Tai Sin®

# BUILDING A SAFE AND SUSTAINABLE FUTURE

**TAI SIN ELECTRIC LIMITED**
**ANNUAL REPORT 2016**

CONTENTS


01 ABOUT US

06 MISSION, VISION & CORE VALUES

07 TAI SIN SUSTAINABILITY LIVING PLAN

08 BUSINESS SEGMENTS

09 FINANCIAL HIGHLIGHTS

10 CHAIRMAN'S STATEMENT

14 REPORT BY THE CHIEF EXECUTIVE OFFICER

22 CORPORATE SOCIAL RESPONSIBILITY

23 CORPORATE STRUCTURE

24 BOARD OF DIRECTORS

26 KEY MANAGEMENT

28 CORPORATE INFORMATION

29 CORPORATE GOVERNANCE

46 FINANCIAL STATEMENTS


# ABOUT US

Tai Sin Electric Limited was established with the foresight and determination as a cable manufacturing business in 1980. Today, after over 35 years of strategic expansion and diversification, Tai Sin has emerged as a leading and trusted Industrial Group in Southeast Asia. Listed on the Stock Exchange of Singapore, SESDAQ in 1998, the exceptional growth and operational excellence was rewarded with a transfer to the SGX Main Board in 2005.

Presently known as Tai Sin Electric Limited Group of Companies, the business is streamlined into four Business Segments namely Cable & Wire (C&W), Electrical Material Distribution (EMD), Switchboard (SB) and Test & Inspection (T&I). These segments are well designed to meet the specific needs of our diverse customers ranging from end-users to contractors, manufacturers, system integrators, engineers and consultants. The business mix of the segments has allowed the Group to continue to achieve growth during difficult times.

The Group operates a highly successful network distributing electrical and control products, accessories and solutions to a wide range of local and regional industries which includes Malaysia, Vietnam, Brunei and Indonesia.

# BUILDING A SAFE AND SUSTAINABLE FUTURE

The concept for this year's Annual Report uses Singapore's iconic Supertrees as a representation for Tai Sin's commitment of integrating sustainable value into its business. The cover art is anchored by an illustrative tree design, symbolising the Supertrees' optimal and environment-friendly technologies. The design highlights Tai Sin's sustainability living plan, as it shows the synergy of viable elements that drive our business into the future.

# HARNESSING INNOVATION FOR A SUSTAINABLE TOMORROW

The Supertrees at the Gardens by the Bay serve as a centrepiece of Singapore's vision of transforming the metropolis through innovation and sustainability. Designed with the principles of environmental efficiency, the Supertrees create an urban eco-space that fully-integrates architecture, design and green technology. Much like these iconic structures, Tai Sin has crystallised its vision of a viable future by linking together the key elements in our sustainability living plan: our business, the environment and society.

A stunning symbol of the synthesis between technology and the environment, the Supertrees highlight the significance of providing sustainable solutions to the community. This coming together of strengths is similar to Tai Sin's goal of further synergising its business to catalyse long-term growth and create sustainable value. Our practices are constantly polished and perfected to heighten efficiency and sustainability, enabling us to build on present successes towards distinction and excellence.

Our passion for discovering and creating robust value is bound by our inherent passion to deliver to our customers the best products and services. Through environmentally-friendly practices and solutions, we are meeting the needs of today without compromising the resources for tomorrow, thereby heightening our competitive advantage and brand value. As we aspire to contribute to a safer living and working environment, we continue to pursue green initiatives and environment-friendly processes.

We remain proactive in the ever-changing industrial landscape, and continue to effectively anticipate market needs and wants, developing our diverse product portfolio that meets the highest standards for safety and quality.  We look towards the next stage of growth to explore new levels of progress and continue our upward climb towards a sustainable future.

# MISSION, VISION & CORE VALUES

## MISSION

We are committed in contributing to a safer tomorrow through our products and services. We believe in sustainable development for our business and people, while protecting the environment and contributing to society

## VISION

To be a leading industrial group that contributes to a safer tomorrow

## CORE VALUES

**INTEGRITY**
We treasure loyalty, uphold honesty, and practise good business ethics

**RELIABILITY**
We uphold service excellence, take pride in our product quality and ensure commitments are duly fulfilled

**UNITY**
We embrace teamwork, harmony and mutual respect with our customers, suppliers, and employees

# TAI SIN SUSTAINABILITY LIVING PLAN


## PRODUCTS THAT ARE SAFE TO USE

We are committed to making sure our products meet the highest standards for safety and quality through our stringent manufacturing process. We also ensure that all other products we represent come from a reliable and reputable source, and comply to international quality regulations.

## PRODUCTS THAT PROVIDE SAFETY

Our diverse range of products are in line with our strengths in providing reliability in areas of electrical and industrial safety protection. Products such as fire resistant cables, molded circuit breakers, safety sensors and personal protection equipment uphold the highest practical standards for our customers' use.

## SERVICES THAT PROVIDE SAFETY

Our test and inspection service provides reliable and accurate testing, an integral part in ensuring that the condition of the facilities will be safe for use by both businesses and the public.

# BUSINESS SEGMENTS

To crystallise its vision of being a leading Industrial Group in Southeast Asia, Tai Sin is structured into four interlinked business segments – Cable & Wire, Electrical Material Distribution, Switchboard and Test & Inspection. The Group is able to leverage the combined core competencies and expanding capabilities of each business segments, to deliver a focused collective solution to its customers.

**CABLE & WIRE (C&W)**

Design, development, manufacture and trading of cables and wires. These includes Power, Control, Instrumentation and Fire Resistant & Flame Retardant Cables for use in all areas of electrical and instrumentation installation for commercial, residential, industrial and infrastructure projects.

- Tai Sin Electric Limited
- Tai Sin Electric Cables (Malaysia) Sdn Bhd
- Tai Sin Electric Cables (VN) Co Ltd
- Lim Kim Hai Electric (VN) Co Ltd

**ELECTRICAL MATERIAL DISTRIBUTION (EMD)**

Focuses on supplying products and services to a wide range of industries which includes industrial automation, maintenance, repair and operations (MRO). Products include industrial control system and components, sensing, measurement and monitoring system, power quality system, safety, cabling and electrical accessories, as well as lighting and energy monitoring solutions.

- Lim Kim Hai Electric Co (S) Pte Ltd
- LKH Precicon Pte Ltd
- LKH Projects Distribution Pte Ltd

**SWITCHBOARD (SB)**

Design and manufacture of high quality switchgears for use in large buildings and industrial installations. These include low voltage main and sub switchboards, distribution boards and control panels, amongst others.

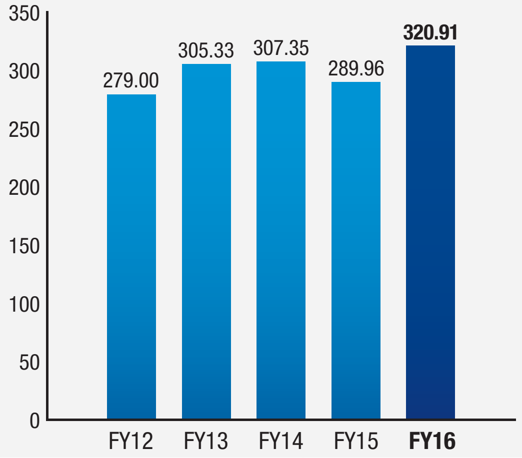
- PKS Sdn Bhd

**TEST & INSPECTION (T&I)**

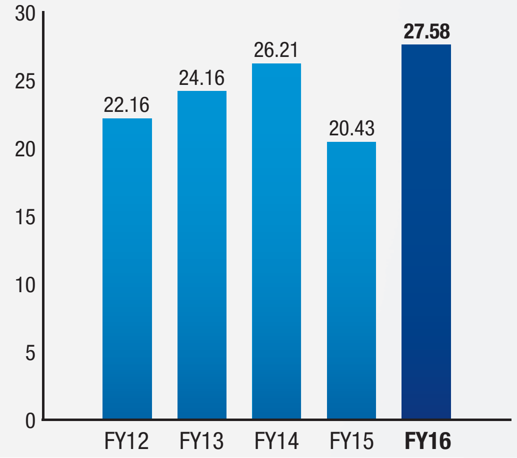
Provides more than 250 accredited testing services for materials ranging from concrete to soil and asphalt premixes. Service includes independent testing, inspection and certification that meets local and international standards.

- CAST Laboratories Pte Ltd
- CASTconsult Sdn Bhd
- PT CAST Laboratories Indonesia

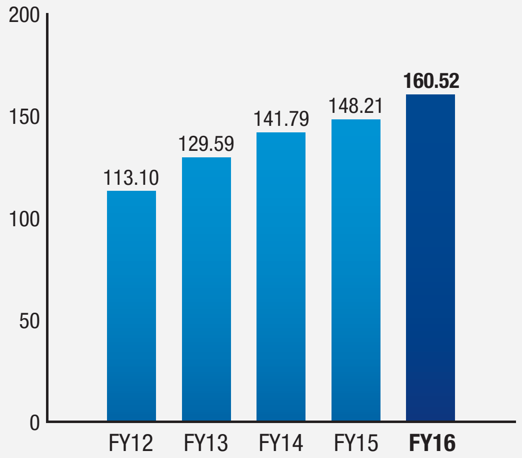
**Turnover**
(S$'m)



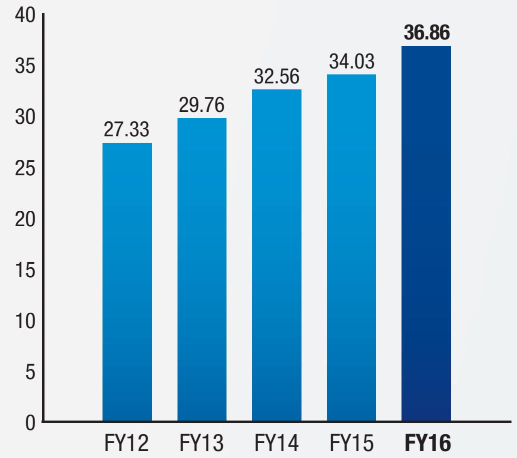

**Profit Before Income Tax**
(S$'m)



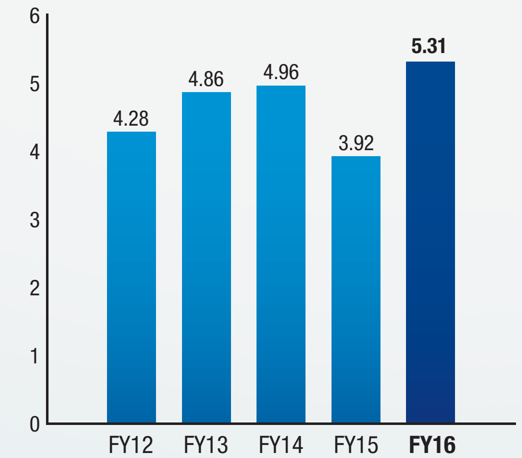

**Shareholder's Funds**
(S$'m)




**Net Asset Value Per Share**
(cents)




**Earnings Per Share**
(cents)



# CHAIRMAN'S STATEMENT

**Dear Shareholders,**

**I am pleased to report that the Group put up a steady performance during the financial year ended 30 June 2016, in spite of the economic headwinds and more competitive environment.**

We achieved revenues of $320.91 million, a rise of 10.67% over the $289.96 million for the previous year. Sales increases were recorded in two of our four business segments. The Cable and Wire ("C&W") segment accounted for the bulk of Group turnover, at 67.57% of the total, with sales to all its market sectors registering improvements. Sales of our Test & Inspection ("T&I") segment were also up, whereas the Electrical Material Distribution ("EMD") and Switchboard ("SB") segments saw a slight drop in revenues.

Group profit before tax ("PBT") rose 35.02% to $27.58 million, compared to $20.43 million for the previous financial year. The increase in PBT was derived from both C&W and T&I segments.

**“We achieved revenues of $320.91 million, a rise of 10.67% over the $289.96 million for the previous year. Sales increases were recorded in two of our four business segments.”**

However, PBT were lower for the EMD and SB segments, due to the more competitive environments, higher operating costs and fewer projects.

Our management team’s prudent administration also helped to maintain the Group’s balance sheet at a healthy level. Cash and cash equivalents increased to $34.17 million, from $23.49 million a year ago, while inventories also increased slightly by 5.79% to $61.30 million. Due to increased transaction requirements, short-term bank borrowings rose 128.66% to $36.91 million, from $16.14 million.

The Group’s reserves notched up 13.26% to $105.18 million, from $92.87 million for the previous reporting year. Group net asset backing per ordinary share registered a slight increase to 36.86 cents from 34.03 cents for the previous year.

## ADJUSTING TO VOLATILE MARKET CONDITIONS

With the bulk of the Group’s business still dependent on the Singapore market, we are wary of the country’s sluggish growth and the possible effects of Brexit in the background of persistent weakness of the global economy.

The Singapore economy grew 2% in 2015. It expanded an average of 2.2% in the first half of 2016; the government has lowered its growth forecast for the entire year to 1-2%.

The International Monetary Fund (“IMF”) in its World Economic Outlook released in July predicted that global GDP would grow slightly lower at 3.1% in 2016 and at 3.4% in 2017.

The oil price meltdown has impacted the chemical, oil and gas, and marine industries in the region, while economic uncertainty has also resulted in cautious investments in private building and construction.

Going forward, with the downgraded global economic outlook and continued geo-political instability in various parts of the world, governments in the region are increasing investments in infrastructure to drive their economies. According to the ASEAN Investment Report 2015, at least US$110 billion a year will be needed up to 2025 for infrastructure development.

For Singapore, the Building and Construction Authority (“BCA”) has projected public sector construction demand will account for about 65% of an estimated $27 billion to $34 billion worth of projects in 2016. Private sector construction in 2016 is slated to slow down from the levels of the last few years against the background of an increased supply of completed private housing projects and offices, and as the government’s cooling measures continue to bite.

# CHAIRMAN'S STATEMENT

**"Our Board has constantly reminded the management team to work prudently and innovatively, while urging reliance on well-heeled best practices that have produced results in process efficiency, productivity and cost savings."**

The Tai Sin management team is constantly monitoring the market and reviewing its strategy to ensure that it responds to business opportunities in a timely and effective manner to ensure that the Group stays relevant to the needs of various industries in Singapore and the region.

We continue to be guided by our vision to be "A leading industrial group that contributes to a safer tomorrow".

## CONFRONTING INCREASINGLY DIFFICULT OPERATING CONDITONS

Since the drastic decline in oil prices in mid-2014 that reverberated across the global economy impacting almost every industry, the Group has further refined its strategy to deal with the market uncertainties. At the same time, we have reinforced the strength of our brand and leveraged on its reputation for quality and reliability to win orders in new market territories.

Our Board has constantly reminded the management team to work prudently and innovatively, while urging reliance on well-heeled best practices that have produced results in process efficiency, productivity and cost savings.

We also hold dear the values of professional human capital development, ensuring that continuing training and career advancement are available to the rank and file of our workforce, and everyone receives fair compensation for the work done. We believe continuing development of our human capital is critical to our growth strategy, including ensuring there will always be well-groomed and capable leaders to steer the Group effectively in good and bad times. This has endeared especially those who joined the company since many years ago to continue to work hard and strive for the growth and profitability of the Group.

We have in recent years also carefully planned and invested in computerisation and equipment automation to help us utilise appropriate technology for more efficient management in every possible areas of our business, including production, to meet the diverse demand from our clients.

Our team pursues Lean Management conscientiously to ensure continuous improvement over the long-term to systematically optimise our work processes in order to improve efficiency and quality, reduce waste and increase value added in our products and services.

**"To our customers, business partners and our long-standing contractor associates, we extend a big "thank you" for your continued guidance and support."**

All this effort has enabled us to build a strong business eco-system to effectively manage the stresses of market changes, in particular a more competitive environment with rising costs that have continued to weigh heavily on our bottom lines.

Where necessary, we will make adjustments at the operating level to ensure that we are better geared for the future.

Over in Malaysia, we have during the year raised the paid-up capital of our wholly-owned subsidiary Tai Sin Electric Cables (Malaysia) Sdn. Bhd., from RM5 million to RM25 million, to better match its capital structure to the scale of its business.

Another of our Malaysian business entity, CASTconsult Sdn Bhd ("CASTconsult"), a 100% owned subsidiary of Cast Laboratories Pte. Ltd. ("CASTLab"), has also increased its share capital from RM1 million to RM3 million.

## WE APPRECIATE THE EFFORTS & SUPPORT

Our continued success in delivering results will not be possible without a resilient business eco-system within the Group. This has been achieved with the strong commitment and support of every staff member over the years.

On behalf of the Board of Directors, I would like to extend our heartfelt appreciation to the Tai Sin management team and staff for their unrelenting effort to contribute positively to the growth and advancement of our company.

To our customers, business partners and our long-standing contractor associates, we extend a big "thank you" for your continued guidance and support.

For our shareholders, I wish to announce that the Board has decided to declare a final dividend of 1.60 cents per ordinary share, subject to approval at the annual general meeting. We would also like to thank the shareholders for their continued support over the years.

**Tay Joo Soon**
Chairman

# REPORT BY THE CHIEF EXECUTIVE OFFICER


The year ended 30 June 2016 was anticipated as a difficult one for businesses in Singapore, as many had started to feel the impact of the drastic drop in oil prices. Market conditions were also riled by continued uncertainties in the global economy, including the slowdown in the emerging economies such as China, and geo-political instability in some parts of the world.

Nevertheless, our team's determined efforts to rise above the market turmoil over the last couple of years have helped to sustain the Group's performance. Two of our four main business segments – C&W and T&I, reported revenue growth for the year, except for the EMD and SB segments, which saw a slight drop in sales.

The C&W segment continued to be the biggest contributor, accounting for 67.57% of total turnover. However, EMD and SB segments had their profit before tax trimmed compared to C&W and T&I segments which reported a significant increase compared to the previous year.

## CABLE & WIRE SEGMENT

Total sales of the C&W segment rose 17.56% to $216.85 million for year ended 30 June 2016. The increase in sales was achieved with higher tonnage and metres sold during the year in spite of lower copper prices.

On a sectoral basis, sales contribution from the commercial & residential sector was up due to deliveries to projects contracted earlier. Sales to the infrastructure sector grew as the segment began to pick up more orders from various government projects. Industrial sales were weakened by the impact of the global economic slowdown and saw marginal sales increase. Sales through trading, retail and other sectors also achieved growth, the result of spillover from the growth in commercial & residential and infrastructure.

Export business also improved, with strong contribution from sales to Myanmar.

**“Total sales of the C&W segment rose 17.56% to $216.85 million for year ended 30 June 2016. The increase in sales was achieved with higher tonnage and metres sold during the year in spite of lower copper prices.”**

The good relations and collaboration Tai Sin has developed over the years with established contractors has handed the segment the ‘wild card’ to open doors to the new business in Myanmar, where the company previously did not have any presence.

Through its tri-axis strategy of cable manufacturing facilities in Singapore, Malaysia and Vietnam, the C&W team is better geared with the capability and capacity to meet demands in the region.

Currently, C&W’s overseas business is well established in Malaysia and Vietnam. It intends to increase its sales to Myanmar and at the same time tap on the resource support from CASTLab’s presence in Cambodia to develop the market there.

The segment’s efforts to market medium-voltage cables has been reasonably successful with orders being received in Singapore during the financial year under review. It intends to gradually introduce medium voltage products in other markets in the region as well.

Over the years, the manufacturing facility in Singapore has been tried and tested for high speed, low complexity and low speed, high complexity production to meet the varied requirements of the market. The plant has also been equipping itself with new semi-automatic machinery


Tai Sin Electric Cables (VN) Co Ltd
Vietnam

# REPORT BY THE CHIEF EXECUTIVE OFFICER

to be more responsive to changes in customers' product specifications as the sales team widens its market scoping efforts.

Going forward, the segment has adopted a common strategy for its operations in the region to focus sales efforts on the infrastructure market, as countries continue to invest substantially in new projects to support economic growth. Prospects for commercial & residential projects in the neighbouring countries are still good. The overseas sales team will leverage on Tai Sin's reputation for quality and reliability and good connections with contractors to extend their outreach across the region.

In Singapore, the infrastructure spending in roads, tunnels, rail and airport projects will present new opportunity for the Group. While the segment expects deliveries for some of the earlier commercial & residential projects in Singapore to flow over into the new financial year, the team does not expect much new orders to come from this sector as the property market cooling measures continue to dampen prospects. Sales to the industrial sector, especially the chemical, oil and gas industries, will also be tempered as economic uncertainty compounded by see-sawing oil prices has resulted in project delays and cancellations.

## ELECTRICAL MATERIAL DISTRIBUTION SEGMENT

The EMD segment achieved sales of $70.04 million, 2.22% lower from the $71.62 million recorded for the previous year. Its profit before tax declined to $2.83 million, a drop of 13.48%.

During the year under review, the segment's sales to infrastructure sector registered an increase while it saw a drop to the industrial sector, due in general to the economic downturn.

Export sales rose with the bulk going to projects in Myanmar. This marks a significant breakthrough into other ASEAN countries, as its efforts had previously been more focused on the Singapore market.

**"More importantly, the segment is eyeing new project business from the Singapore government's continuing development of the public healthcare facilities and other infrastructure projects such as the MRT extensions."**

EMD's strength has been in the sale of reliable and high quality electrical products and solutions in the area of electrical distribution & protection, energy management & power quality, industrial control, electrical cabling, lighting and workplace safety.

The bulk of its business has been from developing and maintaining key accounts. However, managing such key accounts has become more challenging with some bigger established companies and multinationals moving out of the country in recent years.

Over the last five years, the segment has been expanding its business steadily in the infrastructure and industrial sectors. However, going forward, the industrial sector is projected to grow at a slower pace, while sales to distributors and retailers is expected to become more challenging.

To meet these challenges, it has re-oriented its sales team to focus more efforts on the infrastructure and export sectors. The segment has undergone some internal reorganisation to respond more effectively to market changes.

It aims to create demand by offering new high-performance, high-integrity products with added value solutions to medium and smaller customers to achieve better margins. It has begun promoting products previously not represented by the segment, such as safety equipment and systems to open up additional revenue streams.


**Lim Kim Hai Electric Co (S) Pte Ltd**
**Singapore**

# REPORT BY THE CHIEF EXECUTIVE OFFICER


CAST Laboratories Pte Ltd
Singapore

With the market changing rapidly and becoming more competitive, its sales team will also work with the C&W segment to identify projects where they can offer products such as cable protection system & accessories, and tools.

More importantly, the segment is eyeing new project business from the Singapore government's continuing development of the public healthcare facilities and other infrastructure projects such as the MRT extensions.

From the new financial year, the segment is accelerating its efforts to build up the export sector's contribution to its bottom line. It will continue to collaborate with contractors in Singapore to target infrastructure projects and further develop businesses in the commercial & residential sector in the region.

### TEST & INSPECTION SEGMENT

During the year under review, the T&I segment's business was re-organised to better meet the challenges of the rapidly changing market landscape.

For the year ended 30 June 2016, T&I has reported its highest profit before tax to date since Tai Sin's acquisition of CASTLab four years ago. Its total turnover for the year reached $27.13 million, an increase of 6.69% over the previous year. Profit before tax grew by 188.43% to $3.61 million, with substantial contribution from its overseas operations.

The improvement in earnings from the Singapore operations can be attributed to the reduction in losses from contracts, improved process efficiency and cost & waste reduction. However, the earnings growth for the Singapore operations is much lower than that of its overseas entities. This is primarily due to the drastic drop in new projects arising from the global economic uncertainty, and more intense competition from tenders. The pressure on Non-Destructive Test ("NDT") quoted prices was further increased by the entry of service providers from the slumped marine market into the oil and gas sector.

Meanwhile, increased market development efforts of the segment's operations in Malaysia and Indonesia has helped to increase their sales. Revenue growth from the

**"For the year ended 30 June 2016, T&I has reported its highest profit before tax to date since Tai Sin's acquisition of CASTLab four years ago. Its total turnover for the year reached $27.13 million, an increase of 6.69% over the previous year. Profit before tax grew by 188.43% to $3.61 million, with substantial contribution from its overseas operations."**

Malaysia subsidiary came mainly from PETRONAS initiated projects such as the Refinery and Petrochemical Integrated Development ("RAPID") in Pengerang, Johor. Revenue contribution from the Indonesia subsidiary came mainly from execution of projects secured during the previous and current financial year in Batam.

The segment's efforts in Johor has taken off very well, after having successfully set-up a material testing laboratory there. It is looking forward to more contracts from the RAPID project in the new financial year.

Over in Indonesia, PT CAST Laboratories Indonesia ("PT Cast") continues to concentrate its efforts in Batam where it has built up its image as a reliable and well known service provider in testing and inspection services.

T&I's expansion in the region will involve offering its entire suite of services in addition to materials testing and NDT, such as soil investigation & monitoring and inspection works.

For its operations in Singapore, with the improvement in process and cost efficiency through reorganisation, T&I is now better positioned to face the competition and tender for projects in the infrastructure sector where the government is expected to increase spending in the coming years.

## SWITCHBOARD SEGMENT

The Switchboard segment's business is primary focused on projects in Brunei. For the year ended 30 June 2016, its revenues declined 18.48% to $6.89 million, and PBT suffered a 24.14% drop to $0.44 million.

The segment has completed all the works awarded from government infrastructure projects earlier when oil prices were high. It will continue to compete for government projects, although the economic slowdown and low oil prices are expected to affect spending on infrastructure in the Sultanate.

# REPORT BY THE CHIEF EXECUTIVE OFFICER

Tai Sin Electric Cables (Malaysia) Sdn Bhd
Malaysia

## GEARING UP FOR CHALLENGES

All our operations continue to face challenges on two fronts: continued uncertain global economic conditions and increasing competition in the face of rising costs.

Since the bulk of the Group's revenue is derived from its Singapore operations, the forecast of slower economic growth continues to be of great concern. Although output increased in all major clusters of Singapore's manufacturing cluster in 2015, the picture for manufacturing appears to be less rosy in the new financial year, especially the oil and gas cluster. Private building and construction demand is also expected to be slower in 2017.

According to statistics from the Building and Construction Authority of Singapore and the Urban Redevelopment Authority, private sector contracts awarded in the first seven months of 2016 (January-July) totalled $4.6 billion compared to $9.2 billion in the corresponding period of 2015.

However, public sector contracts awarded in the first seven months of 2016 were higher at $11.9 billion, compared to $8.8 billion for the same period last year.

Moving ahead, the Group will focus more of its efforts on Singapore's building infrastructure sector as the government has already indicated that total public sector spending will account for 65% of the estimated $27 billion to $34 billion worth of infrastructure projects in 2016.

Regionally too, the prospects from infrastructure and civil works look promising. With the Indonesian government focusing on building up its infrastructure, some US$7.4 billion has been allocated for the sector to build ports, roads and railways to achieve economic growth target of 7%.

Over in Malaysia, the high-speed rail agreement between Kuala Lumpur and Singapore has been signed and details are being looked into with the final commencement and completion dates to be decided.

**"Moving ahead, the Group will focus more of its efforts on Singapore's building infrastructure sector as the government has already indicated that total public sector spending will account for 65% of the estimated $27 billion to $34 billion worth of infrastructure projects in 2016."**

New tenders for various components of the infrastructure works for the multi-billion dollar Pengerang oil and gas complex in Johor are expected to continue, although some delays may be expected.

Our business segments will continue to leverage on each other's presence and strengths in overseas markets, such as Cambodia, Myanmar and Vietnam to step up their marketing efforts to secure more new projects.

Internally, we have over the years been preparing our team in anticipation of more difficult operating conditions ahead after we saw the rapid changes that were beginning to engulf markets everywhere. Human capital, which lies at the heart of every business unit in the Group, has been well supported with upskilling and welfare programmes to ensure they can persevere and overcome new challenges.

We have also spent substantially and judiciously on new computerised and automated equipment for production, as well as front-end and back-end operations, to increase efficiency and productivity.

We have approached the new financial year with caution, but at the same time with greater gumption. Our team is aware that everyone has to work much harder and be more prudent in their spending, and be more creative in their sales and market development efforts.

**Lim Boon Hock Bernard**

Chief Executive Officer

# CORPORATE SOCIAL RESPONSIBILITY

### CARING FOR OUR COMMUNITY & ENVIRONMENT

Besides our emphasis on a healthy business eco-system, the Group also recognises the importance of creating opportunities for the staff to be engaged in the community.

Everyone in the company is encouraged to be socially responsible and be aware that they also have a stake in the long-term well-being of the community and the environment.

In our Corporate Social Responsibility effort, the staff has continued to adopt two blocks of flats in Wellington Circle in the North-West of Singapore to benefit some 1,150 residents in 286 households. On 19 December 2015, about 100 staff hosted a Christmas tea reception to ring in the festive cheer to the residents through social interaction and bonding. On 24 January 2016, some 80 staff visited the two blocks to distribute to selected households festive goodies for the approaching Lunar New Year.

To continue our effort in promoting energy-saving awareness, the Group has also donated 500 "green" light bulbs to some 100 new residents in another area.

During the year, we again hosted the Lim Kim Hai Charity Golf Tournament to raise funds for the needy. A total of $26,800 was raised at the event on 4 February 2016 for the Tzu Chi Foundation, which provides community services and free medical care to the under-privileged.

All the activities have in one way or another helped to enhance staff appreciation of the plight of the less fortunate in our community and the need to work together for the greater good.

# CORPORATE STRUCTURE


* wef 1 July 2016, 100%: On 1 July 2016, Tai Sin Electric Limited acquired the remaining 20.9% shares of CAST Laboratories Pte Ltd.

# BOARD OF DIRECTORS

**TAY JOO SOON**
*Chairman, Non-Executive and Independent Director*

**Date of Appointment as Director**

- April 2007 as Non-Executive and Independent Director
- January 2015 as Non-Executive and Independent Chairman

**Length of Service as Director (as at 30 June 2016):**
9 years

**Board Committee Served On:**

- Audit Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Member)

**Academic & Professional Qualifications:**

- Life Member of the Institute of Singapore Chartered Accountants
- Fellow of the Institute of Chartered Accountants, Australia
- Member of Certified Public Accountant, Australia
- Member of Singapore Institute of Accredited Tax Professionals
- Life Member of the Malaysian Institute of Certified Public Accountants

**Present Directorships as at 30 June 2016:**
Listed companies
Nil

**Others:**

- Practising Chartered Accountant of Tay Joo Soon & Co. since 1970
- Deputy Chairman of Holcim (Singapore) Pte Ltd
- Deputy Chairman of Singapore Island Country Club

**LIM BOON HOCK BERNARD**
*Chief Executive Officer / Executive Director*

**Date of Appointment as Director**

- September 1997 as Executive Director
- June 2003 as Chief Operating Officer
- July 2013 as Chief Executive Officer

**Length of Service as Director (as at 30 June 2016):**
19 years

**Board Committee Served On:**
Nil

**Academic & Professional Qualifications:**

- Bachelor of Arts (Social Sciences), Curtin University of Technology, Perth, Western Australia
- Master of Business Administration, University of Strathclyde, United Kingdom

**Present Directorships as at 30 June 2016:**
Listed companies
Nil

**Others:**
Nil

**LIM CHYE HUAT @ BOBBY LIM CHYE HUAT, PBM BBM KStJ**
*Non-Executive and Non-Independent Director*

**Date of Appointment as Director**

- October 1997 as Managing Director
- July 2013 as Executive Director
- July 2016 as Non-Executive and Non-Independent Director

**Length of Service as Director (as at 30 June 2016):**
19 years

**Board Committee Served On:**

- Audit Committee (Member)*
- Nominating Committee (Member)
- Remuneration Committee (Member)*

* wef 1 July 2016

**Academic & Professional Qualifications:**

- Honorary Fellow of Singapore Institute of Engineering Technologies
- Fellow of the Chartered Management Institute, United Kingdom
- Board's Certificate of Proficiency In Business Management, National Productivity Board of Singapore

**Present Directorships as at 30 June 2016:**
Listed companies
Nil

**Others:**

- Patron of Toa Payoh East CCC
- Management Committee of the Lighthouse School
- Managing Director of Lim Kim Hai Electric Co (S) Pte Ltd from 1972 to 1997

## PROFESSOR LEE CHANG LENG BRIAN, JP PBM BBM
*Non-Executive and Independent Director*

### Date of Appointment as Director
- August 2002 as Non-Executive and Independent Director
- November 2003 to December 2014 as Non-Executive and Independent Chairman
- January 2015 as Non-Executive and Independent Director

### Length of Service as Director (as at 30 June 2016):
14 years

### Board Committee Served On:
- Audit Committee (Chairman)
- Nominating Committee (Member)
- Remuneration Committee (Member)

### Academic & Professional Qualifications:
- Bachelor of Engineering in Electrical Engineering, University of New South Wales, Australia
- Master of Engineering Science in Electrical Engineering, University of New South Wales, Australia
- Fellow of the Institution of Engineering and Technology, United Kingdom
- Fellow of Academy of Engineering Singapore
- Fellow of Institution of Engineers, Singapore
- Professional Engineer, Singapore
- Chartered Engineer, United Kingdom

### Present Directorships as at 30 June 2016:
Listed companies
Nil

### Others:
- Former Vice President, Member of the Board of Trustees and Member of the Council of the Institution of Electrical Engineers, United Kingdom
- Founding Dean of the School of Electrical and Electronic Engineering of Nanyang Technological Institute / University

## SOON BOON SIONG
*Non-Executive and Independent Director*

### Date of Appointment as Director
- November 2012 as Non-Executive and Independent Director

### Length of Service as Director (as at 30 June 2016):
4 years

### Board Committee Served On:
- Audit Committee (Member)
- Nominating Committee (Chairman)
- Remuneration Committee (Member)^

^ wef 1 July 2016

### Academic & Professional Qualifications:
- Degree in Business Administration, University of Singapore

### Present Directorships as at 30 June 2016:
Listed companies
- Non-Executive and Independent Director, Dynamic Colours Limited

### Others:
- Managing Director – Corporate Finance of Partners Capital (Singapore) Pte Ltd

## LEE FANG WEN
*Non-Executive and Independent Director*

### Date of Appointment as Director
- July 2015 as Non-Executive and Independent Director

### Length of Service as Director (as at 30 June 2016):
- 1 year

### Board Committee Served On:
- Audit Committee (Member)#
- Nominating Committee (Member)#
- Remuneration Committee (Chairman)#

# Appointed AC, NC and RC Member on 1 October 2015 and RC Chairman on 1 July 2016

### Academic & Professional Qualifications:
- Bachelor of Engineering, Chemical, National University of Singapore

### Present Directorships as at 30 June 2016:
Listed companies
- Non-Executive and Independent Director, Asiatic Group (Holdings) Limited

### Others:
- Executive Director – Creative Master Bermuda Limited from 2013 to 2014
- Business Development Director – MFS Technology (S) Pte Ltd from 2002 to 2005 & 2007 to 2009

# KEY MANAGEMENT

## CORPORATE

**LIM BOON HOCK BERNARD**
Chief Executive Officer;
Tai Sin Electric Limited
Join Since: 1997

**LIM CHYE HUAT @ BOBBY LIM CHYE HUAT, PBM BBM KStJ**
Non-Executive Director*;
Tai Sin Electric Limited
Join Since: 1997

*Executive Director up to 30 June 2016

**LIM LIAN ENG SHARON**
Chief Information Officer;
Tai Sin Electric Limited
Join Since: 2000

**TAN YONG HWA, MBA CA FCCA**
Chief Financial Officer;
Tai Sin Electric Limited
Join Since: 2006

## CABLE & WIRE (C&W) SEGMENT

**LIN CHEN MOU**
General Manager;
Tai Sin Electric Limited
Join Since: 1983

**CHA POO CHUN**
Deputy General Manager;
Tai Sin Electric Limited
Join Since: 2006

**JOHNSTON H K TEO**
Vice President, Head of Sales:
Tai Sin Electric Limited
Join Since: 2000

**VINCENT LOW**
Senior Manager – Sales & International Market Development;
Tai Sin Electric Limited
Join Since: 1990

**LIM TIN LEONG**
Senior Business Manager;
Tai Sin Electric Limited
Join Since: 1981

**YAP KONG FUI**
Senior Manager – Quality;
Tai Sin Electric Limited
Join Since: 2006

**LEE CHOON MUI PATRICIA**
General Manager;
Tai Sin Electric Cables (Malaysia) Sdn Bhd
Join Since: 1998

**TEH CHOON KONG**
General Manager – Operations;
Tai Sin Electric Cables (VN) Co Ltd
Join Since: 2003

**SIN TUYET MAI, MBA**
General Director;
Lim Kim Hai Electric (VN) Co Ltd
Deputy General Director – Sales & Marketing;
Tai Sin Electric Cables (VN) Co Ltd
Join Since: 2004

## SWITCHBOARD (SB) SEGMENT

**CHANG CHAI WOON MICHAEL**
Executive Director;
PKS Sdn Bhd
Join Since: 1989

**NG SHU GOON TONY**
General Manager;
PKS Sdn Bhd
Join Since: 1989

## ELECTRICAL MATERIAL DISTRIBUTION (EMD) SEGMENT

### LIM CHAI LAI @ LOUIS LIM CHAI LAI
Chairman;
Lim Kim Hai Electric Co (S) Pte Ltd
Join Since: 1967

### CHIA AH HENG
Deputy Chairman;
Lim Kim Hai Electric Co (S) Pte Ltd
Join Since: 1969

### ONG WEE HENG
Chief Executive Officer;
Lim Kim Hai Electric Co (S) Pte Ltd
Join Since: 1979

### FRANCIS PAN THIAM SING
General Manager;
Lim Kim Hai Electric Co (S) Pte Ltd
Join Since: 2009

### LIM HIANG LAN SHIRLEY
Senior Manager – Customer Service;
Lim Kim Hai Electric Co (S) Pte Ltd
Join Since: 1968

### VINCENT YUEN PENG WAH
Senior Business Manager;
Lim Kim Hai Electric Co (S) Pte Ltd
Join Since: 1992

### DANIEL POON KWANG POO
General Manager;
LKH Projects Distribution Pte Ltd
Join Since: 1980

### JOYCE TAN SAY CHENG
General Manager;
LKH Precicon Pte Ltd
Join Since: 1987

### COLIN KOH KOK LIN
Senior Manager – Business Development;
LKH Precicon Pte Ltd
Join Since: 1979

## TEST & INSPECTION (T&I) SEGMENT

### LIM ENG HENG
Chief Executive Officer;
CAST Laboratories Pte Ltd
Join Since: 1991

### VICTOR TIAN MONG CHING, CStJ
Executive Director;
CAST Laboratories Pte Ltd
Join Since: 1981

### CHAI THEY JHAN, PB
General Manager – Operations;
CAST Laboratories Pte Ltd
Join Since: 1978

### TAN BEE YONG
General Manager – Finance & Administration;
CAST Laboratories Pte Ltd
Join Since: 2010

### CHENG MING CHOY
General Manager – Projects;
CAST Laboratories Pte Ltd
Join Since: 2007

### D. SUBRAMANIAN
Senior Manager – Technical;
CAST Laboratories Pte Ltd
Join Since: 1996

### MOHD NIZAM B. MOHD YUSOF
General Manager;
CASTconsult Sdn Bhd
Join Since: 1989

### DEWI YULIANA
General Manager;
PT CAST Laboratories Indonesia
Join Since: 2009

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Tay Joo Soon**
Non-Executive Chairman

**Lim Boon Hock Bernard**
Chief Executive Officer / Executive Director

**Lim Chye Huat @ Bobby Lim Chye Huat**
Non-Executive Director

**Lee Chang Leng Brian**
Non-Executive Director

**Soon Boon Siong**
Non-Executive Director

**Lee Fang Wen**
Non-Executive Director

## AUDIT COMMITTEE

**Lee Chang Leng Brian**
Chairman

**Tay Joo Soon**
**Soon Boon Siong**
**Lee Fang Wen**
**Lim Chye Huat @ Bobby Lim Chye Huat**

## NOMINATING COMMITTEE

**Soon Boon Siong**
Chairman

**Tay Joo Soon**
**Lee Chang Leng Brian**
**Lee Fang Wen**
**Lim Chye Huat @ Bobby Lim Chye Huat**

## REMUNERATION COMMITTEE

**Lee Fang Wen**
Chairman

**Tay Joo Soon**
**Lee Chang Leng Brian**
**Soon Boon Siong**
**Lim Chye Huat @ Bobby Lim Chye Huat**

## SECRETARY

**Tan Shou Chieh**

## COMPANY REGISTRATION NUMBER

198000057W

## REGISTERED OFFICE

24 Gul Crescent
Singapore 629531
Tel: 6672 9292
Fax: 6861 4084
Email: ir@taisin.com.sg

## SHARE REGISTRARS & SHARE TRANSFER OFFICE

B.A.C.S. Private Limited
8 Robinson Road
#03-00 ASO Building
Singapore 048544
Tel: 6593 4848

## AUDITORS

Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809
Partner-In-Charge:
Seah Gek Choo
Date of Appointment: 23 October 2015

## PRINCIPAL BANKERS

United Overseas Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Oversea-Chinese Banking Corporation Limited
Malayan Banking Berhad
DBS Bank Ltd
Standard Chartered Bank
CIMB Bank Berhad

The board of directors (the "Board") of Tai Sin Electric Limited (the "Company") continues to be committed to high standards of corporate conduct in conformity with the spirit of the Code of Corporate Governance dated 2 May 2012 (the "Code"). The Board confirms that the principles and guidelines of the Code have been adhered to except for the following where the deviations and explanations have been provided:-

(a) Guideline 8.2
(b) Guideline 8.3
(c) Guideline 8.4
(d) Guideline 11.4
(e) Guideline 15.5
(f) Guideline 16.1 and
(g) Guideline 16.4

The Board and Management believe that commitment to good corporate governance is essential to the sustainability of the Company's business and stakeholder's value. The Board is pleased to report on the Company's corporate governance processes and activities as required by the Code.

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

## THE BOARD'S CONDUCT OF AFFAIRS

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.**

The Board of the Company comprises the following members:

Executive Director
Lim Boon Hock Bernard (Chief Executive Officer / Executive Director)

Non-Executive and Non-Independent Director
Lim Chye Huat @ Bobby Lim Chye Huat (Non-Executive Director wef 1 July 2016)

Non-Executive and Independent Directors
Tay Joo Soon (Chairman)
Lee Chang Leng Brian
Soon Boon Siong
Lee Fang Wen

***Guidelines 1.1 and 1.2: Roles of the Board***

Apart from its statutory duties and responsibilities, the Board performs the following functions:-

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;

(b) ensure presence of a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(c) review Management performance;

(d) set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met;

(e) appoint Key Personnel;

(f) review the financial performance of the Group and implement policies relating to financial matters, which include risk management and internal control and compliance; and

(g) assume responsibility for corporate governance.

These functions are carried out either directly or through Board Committees such as the Nominating Committee ("NC"), the Remuneration Committee ("RC") and the Audit Committee ("AC").

The Board has taken decisions objectively in the interests of the Company.

***Guideline 1.3: Delegation of Authority to Board Committees***

Matters which are specifically reserved to the full Board for decision are those involving a conflict of interest for a substantial shareholder or a Director, material acquisition and disposal of assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies.

The Board delegates its nominating functions to the NC, remuneration matters to the RC, and reviewing of financial statements, risks and controls to the AC.

***Guideline 1.4: Meetings of Board and Board Committees***

Formal Board Meetings are held at least four (4) times a year to oversee the business affairs of the Group, and to approve, if applicable, any financial or business objectives and strategies. Ad-hoc meetings are convened when the circumstances require. The Company's Articles of Association allow a Board meeting to be conducted by way of tele-conference and video conference.

During the financial year, the Board held four (4) meetings and the attendance of each Director at every board and committee meeting is as follows:-

| | Board | Audit Committee ("AC") | Nominating Committee ("NC") | Remuneration Committee ("RC") |
|---|---|---|---|---|
| **Number of meetings held** | 4 | 4 | 1 | 3 |
| | **Number of meetings attended** | | | |
| **Name of Director** | | | | |
| Tay Joo Soon | 4 | 4 | 1 | 3 |
| Lim Boon Hock Bernard | 4 | N.A. | N.A. | N.A. |
| Lim Chye Huat @ Bobby Lim Chye Huat * | 4 | N.A. | 1 | N.A. |
| Lee Chang Leng Brian | 4 | 4 | 1 | 3 |
| Soon Boon Siong | 4 | 4 | 1 | 3 |
| Lee Fang Wen # | 4 | 3 | N.A. | 2 |

*# appointed AC, NC and RC Member on 1 October 2015 and RC Chairman on 1 July 2016*
** appointed AC and RC Member on 1 July 2016*

***Guideline 1.5: Internal Guidelines Require Approval from Board***

The Company has adopted internal guidelines setting forth matters that require Board approval. Under these guidelines, major new capital investments and divestments by any company within the Group require the approval of the Board. Other matters requiring the Board's decision include business strategy, budgets and quarterly, half-yearly and annual results announcement. Below the Board level, there is appropriate delegation of authority and approval sub-limits at Management level, to facilitate operational efficiency.

***Guidelines 1.6 and 1.7: Director's Appointment and Training***

A formal letter is sent to newly-appointed Director upon his / her appointment stating his / her duties and obligations as director. Management Accounts, Terms of Reference of Board Committees and the book of Minutes are made available to the new Directors to enable them to understand the Company's business and operations. Introductory meetings are arranged, where appropriate, to acquaint them with key management personnel.

The Board recognizes the importance of ongoing director education and the need for each Director to take personal responsibility for this process. To facilitate ongoing education:

(a) All Directors are encouraged to keep each other updated on developments relevant to the Company's business, changes in laws and regulations and the like.

(b) All Directors, in particular new and first time Directors are encouraged to attend relevant courses, seminars, updating of regulation talks organized by regulatory bodies and professional institutions such as Singapore Institute of Directors and Singapore Exchange Limited. The Company has an approved budget for such on-going training for its Directors.

## BOARD COMPOSITION AND GUIDANCE

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

***Guidelines 2.1 to 2.5: Composition, Size of the Board and Independent Element of the Board***

The Board comprises six (6) Directors, one (1) of whom is non-executive and non-independent and four (4) are non-executive and independent. This current size is sufficient to facilitate effective direction-setting and decision making needed by the Company.

The Board has reviewed its size and concludes that a size of not more than eight (8) is appropriate given the requirements of the Group's business and the need to avoid undue disruptions to the composition of the Board Committees.

In compliance with the Code's requirement that at least one-third of the Board should be made up of Independent Directors, four (4) of the six (6) Directors are Independent Non-Executive, namely, the Chairman, Mr. Tay Joo Soon, Prof. Lee Chang Leng Brian, Mr. Soon Boon Siong and Mr. Lee Fang Wen. The independence of each Director is reviewed and confirmed by the NC. None of them has any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company.

The NC is of view that the four (4) Non-Executive Directors are independent as defined in the Code as well as being independent in character and judgement. No individual or small group of individuals dominates the Board's decision-making process. The Board concurs with the views of the NC on the independence of these four (4) Directors.

In compliance with the Code, the Board has reviewed the independence of Prof. Lee Chang Leng Brian and Mr. Tay Joo Soon, who has been a member of the Board for more than fourteen (14) and nine (9) years respectively. The Board, on the recommendation of the NC, determined that Prof. Lee and Mr. Tay are independent notwithstanding that they have served more than nine years on the Board. Prof. Lee and Mr. Tay continues to express their independent views and challenges management at Committee and Board meetings.

The Company will adopt a policy stipulating a nine year term as the maximum number of years an Independent Director can serve on the Board. The nine year limit will however be effected from financial year ended 30 June 2018. This is to accommodate current Directors who have already served more than nine years on the Board.

The profile of each Director and other relevant information is set out under "Board of Directors" Section of the Annual Report.

***Guidelines 2.6: Board Diversity***

The Board members comprise of businessmen and professionals with finance, engineering, business management with industrial background and credentials. This is in compliance with the Code, which recommends that the Board should comprise Directors with diverse skills, knowledge and experience.

***Guidelines 2.7 and 2.8: Non-Executive Directors***

Directors are encouraged and given ample time to deliberate on all matters in Board meetings. The salient views and recommendations of Non-Executive Directors are minuted and where applicable are adopted. The Independent Directors communicate amongst themselves by email or telephone on matters concerning the Company and have met without the presence of the Executive Directors.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.**

***Guidelines 3.1 and 3.3: Separate Role of Chairman and Group Chief Executive Officer ("CEO")***

It has been the practice of the Board since financial year ended 30 June 2003 that the Chairman of the Board is non-executive and is separate from the CEO. The Chairman and the CEO are not related.

***Guideline 3.2: Roles and Responsibilities of Chairman***

The Chairman leads the Board proceedings and ensures that Board meetings are held when necessary. The Chairman is also responsible for ensuring the effectiveness of the Board and its governance processes, while the CEO is the most senior executive in the Company who is responsible for implementing the Company's strategies and policies and monitoring the Company's day-to-day operations.

***Guideline 3.4: Role of Lead Independent Director***

The Chairman of the Board is an independent Director, not related to the CEO. Accordingly, no Lead Independent Director was appointed.

## BOARD MEMBERSHIP

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

***Guideline 4.1: NC Membership***

The current NC comprises the following five (5) members, four (4) non-executive and independent and one (1) non-executive and non-independent member:

(a) Soon Boon Siong (Chairman)
(b) Lee Chang Leng Brian
(c) Tay Joo Soon
(d) Lee Fang Wen # and
(e) Lim Chye Huat @ Bobby Lim Chye Huat *

*# appointed AC, NC and RC Member on 1 October 2015 and RC Chairman on 1 July 2016*
** appointed AC and RC Member on 1 July 2016*

The Board has approved the written terms of reference of the NC. The main terms of reference are:-

(a) be responsible for the re-nomination of the Company's Directors, having regard to the Director's contribution and performance;

(b) determine annually whether or not a Director is independent, bearing in mind the guidelines set out in the Code of Corporate Governance 2012 and any other factors;

(c) decide whether or not a Director is able to and has been adequately carrying out his duties as a Director;

(d) regularly review the structure, size and composition (including the skills, knowledge and experience) required of the Board compared with its current position and make recommendations to the Board with regard to any changes;

(e) give full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and what skills and expertise are therefore needed on the Board in the future;

(f) be responsible for identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise;

(g) before any appointment is made by the Board, evaluate the balance of skills, knowledge and experience on the Board and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment. In identifying suitable candidates, the Committee shall consider candidates on merit and against objective criteria, taking care that appointees are able to devote sufficient time to the position; and

(h) keep under review the leadership needs of the organization, both executive and non-executive, with a view to ensuring the continued ability of the Company to compete effectively in the marketplace.

***Guidelines 4.2: Roles of NC***

The NC shall also make recommendations to the Board concerning:-

(a) the re-appointment of any non-executive director at the conclusion of his specified term of office having given due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

(b) the re-election by shareholders of any director under the "retirement by rotation" provisions in the Company's Articles of Association having due regard to his performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required;

(c) the review of Board succession plans for the Non-Executive Chairman and CEO / Executive Director and other Directors;

(d) the review of training and professional development programs for the Board; and

(e) any matters relating to the continuation in office of any director at any time including the suspension or termination of service of an executive director as an employee of the Company.

All Directors (except the CEO) are subject to the provisions of the Company's Articles of Association whereby one-third of the Directors for the time being are required to retire and subject themselves to re-election by shareholders at every Annual General Meeting ("AGM"). A newly appointed Director must retire and submit himself for re-election at the AGM immediately following his appointment and thereafter, is subjected to the one-third rotation rule.

***Guideline 4.3: NC's Determination of Independent Director's Independence***

Annually, all Independent Directors are to submit to the NC and Board for review and concurrence, written confirmation on whether they consider themselves to be independent as set forth in the Code. The Independent Directors have confirmed that they are independent and the same have been confirmed by the NC and the Board.

***Guideline 4.4: Commitments of Directors Sitting on Multiple Boards***

The Board has adopted internal guidelines addressing competing time commitments that are faced when Directors serve on multiple boards. The guidelines provide that each full-time Director can only have a maximum limit of four (4) directorships in a publicly listed company on the SGX-ST or international stock exchanges. Furthermore, for directorships already held, not more than two (2) of the four (4) are in companies where their financial year end is 30 June.

All Directors are also required to submit to the NC details of other directorships held by them during the financial year as well as information on other major appointments including full-time employment. In such submission, they are required to confirm that they have sufficient time to pay attention to the affairs of the Company. Having reviewed the submissions, in respect of FY2016, the NC is of the view that the Directors are able to carry out their duties as Directors of the Company and each Director has discharged his duties adequately.

***Guideline 4.5: Alternate Directors***

The Company's Memorandum & Articles of Association provides for the appointment of alternate directors. The Board has decided that it will, as stated in the Code, generally avoid approving the appointment of alternate directors and should any appointment be made, it will be for limited periods only.

*Guideline 4.6 and 4.7: Process for Selection and Appointment of New Directors and Key Information on Directors*

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC will in consultation with the Board, determine the selection criteria and choose candidates with the appropriate expertise and experience for the position.

Generally, the NC will review annually the Board's composition and should the need to appoint and / or replace new directors arise, it will review nominations from Board members. In its review, the NC will take into account the relevant skill sets, qualifications, conflicts of interests and other commitments.

The NC will interview the nominees and recommend to the Board the most appropriate person to be invited to become a Director of the Company.

Key information of Directors is set out under "Board of Directors" Section of the Annual Report.

## BOARD PERFORMANCE

**Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

*Guidelines 5.1 to 5.3: Formal Process and Performance Assessment*

The NC has adopted a formal process for the evaluation of the performance of individual Directors, Board Committees and the Board as a whole.

**Evaluation Process**

The assessment process involves and includes input from the Board members and individual Directors in self-evaluation and peer review, applying the performance criteria recommended by the NC and approved by the Board. The Directors' input are collated by the Company Secretary and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvement are then submitted to the Board for discussion and for implementation.

Board Performance Criteria

The performance criteria for the Board evaluation are as follows:-

- Board skills set / competency
- Financial target and operating performance
- Board performance in relation to discharging its principal functions
- Board's relationship with the CEO
- Board Committees in relation to discharging their responsibilities set out in their respective terms of reference

Individual Director's Performance Criteria

The individual Director's performance criteria are categorized into five segments, namely:-

- Interactive skills
- Knowledge
- Director's duties
- Availability
- Overall contribution

Non-Executive Chairman and CEO Performance Criteria

The performance criteria for the Non-Executive Chairman and CEO are as follows:-

- Vision and leadership
- Financial management
- Board relations
- Governance and risk management
- Relations with shareholders

The NC, without the engagement of an external facilitator, has performed the assessment for FY2016 and is of view that the performance of individual Directors and the Board as a whole were satisfactory and sufficient time and attention have been given by the Directors in the discharge of their duties to the Group.

## ACCESS TO INFORMATION

**Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis, so as to enable them to make informed decisions to discharge their duties and responsibilities.**

***Guidelines 6.1 and 6.2: Access to Information***

To assist the Board in fulfilling its responsibilities, management is required to provide the Board with complete, adequate and timely information prior to each Board meeting. In addition, management is required to provide the Board with monthly financial and management reports.

***Guidelines 6.3 and 6.4: Role of the Company Secretary***

Directors have separate and independent access to the Company Secretary at all times. The Company Secretary's appointment and removal is a matter for the Board as a whole. He covers both regulatory and procedural matters. The Company Secretary or his representative attended all scheduled FY2016 Board meetings.

***Guideline 6.5: Board Access to Independent Professional Advice***

If any of the Directors require independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company subject to Board's approval.

**Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.**

***Guideline 7.1: RC Membership***

The current RC comprises the following five (5) members, four (4) non-executive and independent and one (1) non-executive and non-independent member:

(a) Lee Fang Wen # (Chairman)
(b) Soon Boon Siong
(c) Lee Chang Leng Brian
(d) Tay Joo Soon and
(e) Lim Chye Huat @ Bobby Lim Chye Huat *

*# appointed AC, NC and RC Member on 1 October 2015 and RC Chairman on 1 July 2016*
** appointed AC and RC Member on 1 July 2016*

The Board has approved the written terms of reference of the RC. The main terms of reference are:-

(a) To propose a framework of remuneration for Directors and Key Management Personnel, covering all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;

(b) To recommend specific remuneration policies and packages for directors and key management personnel;

(c) To consider the recruitment of Executive Directors and determine their employment terms and remuneration and to review the terms of renewal for those Executive Directors whose current employment contracts will expire or had expired;

(d) To structure an appropriate proportion of Executive Directors' remuneration so as to link rewards to corporate and individual performance;

(e) To develop appropriate and meaningful measures for the purpose of assessing Executive Director's performance; and

(f) To seek expert advice inside and / or outside the Company as the Committee may deem necessary to enable it to discharge its duties satisfactorily.

***Guideline 7.2: Remuneration Framework***

The RC reviews annually the remuneration of Directors and Key Management Personnel. For the Executive Directors, their remuneration is stated in their service agreement and their compensation packages consist of salaries, bonuses, benefits-in-kind and annual profit sharing incentive bonus which is dependent on the Group's performance. For the Non-Executive Directors, their fees comprise basic director fee and their respective appointment fees. For Key Management Personnel, the remuneration components include salaries, allowances, bonuses, benefits-in-kind and annual profit sharing incentive bonus which is dependent on the respective company's performance under their portfolio.

***Guideline 7.3: RC Access to advice on Remuneration Matters***

The RC may from time to time obtain independent professional advice as it deems necessary in framing the remuneration of Directors. The expenses incurred from such advice shall be borne by the Company.

***Guideline 7.4: Fair and Reasonable Termination Terms***

The RC has reviewed the Group's obligations arising in the event of termination of the Executive Directors' and Key Management Personnel's contracts of service and is satisfied that termination terms are fair and reasonable and are not overly generous.

## LEVEL AND MIX OF REMUNERATION

**Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) Key Management Personnel to successfully manage the company. However, companies shall avoid paying more than is necessary for this purpose.**

***Guidelines 8.1: Remuneration of Executive Directors***

The Company sets remuneration packages which:-

(a) align interests of Executive Directors with those of shareholders;

(b) link rewards to corporate and individual performance; and

(c) are competitive and sufficient to attract, retain and motivate Directors and Key Management Personnel with adequate experience and expertise to manage the business and operations of the Group.

Executive Directors are compensated as part of the Key Management Personnel and therefore do not receive any Director's fee. The remuneration for Executive Directors comprises fixed component and bonus and other variable component. The fixed component comprises basic salary and the compulsory employer contribution to the employee's CPF; while the bonus and other variable component comprises performance bonus and annual profit sharing incentive bonus which is dependent on the Group's performance for the financial year.

***Guideline 8.2: Long Term Incentive Scheme***

The Company does not have any long-term incentive scheme for its Directors and Key Management Personnel. There is also no policy which requires Non-Executive Directors to purchase shares in the Company and hold them till they leave the Board.

The Board believes that notwithstanding such absence, the Directors' and Key Management Personnel interests in the Company is still in line with the interests of its shareholders.

***Guideline 8.3: Remuneration of Non-Executive Directors***

The fees of Non-Executive Directors for FY2016 amounting to $225,500 was approved by shareholders at the last AGM.

The RC has assessed the adequacy and structure of remuneration of Non-Executive Directors and has proposed to the Board the following framework (which is unchanged from FY 2016) under which the Director Fees are derived:-

| | **Annual Fees ($)** | |
|---|---|---|
| | **Chairman** | **Member** |
| Board | 15,000 | 32,000 |
| Audit | 10,000 | 12,000 |
| Nominating | 2,500 | 3,000 |
| Remuneration | 2,500 | 3,000 |

The Board has assessed and approved the remuneration framework and the total proposed Director's fees for FY2017 will amount to $280,000.

Director's fees are only payable to Non-Executive Directors. The proposed Director's fees for FY2017 are not payable to Executive Directors.

For the existing Independent Non-Executive Directors, the Board believes that they were not and will not be overcompensated to the extent that their independence may be compromised.

The Company does not have any scheme which encourage its Non-Executive Directors to hold shares in the Company. The Board believes that notwithstanding such absence, the Non-Executive Directors' interests in the company is still in line with the interests of its shareholders.

***Guideline 8.4: Incentive Components***

The Board has not introduced any contractual provisions to allow the Company to reclaim incentive components from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

## DISCLOSURE ON REMUNERATION

**Principle 9: Every company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.**

***Guidelines 9.1 and 9.2: Remuneration of Directors***

No payment was made or granted to any Director, CEO or the top five Key Management Personnel in relation to termination benefit in FY2016. However, a gratuity of $300,000 was paid to Mr. Lim Chye Huat @ Bobby Lim Chye Huat, who retired from executive duties on 1 July 2016, on the recommendation of the RC and as approved by the Board after taking into consideration and in recognition his past contribution towards the success of the Group.

The remuneration paid to the Directors for services rendered during FY2016 is as follows:-

| Name of Director | Remuneration ($'000) | Director's Fee | Salary & CPF | Bonus & Other Variable Performance Components | Gratuity | Total |
|---|---|---|---|---|---|---|
| Lim Boon Hock Bernard | 1,105 | – | 34% | 66% | – | 100% |
| Lim Chye Huat @ Bobby Lim Chye Huat | 900 | – | 33% | 34% | 33% | 100% |
| Tay Joo Soon | 65 | 100% | – | – | – | 100% |
| Lee Chang Leng Brian | 60 | 100% | – | – | – | 100% |
| Soon Boon Siong | 55 | 100% | – | – | – | 100% |
| Lee Fang Wen | 46 | 100% | – | – | – | 100% |

***Guideline 9.3: Remuneration of Top Five Key Management Personnel***

The table below sets out the remuneration received by the top five Key Management Personnel of the Group during the financial year.

| Remuneration Band | Name | Director's Fee | Salary & CPF | Bonus & Other Variable Performance Components | Total |
|---|---|---|---|---|---|
| $350,000 to below $400,000 | Lin Chen Mou | 3% | 61% | 36% | 100% |
| $300,000 to below $350,000 | Lim Eng Heng | 3% | 67% | 30% | 100% |
| $250,000 to below $300,000 | Lim Chai Lai @ Louis Lim Chai Lai | 7% | 75% | 18% | 100% |
| | Lim Lian Eng Sharon | – | 67% | 33% | 100% |
| | Ong Wee Heng | 8% | 74% | 18% | 100% |

The aggregate remuneration paid to the above personnel was $1.54 million in FY2016.

No Director is involved in determining his own remuneration. The remuneration of the Non-Executive Directors is in the form of a fixed fee. The remuneration of the Non-Executive Directors will be subject to approval at the AGM.

***Guideline 9.4: Employee Related to Directors / CEO***

The following are employees whose remuneration exceeds $50,000 and who are immediate family members of Mr. Lim Boon Hock Bernard and Mr. Lim Chye Huat @ Bobby Lim Chye Huat.

| Remuneration Band | Employee's Name | Relationship With | |
|---|---|---|---|
| | | CEO, Lim Boon Hock Bernard | Non-Executive Director, Lim Chye Huat @ Bobby Lim Chye Huat |
| Refer to Directors Remuneration | Lim Boon Hock Bernard | – | Son |
| | Lim Chye Huat @ Bobby Lim Chye Huat | Father | – |
| Refer to Key Management Personnel Remuneration | Lim Chai Lai @ Louis Lim Chai Lai | Uncle | Brother |
| | Lim Lian Eng Sharon | Auntie | Sister |
| $250,000 to below $300,000 | Chia Ah Heng | Uncle | Brother-in-Law |
| $100,000 to below $150,000 | Lim Chye Kwee | Uncle | Brother |
| | Lim Hiang Lan | Auntie | Sister |
| | Lim Peck Choo, Constance | Auntie | Sister |
| $50,000 to below $100,000 | Lim Boon Hoh Benedict | Brother | Son |

***Guideline 9.5: Employee Share Scheme***

<u>Employee Share Option Scheme</u>

The Company does not currently have a share option scheme.

***Guideline 9.6: Remuneration and Performance***

The Company's remuneration framework for its Executive Directors is stated in "Guidelines 8.1: Remuneration of Executive Directors" of this Corporate Governance Report.

For Key Management Personnel, their remuneration comprises fixed component, bonus and other variable performance component. The fixed component comprises basic salary and the compulsory employer contribution to the employee's CPF; while the bonus and other variable component comprises performance bonus and profit sharing for the financial year. The bonus and other variable performance components amount is dependent on their individual performance as measured by their respective key performance indicators, as well as the performance of the Group as a whole.

The Company does not have any long-term incentive schemes as explained in "Guideline 8.2: Long Term Incentive Scheme" of this Corporate Governance Report.

## ACCOUNTABILITY AND AUDIT

**Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.**

***Guideline 10.1: Accountability for Accurate Information***

In discharging its responsibility of providing accurate relevant information on a timely basis, the Board ensures that the Group's audited financial statements, quarterly and full year results announcements of the Group provide a balanced and understandable assessment of the Group's performance, position and prospects and that the results are released in a timely manner.

The quarterly, half yearly and full year results announcements are reviewed for adoption at the quarterly meetings of the AC and the Board. Any material variances between the actual results and projections / previous periods are investigated and explained.

In accordance with SGX-ST's requirements, the Board issues negative assurance statements in its financial results announcements confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the results announcements false or misleading in any material aspect.

***Guideline 10.2: Compliance with Legislative and Regulatory Requirements***

The Board is kept abreast on changes to the legislative and regulatory requirements from management to ensure compliance with Group's policies, practices and procedures and relevant legislative and regulatory requirements.

***Guideline 10.3: Management Accounts***

The Management updates the Board regularly on the Group's business activities and financial performance through providing management accounts and business reviews at quarterly board meetings. The Management also highlights major issues that are relevant to the Group's performance in order for the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

## RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.**

***Guideline 11.1: Design, Implementation and Monitoring***

The Board recognises the importance of maintaining a sound system of risk management and internal controls to safeguard the shareholders' interests and the Group's assets. The AC oversees and ensures that such system has been appropriately implemented and monitored.

<u>Risk Management</u>

The Board has approved the Risk Management Framework for identifying key risks within the business. The risks defined in the framework ranges from strategic, financial, operational, information technology, to compliance which may include management decision-making risks. The identification and management of risks are the responsibility of the Management who assume ownership and day-to-day management of these risks. Management is also responsible for the effective implementation of the risks management strategy, policies and processes to facilitate the achievement of the Company's objectives and plans within the risk tolerance established by the Board. Key business risks are scheduled to be identified, addressed and reviewed on an ongoing basis.

The Board is responsible to oversee the Company's Risk Management Framework and policies.

<u>Internal Controls</u>

A conventional internal control system has been implemented to enhance the Group's internal control function to address the financial, operational, compliance and information technology risks. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and financial information used within the business and for publication is reliable.

<u>Staff / Director Securities Dealing Rules & Procedures</u>

The Company has adopted an Internal Code Governing Dealings In Securities in line with the guidelines issued by the SGX-ST. This Internal Code provides guidance and prescribes the internal regulations with regard to dealings in the Company's securities by its officers.

***Guideline 11.2: Adequacy and Effectiveness of Risk Management and Internal Control Systems***

The Board acknowledges its responsibility for the Group's internal controls but recognises that no cost effective control system will entirely eliminate the risk of misstatement or loss. Based on the internal controls established and maintained by the Group, the work performed by the Internal Auditors, the review undertaken by the External Auditors as part of their statutory audit, supervision by Management and in the absence of any evidence to the contrary, the Board, with the concurrence of the AC, are of the opinion that the Group's internal controls are adequate in addressing financial, operational, compliance and information technology risks as at 30 June 2016.

During the year, the AC reviewed reports submitted by the Internal Auditors relating to the adequacy and effectiveness of the Group's internal controls, including the adequacy of the Group's financial, operational, compliance and information technology controls (collectively known as "internal controls"). Such reviews include discussions and follow-ups with Internal Auditors on their salient audit findings.

***Guideline 11.3: Board's Comment on Adequacy and Effectiveness of Internal Controls***

The AC and the Board have received assurance from the CEO and CFO that:-

(a) The financial records of the Group have been properly maintained and the financial statements for the year ended 30 June 2016 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing material risks in the Group in its present business environment including material financial, operational, compliance and information technology risks.

Based on the framework of risk management controls and internal controls established and maintained in the Group, the work performed by the internal auditors and the review undertaken by the external auditors as part of their statutory audit, the written assurance from the CEO and CFO that the financial records have been properly maintained, the Board is of the view that the Group's risk management and internal control systems are effective.

The Board, with the concurrence of the AC, is satisfied that there are adequate internal controls in place to address the risks relating to financial, operational, compliance and information technology controls for the financial year ended 30 June 2016.

***Guideline 11.4: Risk Committee***

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of the internal and external auditors. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

## AUDIT COMMITTEE

**Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.**

***Guideline 12.1: AC Membership***

The AC comprises the following five (5) members, four (4) non-executive and independent and one (1) non-executive and non-independent member:

(a) Lee Chang Leng Brian (Chairman)
(b) Tay Joo Soon
(c) Soon Boon Siong
(d) Lee Fang Wen # and
(e) Lim Chye Huat @ Bobby Lim Chye Huat *

*# appointed AC, NC and RC Member on 1 October 2015 and RC Chairman on 1 July 2016*
** appointed AC and RC Member on 1 July 2016*

During the year, the AC held four (4) scheduled meetings, which were attended by all members.

***Guideline 12.2: Expertise of AC Members***

The AC members bring with them invaluable professional expertise in the recommended accounting and / or related financial management domains. The Board has ensured that they are appropriately qualified to discharge their responsibilities.

***Guideline 12.3 and 12.4: Roles, Responsibilities and Authorities of AC***

The AC has explicit authority to investigate any matter within its Terms of Reference. It has full access to and has the full co-operation of the Company's Management. It has full discretion to invite any Director or executive officer to attend its meetings. In addition, the AC has independent access to the Internal and External Auditors. The AC has reasonable resources to enable it to discharge its functions properly.

The AC is guided by its Terms of Reference which stipulate that its principal functions include:-

(a) Review the annual audit plans of the internal and external auditors as well as their audit findings and recommendations;

(b) Review the adequacy and effectiveness of internal controls by considering written reports from internal and external auditors, and Management responses and actions to correct any deficiencies;

(c) Review the Group's quarterly results announcements and annual consolidated financial statements in conjunction with the external auditor's comments before submitting to the Board for approval;

(d) Review interested person transactions; and

(e) Review the independence of external auditors, their fees and recommend the nomination of the external auditors for appointment or re-appointment.

***Guideline 12.5: Meeting with External and Internal Auditors***

During the year, the Company's Internal and External Auditors were invited to attend the AC meetings and make presentations as appropriate. They also met the AC separately without the presence of Management to review matters that might be raised privately.

***Guideline 12.6: Review of External Auditors' Independence***

The AC reviewed the non-audit services provided by the External Auditors as part of the AC's assessment of the External Auditors' independence. The AC is satisfied that the nature and extent of such services would not conflict with the independence of the external auditors. The AC is satisfied with the independence and objectivity of the External Auditor. The aggregate fee of $269 thousand was paid to the external auditors of the Company, of which $32 thousand was for non-audit services.

***Guideline 12.7: Whistle-Blowing Policy***

To encourage proper work ethics and eradicate any internal improprieties, unethical acts, malpractices, fraudulent acts, corruption and / or criminal activities in the Group, the Company has established and put in place a Whistle-Blowing Policy and procedures to provide employees with well-defined and accessible channels within the Group for reporting suspected fraud, corruption, dishonest practices, or raise concerns, in confidence, about possible improprieties in financial reporting, business transactions or other matters. Details of this policy, in the native language depending in the country of operation of the Group has been disseminated and made available to all employees through the respective Human Resources Departments of the respective companies within the Group as part of the fraud control awareness program.

The whistle-blower can report to the AC members via dedicated email (audit_committee@taisin.com.sg) to the AC members directly. The AC will form an oversight committee and assign person that it deems fit to conduct the investigation. The AC shall provide direction and oversight to the Internal Auditor or such other person as the oversight committee shall deem appropriate.

All reports made / received shall be thoroughly investigated with great care and sensitivity by the oversight committee with the objective of finding evidence that either substantiates or refutes the claims made by the whistle-blower. The oversight committee may seek, at the expense of the Company, appropriate external advice where necessary. The oversight committee will report periodically to AC on the whistle-blowing cases under its review, updating the AC on matter that have been resolved to their satisfaction and where necessary, may escalate cases for deliberation and further action by the AC.

Investigation results are confidential and will not be disclosed or discussed with anyone, other than those with a legitimate need to know. The whistle-blowers will not be updated on the outcome of the investigations other than to receive confirmation that the matter have been dealt with by the AC members.

***Guideline 12.8: Activities of AC***

During the year, the AC held four (4) scheduled meetings which all members attended as disclosed under Guideline 1.4. The AC discharged its duties under its Terms of Reference and as listed under Guideline 12.4 above. In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast on changes to the accounting standards, SGX-ST rules and other codes and regulations which could have an impact on the Group's business and financial statements, through briefings and updates by the internal and external auditors, the Company Secretary and Management.

***Guideline 12.9: Cooling-off Period for Partners or Directors of the Company's Auditing Firm***

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

## INTERNAL AUDIT

**Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.**

***Guideline 13.1: Internal Auditors***

The AC's responsibilities over the Group's internal controls and risk management are complemented by the work of the Internal Auditors ("IA"). The Company recognises and supports the fundamental principle of maintaining IA independence. The Company outsourced its internal audit function to UHY Lee Seng Chan & Co. The IA has unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC. The IA's primary line of reporting is to the Chairman of the AC, although they also report administratively to the CEO.

***Guideline 13.2: Adequacy of Resources***

An annual audit plan which entails the review of the adequacy and effectiveness of the Company's material internal controls has been developed. The AC is satisfied that the Company's internal audit function, as outsourced to UHY Lee Seng Chan & Co, is adequately resourced to perform the internal audit effectively for the Group.

***Guidelines 13.3 & 13.4: Internal Audit Function***

The Company outsourced its internal audit function to UHY Lee Seng Chan & Co which is a corporate member of the Institute of Internal Auditors Singapore and staffed with professionals with the relevant qualifications and experience. Our engagement with the IA stipulates that its work shall comply with Business Process Auditing Methodology which is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

At the beginning of each year, an annual internal audit plan which entails the review of the selected functions or business units of the Group is developed and agreed by the AC. The AC is satisfied that the Company's Internal Audit function is adequately resourced to perform the job for the Group.

***Guideline 13.5: Adequacy of Internal Audit Function***

The AC annually reviews the adequacy of the Internal Audit function to ensure that the internal audits are conducted effectively and that Management provides the necessary co-operation to enable the IA to perform its function. The AC also reviews the IA reports and remedial actions implemented by Management to address any internal control weakness identified.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

**Principle 14: Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.**

***Guideline 14.1: Communication with Shareholders***

In line with the continuous disclosure obligations under the Listing Rules of the SGX-ST, the Board will inform shareholders promptly of all major developments that may have material impact on the Group which would be likely to materially affect the price or value of the Company's shares.

***Guideline 14.2: Participation by Shareholders***

Shareholders have been given the opportunity to participate effectively in and vote at the Company's AGM. They are also informed of the rules, including voting procedures governing the AGM.

***Guideline 14.3: Proxies for Nominee Companies***

The Articles of Association of the Company allow each member to appoint up to two (2) proxies to attend general meetings. A member 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.

"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50. such as banking corporations and capital markets services license holders providing nominee and custodial services and the CPF Board which purchases shares on behalf of the CPF investors.

## COMMUNICATION WITH SHAREHOLDERS

**Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.**

***Guidelines 15.1 and 15.2: Information to Shareholders***

In line with the continuous disclosure obligations under the Listing Rules of the SGX-ST, the Board has and will continue to inform Shareholders promptly of all pertinent information. Such information is disclosed to Shareholders on a timely basis through SGXNET. Announcements and disclosures are also available through Company's share investor portal on the corporate website at www.taisinelectric.com.

***Guidelines 15.3 and 15.4: Dialogue with Shareholders***

The Company did not conduct any analyst briefings, investor roadshows or Investors' Day briefings during the financial year. However, sufficient time is allocated during and after each Annual General Meeting for shareholders to express their views and suggestions to Directors and senior management.

In Addition, shareholders may pose their queries to the company through the Company's Investor Relations email at ir@taisin.com.sg. These queries will be attended to by an Investor Relations Team.

***Guideline 15.5: Dividend Policy***

The Company has paid dividends to Shareholders every year since its listing on SGX-ST. While it does not have a dividend policy, the Board in considering dividend payments has and will take into account factors such as the Company's earnings, financial condition, capital requirements, business expansion plans and cash flow.

**Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.**

***Guideline 16.1: Absentia Voting***

The Company has decided, for the time being, not to implement voting in absentia until security, integrity and other pertinent issues are satisfactorily resolved.

***Guideline 16.2: Resolutions at General Meetings***

The Board ensures that there are separate resolutions at general meetings on each distinct issue.

***Guideline 16.3: Attendees at General Meetings***

The Chairmen of the Board and its committees attend all general meetings to address issues raised by shareholders. The External Auditors are also present at the AGM to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

***Guideline 16.4: Minutes of General Meetings***

The minutes of general meetings as recorded by the Company Secretary do not generally include comments or queries from shareholders and responses from the Board, unless there are contentious issues or salient matters which require the Board of Directors to deliberate and take appropriate action. These minutes are made available to shareholders upon written request.

***Guideline 16.5: Voting by Poll***

With effect from October 2014, the Company has adopted the use of electronic poll voting at general meetings to promote greater transparency. The Company appoints scrutineer at each general meeting and announces the voting decisions and outcomes by the commencement of the pre-opening session on the market day following the general meeting.

## Interested Person Transactions (Listing Manual Rule 907)

The Company does not have a shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual of the SGX-ST.

During FY2016, there were no interested person transactions (excluding transactions less than $100,000) entered into by the Group.

## Appointment Of External Auditors (Listing Manual Rule 1207(6))

In appointing the auditors of the Group, the Company is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST.

## Dealings In Securities (Listing Manual Rule 1207(19))

The Company has adopted an Internal Code Governing Dealings In Securities in line with the guidelines issued by the SGX-ST. This Internal Code provides guidance and prescribes the internal regulations with regard to dealings in the Company's securities by its officers.

## Material Contracts (Listing Manual Rule 1207(8))

During FY2016, there were no material contracts of the Company or its subsidiaries involving the interests of the CEO, any Director or controlling Shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

# CONTENTS


47 DIRECTORS' STATEMENT

50 INDEPENDENT AUDITORS' REPORT

51 STATEMENTS OF FINANCIAL POSITION

52 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

53 STATEMENTS OF CHANGES IN EQUITY

55 CONSOLIDATED STATEMENT OF CASH FLOWS

56 NOTES TO FINANCIAL STATEMENTS

106 ANALYSIS OF SHAREHOLDINGS

108 NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

The directors present their statement together with the audited consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the financial year ended 30 June 2016.

In the opinion of the directors, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company as set out on pages 51 to 105 are drawn up so as to give a true and fair view of the financial position of the group and of the company as at 30 June 2016, and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the company will be able to pay its debts when they fall due.

## 1 DIRECTORS

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

Executive

| | |
|---|---|
| Lim Boon Hock Bernard | (Chief Executive Officer) |

Non-executive

| | |
|---|---|
| Tay Joo Soon | (Chairman) |
| Lim Chye Huat @ Bobby Lim Chye Huat | (As a non-executive director with effect from 1 July 2016) |
| Lee Chang Leng Brian | |
| Soon Boon Siong | |
| Lee Fang Wen | (Appointed on 1 July 2015) |

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the company to acquire benefits by means of the acquisition of shares or debentures in the company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the financial year had no interests in the share capital and debentures of the company and related corporations as recorded in the Register of Directors' Shareholdings kept by the company under Section 164 of the Singapore Companies Act except as follows:

| | Shareholdings registered in name of directors | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| **Name of directors and company in which interests are held** | **At 1 July 2015** | **At 30 June 2016** | **At 1 July 2015** | **At 30 June 2016** |
| Tai Sin Electric Limited | | Number of shares | | |
| Lim Chye Huat @ Bobby Lim Chye Huat | 34,216,897 | 34,715,897 | 24,021,985 | 24,021,985 |
| Lim Boon Hock Bernard | 47,249,627 | 49,384,527 | 1,967,792 | 1,967,792 |
| Tay Joo Soon | 500,000 | 500,000 | – | – |

The directors' interests in the shares and options of the company at 21 July 2016 were the same as at 30 June 2016.

## 4 SHARE OPTIONS

(a) *Option to take up unissued shares*

During the financial year, no option to take up unissued shares of the company or any corporation in the group was granted.

(b) *Option exercised*

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under option.

## 5 AUDIT COMMITTEE

The Audit Committee of the company is chaired by Lee Chang Leng Brian, an independent director, and includes Tay Joo Soon, Soon Boon Siong, Lee Fang Wen and Lim Chye Huat @ Bobby Lim Chye Huat (appointed on 1 July 2016), all of whom are independent directors except for Lim Chye Huat @ Bobby Lim Chye Huat. The Audit Committee has met four times during the current financial year and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the company:

a) the audit plans and results of the internal auditors' examination and evaluation of the group's internal accounting controls;

b) the group's financial and operating results and accounting policies;

c) the statement of financial position and statement of changes in equity of the company and the consolidated financial statements of the group before their submission to the directors' of the company and external auditors' report on those financial statements;

d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the company and the group;

e) the co-operation and assistance given by management to the group's external and internal auditors; and

f) the re-appointment of the external auditors of the company.

The Audit Committee has full access to and has the co-operation of management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the company at the forthcoming Annual General Meeting of the company.

## 6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Lim Boon Hock Bernard

Lim Chye Huat @ Bobby Lim Chye Huat

Singapore
20 September 2016

# INDEPENDENT AUDITORS' REPORT

**To the Members of Tai Sin Electric Limited**

## Report on the Financial Statements

We have audited the financial statements of Tai Sin Electric Limited (the "company") and its subsidiaries (the "group"), which comprise the statements of financial position of the group and company as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 51 to 105.

## Management's Responsibility 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 Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards, 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain a reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the year ended on that date.

## 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.

**Deloitte & Touche LLP**
Public Accountants and
Chartered Accountants
Singapore

20 September 2016

# STATEMENTS OF FINANCIAL POSITION

**30 June 2016**

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 30 June 2016 $'000 | 30 June 2015 $'000 | 30 June 2016 $'000 | 30 June 2015 $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and bank balances | 6 | 34,167 | 23,491 | 14,021 | 12,198 |
| Trade receivables | 7 | 101,453 | 81,793 | 60,141 | 43,038 |
| Other receivables | 8 | 3,469 | 5,393 | 3,506 | 5,772 |
| Derivative financial instruments | 9 | 41 | 4 | 41 | – |
| Inventories | 10 | 61,303 | 57,947 | 38,889 | 35,254 |
| Total current assets | | 200,433 | 168,628 | 116,598 | 96,262 |
| **Non-current assets** | | | | | |
| Other receivables | 8 | 225 | 302 | 5,219 | 6,303 |
| Subsidiaries | 11 | – | – | 41,478 | 33,814 |
| Associates | 12 | 5,179 | 5,230 | – | – |
| Property, plant and equipment | 13 | 34,510 | 29,770 | 6,805 | 4,599 |
| Investment properties | 14 | – | 1,091 | – | – |
| Leasehold prepayments | 15 | 140 | 157 | – | – |
| Intangible assets | 16 | 1,087 | 1,382 | – | – |
| Deferred tax assets | 17 | 66 | 130 | – | – |
| Total non-current assets | | 41,207 | 38,062 | 53,502 | 44,716 |
| **Total assets** | | 241,640 | 206,690 | 170,100 | 140,978 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Short-term bank borrowings | 18 | 36,913 | 16,143 | 18,728 | – |
| Trade payables | 19 | 24,883 | 25,557 | 15,984 | 13,552 |
| Other payables | 20 | 10,188 | 8,317 | 3,646 | 2,286 |
| Current portion of finance leases | 21 | 164 | 216 | – | – |
| Income tax payable | | 3,081 | 2,815 | 2,036 | 1,961 |
| Total current liabilities | | 75,229 | 53,048 | 40,394 | 17,799 |
| **Non-current liabilities** | | | | | |
| Other payables | 20 | 64 | 48 | – | – |
| Non-current portion of finance leases | 21 | 115 | 92 | – | – |
| Deferred tax liabilities | 17 | 1,453 | 1,541 | 90 | 304 |
| Total non-current liabilities | | 1,632 | 1,681 | 90 | 304 |
| **Capital, reserves and non-controlling interests** | | | | | |
| Share capital | 22 | 56,288 | 56,288 | 56,288 | 56,288 |
| Treasury shares | 23 | (950) | (950) | (950) | (950) |
| Reserves | 24 | 105,180 | 92,867 | 74,278 | 67,537 |
| Equity attributable to the owners of the company | | 160,518 | 148,205 | 129,616 | 122,875 |
| Non-controlling interests | | 4,261 | 3,756 | – | – |
| **Total equity** | | 164,779 | 151,961 | 129,616 | 122,875 |
| **Total liabilities and equity** | | 241,640 | 206,690 | 170,100 | 140,978 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**Year Ended 30 June 2016**

| | Note | Group 2016 $'000 | Group 2015 $'000 |
|---|---|---|---|
| **Revenue** | 25 | 320,909 | 289,957 |
| Cost of sales | | (256,179) | (235,529) |
| **Gross profit** | | 64,730 | 54,428 |
| Other operating income | 26 | 2,293 | 1,351 |
| Selling and distribution expenses | | (18,659) | (16,826) |
| Administrative expenses | | (18,500) | (16,929) |
| Other operating expenses | | (1,488) | (1,290) |
| Finance costs | 27 | (768) | (690) |
| Share of (loss) profit of associates | 12 | (28) | 383 |
| **Profit before income tax** | | 27,580 | 20,427 |
| Income tax expense | 28 | (3,603) | (2,816) |
| **Profit for the year** | 29 | 23,977 | 17,611 |
| **Other comprehensive (loss) income:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation of foreign operations | | (1,076) | (486) |
| Changes in share of other comprehensive income (loss) of an associate | | 23 | (24) |
| Other comprehensive loss for the year, net of tax | | (1,053) | (510) |
| **Total comprehensive income for the year** | | 22,924 | 17,101 |
| **Profit attributable to:** | | | |
| Owners of the company | | 23,141 | 17,077 |
| Non-controlling interests | | 836 | 534 |
| | | 23,977 | 17,611 |
| **Total comprehensive income attributable to:** | | | |
| Owners of the company | | 22,112 | 16,567 |
| Non-controlling interests | | 812 | 534 |
| | | 22,924 | 17,101 |
| Earnings per share | | | |
| Basic (cents) | 30 | 5.31 | 3.92 |
| Diluted (cents) | 30 | 5.31 | 3.92 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

**Year Ended 30 June 2016**

| Group | Note | Share capital $'000 | Treasury shares $'000 | Reserves: Foreign currency translation reserve $'000 | Reserves: Other reserve $'000 | Accumulated profits $'000 | Equity attributable to shareholders of the company $'000 | Non-controlling interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balance at 1 July 2014 | | 56,288 | (950) | (1,264) | (381) | 88,098 | 141,791 | 6,182 | 147,973 |
| Total comprehensive income (loss) for the year | | | | | | | | | |
| Profit for the year | | – | – | – | – | 17,077 | 17,077 | 534 | 17,611 |
| Other comprehensive loss for the year | | – | – | (510) | – | – | (510) | – | (510) |
| Total | | – | – | (510) | – | 17,077 | 16,567 | 534 | 17,101 |
| *Transactions with owners, recognised directly in equity* | | | | | | | | | |
| Buyback of shares from non-controlling interest by a subsidiary[(a)] | | – | – | (7) | (347) | – | (354) | (2,646) | (3,000) |
| Dividend paid to non-controlling interests | | – | – | – | – | – | – | (314) | (314) |
| Final dividend for the previous year paid | 31 | – | – | – | – | (6,533) | (6,533) | – | (6,533) |
| Interim dividend for the year paid | 31 | – | – | – | – | (3,266) | (3,266) | – | (3,266) |
| Total | | – | – | (7) | (347) | (9,799) | (10,153) | (2,960) | (13,113) |
| Balance at 30 June 2015 | | 56,288 | (950) | (1,781) | (728) | 95,376 | 148,205 | 3,756 | 151,961 |
| Total comprehensive income (loss) for the year | | | | | | | | | |
| Profit for the year | | – | – | – | – | 23,141 | 23,141 | 836 | 23,977 |
| Other comprehensive loss for the year | | – | – | (1,029) | – | – | (1,029) | (24) | (1,053) |
| Total | | – | – | (1,029) | – | 23,141 | 22,112 | 812 | 22,924 |
| *Transactions with owners, recognised directly in equity* | | | | | | | | | |
| Dividend paid to non-controlling interests | | – | – | – | – | – | – | (307) | (307) |
| Final dividend for the previous year paid | 31 | – | – | – | – | (6,533) | (6,533) | – | (6,533) |
| Interim dividend for the year paid | 31 | – | – | – | – | (3,266) | (3,266) | – | (3,266) |
| Total | | – | – | – | – | (9,799) | (9,799) | (307) | (10,106) |
| Balance at 30 June 2016 | | 56,288 | (950) | (2,810) | (728) | 108,718 | 160,518 | 4,261 | 164,779 |

**Notes:**

(a) During the year ended 30 June 2015, a subsidiary of the group completed the purchase of its own ordinary shares from its shareholders. The share buyback resulted in an increase in the group's equity interest in the subsidiary from 65% to 79.1%. The difference between the amount by which the non-controlling interests were adjusted and the fair value of the consideration paid was recognised directly in equity.

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

**Year Ended 30 June 2016**

| Company | Note | Share capital | Reserves: Treasury shares | Reserves: Accumulated profits | Total equity |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July 2014 | | 56,288 | (950) | 62,412 | 117,750 |
| Profit for the year, representing total comprehensive income for the year | | – | – | 14,924 | 14,924 |
| *Transactions with owners, recognised directly in equity* | | | | | |
| Final dividend for the previous year paid | 31 | – | – | (6,533) | (6,533) |
| Interim dividend for the year paid | 31 | – | – | (3,266) | (3,266) |
| Total | | – | – | (9,799) | (9,799) |
| Balance at 30 June 2015 | | 56,288 | (950) | 67,537 | 122,875 |
| Profit for the year, representing total comprehensive income for the year | | – | – | 16,540 | 16,540 |
| *Transactions with owners, recognised directly in equity* | | | | | |
| Final dividend for the previous year paid | 31 | – | – | (6,533) | (6,533) |
| Interim dividend for the year paid | 31 | – | – | (3,266) | (3,266) |
| Total | | – | – | (9,799) | (9,799) |
| Balance at 30 June 2016 | | 56,288 | (950) | 74,278 | 129,616 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

**Year Ended 30 June 2016**

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| **Operating activities** | | |
| Profit before income tax | 27,580 | 20,427 |
| Adjustments for: | | |
| Depreciation expense | 4,220 | 3,632 |
| Amortisation expense | 295 | 276 |
| Interest income | (33) | (14) |
| Interest expense | 768 | 690 |
| (Gain) Loss on disposal of property, plant and equipment | (79) | 11 |
| Gain on disposal of investment property | (29) | – |
| Property, plant and equipment written off | 103 | 224 |
| Inventories written off | 217 | 275 |
| Reversal of inventories obsolescence | (66) | (27) |
| Bad debts written off | 85 | 76 |
| Allowance for doubtful receivables | 680 | 596 |
| (Reversal of) Provision for onerous contracts | (63) | 105 |
| Fair value adjustments on derivative financial instruments taken to profit or loss | (37) | (4) |
| Share of loss (profit) of associates | 28 | (383) |
| Operating cash flows before movement in working capital | 33,669 | 25,884 |
| Trade receivables | (21,224) | 7,699 |
| Other receivables | 1,967 | (1,776) |
| Inventories | (4,065) | 6,707 |
| Trade payables | (584) | 647 |
| Other payables | 2,025 | (1,221) |
| Cash generated from operations | 11,788 | 37,940 |
| Income tax paid | (3,367) | (3,575) |
| Net cash from operating activities | 8,421 | 34,365 |
| **Investing activities** | | |
| Purchase of property, plant and equipment [(a)] | (8,117) | (11,588) |
| Proceeds from disposal of property, plant and equipment | 90 | 1,155 |
| Proceeds from disposal of investment property | 50 | – |
| Interest received | 33 | 14 |
| Net cash used in investing activities | (7,944) | (10,419) |
| **Financing activities** | | |
| Buyback of shares from non-controlling interests by a subsidiary | – | (3,000) |
| Proceeds from short-term bank borrowings | 83,680 | 72,819 |
| Repayment of short-term bank borrowings | (62,187) | (81,314) |
| Repayment of finance lease obligations | (334) | (461) |
| Interest paid | (768) | (690) |
| Dividend paid | (9,799) | (9,799) |
| Dividend paid to non-controlling interests | (307) | (314) |
| Net cash from (used in) financing activities | 10,285 | (22,759) |
| Net increase in cash and cash equivalents | 10,762 | 1,187 |
| Cash and cash equivalents at beginning of year | 23,491 | 22,232 |
| Effects of exchange rate changes on the balance of cash held in foreign currencies | (86) | 72 |
| **Cash and cash equivalents at end of year** | 34,167 | 23,491 |

**Notes:**

(a) Purchase of property, plant and equipment

During the financial year, the group acquired property, plant and equipment with an aggregate cost of $8,422,000 (2015 : $11,939,000) of which $305,000 (2015 : $351,000) was acquired by means of finance leases. Cash payment of $8,117,000 (2015 : $11,588,000) were made to purchase property, plant and equipment.

See accompanying notes to financial statements.

## 1 GENERAL

The company (Registration No. 198000057W) is incorporated in Singapore with its principal place of business and registered office at 24 Gul Crescent, Singapore 629531. The company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the company are that of cable and wire manufacturer and dealer in such products and investment holding.

The principal activities of the subsidiaries and associates are stated in Notes 11 and 12 respectively to the financial statements.

The consolidated financial statements of the group and statement of financial position and statement of changes in equity of the company for the year ended 30 June 2016 were authorised for issue by the Board of Directors on 20 September 2016.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On 1 July 2015, the group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the group's and company's accounting policies and has no material effect on the amounts reported for the current or prior years.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

At the date of authorisation of these financial statements, the following FRSs, INT FRSs and amendments to FRSs that are relevant to the group and company were issued but not effective:

- FRS 109 *Financial Instruments* [3]
- FRS 115 *Revenue from Contracts with Customers* [3]
- FRS 116 *Leases* [4]
- Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers* [3]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative* [1]
- Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses* [2]
- Amendments to FRS 110 *Consolidated Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [5]

[1] Applies prospectively to annual periods beginning on or after 1 January 2017, with early application permitted.

[2] Applies to annual periods beginning on or after 1 January 2017, with early application permitted.

[3] Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

[4] Applies to annual periods beginning on or after 1 January 2019, with early application permitted for entities that apply FRS 115 at or before the date of initial application of FRS 116.

[5] Application has been deferred indefinitely, however, early application is still permitted.

**<u>FRS 109 *Financial Instruments*</u>**

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL).
- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk to be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management is currently evaluating the potential impact of the application of these amendments to FRS 109 on the financial statements of the group and company in the period of initial application.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**FRS 115 *Revenue from Contracts with Customers***

In November 2014, FRS 115 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity is entitled to in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.

Step 2: Identify the performance obligations in the contract.

Step 3: Determine the transaction price.

Step 4: Allocate the transaction price to the performance obligations in the contract.

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Extensive disclosures are required by FRS 115.

In June 2016, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

Management is currently evaluating the potential impact of the application of these amendments to FRS 115 on the financial statements of the group and company in the period of initial application.

**FRS 116 *Leases***

FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

The standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

Management is currently evaluating the potential impact of the application of these amendments to FRS 116 on the financial statements of the group and company in the period of initial application.

**Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative***

The amendments required an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Management is currently evaluating the potential impact of the application of these amendments to FRS 7 on the financial statements of the group and company in the period of initial application.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**Amendments to FRS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify that unrealised losses on debt instruments measured at fair value in the financial statements but at cost for tax purposes can give rise to deductible temporary differences.

The amendments also clarify that the carrying amount of an asset does not limit the estimation of probable future taxable profits, and that when comparing deductible temporary differences with future taxable profits, the future taxable profits excludes tax deductions resulting from the reversal of those deductible temporary differences.

Management is currently evaluating the potential impact of the application of these amendments to FRS 12 on the financial statements of the group and company in the period of initial application.

**Amendments to FRS 110 *Consolidated Financial Statements* and FRS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

The amendments address the requirements in dealing with the sale or contribution of assets between an investor and its associate or joint venture. In a transaction involving an associate or a joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

When an entity sells or contributes assets that constitute a business to a joint venture or associate, or loses control of a subsidiary that contains a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised in full.

When an entity sells or contributes assets that do not constitute a business to a joint venture or associate, or loses control of a subsidiary that does not contain a business but it retains joint control or significant influence, the gain or loss resulting from that transaction is recognised only to the extent of the unrelated investors' interests in the joint venture or associate, i.e. the entity's share of the gain or loss is eliminated.

Management is currently evaluating the potential impact of the application of these amendments to FRS 110 on the financial statements of the group and company in the period of initial application.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company and its subsidiaries. Control is achieved when the company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The company considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power, including:

- The size of the company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the group's accounting policies.

Changes in the group's ownership interests in subsidiaries that do not result in the group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the group to the former owners of the acquiree and equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the group's previously held interest in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquiree in accordance with FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the group becomes a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premium or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

**Financial assets**

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

<u>Loans and receivables</u>

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in active markets are classified as "loans and receivables". Loans and receivables (including trade and other receivables, bank balances and cash) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables where the recognition of interest would be immaterial.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 to 120 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When trade or other receivables are uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**Financial liabilities and equity instruments**

Classification as debt or equity

Financial liabilities and equity instruments issued by the group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risk, including foreign exchange forward contracts. The group does not use derivative financial instruments for speculative purposes. Further details of derivative financial instruments are disclosed in Note 9 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged item that is attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the consolidated statement of profit or loss and other comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. The adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Financial guarantee contracts

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Inventories comprise electrical and electronic components and products, lights and lighting components and cable and wire products for trading by the various subsidiaries and raw materials, work-in-progress and finished goods for the company and other manufacturing entities. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories for trading is calculated on a weighted-average basis. The cost of raw materials for manufacturing entities is calculated on a first-in-first-out basis. Work-in-progress and finished goods for manufacturing entities are calculated using the weighted-average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are carried at cost less accumulated depreciation and any impairment losses.

Depreciation is charged so as to write off the cost of assets, other than freehold land, over their estimated useful lives, using the straight-line method, on the following bases:

| | | |
|---|---|---|
| Freehold property | - | 2% to 2.5% |
| Leasehold land and buildings | - | 1.75% to 20% |
| Office equipment and furniture | - | 7.5% to 100% |
| Plant and machinery | - | 10% to 25% |
| Motor vehicles | - | 10% to 20% |

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation is not provided on freehold land.

Fully depreciated assets still in use are retained in the financial statements.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INVESTMENT PROPERTY - Investment property, which is property held to earn rentals, is carried at cost less accumulated depreciation and any impairment losses. Depreciation is charged so as to write off the cost of the investment property over its estimated useful life at an annual rate of 2% using the straight-line method.

The estimated useful life, residual value and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of investment property is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

INTANGIBLE ASSETS - Intangible assets acquired in a business combination are identified and recognised separately from goodwill if the assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value as at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated impairment losses, on the same basis as intangible assets acquired separately.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised on a straight-line basis over the estimated useful lives. The amortisation period and method are reviewed at least at each financial year end.

Intangible assets relating to customer relationships and proprietary application software acquired in a business combination have finite useful lives and are measured at cost less accumulated amortisation and impairment losses. The customer relationships and proprietary application software are amortised on a straight-line basis over their estimated useful lives and recorded as part of 'selling and distribution expenses' and 'cost of sales' respectively in the consolidated statement of profit or loss and other comprehensive income. Their estimated useful lives are as follows:

| | | |
|---|---|---|
| Customer relationships | - | 9 years |
| Proprietary application software | - | 5 years |

Software costs that are directly associated with identifiable software controlled by the group that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Internally developed software were initially capitalised at cost which included the purchase price (net of any discounts and rebates, and government grant) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhanced or extended the performance of software beyond its specifications and which can be reliably measured was added to the original cost of the software. Costs associated with maintaining computer software were recognised as an expense as incurred.

Software is subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 5 years.

The period and method of amortisation of the software are reviewed at least at each financial year end. The effects of any revision of the amortisation period or method are included in profit or loss for the period in which the changes arise. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS - At the end of each reporting period, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

ASSOCIATE - An associate is an entity over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the group's share of the profit or loss and other comprehensive income of the associate. When the group's share of losses of an associate exceeds the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate), the group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the group retains an interest in the former associate and the retained interest is a financial asset, the group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When the group reduces its ownership interest in an associate but the group continues to use the equity method, the group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the group, profits and losses resulting from the transactions with the associate are recognised in the group's consolidated financial statements only to the extent of interests in the associate that are not related to the group.

PROVISIONS - Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as a provision. 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.

GOVERNMENT GRANTS - Government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Rendering of services

Revenue from rendering of services that are of short duration is recognised upon billings raised for performance of services.

Revenue from rendering services that are project-based is recognised when the services are rendered, by reference to completion of the specific transaction and upon acceptance by the customer.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend income

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

BORROWING COSTS - Borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE 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 end of the reporting period.

INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the group and the statement of financial position of the company are presented in Singapore dollars, which is the functional currency of the company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on transactions entered into in order to hedge certain foreign currency risks are described in the derivative financial instruments accounting policy above.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

***(a) Critical judgements in applying the entity's accounting policies***

In the process of applying the group's accounting policies, which are described in Note 2, management is not aware of any judgements that have significant effect on the amounts recognised in the financial statements, apart from those involving estimations as discussed below.

***(b) Key sources of estimation uncertainty***

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) <u>Allowance for doubtful receivables</u>

Allowance for doubtful receivables of the group is based on an assessment of the collectability of receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including their current creditworthiness, past collection history of each customer and ongoing dealings with them. If the financial conditions of the counterparties with which the group contracted were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

The allowance and carrying amount of doubtful receivables at the end of the reporting period are disclosed in Note 7 and Note 8 to the financial statements.

ii) <u>Provision for onerous contracts</u>

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.

An assessment is made at each reporting date whether any major contracts are deemed onerous and provisions are made accordingly. Provisions for onerous contracts represent the estimated losses arising from the differences between (1) the committed selling prices and estimated cost of sales for the unfulfilled sales quantities committed in respect of contracts for which delivery has substantially commenced by the end of the financial year and (2) the committed prices and estimated cost for the services committed in respect of uncompleted contracts.

The provision for onerous contracts at the end of the reporting period is disclosed in Note 20 to the financial statements.

iii) <u>Allowance for inventories</u>

The policy for allowance for inventories for the group is based on management's judgement and evaluation of the saleability and the aging analysis of the individual inventory item. A considerable amount of judgement is required in assessing the ultimate realisation of these inventories, including the current market price and movement trend of each inventory. The carrying amount of inventories at the end of the reporting period is disclosed in Note 10 to the financial statements.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### *(b) Key sources of estimation uncertainty (cont'd)*

iv) Impairment of investments in subsidiaries and associates

Investment in subsidiaries and associate are stated at cost less impairment loss. The company follows the guidance of FRS 36 *Impairment of Assets* to determine when its investments in subsidiaries and associate are impaired. This determination requires management to evaluate, among other factors, the market and economic environment in which the subsidiaries and associate operate, economic performance of these entities, the duration and extent to which the cost of investments in these entities exceed their net tangible assets values and fair value of investments less cost to sell.

The carrying amount of investments in and advances to subsidiaries at the end of the reporting period was $41,478,000 (2015 : $33,814,000). No impairment is deemed to be necessary by management as there were no impairment indicators.

The carrying amount of investments in associates at the end of the reporting period is disclosed in Note 12 to the financial statements.

v) Impairment of investment properties and property, plant and equipment

The group's investment properties and property, plant and equipment are stated at cost less accumulated depreciation and impairment loss. Where there is an indication of impairment, the recoverable amount of assets would be determined by management using independent valuers.

The group has recorded its freehold and leasehold buildings at cost. The group's freehold and leasehold buildings is stated at cost less accumulated depreciation and impairment loss. Where there is an indication of impairment, the recoverable amounts of the freehold and leasehold buildings would be determined by management using independent valuers. The group has assessed the recoverable value of its freehold and leasehold buildings to exceed the cost and management has concluded that there is no impairment with regard to these properties. The group has also assessed the carrying amount of the other plant and equipment and concluded that there is no indicators of impairment.

The carrying amount of the assets are disclosed on the statement of financial position.

vi) Impairment of customer relationships

Management of the group performs an impairment assessment of the customer relationships to determine whether there is any indication that they may be impaired as at the end of the reporting period. In making this assessment, management considers the estimates and assumptions used in determining the carrying value of customer relationships including account attrition, expected lives and other factors. Significant changes in these estimates and assumptions could adversely impact the valuation of the customer relationships.

Management has assessed that the estimates and assumptions used in prior years remain appropriate and no impairment in customer relationships is required. The carrying value of customer relationships is $1,087,000 (2015 : $1,319,000) as at the end of the reporting period.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period.

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Loans and receivables (including cash and cash equivalents) | 137,266 | 106,797 | 82,577 | 65,385 |
| Derivative financial instruments | 41 | 4 | 41 | – |
| **Financial liabilities** | | | | |
| Amortised cost | 70,849 | 49,239 | 38,356 | 15,828 |

### (b) *Financial risk management policies and objectives*

The group's overall financial risk management programme seeks to minimise potential adverse effects of financial performance of the group. Management reviews the overall financial risk management on specific areas, such as market risk (including foreign exchange risk, interest rate risk, equity price risk), credit risk, liquidity risk, use of derivative financial instruments and investing excess cash.

The group uses a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including short-term forward foreign contracts to manage the foreign currency exchange rate risk and copper contracts to manage the risk of future fluctuations in copper prices.

There has been no change to the group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

i) Foreign exchange risk management

The group operates regionally, giving rise to significant exposure to market risk from changes in foreign exchange rates. Exposures to foreign exchange risks are managed as far as possible by natural hedge of matching assets and liabilities.

The group's exposure to foreign exchange risk arises mainly from transactions denominated in United States dollar and other foreign currencies relative to the Singapore dollar.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities that are not denominated in the functional currencies of the respective group entities are as follows:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Liabilities | | Assets | | Liabilities | | Assets | |
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| United States dollar | 11,141 | 14,172 | 6,481 | 5,921 | 9,023 | 10,747 | 866 | 757 |
| Euro | 1,805 | 918 | 17 | 7 | 1,737 | 660 | – | – |
| Singapore dollar | 1,623 | 334 | 4,097 | 626 | – | – | – | – |
| Malaysian ringgit | 454 | 258 | 488 | 875 | 454 | 258 | 488 | 875 |

Management enters into short-term forward foreign currency exchange contracts to manage foreign currency exchange rate risk. The group's commitments on forward foreign exchange contracts at 30 June 2016 and 2015 are disclosed in Note 9.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

i) Foreign exchange risk management (cont'd)

The company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

**Foreign currency sensitivity**

The following table details the sensitivity to a 10% increase and decrease in functional currency against the relevant foreign currencies after factoring in the impact of forward foreign exchange contracts. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

If the functional currency of the respective group entities appreciates (depreciates) by 10% against the relevant foreign currencies, profit before income tax will increase (decrease) by:

| | United States dollar impact | | Euro impact | | Singapore dollar impact | | Malaysian ringgit impact | |
|---|---|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | | | |
| Profit or loss | (2,027) | 748 | 179 | 91 | (247) | (29) | (3) | (62) |
| **Company** | | | | | | | | |
| Profit or loss | (1,610) | 999 | 174 | 66 | – | – | (3) | (62) |

The impact to profit or loss is mainly attributable to the exposure outstanding on receivables and payables at the end of the reporting period in the group.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

ii) Interest rate risk management

The group's exposure to the risk of changes in interest rates relates mainly to bank borrowings. The group actively reviews its debt portfolio to achieve the most favourable interest rates available.

The interest rates and terms of repayment for bank borrowings and leases of the group are disclosed in Notes 18 and 21 to the financial statements.

A significant portion of the group's borrowings are on a fixed rate interest basis. Accordingly, future fluctuation in interest rate is not expected to have any significant impact on the profit or loss of the group.

The interest rates and repricing period for fixed deposits are disclosed in Note 6 to the financial statements.

Management has considered the total outstanding borrowings as well as their current interest rate environment and does not expect the effect of changes in interest rate on these borrowings to be significant.

Summary quantitative date of the group's interest-bearing financial instruments can be found in Section (iv) of this note.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The group and company entered into a credit insurance policy to limit its credit exposure arising from its trade customers.

Trade receivables of the group consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The group and company is exposed to a concentration of credit risk as trade receivables amounting to about 10% (2015 : 5%) and 16% (2015 : 10%) respectively are due mainly from a key customer with good payment history. The group commenced legal action against a customer for which the group and company has made provision of $1,612,000 (2015 : $1,216,000) and $1,452,000 (2015 : $1,056,000) respectively.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Further details of credit risks on trade receivables are disclosed in Note 7 to the financial statements.

The credit risk for gross trade receivables based on the information provided to key management is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| By geographical areas | | | | |
| Singapore | 80,483 | 66,910 | 59,126 | 43,118 |
| Malaysia | 13,974 | 10,892 | 485 | 157 |
| Brunei | 1,623 | 2,065 | 75 | 164 |
| Vietnam | 4,167 | 2,049 | 767 | 165 |
| Indonesia | 2,109 | 1,455 | 400 | 269 |
| Thailand | 776 | 242 | 747 | 220 |
| Others | 208 | 112 | 1 | 1 |
| Total gross trade receivables | 103,340 | 83,725 | 61,601 | 44,094 |

iv) Liquidity risk management

The group maintains sufficient cash and cash equivalents, availability of adequate committed funding lines from financial institutions and internally generated cash flows to finance their activities. The group finances their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

iv) Liquidity risk management (cont'd)

**Liquidity and interest risk analyses**

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group and company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liabilities in the statements of financial position.

| | Weighted average effective interest rate % p.a. | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | Adjustments $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2016** | | | | | |
| Non-interest bearing | – | 33,593 | 64 | – | 33,657 |
| Finance lease liability (fixed rate) | 8.24 | 166 | 136 | (23) | 279 |
| Fixed interest rate instruments | 2.83 | 37,959 | – | (1,046) | 36,913 |
| | | 71,718 | 200 | (1,069) | 70,849 |
| **2015** | | | | | |
| Non-interest bearing | – | 32,740 | 48 | – | 32,788 |
| Finance lease liability (fixed rate) | 5.19 | 224 | 100 | (16) | 308 |
| Fixed interest rate instruments | 3.00 | 16,627 | – | (484) | 16,143 |
| | | 49,591 | 148 | (500) | 49,239 |
| **Company** | | | | | |
| **2016** | | | | | |
| Non-interest bearing | – | 19,628 | – | – | 19,628 |
| Fixed interest rate instruments | 2.09 | 19,119 | – | (391) | 18,728 |
| | | 38,747 | – | (391) | 38,356 |
| **2015** | | | | | |
| Non-interest bearing | – | 15,828 | – | – | 15,828 |

The maximum amount that the company could be forced to settle under the corporate guarantee in relation to credit facilities granted to subsidiaries in Note 32 is $18,185,000 (2015 : $16,143,000). The earliest period that the guarantee could be called is within 1 year (2015 : 1 year) from the end of the reporting period. The company considers that it is more likely than not that no amount will be payable under the arrangement.

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the group and the company anticipate that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial assets in the statements of financial position.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

iv) Liquidity risk management (cont'd)

| | Weighted average effective interest rate % p.a. | On demand or within 1 year $'000 | Within 2 to 5 years $'000 | Adjustments $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2016** | | | | | |
| Non-interest bearing | – | 132,339 | 225 | – | 132,564 |
| Fixed interest rate instruments | 3.40 | 4,862 | – | (160) | 4,702 |
| | | 137,201 | 225 | (160) | 137,266 |
| **2015** | | | | | |
| Non-interest bearing | – | 106,485 | 302 | – | 106,787 |
| Fixed interest rate instruments | 0.25 | 10 | – | –* | 10 |
| | | 106,495 | 302 | – | 106,797 |
| **Company** | | | | | |
| **2016** | | | | | |
| Non-interest bearing | – | 76,283 | – | – | 76,283 |
| Fixed interest rate instruments | 1.70 | 1,200 | 5,397 | (303) | 6,294 |
| | | 77,483 | 5,397 | (303) | 82,577 |
| **2015** | | | | | |
| Non-interest bearing | – | 58,008 | – | – | 58,008 |
| Fixed interest rate instruments | 1.70 | 1,200 | 6,597 | (420) | 7,377 |
| | | 59,208 | 6,597 | (420) | 65,385 |

* Amount less than $1,000.

Derivative financial instruments

As at 30 June 2016, the fair value of the gross settled foreign exchange forward contracts and copper contracts which were on demand or within one year payable amounted to $31,000 (2015 : $4,000) and $10,000 (2015 : $Nil) respectively in assets.

v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is used, based on the applicable yield curve of the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### *(b) Financial risk management policies and objectives (cont'd)*

v) Fair values of financial assets and financial liabilities (cont'd)

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

The fair value hierarchy of the group's derivative financial instruments relating to forward foreign exchange contracts and copper contracts are classified as Level 2. There were no movements between different levels during the year.

### *(c) Capital risk management policies and objectives*

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the group consists of debt, which includes the borrowings disclosed in Notes 18 and 21 (net of cash and cash equivalents) and equity attributable to equity holders of the parent, comprising issued capital, reserves and accumulated profits as disclosed in Notes 22 to 24.

The group and company are required to maintain compliance with covenants imposed by banks and these include a minimum tangible net worth amount and a maximum gearing ratio. The group and company are in compliance with these externally imposed covenant requirements for the financial years ended 30 June 2016 and 2015.

The Board of Directors reviews the capital structure regularly to achieve an appropriate capital structure. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital and makes adjustments to the capital structure, where appropriate, in light of changes in economic conditions and the risk of characteristics of the underlying assets.

The group's overall strategy remains unchanged from 2015.

## 5 RELATED PARTY TRANSACTIONS

Some of the group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

During the year, the group entered into the following significant transactions with related parties:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Sales to associates | (6,586) | (7,026) |
| Companies in which key management have interests: | | |
| Sales | (2,047) | (1,732) |
| Purchases | 380 | 266 |
| Sales of plant and machinery | (154) | – |
| Sub-contract charges by a related party | (164) | (19) |
| Wages paid on behalf by a related party | 146 | 433 |
| Advances to a related party | 253 | 26 |

## 5 RELATED PARTY TRANSACTIONS (cont'd)

***Compensation of directors and key management personnel***

The remuneration of directors and other members of key management during the year was as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Short-term benefits | 7,670 | 6,309 |
| Post-employment benefits | 374 | 296 |
| | 8,044 | 6,605 |

## 6 CASH AND BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash and bank balances | 29,465 | 23,481 | 14,021 | 12,198 |
| Fixed deposits | 4,702 | 10 | – | – |
| | 34,167 | 23,491 | 14,021 | 12,198 |

The fixed deposits bear interest ranging at 0.25% to 3.40% (2015 : 0.25%) per annum and are due within 12 months. The fixed deposits can be converted to a known amount of cash at minimum charges at short notice.

## 7 TRADE RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Outside parties | 98,937 | 79,715 | 57,361 | 41,659 |
| Less: Allowance for doubtful receivables | (1,887) | (1,932) | (1,460) | (1,056) |
| | 97,050 | 77,783 | 55,901 | 40,603 |
| Related parties (Note 5) | 864 | 934 | 75 | 164 |
| Subsidiaries (Note 11) | – | – | 1,531 | 622 |
| Associates (Note 12) | 3,539 | 3,076 | 2,634 | 1,649 |
| | 101,453 | 81,793 | 60,141 | 43,038 |

The average credit period on sales of goods is 30 to 120 days (2015 : 30 to 120 days). No interest is charged on the trade receivables.

In determining the recoverability of a trade receivable, the group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Management believes that there is no further allowance required in excess of the allowance for doubtful receivables as there has been no significant change in credit quality and the amounts of receivables (net of allowances) are still considered recoverable.

Included in the group's and company's trade receivables are debtors with a carrying amount of $41,284,000 (2015 : $31,611,000) and $23,779,000 (2015 : $16,148,000) respectively which are past due at the reporting date for which the group and company have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. There has also not been a significant change in credit quality of the balances that are not past due.

## 7 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at 30 June respectively:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Not past due and not impaired | 60,169 | 50,182 | 36,362 | 26,890 |
| Past due but not impaired [i] | 41,284 | 31,611 | 23,779 | 16,148 |
| | 101,453 | 81,793 | 60,141 | 43,038 |
| Impaired receivables - individually assessed [ii, iii] : | | | | |
| - Past due more than 6 months and no response to repayment demands | 1,887 | 1,932 | 1,460 | 1,056 |
| Less: Allowance for impairment | (1,887) | (1,932) | (1,460) | (1,056) |
| | – | – | – | – |
| Total trade receivables, net | 101,453 | 81,793 | 60,141 | 43,038 |

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| (i) Aging of receivables that are past due but not impaired | | | | |
| < 3 months | 33,431 | 25,886 | 19,442 | 14,357 |
| 3 months to 6 months | 4,717 | 3,667 | 3,109 | 1,187 |
| 6 months to 12 months | 2,301 | 1,418 | 1,085 | 564 |
| > 12 months | 835 | 640 | 143 | 40 |
| | 41,284 | 31,611 | 23,779 | 16,148 |

(ii) These amounts are stated before any deduction for impairment losses.

(iii) These receivables are not secured by any collateral or credit enhancements.

Movements in the allowance for doubtful receivables:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of the year | 1,932 | 1,868 | 1,056 | 556 |
| Charge to profit or loss | 659 | 596 | 443 | 500 |
| Amounts written off during the year | (697) | (523) | (39) | – |
| Currency realignment | (7) | (9) | – | – |
| Balance at end of the year | 1,887 | 1,932 | 1,460 | 1,056 |

## 8 OTHER RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Subsidiaries (Note 11) | – | – | 1,948 | 2,704 |
| Loan to a subsidiary (Note 11) | – | – | 6,294 | 7,377 |
| Related parties (Note 5) | 523 | 38 | – | – |
| Advances to staff | 274 | 186 | 168 | 65 |
| Prepayments | 1,928 | 4,131 | 310 | 1,926 |
| Leasehold prepayments (current portion) (Note 15) | 4 | 4 | – | – |
| Loan to directors | 59 | – | – | – |
| Other deposits | 382 | 484 | 3 | 3 |
| Advance to suppliers | 116 | 47 | – | – |
| Others | 429 | 805 | 2 | – |
| Total | 3,715 | 5,695 | 8,725 | 12,075 |
| Less: Non-current other receivables | (225) | (302) | (5,219) | (6,303) |
| Less: Allowance for doubtful receivables | (21) | – | – | – |
| Current other receivables | 3,469 | 5,393 | 3,506 | 5,772 |

The fair value of the non-current other receivables approximates its carrying amount.

The loan to a subsidiary of $6,294,000 (2015 : $7,377,000) bears interest at a fixed rate of 1.70% per annum, is unsecured and is to be repaid over 8 years, with fixed monthly instalments of $100,000 that commenced from December 2014.

The loan to directors are unsecured, interest-free and payable on demand.

Movements in the allowance for doubtful receivables:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of the year | – | – | – | – |
| Charge to profit or loss | 21 | – | – | – |
| Balance at end of the year | 21 | – | – | – |

## 9 DERIVATIVE FINANCIAL INSTRUMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | Asset | Asset | Asset | Asset |
| | $'000 | $'000 | $'000 | $'000 |
| Forward foreign exchange contracts | 31 | 4 | 31 | – |
| Copper contracts | 10 | – | 10 | – |
| Total | 41 | 4 | 41 | – |

## 9 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

Forward foreign exchange contracts

As at 30 June 2016 and 2015, the group had outstanding currency derivatives that were used to hedge significant future transactions. The instruments purchased are primarily denominated in the currencies of the group's principal markets.

Details of the group's forward foreign currency contracts outstanding as at the end of the reporting period are as follows:

| | Foreign currency | | Notional contract value | | Fair value | |
|---|---|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | FC'000 | FC'000 | $'000 | $'000 | $'000 | $'000 |
| **Group** | | | | | | |
| Buy United States dollar less than 12 months | 18,500 | 572 | 24,925 | 768 | 31 | 4 |
| **Company** | | | | | | |
| Buy United States dollar less than 12 months | 18,000 | – | 24,252 | – | 31 | – |

As at 30 June 2016, the fair value of forward foreign exchange contracts for the group and the company amounted to $31,000 (2015 : $4,000) and $31,000 (2015 : Nil) respectively in assets. These amounts were determined based on observable forward exchange rates, contract forward rates and discounted at a rate that reflected the credit risk of various counterparties at the end of reporting period. Changes in the fair value of the forward foreign exchange contracts were recorded in profit or loss immediately.

Copper contracts

As at 30 June 2016, the group and the company had outstanding copper contracts that were used to hedge significant future fluctuations in copper prices.

## 10 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Raw materials | 9,162 | 6,975 | 6,975 | 4,611 |
| Work-in-progress | 12,332 | 10,330 | 7,045 | 5,541 |
| Finished goods, at cost | 34,944 | 34,307 | 20,705 | 19,268 |
| Goods-in-transit | 4,865 | 6,335 | 4,164 | 5,834 |
| | 61,303 | 57,947 | 38,889 | 35,254 |

Inventories are stated net of an allowance of $276,000 (2015 : $209,000). In addition, $217,000 (2015 : $275,000) of inventories were written off as they were assessed to be not saleable. During the year, there is a write back of inventories obsolescence of $66,000 (2015 : $27,000) as they were sold at prices above cost in current year.

## 11 SUBSIDIARIES

| | Company 2016 $'000 | Company 2015 $'000 |
|---|---|---|
| Unquoted equity shares, at cost | 33,029 | 26,244 |
| Deemed investment [a] | 6,431 | 5,552 |
| Advances | 2,018 | 2,018 |
| | 41,478 | 33,814 |

The advances to subsidiaries are unsecured, interest-free, substantially non-trade in nature and are deemed to be part of the net investments as they are not expected to be repaid in the foreseeable future.

(a) The deemed investment arises from the fair value of corporate guarantees given to subsidiaries to secure the bank facilities.

Details of the subsidiaries are as follows:

| Name of company | Principal activities/ Country of incorporation and operation | Proportion of ownership interest and voting power held 2016 % | 2015 % |
|---|---|---|---|
| Tai Sin Electric Cables (Malaysia) Sdn. Bhd. [b] | Cable and wire manufacturer and dealer in such products/ Malaysia | 100 | 100 |
| PKS Sdn Bhd [b] | Electrical switchboards, feeder pillars and components manufacturer and dealer in such products/ Brunei | 70 | 70 |
| Tai Sin (Vietnam) Pte Ltd [a] | Intermediate investment holding/ Singapore | 100 | 100 |
| Tai Sin Electric Cables (VN) Company Limited (subsidiary of Tai Sin (Vietnam) Pte Ltd) [c] | Cable and wire manufacturer and dealer in such products/ Vietnam | 100 | 100 |
| Lim Kim Hai Electric (VN) Company Limited (subsidiary of Tai Sin (Vietnam) Pte Ltd) [c] | Trading of electrical products/ Vietnam | 90 | 90 |
| Tai Sin Electric International Pte Ltd [a] | Dormant/ Singapore | 100 | 100 |
| Lim Kim Hai Electric Co (S) Pte Ltd [a] | Distributor of electrical products and investment holding/ Singapore | 100 | 100 |
| LKH Electric (M) Sdn. Bhd. (subsidiary of Lim Kim Hai Electric Co (S) Pte Ltd) [b] | Dormant/ Malaysia | 100 | 100 |
| LKH Precicon Pte Ltd (subsidiary of Lim Kim Hai Electric Co (S) Pte Ltd) [a] | Distributor of electrical products/ Singapore | 100 | 100 |

## 11 SUBSIDIARIES (cont'd)

| Name of company | Principal activities/ Country of incorporation and operation | Proportion of ownership interest and voting power held 2016 % | 2015 % |
|---|---|---|---|
| LKH Projects Distribution Pte Ltd (subsidiary of Lim Kim Hai Electric Co (S) Pte Ltd) [(a)] | Distributor of electrical products/ Singapore | 100 | 100 |
| CAST Laboratories Pte Ltd [(a), (e)] | Laboratories for tests, experiments and researches and provisions of quality consultancy services and investment holding/ Singapore | 79.1 | 79.1 |
| CiPGi Pte Ltd (subsidiary of CAST Laboratories Pte Ltd) [(a)] | Provision of technical testing services, analysis services, construction and infrastructure maintenance activities/ Singapore | 79.1 | 79.1 |
| CASTconsult Sdn Bhd (subsidiary of CAST Laboratories Pte Ltd) [(b)] | General construction and technical engineering/ Malaysia | 79.1 | 79.1 |
| PT CAST Laboratories Indonesia (subsidiary of CAST Laboratories Pte Ltd) [(d)] | Provision of oil and gas, non-construction, testing and analysis services/ Indonesia | 75.15 | 75.15 |

(a) Audited by Deloitte & Touche LLP, Singapore.

(b) Audited by member firms of Deloitte Touche Tohmatsu Limited.

(c) Audited by DTL Auditing Company, a member firm of RSM International.

(d) Audited by Idris & Sudiharto, a member firm of Ecovis International.

(e) During the year ended 30 June 2015, the group acquired additional interest in CAST Laboratories Pte Ltd ("CAST") from non-controlling shareholders. As a result, the group's equity interest in CAST increased from 65% to 79.1%.

Information about the composition of the group at the end of the financial year is as follows:

| Principal activity | Place of incorporation and operation | Number of wholly-owned subsidiaries 2016 | 2015 |
|---|---|---|---|
| Cable and wire manufacturer and dealer in such products | Malaysia | 1 | 1 |
| Dormant | Malaysia | 1 | 1 |
| Investment holding | Singapore | 1 | 1 |
| Cable and wire manufacturer and dealer in such products | Vietnam | 1 | 1 |
| Dormant | Singapore | 1 | 1 |
| Distributor of electrical products and investment holding | Singapore | 1 | 1 |
| Distributor of electrical products | Singapore | 2 | 2 |
| | | 8 | 8 |

## 11 SUBSIDIARIES (cont'd)

Information about the composition of the group at the end of the financial year is as follows:

| Principal activity | Place of incorporation and operation | Number of non wholly-owned subsidiaries | |
|---|---|---|---|
| | | 2016 | 2015 |
| Trading of electrical products | Vietnam | 1 | 1 |
| Electrical switchboards, feeder pillars and components manufacturer and dealer in such products | Brunei | 1 | 1 |
| Laboratories for tests, experiments and researches and provisions of quality consultancy services and investment holding | Singapore | 1 | 1 |
| Provision of technical testing services, analysis services, construction and infrastructure maintenance activities | Singapore | 1 | 1 |
| General construction and technical engineering | Malaysia | 1 | 1 |
| Provision of oil and gas, non-construction, testing and analysis services | Indonesia | 1 | 1 |
| | | 6 | 6 |

The table below shows details of non-wholly owned subsidiaries of the group that have material non-controlling interests:

| Name of subsidiary | Country of incorporation and principal place of business | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | | % | % | $'000 | $'000 | $'000 | $'000 |
| PKS Sdn Bhd | Brunei | 30 | 30 | 113 | 149 | 934 | 1,121 |
| CAST Laboratories Pte Ltd and its subsidiaries | Singapore | 20.9 | 20.9 | 656 | 361 | 3,137 | 2,501 |
| Lim Kim Hai Electric (VN) Company Limited | Vietnam | 10 | 10 | 67 | 24 | 190 | 134 |
| Total | | | | 836 | 534 | 4,261 | 3,756 |

## 11 SUBSIDIARIES (cont'd)

Summarised financial information in respect of each of the group's subsidiaries that have material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

| | PKS Sdn Bhd | | CAST Laboratories Pte Ltd and its subsidiaries | | Lim Kim Hai Electric (VN) Company Limited | |
|---|---|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| Current assets | 3,616 | 4,205 | 13,368 | 12,125 | 4,168 | 2,117 |
| Non-current assets | 97 | 210 | 14,438 | 14,354 | 161 | 64 |
| Current liabilities | (601) | (679) | (7,591) | (8,003) | (2,431) | (846) |
| Non-current liabilities | – | – | (5,684) | (6,773) | – | – |
| Equity attributable to owners of the company | 2,178 | 2,615 | 11,394 | 9,202 | 1,708 | 1,201 |
| Non-controlling interests | 934 | 1,121 | 3,137 | 2,501 | 190 | 134 |
| Revenue | 6,890 | 8,452 | 27,129 | 25,427 | 22,386 | 12,181 |
| Expenses | (6,513) | (7,954) | (24,240) | (24,370) | (21,713) | (11,942) |
| Profit for the year | 377 | 498 | 2,889 | 1,057 | 673 | 239 |
| Profit attributable to owners of the company | 264 | 349 | 2,233 | 696 | 606 | 215 |
| Profit attributable to the non-controlling interests | 113 | 149 | 656 | 361 | 67 | 24 |
| Profit for the year | 377 | 498 | 2,889 | 1,057 | 673 | 239 |
| Other comprehensive (loss) income attributable to owners of the company | – | – | (47) | (21) | (33) | 46 |
| Other comprehensive (loss) income attributable to the non-controlling interests | – | – | (20) | (5) | (4) | 5 |
| Other comprehensive (loss) income for the year | – | – | (67) | (26) | (37) | 51 |
| Total comprehensive income attributable to owners of the company | 264 | 349 | 2,186 | 675 | 573 | 261 |
| Total comprehensive income attributable to the non-controlling interests | 113 | 149 | 636 | 356 | 63 | 29 |
| Total comprehensive income for the year | 377 | 498 | 2,822 | 1,031 | 636 | 290 |
| Dividends paid to non-controlling interests | 300 | 300 | – | – | 7 | 14 |
| Net cash inflow (outflow) from operating activities | 1,646 | 435 | 4,131 | 11,508 | 315 | (405) |
| Net cash (outflow) inflow from investing activities | (25) | (22) | (2,018) | (8,113) | (68) | 1 |
| Net cash outflow from financing activities | (1,000) | (1,000) | (1,504) | (3,078) | (68) | (135) |
| Net cash inflow (outflow) | 621 | (587) | 609 | 317 | 179 | (539) |

## 12 ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| Unquoted equity shares, at cost | 1,800 | 1,800 | – | – |
| Share of post-acquisition results and reserves, net of dividends received | 3,379 | 3,430 | – | – |
| | 5,179 | 5,230 | – | – |

## 12 ASSOCIATES (cont'd)

Details of the group's associates and its significant investments are as follows:

| Name of associates | Principal activities/ Country of incorporation and operation | Proportion of ownership interest | | Proportion of voting power held | |
|---|---|---|---|---|---|
| | | 2016 | 2015 | 2016 | 2015 |
| | | % | % | % | % |
| Held by Lim Kim Hai Electric Co (S) Pte Ltd | | | | | |
| Nylect International Pte. Ltd. [(a)] | Investment holding/ Singapore | 30 | 30 | 30 | 30 |
| Held by Nylect International Pte. Ltd. | | | | | |
| Nylect Engineering Pte Ltd [(a)] | Mechanical and electrical design and installation/ Singapore | 100 | 100 | 100 | 100 |
| Nylect Technology Ltd Vietnam [(b)] | Mechanical and electrical design and installation/ Vietnam | 100 | 100 | 100 | 100 |
| Shanghai Nylect Engineering Co., Ltd [(a)] | Mechanical and electrical design and installation/ People's Republic of China | 100 | 100 | 100 | 100 |
| Nylect Technology (Myanmar) Ltd [(b)] | Mechanical and electrical design and installation/ Myanmar | 70 | 70 | 70 | 70 |
| Held by Nylect Technology Ltd Vietnam | | | | | |
| Nylect Technology (Myanmar) Ltd [(b)] | Mechanical and electrical design and installation/ Myanmar | 30 | 30 | 30 | 30 |
| Held by Nylect Engineering Pte Ltd | | | | | |
| NEPL Pte Ltd [(a)] | Mechanical and electrical design and installation/ Singapore | 100 | 100 | 100 | 100 |

(a) Audited by RSM Chio Lim LLP, Singapore and member firms of RSM International.

(b) Audited by firms of accountants other than member firms of RSM International.

The above associates are accounted for using the equity method in these consolidated financial statements.

i. The financial year end date of Nylect International Pte. Ltd. is 31 December. This was the reporting date established when that company was incorporated. For the purposes of applying the equity method of accounting, the audited consolidated financial statements of the associate for the year ended 31 December 2015 and the unaudited consolidated management accounts for the intervening period till 30 June 2016 have been used.

ii. The group has significant influence over Nylect International Pte. Ltd. by virtue of the current board representation where the group has appointed one out of the three directors and the group has 30% voting interest.

## 12 ASSOCIATES (cont'd)

Summarised financial information in respect of the group's associates are set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with FRS, adjusted by the group for equity accounting purposes.

Summarised financial information in respect of the group's associates is set out below:

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| Current assets | 32,911 | 30,795 |
| Non-current assets | 11,091 | 11,022 |
| Current liabilities | (25,374) | (24,134) |
| Non-current liabilities | (1,363) | (250) |
| Revenue | 55,303 | 60,596 |
| (Loss) Profit for the year | (92) | 1,278 |
| Other comprehensive (loss) income for the year | (77) | 81 |
| Total comprehensive (loss) income for the year | (169) | 1,359 |

Reconciliation of the above summarised financial information to the carrying amount of the interest in the group's associates recognised in the consolidated financial statement:

| | 2016<br>$'000 | 2015<br>$'000 |
|---|---|---|
| Net assets of the associates | 17,264 | 17,433 |
| Proportion of the group's ownership interest in associates | 30% | 30% |
| Carrying amount of the group's interest in associates | 5,179 | 5,230 |

## 13 PROPERTY, PLANT AND EQUIPMENT

| Group | Freehold land $'000 | Freehold property $'000 | Leasehold land and buildings $'000 | Office equipment and furniture $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Cost: | | | | | | | |
| At 1 July 2014 | 2,457 | 1,752 | 19,301 | 5,696 | 26,964 | 2,645 | 58,815 |
| Currency realignment | (200) | (144) | 44 | (41) | (280) | (7) | (628) |
| Additions | – | 23 | 8,276 | 1,485 | 1,644 | 511 | 11,939 |
| Disposals | – | – | (875) | (196) | (388) | (117) | (1,576) |
| Write-offs | – | – | – | (198) | (370) | – | (568) |
| At 30 June 2015 | 2,257 | 1,631 | 26,746 | 6,746 | 27,570 | 3,032 | 67,982 |
| Currency realignment | (144) | (105) | (21) | (63) | (469) | (30) | (832) |
| Additions | – | – | 464 | 2,402 | 4,880 | 676 | 8,422 |
| Disposals | – | – | – | (631) | (122) | (272) | (1,025) |
| Write-offs | – | – | – | (1,103) | (601) | (52) | (1,756) |
| Reclassification from investment properties (Note 14) | – | 1,059 | – | – | – | – | 1,059 |
| At 30 June 2016 | 2,113 | 2,585 | 27,189 | 7,351 | 31,258 | 3,354 | 73,850 |
| Accumulated depreciation: | | | | | | | |
| At 1 July 2014 | – | 325 | 12,050 | 4,023 | 18,048 | 1,169 | 35,615 |
| Currency realignment | – | (29) | 6 | (30) | (185) | (3) | (241) |
| Depreciation | – | 48 | 363 | 822 | 1,812 | 547 | 3,592 |
| Disposals | – | – | (54) | (193) | (75) | (88) | (410) |
| Write-offs | – | – | – | (159) | (185) | – | (344) |
| At 30 June 2015 | – | 344 | 12,365 | 4,463 | 19,415 | 1,625 | 38,212 |
| Currency realignment | – | (22) | (1) | (45) | (334) | (12) | (414) |
| Depreciation | – | 58 | 504 | 1,134 | 1,958 | 555 | 4,209 |
| Disposals | – | – | – | (626) | (114) | (274) | (1,014) |
| Write-offs | – | – | – | (1,052) | (549) | (52) | (1,653) |
| At 30 June 2016 | – | 380 | 12,868 | 3,874 | 20,376 | 1,842 | 39,340 |
| Carrying amount: | | | | | | | |
| At 30 June 2016 | 2,113 | 2,205 | 14,321 | 3,477 | 10,882 | 1,512 | 34,510 |
| At 30 June 2015 | 2,257 | 1,287 | 14,381 | 2,283 | 8,155 | 1,407 | 29,770 |

## 13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company | Leasehold land and buildings $'000 | Office equipment and furniture $'000 | Plant and machinery $'000 | Motor vehicles $'000 | Total $'000 |
|---|---|---|---|---|---|
| Cost: | | | | | |
| At 1 July 2014 | 7,520 | 1,510 | 15,116 | 1,526 | 25,672 |
| Additions | 48 | 353 | 487 | – | 888 |
| Disposals | – | – | (704) | – | (704) |
| At 30 June 2015 | 7,568 | 1,863 | 14,899 | 1,526 | 25,856 |
| Additions | – | 175 | 2,894 | 241 | 3,310 |
| Disposals | – | (7) | (31) | (58) | (96) |
| Write-offs | – | (775) | (214) | (52) | (1,041) |
| At 30 June 2016 | 7,568 | 1,256 | 17,548 | 1,657 | 28,029 |
| Accumulated depreciation: | | | | | |
| At 1 July 2014 | 6,848 | 1,419 | 11,820 | 618 | 20,705 |
| Depreciation | 139 | 86 | 567 | 257 | 1,049 |
| Disposals | – | – | (497) | – | (497) |
| At 30 June 2015 | 6,987 | 1,505 | 11,890 | 875 | 21,257 |
| Depreciation | 34 | 125 | 667 | 272 | 1,098 |
| Disposals | – | (7) | (31) | (58) | (96) |
| Write-offs | – | (769) | (214) | (52) | (1,035) |
| At 30 June 2016 | 7,021 | 854 | 12,312 | 1,037 | 21,224 |
| Carrying amount: | | | | | |
| At 30 June 2016 | 547 | 402 | 5,236 | 620 | 6,805 |
| At 30 June 2015 | 581 | 358 | 3,009 | 651 | 4,599 |

## 13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The group's freehold land, freehold properties, leasehold land and buildings comprise the following:

| Location | Title | Description |
|---|---|---|
| 24 Gul Crescent<br>Singapore 629531 | Leasehold<br>(52 years from 1 August 1980) | Factory building |
| 22 Gul Crescent<br>Singapore 629530 | Leasehold<br>(28 years 7 months from 31 December 2004) | Factory building |
| 11 Gul Lane<br>Singapore 629410 | Leasehold<br>(51 years 16 days from 16 July 1981) | Factory building |
| 53 Kallang Place<br>Singapore 339177 | Leasehold<br>(60 years from 1 April 1976) | Industrial building |
| 27 Gul Avenue<br>Singapore 629667 | Leasehold<br>(60 years from 1 July 1979) | Factory building |
| PTD 37433, 37434 & 37444<br>Off Jalan Perindustrian Senai 3<br>Kawasan Perindustrian Senai Fasa 2<br>81400 Senai, Johor Bahru<br>Johor Darul Takzim<br>Malaysia | Freehold | Factory building |
| Lot B Kawasan Perindustrian<br>Beribi 1<br>Jalan Gadong BE1118<br>Bandar Seri Begawan<br>Negara Brunei Darussalam | Leasehold<br>(20 years from 1 July 2012) | Factory building |
| No. 20 VSIP II, Street 2, Vietnam<br>Singapore Industrial Park 2<br>Hoa Phu Ward,<br>Thu Dau Mot City,<br>Binh Duong Province, Vietnam | Leasehold<br>(50 years from 29 June 2006) | Factory building |
| 27 Defu Lane<br>Singapore 539380 | Leasehold<br>(40 years from 1 February 1979) | Factory building |
| 17 Tuas Avenue 8<br>Singapore 639232 | Leasehold<br>(60 years from 16 December 1995) | Factory building |
| The Canary Heights<br>Binh Duong Boulevard<br>Binh Hoa Ward<br>Thuan An District<br>Binh Duong Province, Vietnam | Leasehold<br>(50 years from 14 July 2008) | Apartment Unit |
| 63 Hillview Avenue, #10-21<br>Lam Soon Industrial Building<br>Singapore 669569 | Freehold | Flatted factory unit |
| The Central Sukajadi<br>Block B1, No. 3A-5<br>Batam 29462, Indonesia | Leasehold<br>(30 years from 5 August 2003) | Office shop lot |

The carrying amount of motor vehicles, office equipment, plant and machinery under finance leases for the group as at 30 June 2016 is $493,000 (2015 : $840,000).

## 14 INVESTMENT PROPERTIES

| | Group $'000 |
|---|---|
| Cost: | |
| At 1 July 2014 and 30 June 2015 | 1,559 |
| Reclassified to property, plant and equipment (Note A) | (1,530) |
| Disposals | (29) |
| At 30 June 2016 | – |
| Accumulated depreciation: | |
| At 1 July 2014 | 428 |
| Depreciation | 40 |
| At 30 June 2015 | 468 |
| Depreciation | 11 |
| Reclassified to property, plant and equipment (Note A) | (471) |
| Disposals | (8) |
| At 30 June 2016 | – |
| Carrying amount: | |
| At 30 June 2016 | – |
| At 30 June 2015 | 1,091 |

Note A: During the financial year, the investment property is being used as office premise for the group, hence it has been reclassified as property, plant and equipment.

For the year ended 30 June 2015, the group's investment properties comprised the following:

| Location | Title | Description |
|---|---|---|
| 63 Hillview Avenue, #10-21<br>Lam Soon Industrial Building<br>Singapore 669569<br>("Property A") | Freehold | Flatted factory unit |
| Unit No. 6-4, 6th floor<br>Diamond Tower<br>Pangsapuri Garden City<br>Jalan Merdeka, 75000 Melaka<br>Malaysia<br>("Property B") | Leasehold<br>(99 years from 28 July 1997) | Condominium unit |

The fair value of the investment property ("Property A") as at 1 July 2013 amounted to $3,500,000 and had been determined on the basis of valuations carried out by an independent valuer having an appropriate recognised professional qualification. It took into account recent experience in the location and category of the properties being valued. The valuation was arrived at by reference to market evidence of transaction prices for similar properties and was performed in accordance with International Valuation Standard. In estimating the fair value of the property, the highest and best use of the property is their current use.

During the year, the group disposed Property B to third party amounted to $50,000.

For the year ended 30 June 2015, no fair value assessment was done on Property B as the carrying value is immaterial to the consolidated financial statements.

The property rental income from the group's investment properties which are leased out under operating lease amounted to $7,000 (2015 : $81,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment properties amounted to $9,000 (2015 : $16,000).

## 14 INVESTMENT PROPERTIES (cont'd)

For the year ended 30 June 2015, the group classified its investment property using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. For the year ended 30 June 2015, the fair value measurements of the group's investment property is classified within Level 3 of the fair value hierarchy.

The following table shows the significant unobservable inputs used in the valuation model:

| Description | Fair value as at 30 June 2015 ($'000) | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) | Range | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|
| Investment Property A | 3,791 | Level 3 | Direct comparison method. | Price per square metre. | $6,006 to $7,341 per square metre. | The higher the transacted price of comparable unit, the higher the fair value. |

## 15 LEASEHOLD PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Leasehold prepayments | 144 | 161 | – | – |
| Less: Current portion included as prepayment (Note 8) | (4) | (4) | – | – |
| | 140 | 157 | – | – |

Leasehold prepayments comprise prepaid land rentals for use of land in Vietnam. These are charged to profit or loss on a straight-line basis over the term of the relevant lease of approximately 50 years.

## 16 INTANGIBLE ASSETS

| Group | Customer relationships | Proprietary application software | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| Cost: | | | |
| At 1 July 2014 and 30 June 2015 and 2016 | 2,114 | 219 | 2,333 |
| Accumulated amortisation: | | | |
| At 1 July 2014 | 563 | 112 | 675 |
| Amortisation | 232 | 44 | 276 |
| At 30 June 2015 | 795 | 156 | 951 |
| Amortisation | 232 | 63 | 295 |
| At 30 June 2016 | 1,027 | 219 | 1,246 |
| Carrying amount: | | | |
| At 30 June 2016 | 1,087 | – | 1,087 |
| At 30 June 2015 | 1,319 | 63 | 1,382 |

The amortisation expense has been included in the line item "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income. The average remaining amortisation period for the intangible assets is 5 years (2015 : 6 years).

## 17 DEFERRED TAX ASSETS (LIABILITIES)

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred tax assets | 66 | 130 | – | – |
| Deferred tax liabilities | (1,453) | (1,541) | (90) | (304) |

The major components giving rise to deferred tax assets and liabilities recognised by the group and the company and movements thereon during the year:

**Deferred tax assets**

| | Provisions | Unutilised capital allowances | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| At 1 July 2014 | 19 | 191 | 210 |
| Credit (Charge) to profit or loss | 65 | (146) | (81) |
| Currency realignment | – | 1 | 1 |
| At 30 June 2015 | 84 | 46 | 130 |
| Charge to profit or loss | (39) | (20) | (59) |
| Currency realignment | (8) | 3 | (5) |
| At 30 June 2016 | 37 | 29 | 66 |

**Deferred tax liabilities**

| | Accelerated tax depreciation | Others | Total |
|---|---|---|---|
| | $'000 | $'000 | $'000 |
| **Group** | | | |
| At 1 July 2014 | (1,478) | (187) | (1,665) |
| Credit to profit or loss | 83 | 27 | 110 |
| Currency realignment | 14 | – | 14 |
| At 30 June 2015 | (1,381) | (160) | (1,541) |
| Credit to profit or loss | 44 | 27 | 71 |
| Currency realignment | 17 | – | 17 |
| At 30 June 2016 | (1,320) | (133) | (1,453) |

## 17 DEFERRED TAX ASSETS (LIABILITIES) (cont'd)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $50.9 million (2015 : $43.0 million). No liability has been recognised in respect of these differences because the group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

| | Accelerated tax depreciation $'000 |
|---|---|
| Company | |
| At 1 July 2014 | (222) |
| Charge to profit or loss | (82) |
| At 30 June 2015 | (304) |
| Credit to profit or loss | 214 |
| At 30 June 2016 | (90) |

## 18 SHORT-TERM BANK BORROWINGS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| Bank loan - secured | 3,148 | 1,093 | – | – |
| Trust receipts and bills payable to banks | 33,765 | 15,050 | 18,728 | – |
| | 36,913 | 16,143 | 18,728 | – |

The group's short-term bank borrowings are secured by the following:

i) negative pledge over all assets of a subsidiary; and

ii) corporate guarantee of up to RM62.20 million ($20.79 million) [2015 : RM62.20 million ($22.21 million)], US$5 million ($6.75 million) [2015 : US$3.50 million ($4.71 million)] and $7 million (2015 : $8.70 million) by the company (Note 32).

The short-term bank borrowings bear fixed interest rates ranging from 1.50% to 6.54% (2015 : 1.40% to 3.87%) and 1.94% to 2.45% (2015 : Nil%) for the group and company respectively per annum and are due within 12 months.

## 19 TRADE PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 $'000 | 2015 $'000 | 2016 $'000 | 2015 $'000 |
| Outside parties | 24,806 | 25,493 | 9,971 | 11,321 |
| Related parties (Note 5) | 77 | 64 | – | – |
| Subsidiaries (Note 11) | – | – | 6,013 | 2,231 |
| | 24,883 | 25,557 | 15,984 | 13,552 |

The average credit period on purchases of goods is 90 days (2015 : 90 days).

## 20 OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Accruals [1] | 7,293 | 5,908 | 2,875 | 1,656 |
| Provision for directors' fees | 289 | 256 | 58 | 45 |
| Provision for onerous contracts | 42 | 105 | – | – |
| Deposit from customers | 1,436 | 1,029 | 2 | 10 |
| Related party (Note 5) | 151 | – | – | – |
| Sundry payables | 1,041 | 1,067 | 311 | 165 |
| Subsidiary (Note 11) | – | – | 400 | 410 |
| Total | 10,252 | 8,365 | 3,646 | 2,286 |
| Less: Non-current other payables | (64) | (48) | – | – |
| Current other payables | 10,188 | 8,317 | 3,646 | 2,286 |

(1) Accruals mainly relate to accruals for staff costs.

Provision for onerous contracts

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance at beginning of year | 105 | 191 | – | – |
| (Credit) Charge to profit or loss | (63) | 105 | – | – |
| Utilised during the year | – | (191) | – | – |
| Balance at end of year | 42 | 105 | – | – |

Management assesses their best estimate for losses arising from fixed price onerous contracts for which deliveries and services are expected to be made after the year end. The provision for onerous contracts at the end of the reporting period is $42,000 (2015 : $105,000). All deliveries made and services rendered during the financial year ended 30 June 2016 which have incurred losses are charged to cost of sales in profit or loss in the financial year ended 30 June 2016.

## 21 OBLIGATION UNDER FINANCE LEASES

| | Group | | | |
|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | |
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Amounts payable under finance leases: | | | | |
| Within one year | 166 | 224 | 164 | 216 |
| In the second to fifth year inclusive | 136 | 100 | 115 | 92 |
| | 302 | 324 | 279 | 308 |
| Less: Future finance charges | (23) | (16) | N/A | N/A |
| Present value of leases | 279 | 308 | 279 | 308 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (164) | (216) |
| Amount due for settlement after 12 months | | | 115 | 92 |

## 21 OBLIGATION UNDER FINANCE LEASES (cont'd)

The group enter into finance leasing arrangements for certain of its motor vehicles, office equipment, plant and machinery. All leases are denominated in the functional currencies of the respective entities.

The carrying amounts of the group's finance lease payables at 30 June 2016 and 2015 approximate their fair value.

The rates of interest for the finance leases were 1.78% to 6.77% (2015 : 2.80% to 9.74%) for the group per annum.

## 22 SHARE CAPITAL

| | Group and Company | |
|---|---|---|
| | Number of ordinary shares | $'000 |
| Issued and paid up capital: | | |
| At 1 July 2014, 30 June 2015 and 30 June 2016 | 438,242,791 | 56,288 |

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividend.

## 23 TREASURY SHARES

| | Group and Company | |
|---|---|---|
| | Number of ordinary shares | $'000 |
| At 1 July 2014, 30 June 2015 and 30 June 2016 | 2,727,000 | 950 |

## 24 RESERVES

Other reserves

Other reserves include share of post-acquisition reserve of an associates and reserves arising from the acquisition of additional interests in subsidiaries.

In accordance with the relevant laws and regulations in People's Republic of China, the associates of the group is required to appropriate a minimum of 10% of the net profit after taxation after deducting losses carried forward reported in the statutory accounts to the statutory reserve until the balance of such reserve reached 50% of its registered share capital.

The amount to be set aside is determined by the Board of Directors annually in accordance with the relevant regulations. This reserve cannot be used for purposes other than those for which it is created and is not distributed as cash dividends but it can be used to offset losses or be capitalised as capital.

## 25 REVENUE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Sales of goods | 293,780 | 264,530 |
| Rendering of services | 27,129 | 25,427 |
| | 320,909 | 289,957 |

## 26 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Bad debts recovered | 207 | 9 |
| Gain on disposal of property, plant and equipment | 79 | – |
| Gain on disposal of investment property | 29 | – |
| Interest income from deposits | 33 | 14 |
| Rental of investment property (Note 14) | 7 | 81 |
| Scrap sales | 766 | 527 |
| Insurance premium refunded | 168 | – |
| Fair value adjustment on derivative financial instruments taken to profit or loss | 37 | 4 |
| Government grants | 770 | 545 |
| Others | 197 | 171 |
| | 2,293 | 1,351 |

## 27 FINANCE COSTS

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Interest expense | 768 | 690 |

## 28 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Income tax | | |
| Current | 3,729 | 3,082 |
| Overprovision in prior years | (102) | (237) |
| | 3,627 | 2,845 |
| Deferred income tax | | |
| Current | (15) | 27 |
| Overprovision in prior years | (9) | (56) |
| | (24) | (29) |
| Total income tax expense | 3,603 | 2,816 |

Domestic income tax is calculated at 17% (2015 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 28 INCOME TAX EXPENSE (cont'd)

The total charge for the year can be reconciled to the accounting profit as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Profit before income tax | 27,580 | 20,427 |
| Income tax expense at domestic rate of 17% (2015 : 17%) | 4,689 | 3,473 |
| Non-deductible items | 167 | 168 |
| Deferred tax benefits not recognised | (20) | 87 |
| Overprovision of taxation in prior years | (111) | (293) |
| Tax rebates | (155) | (195) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | 242 | 164 |
| Utilisation of deferred tax benefits previously not recognised | (90) | (23) |
| Productivity and Innovation Credit enhanced deduction | (1,033) | (563) |
| Others | (86) | (2) |
| | 3,603 | 2,816 |

The subsidiaries have tax loss carryforwards and temporary differences from capital allowance available for offsetting against future taxable income as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Unutilised capital allowance | | |
| Balance at beginning of year | – | – |
| Adjustment | 2,928 | – |
| Balance at end of year | 2,928 | – |
| Tax loss carry forwards | | |
| Balance at beginning of year | 3,903 | 1,885 |
| Adjustment | (558) | 1,967 |
| (Utilised) Arising during the year | (123) | 51 |
| Balance at end of year | 3,222 | 3,903 |
| Total | 6,150 | 3,903 |
| Deferred tax benefits on above: | | |
| Unrecorded | 1,046 | 664 |

Deferred tax benefit varies from the Singapore statutory rate as they include deferred tax on overseas operations.

Certain deferred tax benefits have not been recognised as it is not probable that the relevant subsidiaries will have taxable profits in the foreseeable future to utilise the tax loss carryforwards and temporary differences from capital allowances.

The realisation of the future income tax benefit from the remaining tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to conditions imposed by law including the retention of majority shareholders as defined.

## 29 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Directors' remuneration: | | |
| of the company | 2,230 | 1,385 |
| of the subsidiaries | 2,448 | 2,413 |
| Total directors' remuneration | 4,678 | 3,798 |
| Directors' fee | 457 | 395 |
| Audit fees: | | |
| Auditors of the company | 237 | 230 |
| Other auditors | 47 | 40 |
| Non-audit fees: | | |
| Paid to auditors of the company | 32 | 40 |
| Other auditors | 28 | 6 |
| Cost of inventories recognised as expense | 237,909 | 216,821 |
| Foreign currency exchange adjustment loss | 410 | 375 |
| Property, plant and equipment written off | 103 | 224 |
| Inventories written off | 217 | 275 |
| Reversal of inventories obsolescence | (66) | (27) |
| (Reversal of) Provision for onerous contracts | (63) | 105 |
| Bad debts written off | 85 | 76 |
| Allowance for doubtful receivables | 680 | 596 |
| Amortisation of leasehold prepayments | 4 | 4 |
| Depreciation expense | 4,220 | 3,632 |
| Amortisation expense | 295 | 276 |
| (Gain) Loss on disposal of property, plant and equipment | (79) | 11 |
| Gain on disposal of investment property | (29) | – |
| Employee benefits expense (including directors' remuneration) | 41,046 | 39,358 |
| Cost of defined contribution plans included in employee benefits expense | 2,664 | 2,577 |

## 30 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the company is based on the following data:

Earnings

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Earnings for the purposes of calculation of basic and diluted earnings per share (profit for the year attributable to equity holders of the company) | 23,141 | 17,077 |

## 30 EARNINGS PER SHARE (cont'd)

Number of shares

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| Number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share | 435,515,791 | 435,515,791 |

## 31 DIVIDENDS

During the financial year ended 30 June 2016, the company declared and paid dividends totalling $9.799 million. Details were as follows:

(a) Final tax-exempt dividend of 1.5 cent per ordinary share in respect of the financial year ended 30 June 2015 totalling $6.533 million;

(b) Interim tax-exempt dividend of 0.75 cent per ordinary share in respect of the financial year ended 30 June 2016 totaling $3.266 million.

During the financial year ended 30 June 2015, the company declared and paid dividends totaling $9.799 million. Details were as follows:

(a) Final tax-exempt dividend of 1.5 cent per ordinary share in respect of the financial year ended 30 June 2014 totalling $6.533 million;

(b) Interim tax-exempt dividend of 0.75 cent per ordinary share in respect of the financial year ended 30 June 2015 totaling $3.266 million.

Subsequent to 30 June 2016, the directors of the company recommended that a final tax-exempt dividend be paid at 1.6 cent per ordinary share totalling $6.968 million for the financial year ended 30 June 2016. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

## 32 CONTINGENT LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Corporate guarantee in relation to credit facilities granted to subsidiaries (Note 18) | – | – | 58,597 | 59,985 |

## 33 COMMITMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Commitment to purchase fixed quantum of copper from suppliers at market rate at date of delivery | 26,719 | 34,042 | 26,719 | 34,042 |
| Capital commitment for the acquisition of property, plant and equipment | 3,111 | 322 | – | – |
| | 29,830 | 34,364 | 26,719 | 34,042 |

## 34 OPERATING LEASE COMMITMENTS

The group as lessee

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Minimum lease payments under operating leases recognised as an expense in the year | 2,082 | 2,013 | 426 | 411 |

At the end of the reporting period, the group and company has outstanding commitments under non-cancellable operating leases which fall due as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | $'000 | $'000 | $'000 | $'000 |
| Future minimum lease payments payable: | | | | |
| Within one year | 1,445 | 1,470 | 392 | 420 |
| In the second to fifth year inclusive | 3,499 | 3,965 | 1,548 | 1,671 |
| After five years | 8,746 | 9,189 | 4,255 | 5,039 |
| Total | 13,690 | 14,624 | 6,195 | 7,130 |

Operating lease payments represent rentals payable for certain of its factory and office premises and equipment. Leases are negotiated for an average term of 40 years and rentals are fixed for an average of 2 years.

The lease of land is subject to annual adjustment to market rate with any increase capped at a percentage of the immediate preceding year's rental.

Certain leases have varying terms and are subject to revisions to reflect current market rental and value. The operating lease commitments estimated above were in respect of these leases determined assuming the same rental expense fixed as at end of the reporting period till the end of the lease.

The group as lessor

The group rents out its investment properties and equipment under operating leases. Rental income earned during the year was $7,000 (2015 : $81,000).

At the end of the reporting period, the outstanding commitments under non-cancellable operating leases which fall due as follows:

| | Group | |
|---|---|---|
| | 2016 | 2015 |
| | $'000 | $'000 |
| Future minimum lease receivables: | | |
| Within one year | – | 9 |

## 35 SEGMENT INFORMATION

The group has the following five strategic units, which are its reportable segments. These units offer different products and services, and are managed separately because they sell different products or services and have their own marketing strategies. The group's CEO (the chief operating decision maker) reviews internal management reports of each unit at least quarterly. The following summary describes the operations in each of the group's reportable segments:

- *Cable & Wire*. Includes cable and wire manufacturing and dealing in such products.
- *Switchboard*. Includes manufacturing and dealing in electrical switchboards, feeders pillars and components.
- *Electrical Material Distribution*. Includes distribution of electrical products.
- *Test & Inspection*. Includes laboratories for tests, experiments and researches and provision of quality consultancy services.
- *Others*. Investment holding.

Accordingly, the above are the group's reportable segments under FRS 108. No operating segments have been aggregated to form the above reportable operating segments. Information regarding the group's reportable segments is presented below. There is no change to amounts reported for the prior year as the segment information reported internally is provided to the group's chief operating decision maker on a similar basis.

| | Cable & Wire | Switch-board | Electrical Material Distribution | Test & Inspection | Others | Elimination | Total |
|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Segment revenue and results | | | | | | | |
| 2016 | | | | | | | |
| REVENUE | | | | | | | |
| External sales | 216,853 | 6,890 | 70,037 | 27,129 | – | – | 320,909 |
| Inter-segment sales | 1,051 | – | 2 | – | – | (1,053) | – |
| Total revenue | 217,904 | 6,890 | 70,039 | 27,129 | – | (1,053) | 320,909 |
| RESULT | | | | | | | |
| Segment result | 21,370 | 443 | 2,863 | 3,697 | (30) | – | 28,343 |
| Interest expense | (668) | – | (11) | (89) | – | – | (768) |
| Interest income | 26 | – | 1 | 6 | – | – | 33 |
| Share of loss of associates | – | – | (28) | – | – | – | (28) |
| Income tax expense | | | | | | | (3,603) |
| Non-controlling interests | | | | | | | (836) |
| Profit attributable to shareholders of the company | | | | | | | 23,141 |

## 35 SEGMENT INFORMATION (cont'd)

| | Cable & Wire $'000 | Switch-board $'000 | Electrical Material Distribution $'000 | Test & Inspection $'000 | Others $'000 | Elimination $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Segment revenue and results | | | | | | | |
| 2015 | | | | | | | |
| REVENUE | | | | | | | |
| External sales | 184,454 | 8,452 | 71,624 | 25,427 | – | – | 289,957 |
| Inter-segment sales | 1,919 | – | 76 | – | – | (1,995) | – |
| Total revenue | 186,373 | 8,452 | 71,700 | 25,427 | – | (1,995) | 289,957 |
| RESULT | | | | | | | |
| Segment result | 15,957 | 584 | 2,881 | 1,315 | (17) | – | 20,720 |
| Interest expense | (625) | – | – | (65) | – | – | (690) |
| Interest income | 10 | – | 1 | 3 | – | – | 14 |
| Share of profit of associates | – | – | 383 | – | – | – | 383 |
| Income tax expense | | | | | | | (2,816) |
| Non-controlling interests | | | | | | | (534) |
| Profit attributable to shareholders of the company | | | | | | | 17,077 |

Revenue reported above represents revenue generated from external customers. There were inter-segment sales of $1,053,000 (2015 : $1,995,000) during the year.

The accounting policies of the reportable segments are the same as the group's accounting policies described in Note 2. Segment profit represents profit earned by each segment without allocation of income tax expense and non-controlling interests. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

SEGMENT ASSETS

| | Cable & Wire $'000 | Switch-board $'000 | Electrical Material Distribution $'000 | Test & Inspection $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Segment assets | | | | | | |
| 2016 | | | | | | |
| Segment assets | 164,722 | 3,559 | 39,242 | 27,749 | 1,082 | 236,354 |
| Interest in associates | – | – | 5,179 | – | – | 5,179 |
| Unallocated segment assets | | | | | | 107 |
| Consolidated total assets | | | | | | 241,640 |
| 2015 | | | | | | |
| Segment assets | 131,057 | 4,200 | 38,779 | 26,423 | 871 | 201,330 |
| Interest in associates | – | – | 5,230 | – | – | 5,230 |
| Unallocated segment assets | | | | | | 130 |
| Consolidated total assets | | | | | | 206,690 |

## 35 SEGMENT INFORMATION (cont'd)

SEGMENT ASSETS (cont'd)

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than the deferred tax assets.

| | Cable & Wire $'000 | Switch-board $'000 | Electrical Material Distribution $'000 | Test & Inspection $'000 | Others $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| Other segment information | | | | | | |
| 2016 | | | | | | |
| Additions to non-current assets | 4,561 | 25 | 1,675 | 2,161 | – | 8,422 |
| Depreciation and amortisation | 1,676 | 76 | 952 | 1,811 | – | 4,515 |
| Non-cash expenses (income) other than depreciation and amortisation | 976 | (66) | 273 | 5 | 34 | 1,222 |
| 2015 | | | | | | |
| Additions to non-current assets | 1,767 | 23 | 761 | 9,388 | – | 11,939 |
| Depreciation and amortisation | 1,498 | 89 | 760 | 1,561 | – | 3,908 |
| Non-cash expenses (income) other than depreciation and amortisation | 875 | (26) | 519 | 282 | (21) | 1,629 |

## 35 SEGMENT INFORMATION (cont'd)

Geographical information

The group operates in five (2015 : five) principal geographical areas - Singapore, Malaysia, Vietnam, Brunei and Indonesia (2015 : Singapore, Malaysia, Vietnam, Brunei and Indonesia).

The group's revenue from external customers and information about its segment assets (non-current assets excluding investments in associates and deferred tax assets) by geographical location are detailed below:

| | Revenue $'000 | Non-current assets $'000 |
|---|---|---|
| 2016 | | |
| Singapore | 243,390 | 27,025 |
| Malaysia | 33,698 | 5,783 |
| Vietnam | 22,391 | 2,260 |
| Brunei | 7,149 | – |
| Indonesia | 7,924 | 894 |
| Others | 6,357 | – |
| | 320,909 | 35,962 |
| 2015 | | |
| Singapore | 227,907 | 24,842 |
| Malaysia | 31,408 | 5,235 |
| Vietnam | 12,190 | 2,200 |
| Brunei | 8,948 | – |
| Indonesia | 6,693 | 425 |
| Others | 2,811 | – |
| | 289,957 | 32,702 |

## 36 EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 30 June 2016, the company acquired the remaining 20.9% equity interest in CAST for a consideration of $3,400,000. Accordingly, CAST became a wholly owned subsidiary of the group.

Subsequent to the year ended 30 June 2016, the group disposed a property located at 27 Defu Lane for a consideration of $650,000.

# ANALYSIS OF SHAREHOLDINGS

**As at 19 September 2016**

| | | |
|---|---|---|
| ISSUED AND FULLY PAID-UP CAPITAL (INCLUDING TREASURY SHARES) | : | $55,338,264 |
| ISSUED AND FULLY PAID-UP CAPITAL (EXCLUDING TREASURY SHARES) | : | $56,288,461 |
| NUMBER OF SHARES ISSUED (EXCLUDING TREASURY SHARES) | : | 435,515,791 |
| NUMBER/PERCENTAGE OF TREASURY SHARES | : | 2,727,000 (0.63%) |
| CLASS OF SHARES | : | ORDINARY SHARES FULLY PAID |
| VOTING RIGHTS | : | 1 VOTE PER SHARE |

## DISTRIBUTION OF SHAREHOLDINGS AS AT 19 SEPTEMBER 2016

| Size of shareholdings | No. of shareholders | % | No. of Shares | % |
|---|---|---|---|---|
| 1 - 99 | 50 | 1.43 | 1,389 | 0.00 |
| 100 - 1,000 | 262 | 7.46 | 188,510 | 0.04 |
| 1,001 - 10,000 | 1,328 | 37.82 | 8,821,306 | 2.03 |
| 10,001 - 1,000,000 | 1,832 | 52.18 | 109,907,559 | 25.24 |
| 1,000,001 and above | 39 | 1.11 | 316,597,027 | 72.69 |
| Total: | 3,511 | 100.00 | 435,515,791 | 100.00 |

## TWENTY LARGEST SHAREHOLDERS AS AT 19 SEPTEMBER 2016

| No. | Name of shareholders | No. of shares | % |
|---|---|---|---|
| 1 | LIM BOON HOCK BERNARD | 49,384,527 | 11.34 |
| 2 | LIM CHYE HUAT @ BOBBY LIM CHYE HUAT | 34,715,897 | 7.97 |
| 3 | LIM BOON CHIN BENJAMIN (LIN WENJIN BENJAMIN) | 30,843,072 | 7.08 |
| 4 | GOH SOO LUAN | 24,021,985 | 5.52 |
| 5 | LIM CHAI LAI | 16,392,909 | 3.77 |
| 6 | LIM BOON HOH BENEDICT (LIN WENHE, BENEDICT) | 14,919,642 | 3.43 |
| 7 | LIM LIAN HIONG | 14,199,132 | 3.26 |
| 8 | LIM HIANG LAN | 13,469,490 | 3.09 |
| 9 | LIM PHEK CHOO CONSTANCE | 11,767,142 | 2.70 |
| 10 | LIM LIAN ENG | 8,876,048 | 2.04 |
| 11 | CHAN KUM LIN CAROLYN | 8,586,733 | 1.97 |
| 12 | DBS NOMINEES PTE LTD | 7,989,246 | 1.83 |
| 13 | CHEN SHYH YI | 7,090,001 | 1.63 |
| 14 | GERALDINE CHENG HUA YONG | 6,668,468 | 1.53 |
| 15 | AU AH YIAN | 6,237,560 | 1.43 |
| 16 | CHIA AH HENG | 6,161,607 | 1.41 |
| 17 | CITIBANK NOMINEES SINGAPORE PTE LTD | 5,413,100 | 1.24 |
| 18 | YEN TSUNG HUA | 5,122,140 | 1.18 |
| 19 | PHILLIP SECURITIES PTE LTD | 3,989,293 | 0.92 |
| 20 | GERALD CHENG KAI YONG (ZHONG KAIYANG) | 3,702,816 | 0.85 |
| | | 279,550,808 | 64.19 |

## FREE FLOAT OF EQUITY SECURITIES

On the basis in information available to the Company approximately 40.94% of the equity securities of the company excluding preference shares and convertible securities are held in the hands of the public. This is in compliance with Rule 723 of the Listing Manual of the SGX-ST which requires at least 10% of a listed issuer's equity securities to be held by the public.

## LIST OF SUBSTANTIAL SHAREHOLDERS AND THEIR SHAREHOLDINGS AS AT 19 SEPTEMBER 2016 BASED ON REGISTER OF SUBSTANTIAL SHAREHOLDERS

| | No. of Shares | |
|---|---|---|
| Name | Shareholdings registered in the name of Substantial Shareholders or their Nominees | Shareholdings in which Substantial Shareholders are deemed to have an interest |
| Mr. Lim Chye Huat @ Bobby Lim Chye Huat (1) | 34,715,897 | 24,021,985 |
| Mdm. Goh Soo Luan (2) | 24,021,985 | 34,715,897 |
| Mr. Lim Boon Hock Bernard (3) | 49,384,527 | 1,967,792 |
| Mdm. Pang Yoke Chun (4) | 1,967,792 | 49,384,527 |
| Mr. Lim Boon Chin Benjamin | 30,843,072 | NIL |
| Mr. Lim Chai Lai @ Louis Lim Chai Lai (5) | 16,392,909 | 8,586,733 |
| Mdm. Chan Kum Lin (6) | 8,586,733 | 16,392,909 |

**Notes:-**

(1) Mr. Lim Chye Huat @ Bobby Lim Chye Huat is deemed to have an interest in the 24,021,985 shares held by his wife, Mdm. Goh Soo Luan.

(2) Mdm. Goh Soo Luan is deemed to have an interest in the 34,715,897 shares held by her husband, Mr. Lim Chye Huat @ Bobby Lim Chye Huat.

(3) Mr. Lim Boon Hock Bernard is deemed to have an interest in the 1,967,792 shares held by his wife, Mdm. Pang Yoke Chun.

(4) Mdm. Pang Yoke Chun is deemed to have an interest in the 49,384,527 shares held by her husband, Mr. Lim Boon Hock Bernard.

(5) Mr. Lim Chai Lai @ Louis Lim Chai Lai is deemed to have an interest in the 8,586,733 shares held by his wife, Mdm. Chan Kum Lin.

(6) Mdm. Chan Kum Lin is deemed to have an interest in the 16,392,909 shares held by her husband, Mr. Lim Chai Lai @ Louis Lim Chai Lai.

# NOTICE OF ANNUAL GENERAL MEETING

**TAI SIN ELECTRIC LIMITED (Incorporated in the Republic of Singapore - Company Registration No: 198000057W)**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Tai Sin Electric Limited will be held at Level 1, Stamford Suite, Raffles Country Club, 450 Jalan Ahmad Ibrahim, Singapore 639932 on Thursday, 27 October 2016 at 10.00 a.m. for the following purposes:-

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 30 June 2016 together with the Auditors' Report thereon.

2. To declare a final one-tier tax exempt dividend of $0.016 per ordinary share for the year ended 30 June 2016.

3. To approve the payment of up to $280,000 as Directors' fees for the year ending 30 June 2017 (2016 : $225,500).

4. To re-elect Mr. Lim Chye Huat @ Bobby Lim Chye Huat who retires by rotation as a Director, pursuant to Article 91 of the Constitution of the Company.

5. To re-appoint the following Directors, who retire as required under the resolutions passed at the last Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50 (which was then in force):-

   (a) Prof. Lee Chang Leng Brian; and

   (b) Mr. Tay Joo Soon.

6. To re-appoint Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration.

## AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

7. **Authority to issue new shares and/or convertible instruments**

   "That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, approval be and is hereby given to the Directors to issue shares in the capital of the Company whether by way of rights, bonus or otherwise ("shares") and/or make or grant offers, agreements or options that might or would require shares to be issued ("Instruments") including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time, to such persons, upon such terms and conditions and for such purposes, as the Directors may in their absolute discretion deem fit, provided that:-

   (i) the aggregate number of shares to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares excluding treasury shares of the Company, of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company;

   (ii) for the purpose of determining the aggregate number of shares that may be issued under (i) above, the percentage of issued shares shall be based on the total number of issued shares excluding treasury shares of the Company at the time this Resolution is passed, after adjusting for:-

      (a) new shares arising from the conversion or exercise of any convertible securities or employee share options that are outstanding when this Resolution is passed; and

      (b) any subsequent bonus issue, consolidation or subdivision of shares; and

   (iii) unless revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting is required by law to be held, whichever is the earlier."

8. **Authority to issue new shares pursuant to Scrip Dividend Scheme**

"That the Directors of the Company be and are hereby authorised for the purposes of, in connection with or where contemplated by the Tai Sin Electric Limited Scrip Dividend Scheme to:-

(i) allot and issue from time to time shares in the capital of the Company ("Shares") and/or make or grant offers, agreements or options that might or would require Shares in the capital of the Company to be issued during the continuance of this authority or thereafter, at any time and upon such terms and conditions and to or with such persons as the Directors of the Company may, in their absolute discretion, deem fit; and

(ii) issue Shares in the capital of the Company in pursuance of any offer, agreement, or option made or granted by the Directors of the Company while such authority was in force (notwithstanding that such issues of such Shares pursuant to the offer, agreement or option may occur after the expiration of the authority contained in this Resolution)."

9. To transact any other business of an Annual General Meeting.

BY ORDER OF THE BOARD

Tan Shou Chieh
Secretary

Singapore, 11 October 2016

**Explanatory Notes:**

(1) The ordinary resolution proposed in item 3 above, is to facilitate payment of Directors' fees to Non-executive Directors on a continuing "as-earned" current year basis, for the financial year ending 30 June 2017 ("FY 2017").

Mr. Lim Chye Huat @ Bobby Lim Chye Huat having retired from executive duties now serves on the Board as a Non-executive Director. Consequently, Directors' fees proposed for FY 2017 is higher.

If shareholders' approval is obtained for this proposal, payment of Directors' fees to the Non-executive Directors will be pro-rated or apportioned accordingly and made on or after the last day of each quarter in FY 2017 in respect of the period then ended. If, for unforeseen reasons, payments are required to be made to Directors in excess of the amount proposed in item 3, the Company will revert to shareholders for approval at the subsequent Annual General Meeting before any such payments are made.

(2) Mr. Lim Chye Huat @ Bobby Lim Chye Huat, is considered by the Board of Directors as a non-independent director, and if re-elected under item 4 above, will remain as an Audit Committee Member.

(3) Prof. Lee Chang Leng Brian is considered by the Board of Directors as an independent director, and if re-appointed under item 5(a) above, will remain as the Audit Committee Chairman.

(4) Mr. Tay Joo Soon is considered by the Board of Directors as an independent director, and if re-appointed under item 5(b) above, will remain as an Audit Committee Member.

(5) The ordinary resolution proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue new shares or instruments convertible into shares in the Company subject to the limits imposed by the Resolution, for such purposes as they consider would be in the interests of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

(6) The ordinary resolution proposed in item 8 above, if passed, will authorise the Directors of the Company to issue shares pursuant to the Tai Sin Electric Limited Scrip Dividend Scheme principally to members who, in respect of a qualifying dividend, have elected to receive scrip in lieu of the cash amount of that qualifying dividend.

**Notes:**

(i) A member who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting, in his place. A member 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. "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

(ii) A proxy need not be a member of the Company.

(iii) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 24 Gul Crescent, Singapore 629531 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

**TAI SIN ELECTRIC LIMITED**
(Incorporated in the Republic of Singapore -
Company Registration No: 198000057W)

# PROXY FORM

**IMPORTANT**
1. Relevant Intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), may appoint more than two proxies to attend and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Tai Sin Electric Limited, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy/proxies and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 October 2016.

I/We ______________________________ (Name)

of ______________________________ (Address)

being a member/members of Tai Sin Electric Limited hereby appoint:

| Name | Address | NRIC/ Passport Number | Proportion of shareholdings represented |
|---|---|---|---|
| | | | |

and / or (delete as appropriate)

| | | | |
|---|---|---|---|
| | | | |

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held on 27 October 2016 and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated with an “X” hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting.

| No. | Resolutions relating to: | For | Against |
|---|---|---|---|
| 1. | Adoption of Directors’ Statement and Audited Financial Statements | | |
| 2. | Declaration of Final Dividend | | |
| 3. | Approval of Directors’ Fees for year ending 30 June 2017 | | |
| 4. | Re-election of Mr. Lim Chye Huat @ Bobby Lim Chye Huat as a Director | | |
| 5. | (a) Re-appointment of Prof. Lee Chang Leng Brian as a Director | | |
| | (b) Re-appointment of Mr. Tay Joo Soon as a Director | | |
| 6. | Re-appointment of Auditors and fixing their remuneration | | |
| 7. | As special business - approving the Mandate for the Directors to issue new shares and/or convertible instruments | | |
| 8. | As special business - authorising the Directors to issue new shares pursuant to the Tai Sin Electric Limited Scrip Dividend Scheme | | |

Dated this ________ day of ______________________ 2016.

| Total Number of Shares Held |
|---|
| |

______________________________
Signature(s) of Member(s)/Common Seal

**IMPORTANT:**

**PLEASE READ NOTES OVERLEAF**

**Notes:**

1. (a) A member who is not a Relevant Intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting, on his behalf. Where such a member appoints two proxies, he shall specify in the form of proxy, the proportion of his shares to be represented by each proxy and if no proportion is specified, the first named proxy shall be deemed to represent all of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (b) A member 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. Where a Relevant Intermediary appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified together with the information required in the form of proxy.

   "Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.

3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and also in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, the instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.

4. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 24 Gul Crescent, Singapore 629531 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The Company shall be entitled to reject any instrument appointing a proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## CORPORATE HEADQUARTERS

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