | 45,821 |
| Others | 562 | 784 | - | - |
| | 91,795 | 98,599 | 41,556 | 48,683 |

28a The non-trade amounts owing to subsidiaries and sundry payables are unsecured, interest free and repayable on demand.

28b Included in the Company's sundry payables as at 31 December 2019 is a consideration of S$962,000 (2018: S$736,000) payable to a subsidiary when that subsidiary's tax losses are being utilised by the Company under the Group tax relief system.

## 29. DEFERRED INCOME

Deferred income relates mainly to unearned entrance fees received in respect of club memberships sold. The deferred income is amortised over the remaining membership period of 29 years (2018: 30 years).

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Balance at 1 January | 703 | 912 |
| Additions | 27 | 41 |
| Amortisation charge | (170) | (250) |
| Balance at 31 December | 560 | 703 |
| Current portion | 183 | 168 |
| Non-current portion | 377 | 535 |
| | 560 | 703 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 30. PROVISION FOR RETIREMENT BENEFITS

The amounts recognised in the balance sheets are as follows:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Present value of unfunded obligations | 3,901 | 3,473 |

Certain subsidiaries of the Group operate separate unfunded defined retirement benefit schemes for certain employees. Benefits are payable based on the last drawn salaries of the respective employees and the number of years of service with the subsidiaries of the Group. Provision is made using the projected unit credit method described in Note 2T.

Movement in the liability recognised in the balance sheets:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Non-current | | |
| Balance at 1 January | 3,473 | 2,957 |
| Charge to profit or loss | 637 | 598 |
| Benefits paid | (179) | (154) |
| Currency realignment | (30) | 72 |
| Balance at 31 December | 3,901 | 3,473 |

The principal actuarial assumptions used were as follows:

| | The Group | |
|---|---|---|
| | 2019 % | 2018 % |
| Discount rate | 2 | 4 |
| Salary increment rate | 3 | 2 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 31. DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Deferred tax assets | (3,081) | (3,901) | - | - |
| Deferred tax liabilities | 2,111 | 2,179 | 129 | 236 |
| Net deferred tax (assets) / liabilities | (970) | (1,722) | 129 | 236 |

The movement in deferred taxes is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Balance at 1 January | (1,722) | (445) | 236 | 280 |
| (Credited) / charged to: | | | | |
| - Profit or loss (Note 10) | 828 | (1,262) | (107) | (26) |
| - Other comprehensive income | - | (56) | - | - |
| Disposal of subsidiaries (Note 18a) | (79) | - | - | - |
| Currency realignment | 3 | 41 | - | - |
| Others | - | - | - | (18) |
| Balance at 31 December | (970) | (1,722) | 129 | 236 |

Deferred income tax assets are recognised for tax losses carried forward and unutilised capital allowances to the extent that realisation of the related tax benefits through future taxable profits is probable. At 31 December 2019, the Group has unutilised tax losses and capital allowances of S$31,315,000 (2018: S$15,261,000) and S$16,459,000 (2018: S$1,455,000) respectively for which deferred tax benefits have not been recognised in the financial statements. These are available for set-off against future taxable profits subject to meeting certain statutory requirements in their respective countries of incorporation by those companies with unrecognised tax losses and capital allowances. These unutilised tax losses and capital allowances do not have expiry dates, except for an amount of S$4,860,000 unutilised tax losses (2018: S$2,671,000) which will expire within 7 years from the respective year of assessment in which the tax losses occur.

Deferred income tax liabilities of S$ nil (2018: S$ nil) have not been recognised for the withholding and other taxes that will be payable on the earnings of overseas subsidiaries when remitted to the holding company. These unremitted earnings are permanently reinvested and amounting to S$ nil (2018: S$ nil) at the balance sheet date.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 31. DEFERRED TAXATION (CONTINUED)

31a Movement in the Group's deferred tax assets and liabilities (prior to legally enforceable offsetting of balances within same tax authority) are as follows:

The Group – Deferred tax liabilities

| | Accelerated tax depreciation | | Fair value gains | | Unremitted income | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Balance at 1 January | 2,036 | 2,226 | 234 | 452 | 1,310 | 1,149 | 317 | 346 | 3,897 | 4,173 |
| (Credited) / charged to: | | | | | | | | | | |
| - Profit or loss | (2,358) | (191) | (7) | (162) | 155 | 161 | (120) | (29) | (2,330) | (221) |
| Disposal of subsidiaries | (46) | - | - | - | - | - | - | - | (46) | - |
| Other comprehensive income | - | - | - | (56) | - | - | - | - | - | (56) |
| Currency realignment | - | 1 | - | - | - | - | 1 | - | 1 | 1 |
| Balance at 31 December | (368) | 2,036 | 227 | 234 | 1,465 | 1,310 | 198 | 317 | 1,522 | 3,897 |

The Group – Deferred tax assets

| | Provisions | | Unutilised tax losses / capital allowances | | Deferred income | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Balance at 1 January | (732) | (1,041) | (4,778) | (3,412) | (108) | (141) | (5,618) | (4,594) |
| (Credited) / charged to: | | | | | | | | |
| - Profit or loss | (344) | 313 | 3,473 | (1,387) | 29 | 33 | 3,158 | (1,041) |
| Disposal of subsidiaries | (33) | - | - | - | - | - | (33) | - |
| Currency realignment | 6 | (4) | (5) | 21 | - | - | 1 | 17 |
| Balance at 31 December | (1,103) | (732) | (1,310) | (4,778) | (79) | (108) | (2,492) | (5,618) |

31b Movement in the Company's deferred tax liabilities are as follows:

The Company – Deferred tax liabilities

| | Unremitted income | | Total | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Balance at 1 January | 236 | 280 | 236 | 280 |
| Credited to: | | | | |
| - Profit or loss | (107) | (26) | (107) | (26) |
| Others | - | (18) | - | (18) |
| Balance at 31 December | 129 | 236 | 129 | 236 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 32. OTHER NON-CURRENT LIABILITIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Contingent consideration payable (32a) | - | 914 | - | - |
| Redemption liability (32a) | - | 2,398 | - | - |
| Amounts owing to a subsidiary (32b) | - | - | 9,679 | 9,599 |
| Non-trade payable (32c) | 1,919 | 1,432 | - | - |
| Others | 480 | 480 | - | - |
| | 2,399 | 5,224 | 9,679 | 9,599 |

32a The non-current liabilities were related to the acquisition of NSL Fuel Management Services Pte Ltd ("NSL Fuel"). Following the sale of NSL Fuel (Note 11), the non-current liabilities were derecognised during the financial year.

In 2016, NSL Fuel entered into an agreement with the shareholders of NSL Marine Fuel Services Pte. Ltd. ("NSL Marine Fuel") to acquire 100% of their equity stake in exchange for 17.25% equity stake in NSL Fuel. Related to the transaction:

(i) The Group was required to issue additional ordinary shares of NSL Fuel to its non-controlling shareholders (i.e. former shareholders of NSL Fuel) if two of its customer contracts were profitable. The fair value of the contingent consideration was derived based on an income approach; determined on an estimated cumulative net profit of the two customer contracts capped at S$1,000,000 for the relevant period, discounted at 11.3% per annum. This was a Level 3 fair value measurement.

(ii) The Group recognised a redemption liability relating to the call and put option entered by NSL OilChem Waste Management Pte. Ltd. ("NOCWM"), the holding company of NSL Fuel, with the non-controlling shareholders. NOCWM was granted an option to purchase the 17.25% equity stake in NSL Fuel at a market value to be mutually agreed or determined by an independent valuer 5 years after the acquisition on 17 August 2016. The fair value was determined based on discounted cash flow analysis.

32b The non-trade amounts owing to a subsidiary are unsecured, interest-free and are not expected to be repaid within the next 12 months after the balance sheet date.

32c The non-trade payable relates to payable for asset under construction and are due in in February 2021.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 33. HIRE PURCHASE AND FINANCE LEASE LIABILITIES

Hire purchase and finance lease liabilities are analysed as follows:

| | 2018<br>S$'000 |
|---|---|
| Minimum hire purchase and finance lease liabilities due: | |
| - Within 1 year | 62 |
| | 62 |
| Less: Future finance charges | (2) |
| Present value of hire purchase and finance lease liabilities | 60 |
| Present value of hire purchase and finance lease liabilities due: | |
| - Within 1 year | 60 |
| | 60 |

33a The lease agreements did not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term. The weighted average effective interest rate of the hire purchase and finance lease payables was 1.5% per annum as at 31 December 2018.

33b Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2B.

## 34. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the Group and the Company have the following significant transactions with related parties on terms agreed between the parties:

34a Sales and purchases of goods and services

| | The Group | |
|---|---|---|
| | 2019<br>S$'000 | 2018<br>S$'000 |
| Sales to associated companies | 5,969 | 294 |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 34. RELATED PARTY TRANSACTIONS (CONTINUED)

34b Key management's remuneration

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 (restated) |
| Salary and other employee benefits | 4,569 | 4,806 |
| Employer's contribution to defined contribution plans, including Central Provident Fund | 114 | 204 |
| Retirement benefits | 96 | 20 |
| | 4,779 | 5,030 |

Included in the above are Directors' fees and Directors' remuneration of S$614,000 (2018: S$614,000) and S$442,000 (2018: S$466,000) respectively payable / paid to the Directors of the Company.

The details of Directors' remuneration are disclosed in the Statement of Corporate Governance.

## 35. FINANCIAL INFORMATION BY SEGMENTS

Operating segments

Operating segments of the Group are determined based on the Group's internal reporting structure. Segment information is presented on the same basis as the internal management reports used by the senior management of the Group in making strategic decisions.

In determining the operating segments, the Group has considered primarily the industries the Group's companies are operating in and their contribution to the Group.

The Group operates mainly in the manufacturing and sale of building materials, as well as the provision of environmental services and sale of related products. Accordingly, these activities are grouped into separate operating segments within the two main divisions Precast & Prefabricated Bathroom Unit ("PBU") and Environmental Services. Operating segment classified as "Investment Holding & Others" relates to the Group's remaining assets, comprising mainly of holding investments. It also includes the operation of a marina club, and operations in the manufacturing and sale of refractory materials and road stone products, which are not significant components of this segment.

Inter-segment transactions are determined on an arm's length basis. The performance of the segments is measured in a manner consistent with that in the consolidated income statement.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 35. FINANCIAL INFORMATION BY SEGMENTS (CONTINUED)

Operating segments (continued)

The information for the reportable segments for the year ended 31 December 2019 is as follows:

| | Precast & PBU S$'000 | Environmental Services S$'000 | Investment Holding & Others S$'000 | Total for Continuing Operations S$'000 | Discontinued operations S$'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 218,628 | 33,098 | 20,624 | 272,350 | 48,539 |
| Inter-segment sales | - | - | 1,638 | 1,638 | 109 |
| Total revenue | 218,628 | 33,098 | 22,262 | 273,988 | 48,648 |
| Elimination | - | - | (1,638) | (1,638) | (109) |
| | 218,628 | 33,098 | 20,624 | 272,350 | 48,539 |
| (Loss) / Profit before Taxation | (9,681) | (23,530) | (1,741) | (34,952) | 671 |
| Interest income | 438 | 3 | 4,769 | 5,210 | - |
| Interest expense | (323) | (652) | (373) | (1,348) | (60) |
| Depreciation of property, plant & equipment | (6,121) | (6,644) | (1,529) | (14,294) | (315) |
| Depreciation of right-of-use assets | (971) | (1,453) | (1,133) | (3,557) | - |
| Amortisation | | | | | |
| - Intangible assets | (699) | (130) | (93) | (922) | (114) |
| - Deferred income | - | - | 170 | 170 | - |
| Gain / (loss) on disposal and write-off of property, plant and equipment | 87 | 430 | (8) | 509 | (1) |
| Impairment of property, plant and equipment | (5,327) | (15,574) | - | (20,901) | - |
| Impairment of right-of-use assets | (1,811) | (1,642) | - | (3,453) | - |
| Impairment of intangible assets | (122) | - | - | (122) | - |
| Share of results of associated companies, net of tax | | | | | |
| - SMAG | - | - | (782) | (782) | - |
| - Others | - | - | 618 | 618 | - |
| **Segment Assets** | 214,344 | 64,500 | 385,985 | 664,829 | - |
| Segment assets includes: | | | | | |
| Investment in associated companies | - | - | 47,569 | 47,569 | - |
| Additions to: | | | | | |
| - Property, plant and equipment | 6,128 | 17,406 | 1,401 | 24,935 | 40 |
| - Right-of-use assets | 4,836 | 1,068 | 1,460 | 7,364 | - |
| - Intangible assets | 466 | 43 | - | 509 | 69 |
| **Segment Liabilities** | 92,204 | 47,127 | 16,324 | 155,655 | - |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 35. FINANCIAL INFORMATION BY SEGMENTS (CONTINUED)

Operating segments (continued)

The information for the reportable segments for the year ended 31 December 2018 is as follows:

| | Precast & PBU S$'000 | Environmental Services S$'000 | Investment Holding & Others S$'000 | Total for Continuing Operations S$'000 | Discontinued operations S$'000 |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| External sales | 225,048 | 36,126 | 22,125 | 283,299 | 93,285 |
| Inter-segment sales | - | 52 | 1,690 | 1,742 | 295 |
| Total revenue | 225,048 | 36,178 | 23,815 | 285,041 | 93,580 |
| Elimination | - | (52) | (1,690) | (1,742) | (295) |
| | 225,048 | 36,126 | 22,125 | 283,299 | 93,285 |
| (Loss) / Profit before Taxation | (3,765) | (641) | 1,327 | (3,079) | 453 |
| Interest income | 286 | 139 | 4,111 | 4,536 | - |
| Interest expense | (125) | (345) | - | (470) | (221) |
| Depreciation | (6,297) | (5,142) | (1,693) | (13,132) | (456) |
| Amortisation | | | | | |
| - Intangible assets | (839) | (137) | (102) | (1,078) | (642) |
| - Deferred income | - | - | 250 | 250 | - |
| (Loss) / gain on disposal and write-off of property, plant and equipment | (254) | (220) | 243 | (231) | 37 |
| Impairment of property, plant and equipment | - | - | (253) | (253) | - |
| Share of results of associated companies, net of tax | | | | | |
| - SMAG | - | - | (442) | (442) | - |
| - Others | - | - | 449 | 449 | - |
| **Segment Assets** | 217,441 | 85,564 | 396,287 | 699,292 | - |
| Segment assets includes: | | | | | |
| Investment in associated companies | - | - | 51,265 | 51,265 | - |
| Additions to: | | | | | |
| - Property, plant and equipment | 6,019 | 37,842 | 1,369 | 45,230 | 169 |
| - Intangible assets | 1,163 | 76 | 5 | 1,244 | 79 |
| **Segment Liabilities** | 80,022 | 44,692 | 8,252 | 132,966 | - |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 35. FINANCIAL INFORMATION BY SEGMENTS (CONTINUED)

Geographical information

The Group's business segments operate mainly in the following geographical areas:

(i) Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the manufacturing and sale of building materials, sale of oil & petroleum products, the provision of environmental services, and investment holding;

(ii) Malaysia – the operations in Malaysia are principally the manufacturing and sale of building materials;

(iii) United Arab Emirates – the operations in United Arab Emirates are principally the manufacturing and sale of building materials;

(iv) Finland – the operations in Finland are principally the manufacturing and sale of building materials and prefabricated bathroom units;

(v) Germany – this relates to the Group's 25.5% interest in associated company SMAG, which is incorporated in Germany, and its principal activities are disclosed in Note 40.

(vi) Other countries – the operations in other countries such as Indonesia include the sale of refractory materials.

| | The Group | | | |
|---|---|---|---|---|
| | External sales for continuing operations[1] | | Non-current assets for continuing operations[2] | |
| | 2019 S$'000 | 2018 S$'000 | 2019 S$'000 | 2018 S$'000 |
| Singapore | 86,378 | 82,764 | 118,750 | 113,620 |
| Malaysia | 42,596 | 35,575 | 27,805 | 27,099 |
| United Arab Emirates | 48,083 | 52,326 | 11,400 | 11,618 |
| Finland & other parts of Europe | 91,455 | 106,134 | 18,868 | 17,812 |
| Germany | - | - | 40,092 | 44,316 |
| Others | 3,838 | 6,500 | 4,398 | 4,123 |
| | 272,350 | 283,299 | 221,313 | 218,588 |

(1) External sales by geographical segment are determined based on locations of the respective customers.
Excluded from the above is revenue of S$48,539,000 (2018: S$93,285,000) from discontinued operations of a Singapore subsidiary (Note 11).

(2) Non-current assets by geographical segment are based on locations of the respective assets. Non-current assets include property, plant and equipment, right-of-use assets, investment properties, associated companies, intangible assets and other non-current assets.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. COMMITMENTS

36a Capital commitments

Capital commitments contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associated companies (Note 22) are as follows:

| | The Group | |
|---|---|---|
| | 2019 S$'000 | 2018 S$'000 |
| Commitments for capital expenditure not provided for in the financial statements in respect of contracts placed for property, plant and equipment | 2,674 | 6,906 |
| Commitments in respect of equity participation in an associated company | 7,109 | 7,198 |
| | 9,783 | 14,104 |

36b Operating lease commitments - where the Group or Company is a lessee

The Group and Company lease various parcels of land, office and buildings, motor vehicles and other assets (comprising plant and machineries and office equipment) under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As of 31 December 2018, the future aggregate minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

| | The Group 2018 S$'000 | The Company 2018 S$'000 |
|---|---|---|
| Payable: | | |
| Within 1 year | 3,771 | 540 |
| Within 2 to 5 years | 9,001 | 7 |
| After 5 years | 11,376 | - |
| | 24,148 | 547 |

As disclosed in Note 2B, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as RoU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. COMMITMENTS (CONTINUED)

36c Operating lease commitments - where the Group is a lessor

The Group leases out certain property, plant and equipment to non-related parties under non-cancellable operating leases. As of 31 December 2018, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, are as follows:

| | The Group 2018 S$'000 |
|---|---|
| Receivable: | |
| Within 1 year | 406 |
| Within 2 to 5 years | 144 |
| | 550 |

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 20.

## 37. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to market risk (including currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures.

Financial risk management is carried out and monitored by a central treasury department in accordance with established policies and guidelines, set by the Board of Directors.

37a Market risk

(i) Currency risk

The Group operates in various countries, which include Singapore, Malaysia, United Arab Emirates, Germany and Finland. Certain entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as United States Dollar ("USD"), Malaysian Ringgit ("MYR"), Euro ("EUR") and United Arab Emirates Dirham ("AED"). Currency exposure to Thai Baht ("THB") mainly arose from its financial assets in the form of equity investments.

Currency risk arises when transactions are denominated in foreign currencies. The Group manages its currency risk through natural hedge and foreign exchange forward contracts. It is the Group's policy not to enter into forward contracts until a firm commitment is in place.

The Group is exposed to currency translation risk on the net assets in foreign operations including foreign currency loans to associated companies which are part of the net investments in foreign operations, which are deferred in equity until disposal of the foreign operations. Where appropriate, this exposure is managed through borrowings denominated in the relevant foreign currencies.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37a Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure (net of currency forwards where applicable) is as follows:

| | SGD S$'000 | USD S$'000 | MYR S$'000 | EUR S$'000 | THB S$'000 | AED S$'000 | Others S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | |
| At 31 December 2019 | | | | | | | | |
| Cash and bank balances | 256,262 | 1,557 | 10,296 | 7,110 | - | 3,814 | 2,553 | 281,592 |
| Receivables | 31,729 | 929 | 11,774 | 10,257 | - | 31,828 | 1,180 | 87,697 |
| Intra-group receivables | 207,021 | 1,250 | 10,274 | - | - | - | - | 218,545 |
| Financial assets, at FVOCI | 842 | - | - | - | 10,360 | - | - | 11,202 |
| Other investments at amortised cost | 2,521 | - | - | - | - | - | - | 2,521 |
| Borrowings and lease liabilities | (45,361) | - | (5,449) | (1,784) | - | (2,000) | - | (54,594) |
| Intra-group payables | (207,021) | (1,250) | (10,274) | - | - | - | - | (218,545) |
| Trade and other payables | (16,568) | (403) | (25,145) | (17,670) | (90) | (19,168) | (981) | (80,025) |
| Other non-current liabilities | (2,399) | - | - | - | - | - | - | (2,399) |
| Net financial assets / (liabilities) | 227,026 | 2,083 | (8,524) | (2,087) | 10,270 | 14,474 | 2,752 | 245,994 |
| Less: net financial (assets) / liabilities denominated in the respective entities' functional currencies | (239,264) | (9) | 3,444 | 2,102 | - | (14,474) | (28) | |
| Currency exposure | (12,238) | 2,074 | (5,080) | 15 | 10,270 | - | 2,724 | |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37a Market risk (continued)

(i) Currency risk (continued)

| | SGD S$'000 | USD S$'000 | MYR S$'000 | EUR S$'000 | THB S$'000 | AED S$'000 | Others S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | |
| At 31 December 2018 | | | | | | | | |
| Cash and bank balances | 285,766 | 1,303 | 4,254 | 8,070 | - | 4,536 | 732 | 304,661 |
| Receivables | 40,633 | 1,102 | 15,489 | 12,192 | - | 26,742 | 1,204 | 97,362 |
| Intra-group receivables | 236,442 | 1,379 | 5,810 | - | - | - | - | 243,631 |
| Financial assets, at FVOCI | 543 | - | - | - | 7,242 | - | - | 7,785 |
| Other investments at amortised cost | 2,536 | - | - | - | - | - | - | 2,536 |
| Borrowings | (21,271) | - | - | - | - | (899) | - | (22,170) |
| Intra-group payables | (236,442) | (1,379) | (5,810) | - | - | - | - | (243,631) |
| Trade and other payables | (23,743) | (106) | (23,117) | (19,641) | (15) | (16,392) | (1,018) | (84,032) |
| Other non-current liabilities | (5,224) | - | - | - | - | - | - | (5,224) |
| Net financial assets / (liabilities) | 279,240 | 2,299 | (3,374) | 621 | 7,227 | 13,987 | 918 | 300,918 |
| Less: net financial (assets) / liabilities denominated in the respective entities' functional currencies | (282,599) | (264) | 762 | (546) | - | (13,987) | (263) | |
| Currency exposure | (3,359) | 2,035 | (2,612) | 75 | 7,227 | - | 655 | |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37a Market risk (continued)

(i) Currency risk (continued)

| | SGD S$'000 | USD S$'000 | EUR S$'000 | THB S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| At 31 December 2019 | | | | | |
| Cash and bank balances | 224,168 | 48 | 5 | - | 224,221 |
| Receivables | 49,014 | - | - | - | 49,014 |
| Financial assets, at FVOCI | 551 | - | - | 10,360 | 10,911 |
| Other investments at amortised cost | 2,521 | - | - | - | 2,521 |
| Trade and other payables | (41,556) | - | - | - | (41,556) |
| Other non-current liabilities | (9,679) | - | - | - | (9,679) |
| Lease liabilities | (1,325) | - | - | - | (1,325) |
| Net financial assets / (liabilities) | 223,694 | 48 | 5 | 10,360 | 234,107 |
| Less: net financial assets denominated in the Company's functional currency | (223,694) | - | - | - | |
| Currency exposure | - | 48 | 5 | 10,360 | |

| | SGD S$'000 | USD S$'000 | EUR S$'000 | THB S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **The Company** | | | | | |
| At 31 December 2018 | | | | | |
| Cash and bank balances | 257,281 | 40 | 5 | - | 257,326 |
| Receivables | 40,562 | - | - | - | 40,562 |
| Financial assets, at FVOCI | 252 | - | - | 7,242 | 7,494 |
| Other investments at amortised cost | 2,536 | - | - | - | 2,536 |
| Trade and other payables | (48,683) | - | - | - | (48,683) |
| Other non-current liabilities | (9,599) | - | - | - | (9,599) |
| Net financial assets / (liabilities) | 242,349 | 40 | 5 | 7,242 | 249,636 |
| Less: net financial assets denominated in the Company's functional currency | (242,349) | - | - | - | |
| Currency exposure | - | 40 | 5 | 7,242 | |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37a Market risk (continued)

(i) Currency risk (continued)

The Group and Company have no other significant currency exposure, except to USD, MYR and THB.

If the USD, MYR and THB change against the SGD by 5%, 3% and 3% (2018: 5%, 3% and 3%) respectively with all other variables including tax rate being held constant, the effects arising from the net financial asset / liability position will be as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Increase / (decrease) | | | |
| | Results after tax S$'000 | Other comprehensive income S$'000 | Results after tax S$'000 | Other comprehensive income S$'000 |
| **The Group** | | | | |
| USD against SGD | | | | |
| - strengthened | 86 | - | 84 | - |
| - weakened | (86) | - | (84) | - |
| MYR against SGD | | | | |
| - strengthened | (129) | - | (65) | - |
| - weakened | 129 | - | 65 | - |
| THB against SGD | | | | |
| - strengthened | - | 308 | - | 217 |
| - weakened | - | (308) | - | (217) |
| **The Company** | | | | |
| USD against SGD | | | | |
| - strengthened | 2 | - | 2 | - |
| - weakened | (2) | - | (2) | - |
| THB against SGD | | | | |
| - strengthened | - | 308 | - | 217 |
| - weakened | - | (308) | - | (217) |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37a Market risk (continued)

(ii) Equity price risk

The Group and the Company are exposed to equity securities price risk arising from the investments held by the Group and the Company which are classified on the balance sheets as financial assets at FVOCI (Note 24).

If equity prices of financial assets, at FVOCI held by the Company and subsidiaries of the Group increase / decrease by 5% (2018: 5%) with all other variables including tax rate being held constant, other comprehensive income of the Group and the Company will be higher or lower by S$560,000 (2018: S$389,000) and S$546,000 (2018: S$375,000) respectively.

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group's exposure to changes in interest rates relates mainly to debt obligations with financial institutions and cash and bank balances. Bank borrowings are contracted on both fixed and variable terms with the objectives of minimising interest burden whilst maintaining an acceptable debt maturity profile. As the Group does not have significant fixed-interest borrowings, it does not have significant exposure to fair value interest rate risk.

The Group's borrowings at variable rates (i.e. cash flow interest rate risk) on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rate increases / decreases by 0.5% (2018: 0.5%) with all other variables being held constant, the net profit after tax will be lower / higher by S$120,000 (2018: S$88,000).

37b Credit risk

Credit risk refers to the risk that a counterpart will default on its contractual obligations resulting in financial loss to the Group. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. The Group has no significant concentration of credit risk.

The maximum exposure to credit risk for each class of financial assets is the carrying amount of the class of financial assets presented on the balance sheet, except for trade receivables (Note 17 and 23) whereby the maximum exposure to credit risk is reduced by the amount the Group holds as collateral in form of banker guarantees of S$7,868,000 (2018: S$1,837,000) and letters of credit of S$2,410,000 (2018: S$1,938,000).

The Group's major classes of financial assets are cash and bank balances, and trade and other receivables. The Company's major classes of financial assets are cash and bank balances.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37b Credit risk (continued)

The movements in credit loss allowance are as follows:

| | Allowances on trade receivables (a) | | |
|---|---|---|---|
| | Non-performing S$'000 | Others S$'000 | Total S$'000 |
| **The Group** | | | |
| **2019** | | | |
| Balance as at 1 January 2019 | 14,533 | 4,134 | 18,667 |
| Loss allowance recognised in profit or loss during the year on: | | | |
| - Assets acquired / originated | 1,341 | 921 | 2,262 |
| - Reversal of unutilised amounts | (1,320) | (836) | (2,156) |
| | 21 | 85 | 106 |
| Receivables written off as uncollectible | (2,495) | - | (2,495) |
| Reclassified to non-performing | 1,775 | (1,775) | - |
| Disposal of subsidiaries | (109) | (727) | (836) |
| Currency alignment | (8) | 54 | 46 |
| Balance as at 31 December 2019 | 13,717 | 1,771 | 15,488 |
| **2018** | | | |
| Balance as at 1 January 2018 | 14,099 | 3,586 | 17,685 |
| Loss allowance recognised in profit or loss during the year on: | | | |
| - Assets acquired / originated | 453 | 2,012 | 2,465 |
| - Reversal of unutilised amounts | - | (1,464) | (1,464) |
| | 453 | 548 | 1,001* |
| Receivables written off as uncollectible | (226) | - | (226) |
| Currency alignment | 207 | - | 207 |
| Balance as at 31 December 2018 | 14,533 | 4,134 | 18,667 |

* Includes loss allowances of S$440,000 recognised in profit or loss relating to discontinued operations (Note 11)

(a) Loss allowance measured at lifetime expected credit loss

Cash and cash equivalents and other receivables are subject to immaterial credit loss.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37b Credit risk (continued)

(i) Trade receivables

For trade receivables, the Group applies the simplified approach permitted by the SFRS(I) 9, which required expected lifetime losses to be recognised from initial recognition of the receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, default payments and/or legal enforcement action has been undertaken for recovery against the debtor are considered evidence that the debtor is non-performing. In such instances, management measured the expected credit loss of the non-performing receivable at its maximum exposure to the Group at balance sheet date.

In relation to trade receivables that are other than non-performing, they were grouped based on similar credit risk characteristics and days past due; and a provision matrix was used to measure the lifetime expected credit loss within each revenue segment.

Trade receivables are written off when there is no reasonable expectation of recovery, such as a debtor entering bankruptcy or failing to engage in a repayment plan with the Group. The Group considers a financial asset as in default if the counterparty fails to make contractual payments within 6 months when they fall due, and writes off the financial asset when it is deemed uncollectible. Where receivables are written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2019 are set out as follows:

| | Current S$'000 | Past due up to 3 months S$'000 | Past due 3 to 6 months S$'000 | Past due 6 to 12 months S$'000 | Past due more than 12 months S$'000 | Sub-total* S$'000 | Non-performing receivables S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | |
| **Precast and PBU** | | | | | | | | |
| Expected loss rate | 0% | 2% | 3% | 6% | 93% | | | |
| Trade receivables | 49,851 | 10,708 | 2,518 | 3,674 | 1,209 | 67,960 | 7,809 | 75,769 |
| Loss allowance | (58) | (165) | (65) | (205) | (1,121) | (1,614) | (7,809) | (9,423) |
| **Environmental Services** | | | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | 0% | | | |
| Trade receivables | 5,032 | 1,904 | 302 | 70 | - | 7,308 | 5,687 | 12,995 |
| Loss allowance | - | - | - | - | - | - | (5,226) | (5,226) |
| **Others** | | | | | | | | |
| Expected loss rate | 1% | 0% | 11% | 50% | 88% | | | |
| Trade receivables | 1,549 | 506 | 9 | 10 | 160 | 2,234 | 682 | 2,916 |
| Loss allowance | (10) | (1) | (1) | (5) | (140) | (157) | (682) | (839) |

* Represents trade receivables that are other than non-performing and for which provision matrix was used to measure the lifetime expected credit loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37b Credit risk (continued)

(i) Trade receivables (continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 as at 31 December 2018 are set out as follows: (continued)

| | Current S$'000 | Past due up to 3 months S$'000 | Past due 3 to 6 months S$'000 | Past due 6 to 12 months S$'000 | Past due more than 12 months S$'000 | Sub-total* S$'000 | Non-performing receivables S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|---|
| **The Group** | | | | | | | | |
| **Precast and PBU** | | | | | | | | |
| Expected loss rate | 0% | 0% | 14% | 35% | 49% | | | |
| Trade receivables | 43,040 | 10,095 | 4,596 | 1,706 | 4,039 | 63,476 | 7,695 | 71,171 |
| Loss allowance | - | - | (642) | (589) | (1,991) | (3,222) | (7,695) | (10,917) |
| **Environmental Services** | | | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 21% | 77% | | | |
| Trade receivables | 13,877 | 6,225 | 1,107 | 1,008 | 891 | 23,108 | 5,997 | 29,105 |
| Loss allowance | - | - | (2) | (215) | (682) | (899) | (5,144) | (6,043) |
| **Others** | | | | | | | | |
| Expected loss rate | 0% | 0% | 0% | 32% | 88% | | | |
| Trade receivables | 1,948 | 931 | 12 | 19 | 8 | 2,918 | 1,694 | 4,612 |
| Loss allowance | - | - | - | (6) | (7) | (13) | (1,694) | (1,707) |

* Represents trade receivables that are other than non-performing and for which provision matrix was used to measure the lifetime expected credit loss.

(ii) Long term trade receivables

As disclosed in Note 23, long term trade receivables comprise mainly retention monies and these balances share the same risk characteristics as current trade receivables for the same type of contracts and credit loss allowance is measured at lifetime expected credit loss. For trade receivables that are other than non-performing, the Group has determined that the expected loss rates for current trade receivables are a reasonable approximation of the credit loss rates for retention monies.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37b Credit risk (continued)

(iii) Other investments at amortised cost

*Credit risk exposure and significant credit risk concentration*

The Group and Company uses the following categories of internal credit risk rating for its investment in listed bonds and intercompany loans.

As disclosed in Note 25, other investments at amortised cost comprise listed bonds. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Standard & Poor, Moody's and Fitch, so as to determine the appropriate expected credit loss rates. These are considered "low credit risk" as listed bonds are of investment grade credit rating with at least one major rating agency. The financial impact on expected credit loss allowance of the listed bonds is insignificant.

The expected credit loss of non-trade amounts owing by subsidiaries of S$48,043,000 (2018: S$39,183,000) (Note 17) to the Company is insignificant.

| **Category of internal credit rating** | **Performing** | **Under-performing** | **Non-performing** | **Write-off** |
|---|---|---|---|---|
| Definition of category | Issuers have a low risk of default and a strong capacity to meet contractual cash flows. | Issuers for which there is a significant increase in credit risk; as significant credit risk is presumed if interest and/or principal repayment are 6 months past due. | Significant difficulties of the debtor, the debtor has entered bankruptcy, default in payments and/or legal enforcement action taken; or interest and/or principal payments are 2 years overdue. | Interest and/or principal repayments are 2 years past due and there is no reasonable expectation of recovery. |
| Basis of recognition of expected credit losses | 12-month expected credit losses | Lifetime expected credit losses | Lifetime expected credit losses | Asset is written off |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37c Liquidity risk

In managing liquidity risk, the Group's policy is to maintain sufficient cash resources and ensure the availability of funding through adequate amounts of committed credit facilities.

The table below analyses the maturity profile of the Group's and Company's non-derivative financial liabilities based on contractual undiscounted cash flows from the remaining period from the balance sheet date to the contractual maturity date.

| | Less than 1 year S$'000 | Between 1 to 2 years S$'000 | Between 2 to 5 years S$'000 | Over 5 years S$'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| 2019 | | | | |
| Trade and other payables | 80,025 | - | - | - |
| Lease liabilities | 3,908 | 3,353 | 7,845 | 11,085 |
| Short-term borrowings | 11,799 | - | - | - |
| Long-term borrowings | - | 1,754 | 22,888 | - |
| Other non-current liabilities | - | 2,300 | 99 | - |
| 2018 | | | | |
| Trade and other payables | 84,032 | - | - | - |
| Short-term borrowings | 2,953 | - | - | - |
| Long-term borrowings | - | 2,721 | 19,178 | - |
| Other non-current liabilities | - | 1,000 | 4,310 | - |
| **The Company** | | | | |
| 2019 | | | | |
| Trade and other payables | 41,556 | - | - | - |
| Lease liabilities | 297 | 291 | 824 | - |
| Other non-current liabilities | - | 9,580 | 99 | - |
| 2018 | | | | |
| Trade and other payables | 48,683 | - | - | - |
| Other non-current liabilities | - | 9,599 | - | - |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37d Capital risk

The Group's objectives when managing capital are to ensure the Group's ability to continue as a going concern and to maintain an efficient capital structure so as to enhance shareholders value. In order to maintain or achieve a prudent and efficient capital structure, the Group may adjust the amount of dividend payment, issue new shares, obtain new borrowings or sell assets to reduce borrowings.

The total capital of the Group and the Company as at balance sheet dates is represented by the respective "Total equity" as presented on the balance sheets. The Group and the Company monitor capital based on gross debt comprising borrowings (Note 27) and trade and other payables (Note 28) and net cash position which is defined as cash (Note 18) less gross debt.

As part of the monitoring process of the Group's borrowings, management performs specific review of the need of individual entities within the Group to obtain external financing, taking into consideration the operating cash flows and gearing ratio of each entity as well as the prevailing market interest rates.

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 31 December 2019 and 2018, except that one of the subsidiaries with bank borrowings (Note 27) amounting to S$24,839,000 (2018: S$21,210,000) has not complied with the externally imposed capital requirements (i.e. debt service ratio, and tangible net debt/ total liabilities to net worth ratio) during the financial years ended 31 December 2019 and 2018. Prior to the end of the financial year, the subsidiary has obtained waivers from its bankers to defer assessment of the compliance of the financial covenants as required by loan agreement to the subsequent financial year. The non-current portion of the outstanding bank borrowings continues to be presented as non-current liabilities as at 31 December 2019 as these waivers from its bankers have been obtained by the Group prior to the financial year ended 31 December 2019.

37e Fair value measurements

The table below presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

(i) quoted price in active markets for identical assets or liabilities (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37e Fair value measurements (continued)

| | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 | Total S$'000 |
|---|---|---|---|---|
| **The Group** | | | | |
| 2019 | | | | |
| Assets | | | | |
| Financial assets, at FVOCI | 551 | - | 10,651 | 11,202 |
| 2018 | | | | |
| Assets | | | | |
| Financial assets, at FVOCI | 251 | - | 7,534 | 7,785 |
| Liabilities | | | | |
| Contingent consideration payable | - | - | 914 | 914 |
| Redemption liability | - | - | 2,398 | 2,398 |
| Total liabilities | - | - | 3,312 | 3,312 |
| **The Company** | | | | |
| As at 31 December 2019 | | | | |
| Assets | | | | |
| Financial assets, at FVOCI | 551 | - | 10,360 | 10,911 |
| As at 31 December 2018 | | | | |
| Assets | | | | |
| Financial assets, at FVOCI | 251 | - | 7,243 | 7,494 |

The fair values of financial instruments that are traded in active markets are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods, and makes assumptions that are based on current market conditions existing at each balance sheet date. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same or discounted cash flow analysis. The Group also estimates the fair value of the financial asset in form of unquoted equity investment by reference to its net assets which are mainly in form of monetary assets and liabilities. Such instruments are included in Level 3. The determination of the fair values of the contingent consideration payable and redemption liability in prior year is disclosed in Note 32.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37e Fair value measurements (continued)

The following tables present the changes in Level 3 instruments:

| The Group | Financial assets, at FVOCI S$'000 | Contingent consideration payable S$'000 | Redemption liability S$'000 | Total S$'000 |
|---|---|---|---|---|
| **As at 31 December 2019** | | | | |
| Beginning of financial year | 7,534 | (914) | (2,398) | 4,222 |
| Fair value (losses) / gains recognised in | | | | |
| - other comprehensive income | 3,117 | - | 630 | 3,747 |
| - profit or loss | - | 259 | (181) | 78 |
| Disposals (Note 11) | - | 655 | 1,949 | 2,604 |
| End of the financial year | 10,651 | - | - | 10,651 |
| Total unrealised (losses) / gains for the period included in profit or loss for assets and liabilities held at the end of the financial year | - | - | - | - |
| **As at 31 December 2018** | | | | |
| Beginning of financial year | 7,545 | (829) | (2,150) | 4,566 |
| Fair value (losses) / gains recognised in | | | | |
| - other comprehensive income | (11) | - | - | (11) |
| - profit or loss | - | (85) | (248) | (333) |
| End of the financial year | 7,534 | (914) | (2,398) | 4,222 |
| Total unrealised (losses) / gains for the period included in profit or loss for assets and liabilities held at the end of the financial year | - | (85) | (248) | (333) |

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. FINANCIAL RISK MANAGEMENT (CONTINUED)

37e Fair value measurements (continued)

| **The Company** | **Financial assets, at FVOCI S$'000** |
|---|---|
| **As at 31 December 2019** | |
| Beginning of financial year | 7,243 |
| Fair value losses recognised in | |
| - other comprehensive income | 3,117 |
| End of financial year | 10,360 |
| **As at 31 December 2018** | |
| Beginning of financial year | 7,216 |
| Fair value losses recognised in | |
| - other comprehensive income | 27 |
| End of financial year | 7,243 |

The carrying amount less allowance for impairment of current receivables and other financial assets carried at amortised cost are assumed to approximate their fair values. The fair values of current borrowings and other financial liabilities carried at amortised cost approximate their carrying amounts. The fair values of non-current borrowings and other liabilities of the Group are estimated by discounting the future contractual cash flows at the current market interest rates that are available to the Group for similar financial liabilities.

37f Financial Instruments by category

The carrying amount of the different categories of financial instruments is as follows:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2019 S$'000** | **2018 S$'000** | **2019 S$'000** | **2018 S$'000** |
| Financial assets, at FVOCI | 11,202 | 7,785 | 10,911 | 7,494 |
| Financial assets, at amortised cost | 371,810 | 404,559 | 275,756 | 297,889 |
| Financial liabilities at amortised cost | (137,018) | (111,426) | (52,560) | (58,282) |

## 38. NEW ACCOUNTING STANDARDS AND SFRS INTERPRETATIONS

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## 39. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of NSL Ltd. on 6 March 2020.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 40. SIGNIFICANT COMPANIES IN THE GROUP

The principal activities of the significant companies in the Group, their countries of incorporation and places of business, and the extent of NSL Ltd.'s equity interest in significant subsidiaries and associated companies are as follows:

| Name of company | Principal activities | Country of incorporation and place of business | Proportion of ordinary shares held by the Group | | Proportion of ordinary shares held by non-controlling interests | |
|---|---|---|---|---|---|---|
| | | | 31 December | | 31 December | |
| | | | 2019 % | 2018 % | 2019 % | 2018 % |
| Eastern Industries Private Limited (1) | Investment holding | Singapore | 100.0 | 100.0 | - | - |
| NSL Chemicals Ltd. (1) | Investment holding, manufacturing and sale of refractory materials and road stones | Singapore | 100.0 | 100.0 | - | - |
| NSL Properties Pte. Ltd. (1) | Investment holding | Singapore | 100.0 | 100.0 | - | - |
| NSL Resorts International Pte. Ltd. (1) | Investment holding | Singapore | 100.0 | 100.0 | - | - |
| Eastern Pretech Pte Ltd (1) | Manufacturing and sale of building materials | Singapore | 100.0 | 100.0 | - | - |
| Eastern Pretech (Malaysia) Sdn Bhd (2) | Manufacturing and sale of building materials | Malaysia | 100.0 | 100.0 | - | - |
| Dubai Precast L.L.C. (2),(3) | Manufacturing and sale of building materials | United Arab Emirates | 45.0 | 45.0 | 55.0 | 55.0 |
| Parmarine Ltd (2) | Manufacturing and sale of building materials | Finland | 100.0 | 100.0 | - | - |
| Eastech Steel Mill Services (M) Sdn Bhd (2) | Manufacturing and sale of refractory products | Malaysia | 100.0 | 100.0 | - | - |
| NSL OilChem Waste Management Pte. Ltd. (1) | Treatment and recovery of waste oil and oily slop and trading in diesel oil | Singapore | 87.7 | 87.7 | 12.3 | 12.3 |
| NSL OilChem Logistics Pte. Ltd. (1) | Trading in oil products and disposal of oil and chemical wastes | Singapore | 87.7 | 87.7 | 12.3 | 12.3 |
| NSL Fuel Management Services Pte Ltd (5) | Trading in oil products and disposal of oil and chemical wastes | Singapore | - | 72.6 | - | 27.4 |
| NSL Marine Fuel Services Pte. Ltd. (5) | Trading in oil products | Singapore | - | 72.6 | - | 27.4 |

Note: Refer to Page 127 for legends.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 40. SIGNIFICANT COMPANIES IN THE GROUP (CONTINUED)

| Name of company | Principal activities | Country of incorporation and place of business | Proportion of ordinary shares held by the Group 31 December 2019 % | 2018 % | Proportion of ordinary shares held by non-controlling interests 31 December 2019 % | 2018 % |
|---|---|---|---|---|---|---|
| NSL Engineering Holdings Pte. Ltd. (1) | Investment holding | Singapore | 100.0 | 100.0 | - | - |
| Raffles Marina Holdings Ltd. (1) | Investment holding | Singapore | 72.1 | 72.1 | 27.9 | 27.9 |
| Raffles Marina Ltd (1) | Owning and managing Raffles Marina Club | Singapore | 72.1 | 72.1 | 27.9 | 27.9 |

| Significant Associated Company Held by a Subsidiary<br>Unquoted | Principal activities | Country of incorporation and place of business | Equity holding 31 December 2019 % | 2018 % |
|---|---|---|---|---|
| Salzgitter Maschinenbau AG ("SMAG") (4) | Investment holding, manufacturing and sale of bulk handling equipment for bulk material handling, process technology and special purpose machines | Germany | 25.5 | 25.5 |

**Legends**

(1) Audited by PricewaterhouseCoopers LLP, Singapore

(2) Audited by the network of member firms of PricewaterhouseCoopers International Limited outside Singapore

(3) The percentage of shareholding held by the Group in Dubai Precast L.L.C. ("DP") is 45%. However, the Group has assessed DP to be a subsidiary as a result of the Group's entitlement of 80% share of dividends declared by or profits of DP post acquisition in 2011 and the ability to appoint a majority of the directors of DP.

(4) Audited by Deloitte Touche Tohmatsu, Germany.

(5) Disposed during the year (Note 18a).

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# Analysis of Shareholdings

As at 3 March 2020

| | |
|---|---|
| ISSUED AND FULLY PAID CAPITAL | : S$193,838,796.00 |
| CLASS OF SHARES | : ORDINARY SHARES |
| VOTING RIGHTS | : ONE VOTE PER SHARE |
| NUMBER OF TREASURY SHARES | : NIL |
| NUMBER OF SUBSIDIARY HOLDINGS | : NIL |

## SHAREHOLDINGS BY SIZE

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF TOTAL ISSUED SHARES |
|---|---|---|---|---|
| 1 to 99 | 110 | 2.04 | 2,183 | 0.00 |
| 100 to 1,000 | 876 | 16.24 | 747,261 | 0.20 |
| 1,001 to 10,000 | 3,306 | 61.29 | 15,316,251 | 4.10 |
| 10,001 to 1,000,000 | 1,096 | 20.32 | 43,567,613 | 11.66 |
| 1,000,001 and above | 6 | 0.11 | 313,924,929 | 84.04 |
| **TOTAL** | **5,394** | **100.00** | **373,558,237** | **100.00** |

## SHAREHOLDERS BY RESIDENCE

| COUNTRIES | NO. OF SHAREHOLDERS | % OF SHAREHOLDERS | NO. OF SHARES | % OF TOTAL ISSUED SHARES |
|---|---|---|---|---|
| Singapore | 5,059 | 93.79 | 370,795,529 | 99.26 |
| Malaysia | 270 | 5.01 | 1,613,766 | 0.43 |
| Others | 65 | 1.20 | 1,148,942 | 0.31 |
| **TOTAL** | **5,394** | **100.00** | **373,558,237** | **100.00** |

## TOP 20 SHAREHOLDERS

| NO. | NAME OF SHAREHOLDERS | NUMBER OF SHARES | % OF TOTAL ISSUED SHARES |
|---|---|---|---|
| 1 | 98 HOLDINGS PTE LTD | 303,484,453 | 81.24 |
| 2 | CITIBANK NOMINEES SINGAPORE PTE LTD | 2,915,230 | 0.78 |
| 3 | DBS NOMINEES PTE LTD | 2,687,264 | 0.72 |
| 4 | GOH BENG HWA @ GHO BIN HOA | 1,834,750 | 0.49 |
| 5 | UNITED OVERSEAS BANK NOMINEES PTE LTD | 1,693,132 | 0.45 |
| 6 | OCBC NOMINEES SINGAPORE PTE LTD | 1,310,100 | 0.35 |
| 7 | MORPH INVESTMENTS LTD | 661,800 | 0.18 |
| 8 | LO KAI LEONG @ LOH KAI LEONG | 540,000 | 0.14 |
| 9 | RAFFLES NOMINEES (PTE) LIMITED | 522,426 | 0.14 |
| 10 | MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD | 519,900 | 0.14 |
| 11 | SUM AH LAM | 500,000 | 0.13 |
| 12 | YANG SIEW HO | 467,000 | 0.13 |
| 13 | AU SOO LUAN | 462,400 | 0.12 |
| 14 | TAY HWA LANG @ TAY AH KOU | 450,000 | 0.12 |
| 15 | HENG SIEW ENG | 443,300 | 0.12 |
| 16 | TAN AH HUAT | 400,000 | 0.11 |
| 17 | ESTATE OF TAN I TONG, DECEASED | 399,624 | 0.11 |
| 18 | TUN KENG HING | 375,600 | 0.10 |
| 19 | KOW THONG JEN @ KOW CHONG JIN | 372,000 | 0.10 |
| 20 | NG CHUI HOON | 364,000 | 0.10 |
| | **TOTAL** | **320,402,979** | **85.77** |

# Analysis of Shareholdings

As at 3 March 2020

## PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

18.76% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| 98 Holdings Pte. Ltd. | 303,484,453 | 81.24 | - | - |
| Mr Ong Beng Seng [1] | - | - | 303,484,453 | 81.24 |
| Excel Partners Pte. Ltd. [1] | - | - | 303,484,453 | 81.24 |
| Excelfin Pte Ltd [1] | - | - | 303,484,453 | 81.24 |
| Y.S. Fu Holdings (2002) Pte. Ltd. [2] | - | - | 303,484,453 | 81.24 |
| Reef Holdings Pte Ltd [1] | - | - | 303,484,453 | 81.24 |
| Reef Investments Pte Ltd [1] | - | - | 303,484,453 | 81.24 |

**Notes:**

1. Mr Ong Beng Seng is deemed to have an interest through Reef Holdings Pte Ltd, which is deemed to have an interest through Reef Investments Pte Ltd, which is deemed to have an interest through Excelfin Pte Ltd and Excel Partners Pte. Ltd. Excelfin Pte Ltd is deemed to have an interest through Excel Partners Pte. Ltd., which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.

2. Y.S. Fu Holdings (2002) Pte. Ltd. is deemed to have an interest through Excel Partners Pte. Ltd., which is deemed to have an interest through its interest in 98 Holdings Pte. Ltd.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr John Koh Tiong Lu and Dr Tan Tat Wai are the Directors seeking re-election at the 60th Annual General Meeting of the Company to be held by 30 June 2020.

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to Mr John Koh Tiong Lu and Dr Tan Tat Wai as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

| | Mr John Koh Tiong Lu | Dr Tan Tat Wai |
|---|---|---|
| Working experience and occupation(s) in the past 10 years | Mr Koh is an independent director of Mapletree Industrial Trust, a Singapore listed REIT, Kris Energy; and Aurora Mobile Limited, a NASDAQ company. He is a Chairman of the Audit Committee of Aurora Mobile Limited and Kris Energy; and a Lead Independent Director for Mapletree REIT and Kris Energy. He is also a Senior Advisor to Global Counsel, a UK Policy and advisory business and Director of its Singapore company.<br><br>Mr Koh has over 30 years of experience in investment banking and law having been a Managing Director and Senior Advisor of the Goldman Sachs Group until 2005. Prior to joining Goldman Sachs in 1999, Mr Koh spent 19 years as a lawyer, including 7 years with Milbank Tweed and Paul Weiss, as well as serving in the Singapore Attorney-General's Chambers. | Group MD/CEO, Southern Steel Bhd (till 2013)<br><br>Executive Director, Southern Steel Berhad (2014 – 2015)<br><br>Independent Director, Maybank Bhd (2009 – 2016)<br><br>Chairman, Maybank Philippines (2016 – 2019)<br><br>Independent Director, Shangri-La Hotels (Malaysia) Bhd (till 2018) |
| Familial relationship with any director and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | None | None |
| Conflict of interest (including any competing business) | None | Ad hoc transactions (slag recycling) between RST Teknology Sdn Bhd and Southern Steel Berhad.<br><br>RST Teknology Sdn Bhd is a wholly owned subsidiary of NSL Ltd and Dr Tan Tat Wai is a director of NSL Ltd and also a non-independent, non-executive director of Southern Steel Bhd as well as a minority shareholder of Southern Steel Berhad |
| Undertaking (in the format set out in Appendix 7.7) under Rule 720 (1) has been submitted to NSL Ltd | Yes | Yes |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | Mr John Koh Tiong Lu | Dr Tan Tat Wai |
|---|---|---|
| Other Directorship (for the last 5 years) | NSL Ltd<br>Mapletree Industrial Trust Management Ltd<br>Bernard Quaritch Limited<br>Brandmine Properties Limited<br>Artpac Management Limited<br>Arbutus International Limited<br>AFA Management LLC<br>BMH Management Pte Ltd<br>Singapore National Library<br>KrisEnergy Limited<br>Global Counsel Asia Pte Ltd<br>Wormholes Information Network Pte Ltd<br>Aurora Mobile Limited<br>Athenex Inc<br>Mapletree Industrial Fund Ltd<br>Artfx Fine Art Services Limited<br>Mapp Addition Ltd<br>Mission Impossible Pte Ltd<br>Worldwide Books Corporation<br>The Singapore Arts School<br>China Lumena New Materials Corp | NSL Ltd.<br>Lam Wah Ee Hospital<br>Maybank Philippines Inc.<br>Maybank Trustees Bhd<br>Malayan Banking Bhd<br>Shangri-La Hotels (Malaysia) Bhd<br>Southern Steel Berhad |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?<br><br>If yes, please provide full details | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | | Mr John Koh Tiong Lu | Dr Tan Tat Wai |
|---|---|---|---|
| (c) | Whether there is any unsatisfied judgment against him? | No | No |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

| | | Mr John Koh Tiong Lu | Dr Tan Tat Wai |
|---|---|---|---|
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| (j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :- | | |
| | (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No |
| | (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |
| | (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No |
| | (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere. | No | No |
| | in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | | |
| (k) | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

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