PNE Industries Ltd
996 Bendemeer Road #07-06
Singapore 339944
Tel: (65) 6291 0698
Fax: (65) 6295 8440
Website: http://www.pne.com.sg
Company registration number 199905792R

PNE Industries Ltd Annual Report 2021

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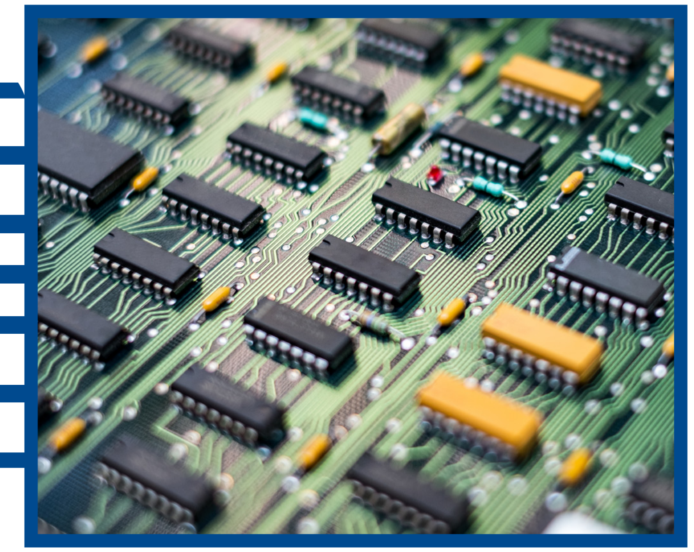


2021

CORPORATE PROFILE

PNE Industries Ltd has been listed on the SGX since May 2000. Established in 1983, the Group's core business comprises of the following two segments:

- Contract manufacturing segment – manufacturing of electronic controllers and other electrical and electronic products.
- Trading segment - manufacturing and trading of emergency lighting equipment and related products.

Headquartered in Singapore, the Group has sales offices and/or manufacturing facilities located in Singapore, Malaysia, China and the Netherlands.

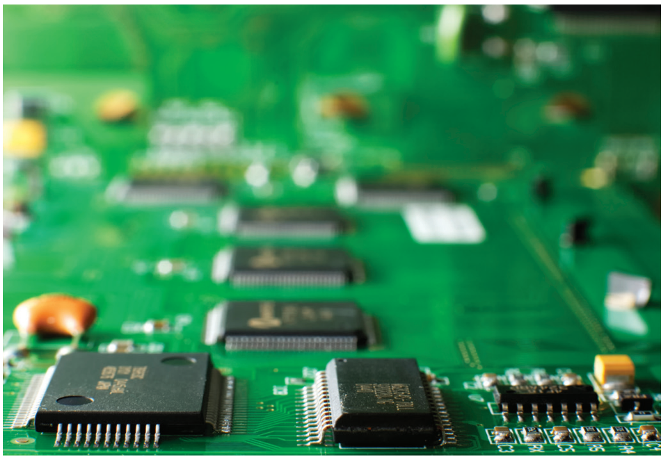
The Group is committed to providing quality products and services to its customers. It has stringent controls in its manufacturing procedures to ensure the production of high quality reliable products. PNE has been awarded the ISO9001:2015, ISO14001:2015, ISO13485:2016, IATF16949:2016, ISO/IEC27001:2013 certification, as well as various quality awards by its customers over the years.

CONTENT

CHAIRMAN'S STATEMENT

Dear Shareholders

The emergence of COVID-19 was an unexpected challenge that the world had to face. Nearly two years on, we are still collectively dealing with the evolving impact of the pandemic. The year has once again tested the Group's resilience in the wake of this pandemic. Despite these external forces, PNE Industries continued to navigate this unchartered territory and maintained business continuity in response to the pandemic.



Resilience in Unprecedented Times

As COVID-19 dominated the world, the restrictions that followed in its wake continued to impact several areas of our business.

In Malaysia, the surge in COVID-19 cases impacted our operations. To comply with local regulations, our factory reduced headcount for a period, while the sales office for our emergency lighting products closed for slightly over two months.

Throughout the region, the difficulty in arranging factory visits due to regulations resulted in delays in developing new models for customers and gaining new potential customers. The global chip shortage led to significant increases in production lead times and costs for key components. To mitigate this, our teams worked closely with customers and suppliers to keep any disruption and cost increases to a minimum.

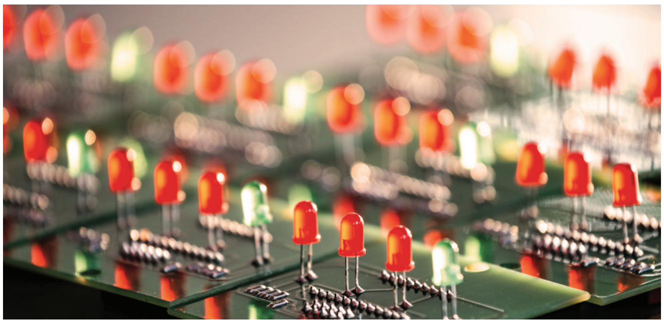
However, in line with COVID-19 related government guidelines and restrictions and the Group's focus on the health and well-being of our employees, we remained steadfast in observing all safe management measures such as restrictions on headcount, safe-distancing, sanitisation and masking.

Performance

We finished the year ended September 30, 2021 ("FY21") with a revenue of \$64.6m, a 25 per cent or \$21.2m decrease from FY20, due mainly to a reduction in contract manufacturing sales. Our profit before tax was \$0.7m compared to \$8.0m in FY20.

Revenue in our contract manufacturing segment was \$57.7m. Compared to FY20, this was a decline of \$21.0m from \$78.7m, primarily due to lower customer orders, aggravated by delays in production due to key component shortages, and a global shortage of container capacity which led to shipping delays.

With lower demand following restrictions arising from COVID-19 safety measures, which resulted in a downturn in construction activities and general demand, revenue of the trading segment decreased by \$0.1m to \$7.0m in FY21, compared to \$7.1m in FY20. To mitigate credit risks, we exercised tighter credit management and were more selective of prospective clients perceived as higher risk.



The Group's gross profit fell by \$7.6m to \$12.3m in FY21 (FY20: \$19.9m). Lower sales, a less favourable product mix and the launch of fewer new models resulted in smaller margins as new models usually offer higher margins. In addition, lower sales resulted in lesser economies of scale. Component costs also increased due in part to the global shortage. The gross profit percentage was 19.1 per cent in FY21, as opposed to 23.3 per cent in FY20.

In tandem with lower sales, administration costs were reduced by \$0.5m. This year, Group's other operating income was \$1.0m, declining \$0.5m vs last year owing mainly to lower interest income due to lower interest rates on fixed deposits.

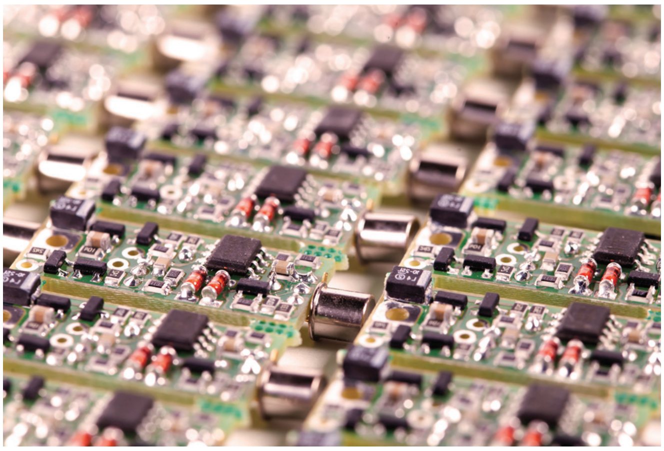
During the year, the Group's subsidiary in China incurred a one-time charge of \$0.8m pursuant to a transfer pricing review conducted on it in respect of prior years. This amount comprises of \$0.5m of taxes as well as \$0.3m of interest charges. The \$0.8m accounted for a significant portion of the Group's income tax expense for the year.

CHAIRMAN'S STATEMENT

In FY21, the Group incurred a fair value loss of $0.4m on its investment in DSP Innovation BV ("DSP"), recorded under other comprehensive income. The amount was based on a valuation by an independent external valuer. DSP's fair value was impacted by various reasons, including a delay in product line growth and heightened uncertainties with the recent escalated pandemic situation in Europe. The Group, nonetheless, remains committed to DSP and will continue to track its progress.

The Group's cash and bank balances remain robust at $38.7m in FY21, with the majority of our cash reserves held with reputable banks in Singapore.

Although sales declined, our inventories rose $5.8m as a result of delays in shipment to customers, and also because of more buffer stocks held to reduce the impact from the global supply chain disruptions.



Rising to the Challenge

Despite the pandemic and a challenging business environment, the Group resumed full operations in FY21. We recognise that we will still need to tread carefully on the road ahead with the continuously evolving COVID-19 pandemic. To this end, the Group is keeping a close eye on the situation to prepare and respond quickly.

In the immediate future, we are looking at a global chip shortage that will result in additional challenges. However, we are working closely with our customers and suppliers to minimise any impact.

We expect our markets to remain highly competitive amid uncertainties generated by a volatile external environment and a subdued economic climate.

While pivoting around the key risks ahead, we are mindful of the US-China trade tensions, given that China is host to one of our manufacturing facilities. Our margins continue to be impacted by rising costs in our operational areas of Singapore, Malaysia and China. Additionally, customer demand for lower prices is an ongoing issue.

In managing the Group's foreign currency risks, currency volatility is a concern since we generate a part of our revenues in USD. If the Group's USD-denominated expenses do not match its sales, any weakening of the USD will be unfavourable to the Group.

Keeping shareholder value creation in mind, the Group has assessed and taken appropriate measures to manage risks. We seek to maintain and improve efficiencies and exercise tight cost control while focusing on operational excellence as we move forward.

Similarly, we are closely monitoring our trade receivables to mitigate the likelihood of bad debts, maintain optimal inventory levels, and intensify vigilance in material procurement. As global trade developments unfold, we will follow them closely and act accordingly.

Our portfolio diversification helps expand our customer base and provide added value to continue to compete without relying solely on cost. Besides cost management measures, we also continuously review procedures with the aim of attaining operational excellence.

Thank You for Your Confidence

The Group paid a 2 cent interim dividend during the year. A special dividend has not been proposed or declared due to the uncertainties and challenges facing the Group. We are pleased, however, to propose a final dividend of 3 cents per share (one-tier tax-exempt) shares together with our financial results for FY21. This brings the total amount of dividends declared or proposed for the year to 5 cents per share.

The final dividend is subject to shareholders' approval at the next Annual General Meeting.

Above all, 2021 underscored the need for strong partnership and a shared sense of purpose. We are fortunate that our team is empowered to keep delivering for our customers and stakeholders, despite the unprecedented disruptions caused by COVID-19. On behalf of the Board, I would like to thank our employees and management for their hard work and commitment during this time of exceptional challenges, and to our shareholders for your continued support.

Tan Kong Heng
Chairman

CORPORATE INFORMATION

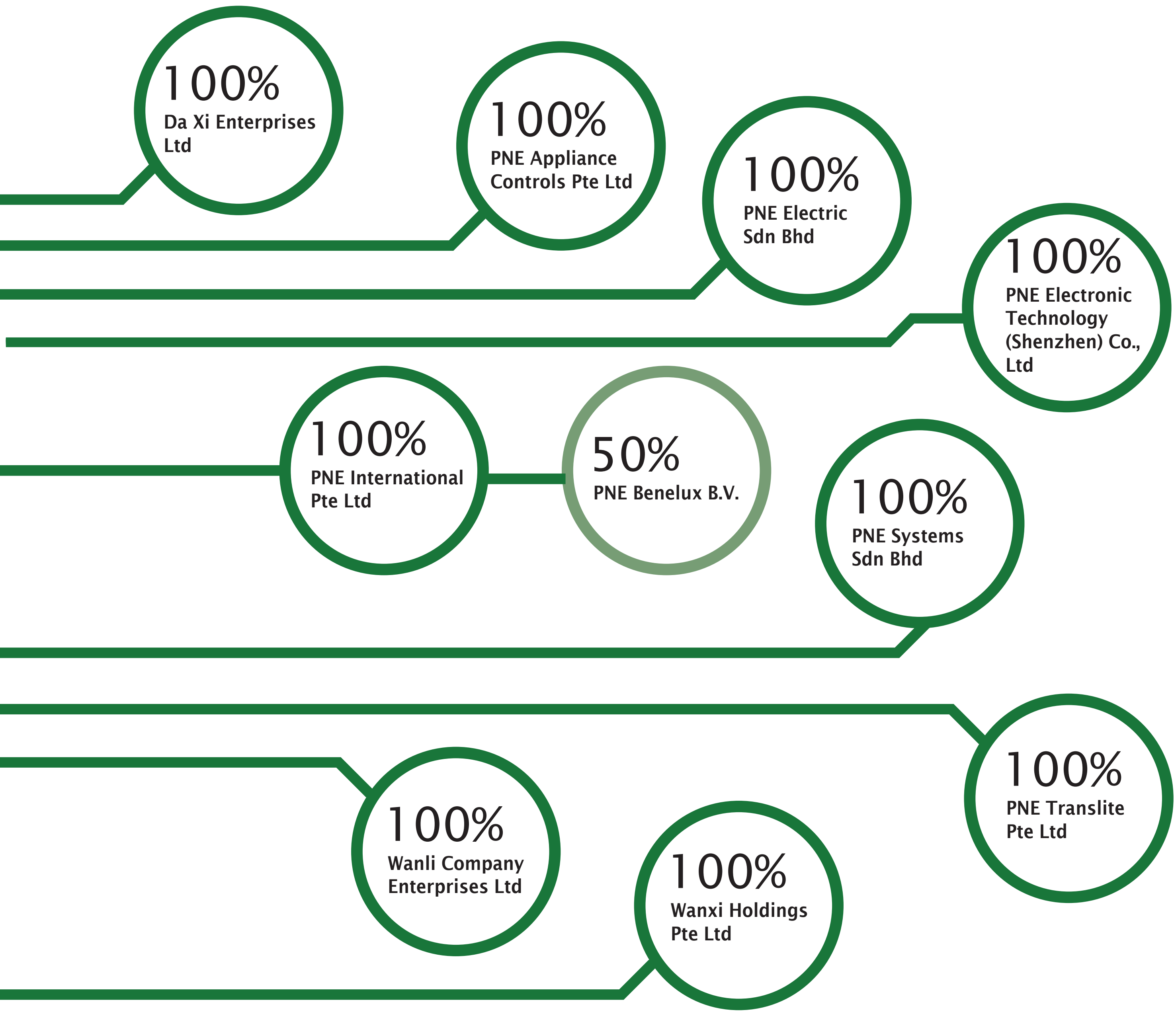
Registered Office
996 Bendemeer Road #07-06
Singapore 339944
Tel: (65) 6291 0698
Fax: (65) 6295 8440
industries@pne.com.sg
www.pne.com.sg

Company Secretary
Tan Meng Siew

Share Registrar
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

Auditors
Deloitte & Touche LLP
Audit Partner, Patrick Tan Hak Pheng
(Appointed in FY 2018)
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809

GROUP STRUCTURE



PRODUCTS

The Company and its subsidiaries operate primarily in two business segments – contract manufacturing and trading.

The products sold under the contract manufacturing business include electronic controllers and other electrical and electronic products. These products are made to each individual customer's unique specifications.

The products sold under the trading business include emergency lighting equipment and related products. These products are made based on general specifications for the mass market.

Electrical and Electronic Products

Due to the demands of increasingly sophisticated consumers, increasing number of electrical appliances are now equipped with intelligent features made possible by the use of microprocessors or by the connection to the Internet (devices incorporated with "Internet of Things" or IoT features). The Group, in collaboration with our customers, develops electronic controllers incorporating such intelligent features.

The Group's electronic controllers can be found in various domestic and industrial electrical appliances, such as coffee machines, vacuum cleaners, switchgear and valve controllers etc. The Group also manufactures full product assemblies incorporating these electronic controllers, such as smart home-lighting devices with IoT features which allow users to control their lights over the Internet, as well as energy management systems with IoT features.

Emergency Lighting Equipment

Emergency lighting equipment is a type of lighting equipment that turns on or remains on when a power failure occurs. A type of such emergency lighting equipment is the "Exit" sign. "Exit" signs are self-lit signage installed in buildings to indicate to occupants the direction and location of emergency escape routes and/or exits. The Group designs, manufactures and distributes a wide range of emergency lighting equipment, including those for indoor use or outdoor use. These products are marketed under its own "PNE" brand.

The Group has developed an automatic testing system (ATS) to facilitate the periodical mandatory testing of emergency lights. Our IoT enabled ATS for emergency lights allows the tests to be conducted remotely. The automatic testing can also be done based on a predetermined schedule and can generate test reports as required by the regulatory authorities.

BOARD OF DIRECTORS

All the Directors of the Company, excluding the independent directors, are siblings.

Mr Tan Kong Heng, *Non-executive Chairman*
First appointed on 25 September 1999. Last re-elected on 17 January 2020.
Mr Tan has been with the Group since its inception, and currently acts in an advisory role with respect to the formulation of the Group's corporate strategies and expansion plans. He started his career in the electronics industry in 1970 when he joined a local printed circuit board manufacturer as a Material Manager. Having more than 30 years of experience in the electronics manufacturing industry, Mr Tan has built up strong relationships with many industry players.

Mr Tan Koon Chwee, *Executive Managing Director*
First appointed on 25 September 1999. Last re-elected on 21 January 2021.
Mr Tan serves as the Chief Executive Officer of the Group and is the brother of Mr Tan Kong Heng. He is responsible for formulating and implementing the Group's corporate and business strategies and financial matters. He also oversees the marketing function of the Group. Mr Tan holds a Honours degree in the Bachelor of Science in Electrical and Electronic Engineering from the University of Strathclyde, Glasgow, Scotland. He has also been registered as a Professional Engineer since 1985.

Mr Tan Kong Leong, *Executive Director*
First appointed on 4 May 2000. Last re-elected on 17 January 2020.
Mr Tan assists the Managing Director in the management of the Group and in the budgeting of the costs of various projects. He is also responsible for the information technology function of the Group. In addition, he also oversees the material purchases. He joined the Group as an electronic engineer in 1986. He holds a degree in the Bachelor of Engineering (Electrical) from the Nanyang Technological University and a degree in the Master of Business Administration from the National University of Singapore.

Mr Tan Kwong Soon, *Non-executive Director*
First appointed on 4 May 2000. Last re-elected on 21 January 2021.
Mr Tan is one of the founding members of the Group. As such, he has in-depth knowledge and understanding of the Group's business. He currently acts in an advisory role in the accounting and financial matters of the Group. He holds a Diploma in Accounting from the London Chamber of Commerce and Industry.

Mr Lim Meng Wee, *Independent Director*
First appointed on 1 June 2013. Last re-elected on 17 January 2019.
Mr Lim has been the Managing Director of SP Consulting (International) Pte Ltd since 1993. Prior to this, he held various management positions in ECS Computers (Asia) Pte Ltd, Seagate Technology Singapore Pte Ltd as well as Data General Hong Kong Limited. He has a diploma in electronics and communications engineering from the Singapore Polytechnic. He is a council member of the Singapore Manufacturing Federation from 2004 to 2021 and a director on the board of the Singapore Christian Home. Mr Lim brings with him experience in organisation management and development in various industries, namely in the areas of business excellence, business continuity management, information security management, quality, environment and occupational health and safety.

Mr Tan Lee Khiang, *Independent Director*
First appointed on 4 May 2000. Last re-elected on 21 January 2021.
Mr Tan is presently the director of TechnoMEC Resources Pte Ltd, AFS Sejahtera Pte Ltd, Bramar Sejahtera Pte Ltd, and Unigemilang Investama (S) Pte Ltd. From 1989 to 1999, he was Senior Manager at Genisys Integrated Engineers Pte Ltd. Prior to that, he worked in various engineering, manufacturing and construction firms for 10 years. He had also acquired accounting and financial expertise from over 20 years of managing his own firm. He graduated with a Bachelor of Science (First Class Honours) in Mechanical Engineering from the University of Strathclyde, Glasgow, Scotland and is a registered Professional Engineer in Singapore.

Mr Tung Chee Weng, *Independent Director*
First appointed on 4 May 2000. Last re-elected on 17 January 2020.
Mr Tung was previously the General Manager of Centeonyx Pte Ltd. Prior to this, he was the General Manager of Centillion Environment & Recycling (Singapore) Pte Ltd from 2004 - 2006 and was Director (Service Division) of Veolia Water Systems (S) Pte Ltd from 1998 - 2004. From 1987-1998, he was with Seagate Technology International as a Director (Strategic Planning & Industrial Engineering). Mr Tung had also worked in various other companies in the construction and engineering industries for 17 years. He holds a Bachelor of Science (Mechanical Engineering) (Second Upper Class Honours) from the University of Strathclyde, Glasgow, Scotland.

KEY MANAGEMENT

Mr Chin Chew Khay
Director of PNE Systems Sdn Bhd
Mr Chin is responsible for the overall management of this subsidiary, which is involved in the marketing and sale of the Group's lighting products in Malaysia. Mr Chin joined this subsidiary since its incorporation in 1993, and has more than 20 years' experience in marketing and selling emergency lighting equipment.

Ms Tan Bee Foon
Group Human Resource General Manager
Ms Tan has more than 10 years of human resource management and development experience in private sectors before joining the Company in 1999. Ms Tan is responsible for human resource management and general administration for the Group. She is involved in the formulation of the Group's human resource policies and employee training or development activities. In addition, Ms Tan oversees all the administrative matters of the Group. She is responsible for strategizing and directing the implementation of group-wide human resource policies, programmes, environmental, health and safety matters for the Group. Ms Tan is the sister of all the directors except the independent directors.

Ms Tan Meng Siew
Financial Controller and Company Secretary
Ms Tan was first appointed as financial controller in October 1999, and as company secretary in December 2004. She is responsible for the Group's overall finance and accounting functions. Ms Tan joined an international accounting firm in 1994 upon graduation and subsequently joined PNE PCB Pte Ltd in 1996. She is a member of the Institute of Singapore Chartered Accountants and holds the Bachelor of Accountancy (Second Class Upper Honours) from the Nanyang Technological University. Ms Tan is the daughter of the Chairman of the Company and the niece of all the directors except the independent directors.

CORPORATE GOVERNANCE

PNE Industries Ltd is committed to maintaining good standards of corporate governance to protect the interests of its shareholders and maximize long-term shareholder value. This report describes the Company's corporate governance practices in respect of the financial year ended 30 September 2021 ("FY2021") with specific reference to the Principles and the Provisions of the Code of Corporate Governance issued in 2018 ("Code"). The Company has generally complied with all of the Principles set out in the Code. Where there have been deviations from the Code, appropriate explanations have been provided in the relevant sections.

Principle 1: The Board's Conduct of Affairs

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

The principal functions of the Board are to protect and enhance long-term shareholder value, establish the overall strategy for the Group, and to monitor the performance of management. To assist in the execution of its responsibilities, the Board is supported by the Nominating Committee ("NC"), the Remuneration Committee ("RC"), and the Audit Committee ("AC"). The responsibilities and authorities of each committee are set out in their respective terms of reference. Although the Board has delegated specific responsibilities to these Board Committees, it is the Board which makes the final decision and the ultimate responsibility lies with the Board.

The Board meets periodically to consider and resolve major financial and business matters of the Group. Board meetings and general meetings with shareholders are scheduled in advance after consultation with all the directors to enable the directors to plan their schedule ahead. Prior to the Board meetings, all directors are provided with the agenda as well as the board papers so that they have complete, adequate, and timely information to enable them to be prepared for the meeting. Apart from board papers, the directors are also provided with information on an on-going basis so that they are kept informed and can better discharge their duties and responsibilities. The Company's Constitution allows for telephonic and video-conference meetings. In between Board meetings, major matters concerning the Group are also put to the Board for its decision by way of circulating resolution-in-writing for the directors' approval. Where necessary, informal meetings are held to deliberate on various issues.

Material transactions requiring Board approval include material acquisitions or disposals of assets, investments or divestments, corporate or financial restructuring, declarations of dividends and other returns to shareholders, and transactions involving a conflict of interest for a substantial shareholder or a director or interested person transactions. Where conflicts of interests arose, the relevant directors will recuse themselves from the discussions and decisions.

All directors have separate and independent access to the Company's senior management and company secretary at all times. Should any of the directors require independent professional advice, such professionals will be hired at the Company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.

All directors are fiduciaries and act in good faith and objectively in the best interests of the Group when discharging their duties. Relevant news releases issued by authorities, including but not limited to the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Accounting and Corporate Regulatory Authority ("ACRA"), are circulated to the Board so that the Board as a whole is kept up-to-date on pertinent matters relating to the relevant regulatory requirements and their key changes such as listing rules, corporate governance, risk management, financial reporting standards and the Companies Act, Chapter 50. The directors also continuously update themselves to familiarise on new laws and regulations as well as changing commercial risks and developments in order to keep abreast of changes in the industry and general economic environment. Attendance at external seminars and conferences are arranged for both existing and new directors at the Company's expense as and when appropriate.

New directors joining the Company are also given an orientation by the Company's executive directors and/or senior management to familiarise them with the Group. In addition, a newly appointed director who has no prior experience as a director of a listed company in Singapore must undergo mandatory training organized by Singapore Institute of Directors in relation to the roles and responsibilities of a director of a listed company. There was no new director appointed during FY2021.

CORPORATE GOVERNANCE

During FY2021, two formal Board meetings were held. All directors as well as the company secretary attended the meetings, and the attendance of each Board member is set out in the table below.

Name	Annual General Meeting		Board Meeting		Audit Committee Meeting		Remuneration Committee Meeting		Nominating Committee Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Kong Heng	1	1	2	2	-	-	1	1	1	1
Tan Koon Chwee	1	1	2	2	-	-	-	-	-	-
Tan Kong Leong	1	1	2	2	-	-	-	-	-	-
Tan Kwong Soon	1	1	2	2	2	2	-	-	-	-
Lim Meng Wee	1	1	2	2	2	2	1	1	1	1
Tan Lee Khiang	1	1	2	2	2	2	1	1	1	1
Tung Chee Weng	1	1	2	2	2	2	1	1	1	1

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

The Board currently comprises of the following seven members, of whom two are executive, two are non-executive, and three are independent.

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee
Tan Kong Heng (Chairman)	Non-executive	-	Member	Member
Tan Koon Chwee (Managing Director)	Executive	-	-	-
Tan Kong Leong	Executive	-	-	-
Tan Kwong Soon	Non-executive	Member	-	-
Lim Meng Wee	Lead Independent	Chairman	Member	Member
Tan Lee Khiang	Independent	Member	Chairman	Member
Tung Chee Weng	Independent	Member	Member	Chairman

The NC adopts the definition in the Code as to what constitutes an independent director, and also considers the circumstances under which a director will not be considered independent under Rule 210(5)(d) of the SGX-ST Listing Manual. The independence of the directors is reviewed annually by the NC. The independent directors are also required to confirm annually that they do not have any relationships with the Company, its related corporations, its substantial shareholders, or its officers that may interfere, or may reasonably be perceived to interfere, with the exercise of their independent judgement.

The independent directors Messrs Tung Chee Weng and Tan Lee Khiang have each served as Board members for more than nine years, while Mr Lim Meng Wee is currently in his ninth year of service. In its deliberation as to the independence of Messrs. Tung Chee Weng, Tan Lee Khiang, and Lim Meng Wee, the NC had reviewed, amongst others, their length of service, past contributions, their declarations of independence, and whether there are any relationships with the Company, its related corporations, substantial shareholders or its officers, or circumstances that may affect or appear to affect their independent judgement. Based on this, the NC is satisfied that they have exercised independent judgement and character in the best interests of the Company in discharging their duties and responsibilities. Considering their experience and expertise, and the insights into the Group's business and operations that they have gained over time,

CORPORATE GOVERNANCE

it is in the interests of the Company to retain them as directors instead of requiring them to step down by virtue of their years of service. The Board has concurred with the view of the NC on the independence of the independent directors. Each of the independent directors had abstained from the deliberations and decisions on his own independence.

In line with the SGX-ST Listing Rule 210(5)(d)(iii) which will take effect from 1 January 2022, the continued appointment of an independent director who has served the Board for an aggregate period of more than nine years will be subject to the approval of (i) all shareholders; and (ii) all shareholders, excluding shareholders who are directors and the CEO of the Company (and their associates) (the "Two-Tier Voting"). In this respect, the independent director, Mr Lim Meng Wee, who is currently in his ninth year of service, and is due for re-election at the forthcoming AGM for his continued appointment as the Lead Independent Director shall be subjected to this Two-Tier Voting process pursuant to Rule 210(5)(d)(iii) at the forthcoming AGM. Such resolutions approved via Two-Tier Voting remain in force for three years from the conclusion of the AGM following the passing of the resolutions or the retirement or resignation of the director, whichever the earlier.

The Chairman of the Board is a non-executive non-independent director. Provision 2.2 of the Code requires independent directors to make up a majority of the Board when the Chairman is not independent. The Company's independent directors currently make up 43% of the Board. As such, this Provision has not been met. However, although independent directors do not make up a majority of the Board, there had been no domination of the Board's discussions or decision-making by any individual or small group of individuals. Being fiduciaries, each Board member is required to discharge their duties and responsibilities objectively in the best interests of the Company at all times, and in the process of doing so, each Board member will exercise their own independent judgement. There had also been robust discussions at Board meetings. Thus, it is the opinion of the Board that the decision-making process of the Board had remained independent, and was not unduly influenced by any single individual or small group of individuals.

In addition, considering the contributions made by each of the non-independent directors, the Board does not consider it to be in the interests of the Company to require one or more of the non-independent directors to step down, or to appoint more independent directors, just to attain a level of a majority of the Board being independent. It is also noted that the Company complies with Provision 2.3 of the Code given that non-executive directors make up a majority of the Board.

The independent directors and the non-executive directors, led by the lead independent director, meet at least once annually without the presence of Management and provides feedback to the Board and/or the Chairman as appropriate after such meeting.

The directors are qualified and experienced in various fields including engineering, manufacturing, and accountancy. The Board has concurred with the NC's view that its current size and composition is appropriate given the scope and nature of the Group's operations. It takes into consideration the skills, experience, knowledge of the Group and the industries it operates in, and competencies of board members, regardless of gender, age nor any other aspects of diversity such as race or religion, when reviewing the composition of the Board. The Board places greater emphasis on personal integrity, competencies and ability to contribute, and these attributes are not dependent on aspects such as gender nor age. While the Board does not have a formal diversity policy in place, it aims to comprise of members with diverse experiences, competencies and perspectives such that collectively, they provide an appropriate balance of skills and expertise suitable for the Group. While the absence of a diversity policy is a deviation from Provision 2.4 of the Code, there is a sufficient element of independence and diversity within the Board and thus, the intention behind the Principle is still achieved. The NC and the Board will continuously review its size and composition to ensure that these remain appropriate in light of ever-changing environments.

CORPORATE GOVERNANCE

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

To ensure a clear division of responsibilities and a balance of power and authority within the Company, the roles of the Chairman and the Chief Executive Officer ("CEO") of the Company are undertaken separately. The role of the Board Chairman is assumed by Mr Tan Kong Heng, who is a Non-Executive Non-Independent Director, while Mr Tan Koon Chwee is the Managing Director and CEO of the Company. Mr Tan Kong Heng and Mr Tan Koon Chwee are brothers. The roles of the Chairman and CEO are separated in order to increase accountability and enhance the ability of the Board for independent decision making. The division of responsibilities between the role of Chairman and the role of the CEO are set out in writing and endorsed by the Board. Part of the duties of the Chairman includes the scheduling of Board meetings and setting the board meeting agenda in consultation with the Company's Managing Director cum CEO. The Chairman also assists to ensure compliance with the Company's guidelines on corporate governance. He promotes a culture of openness and debate during Board meetings and facilitates the effective contribution of all Directors at Board meetings.

The CEO's role is to be responsible for the day-to-day operations of the Group, implementing the Group's strategies and policies, and for conducting the Group's business. The Group CEO is required to attend the AC and Board meetings on the invitation of the AC and the Board and to update the AC and the Board on the strategic and operational business aspects of the Group.

Mr Lim Meng Wee ("Mr Lim"), who is the Chairman of the Board's Audit Committee, is also the Lead Independent Director. As the Lead Independent Director, Mr Lim is available to shareholders if they have concerns for which contact through the normal channels of the Chairman, the CEO, or the Financial Controller has failed to provide satisfactory resolution, or when such contact is inappropriate. Mr Lim also provides leadership in situations where the Chairman is conflicted.

With the separation of roles between the Chairman and the CEO, as well as the presence of independent directors on the Board, including the presence of a lead independent director, there is adequate segregation of responsibilities to ensure an appropriate balance of power and influence, thus allowing greater capacity of the Board for independent decision making.

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The Nominating Committee ("NC") comprises of 4 members (as listed in Principle 2), the majority of whom are independent. The lead independent director is also a member of the NC.

The NC works in accordance with its written terms of reference duly adopted by the Board. It is primarily responsible for reviewing the structure, size and composition of the Board, and for assessing the performance of the Board, its committees and directors. It also determines annually whether or not a director is independent and makes recommendations to the Board on appointment and re-appointment of directors. In accordance with the Company's Constitution, one-third of the directors retire from office at each AGM and submit themselves for re-election at regular intervals of at least once every three years. If the director retiring is a NC member, he must abstain from deliberating and voting on his own nomination for re-election.

Pursuant to Regulation 93, Messrs Tan Kong Heng, Tan Kong Leong, and Lim Meng Wee shall retire at the forthcoming AGM by rotation. Being eligible, Messrs Tan Kong Heng, Tan Kong Leong, and Lim Meng Wee have offered themselves for re-election. The NC, having assessed their performance and contributions to the Company, had recommended their nomination for re-election. The Board concurred with the NC's recommendation. The requisite information required under Appendix 7.4.1 of the SGX-ST Listing Manual relating to the Directors seeking re-election, detailing information such as their qualification, directorships in other listed companies, their appointment to the Board of the Company and the date of their last re-election can be found on pages 19 to 21 of this Annual Report.

CORPORATE GOVERNANCE

The NC is also responsible for identifying and nominating candidates for the approval of the Board when the need for a new director is identified, whether to fill board vacancies as and when they arise, or to enhance the Board's effectiveness and capabilities. Potential candidates can be identified from various sources and may include suggestions by members of the Board or the Group's professional advisors. The NC also has the authority to engage recruitment consultants to assist it in the search and assessment process for potential candidates to join the Board. The potential candidates would be evaluated by the NC based on various criteria, including amongst others, their experience, professional qualifications, principal commitments, and personal attributes, before the NC submits its recommendation to the Board for approval. For re-election of incumbent directors, the NC would also consider, amongst others, the incumbent directors' competencies, independence, past participation, attendance and contributions. A new director can be appointed to the Board via a board resolution and shall hold office until the first AGM held after his appointment, during which he would have to submit himself for re-election.

The NC would generally avoid recommending to the Board the appointment of an alternate director as it is of the view that an alternate director should only be appointed under special circumstances, such as when an existing director has a medical emergency. If the appointment of an alternate director is deemed necessary, the NC would ensure that the alternate director is appropriately qualified, knows the duties and responsibilities of a director, and is familiar with the Group's business affairs. No alternate directors were appointed throughout FY2021.

As the NC has been charged with the responsibility of reviewing the independence of every independent director annually, the NC has established a process to determine a director's independence. After the end of each financial year, the Form of Declaration of Independence will be sent to the independent directors for their confirmation and declaration. They will have to consider if they satisfy the criteria of independence as stipulated in the Code and in the Listing Manual. Each director must also confirm in the Form whether he considers himself to be independent despite not having any of the relationships identified in the Code or the Listing Manual. The duly signed Declaration Forms will then be tabled for the NC's review. In considering whether a director is independent, the NC will not solely base its assessment on the Declaration Form but will also consider if the director has exercised and can continue to exercise independent judgment. The NC will then present its conclusion to the Board for its concurrence. The NC will convene a meeting if circumstances arise to require a review of the independence of an independent director in between the annual review.

The Board, after taking into consideration the views of the NC, considers Messrs Lim Meng Wee, Tung Chee Weng and Tan Lee Khiang, to be independent by virtue of the fact that each of the Director does not have any existing business and/or professional relationship whatsoever with the Group of Companies and its' officers which could possibly influence their objectivity in discharging their duty as an Independent Director of the Company.

No maximum number of listed company board representations for board members has been set as the NC and the Board are of the view that setting a maximum number of listed company board representations a Director may hold can be arbitrary. The contribution of each Director would depend on his individual circumstances, including whether or not he has a full-time vocation or other responsibilities, his individual capabilities and the nature and the complexity of the organisations in which he holds appointments. The NC, with the concurrence of the Board, was satisfied that each of the Directors is able to and had adequately carried out his duties as a Director of the Company in FY2021, and had given sufficient time and attention to the affairs of the Company.

The NC held one meeting in FY2021. All members of the NC attended the meeting.

CORPORATE GOVERNANCE

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The Board has implemented a process which is carried out by the NC to annually assess the effectiveness of the Board as a whole, and that of each of its board committees and individual directors. The performance criteria and evaluation procedures has been established by the NC and approved by the Board. The performance criteria include matters such as board composition, board processes, access and flow of information, and attendance.

Each director will complete and submit questionnaires covering the various performance criteria established by the NC for the Board, the board committees, and the individual directors. The responses to the questionnaires are collated and submitted to the NC for its review and deliberation. The NC then presents the results as well as its conclusions and recommendations to the Board, which will in turn discuss and consider the results presented by the NC.

The last Board performance evaluation was conducted in November 2021. Based on the review, the NC was satisfied that the Board was effective as a whole and that each and every Director had demonstrated commitment and had contributed to the effective functioning of the Board and the Board Committees.

The Company did not engage any external consultant to facilitate the Board performance evaluation for FY2021.

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The Remuneration Committee ("RC") comprises of 4 members (as listed in Principle 2). All members of the RC are non-executive, and the majority, including the RC chairman, are independent.

The RC works in accordance with its written terms of reference duly adopted by the Board. It is primarily responsible for recommending to the Board the framework of remuneration for the Board and key executives. It also determines specific remuneration packages for each executive director, including the terms of the service agreements of the executive directors, and reviews the remuneration of the key executives. The remuneration covers all aspects of remuneration including directors' fees, salaries, allowances, bonuses, and benefits-in-kind, if any. Termination clauses incorporated in the service agreements of the executive directors are also reviewed by the RC to ensure that the clauses are fair, reasonable, and not overly generous. The RC aims to be fair in rewarding the directors and key management personnel, and is cautious not to reward poor performance.

The RC is supported by the Group Human Resource General Manager in carrying out its responsibilities. If required, external professional advice would be sought at the Company's expense. If external remuneration consultants are engaged, the RC would ensure that existing relationships, if any, between the Company and its remuneration consultants would not affect the independence and objectivity of the remuneration consultants. No remuneration consultant was appointed in FY2021.

The RC held one meeting in FY2021. All members of the RC attended the meeting.

Principle 7: Level and Mix of Remuneration

The level and mix of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

CORPORATE GOVERNANCE

Principle 8: Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The Group endeavours to set a level of remuneration that is appropriate to attract, retain and motivate all directors and staff, and thus helping to ensure that their interests are aligned with the interests of the Group. The remuneration generally includes a fixed as well as a variable component. The variable component is determined based on the performance of the individual employee as well as the performance of the employee's business unit and the Group. The performance of employees is assessed based on both quantitative as well as non-quantitative factors such as their working attitude and team spirit. All employees also enjoy benefits that are consistent with general market practices, such as medical benefits.

There is no contractual provision that allows the Group to reclaim remuneration from the directors or staff in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Group, as the remuneration package is moderate and not excessive.

The annual directors' fees are reviewed by the RC before being recommended to the Board. The proposed fees are paid in arrears upon approval by shareholders at the Company's AGM.

The Company does not have any share-based remuneration schemes for directors and employees. As most of the Group's employees are foreigners based at its overseas factories, many of its employees may not wish to or be able to participate in such schemes.

The remuneration of the directors of the Company for FY2021 are as follows:

Name of director	Base/fixed salary	Variable or performance-related income/bonuses	Fees	Options granted
$250,001 to $500,000				
Tan Koon Chwee	86%	9%	5%	NA
Tan Kong Leong	87%	9%	4%	NA
Nil to $250,000				
Tan Kong Heng	0%	0%	100%	NA
Tan Kwong Soon	0%	0%	100%	NA
Lim Meng Wee	0%	0%	100%	NA
Tan Lee Khiang	0%	0%	100%	NA
Tung Chee Weng	0%	0%	100%	NA

Based on the current organization and reporting structure of the Group, it is more appropriate for three executives who are not also directors of the Company to be identified as the Group's top key executives instead of five as required under the Code. The names and profiles of these key executives of the Group are stated on page 6 of the annual report. Two of the key executives are also immediate family members of the non-independent directors.

The total remuneration paid to the directors and key executives are stated on page 61 of the annual report.

Given the sensitive nature of employee remuneration, and the pressures from both within and outside the Group upon disclosing such information, the Board has decided that detailed disclosure of each director's or key executive's remuneration (as recommended in Provision 8.1), as well as the remuneration of employees who are substantial shareholders of the Company, or are immediate family members of a director, the CEO or a substantial shareholder of the Company (as recommended in Provision 8.2), is not in the interests of the Company. Instead of the full details, disclosure of the directors' remuneration is made in bands of $250,000 with a breakdown by percentages of the mix of remuneration. The Board is of the view that such information is sufficient for shareholders to understand the Group's remuneration level and structure.

CORPORATE GOVERNANCE

The Company's two executive directors and two non-executive non-independent directors as well as a subsidiary's senior manager for business development are also substantial shareholders of the Company, and they draw remuneration and/or directors' fees in their respective capacities. Apart from this, there is no remuneration paid to any other substantial shareholders of the Company.

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

The Board recognizes the importance of risk management and internal controls, and acknowledges its responsibility for ensuring that Management maintains a sound system of internal controls to safeguard shareholders' investments and the Group's assets. The Board's policy is that risks should be managed within the Group's overall risk tolerance. The risk management functions are currently managed by the Audit Committee ("AC").

It is noted that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The review of the Group's system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives.

The Board has received assurance from the Group's two executive directors (one of whom is the CEO) and the financial controller that, as at September 30, 2021, the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the Group's risk management and internal control systems were adequate and effective to address key financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by management and the AC, and the aforesaid assurances from the executive directors and the financial controller, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls, and risk management systems were adequate and effective in addressing the material risks as at September 30, 2021. However, it should be noted that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement, human error, losses, fraud or other irregularities.

The financial risks and management policies of the Group are laid out on pages 54 to 61 of the Annual Report.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

The AC currently comprises three Independent Directors and a Non-executive Director (as listed in Principle 2). Of the members, Mr Tan Kwong Soon has formal accounting training and experience. He and the other members of the AC have many years of experience in senior management positions and have sufficient financial management expertise to discharge the AC's functions. None of the members are former partners or directors of the Company's existing external and internal audit firms, nor do they have any financial interest in the audit firms.

The AC works in accordance with its written terms of reference duly adopted by the Board. Some of its primary responsibilities are as follows:

a. To review the audit plans and findings of the Company's internal auditors, and their evaluation of the systems of internal controls arising from their audit
b. To review the audit plans of the external auditors

CORPORATE GOVERNANCE

c. To review 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 Board of Directors and the external auditors' report on those financial statements
d. To review half-yearly and full year results announcements of the Group and Company before their submission to the Board of Directors
e. To review interested person transactions
f. To review annually the independence and objectivity of the external auditors, taking into consideration the non-audit services provided to the Group
g. To ensure that a review of the effectiveness of the Group's significant internal controls is conducted at least annually
h. To review the co-operation and assistance given by the management to the Group's external auditors
i. To review the re-appointment of the external auditors of the Group

The AC has full authority to investigate any matters within its terms of reference, and has full access to the management of the Company. 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 AC.

The AC held two meetings during FY2021. All members of the AC attended the meetings. The AC meets with the external auditors at least once a year without the presence of Management. While there was no private meeting with the internal auditors in the past year, the AC and the internal auditors have full access to each other and are able to communicate with each other freely.

Having reviewed the aggregate fees paid to the external auditors, and a breakdown of the fees for audit and non-audit services provided by the auditors, the AC is of the opinion that the independence of the auditors has not been affected by the provision of the non-audit services. The external auditors had affirmed their independence in this respect. The AC is satisfied that the independence of the external auditors has not been impaired. Further, it was noted that the appointment of the external auditors for the Company and its subsidiaries are in compliance with Rules 712 and 715 of the SGX-ST Listing Rules in relation to its auditors. The AC recommended that Messrs Deloitte & Touche LLP be nominated for re-appointment as the external auditors for the financial year ending September 30, 2022 at the forthcoming AGM.

Internal Audit

The Group has outsourced the internal audit function to an accounting firm, namely BDO LLP. The internal auditors carry out their function according to the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal audit is carried out by staff with relevant qualifications and experience.

The hiring, removal, evaluation and compensation of the internal auditors are approved by the AC. The internal auditors during their course of audit has unfettered access to the Group's documents, records, properties and personnel, including the AC. The internal auditors' primary line of reporting is to the chairman of the AC. Administratively, they report to the Managing Director of the Company, who is assisted by the Financial Controller on this matter.

The AC determines the scope of audit examination and approves the internal audit plans presented by the internal auditors.

The AC has reviewed with the internal auditors their risk-based internal audit plan and their evaluation of the system of internal controls, their audit findings and the management's responses to address the findings. The Board commented that the Group's internal controls, including financial, operational, compliance and information technology controls and overall risk management system are adequate and effective for FY2021. The AC concurred with the board's comment and is satisfied that the internal auditor is independent, adequately qualified and resourced to discharge its duties effectively.

CORPORATE GOVERNANCE

Whistle blowing

The Group has a whistle-blowing policy in place under the oversight of the AC and setting out the procedures by which staff or any other persons can raise concerns about possible improprieties and for such matters to be independently investigated without any fears of reprisals. The identity of the whistle-blower will be kept confidential. Any issue raised would be investigated independently and the appropriate follow up actions carried out. In FY2021, there were no reports received through the whistle blowing mechanism.

Principle 11: Shareholder Rights and Conduct of General Meetings

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: Engagement of Shareholders

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

The Company aims to treat all shareholders fairly and equitably. Shareholders are kept informed of the developments and performance of the Group through timely announcements via SGXNET and the press (where appropriate) as well as the annual report and annual sustainability report. Results and any other matters that are likely to materially affect the price or value of the Company's shares are announced on a timely basis via the SGXNET in accordance to the requirements of the SGX-ST. If there is any inadvertent disclosure made to a select group, the Company would make the same disclosure publicly to all others as promptly as possible.

Active participation from shareholders at general meetings is welcomed by the Company. To facilitate voting by shareholders, the Company's Constitution allows shareholders who are unable to attend the general meetings to appoint up to 2 proxies to attend, participate and vote on their behalf. Corporations providing nominee and custodial services may appoint more than 2 proxies to attend, participate and vote in general meetings on behalf of shareholders who hold shares through such corporations. Proxy forms can be sent to the Company by mail. Each distinct matter requiring shareholders' approval is proposed as a separate resolution. Each item of special business included in the notice of meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Voting during general meetings is done by poll via electronic polling. Shareholders are briefed on the voting procedures prior to voting. An independent scrutineer is appointed to validate shareholders' votes at the meetings. Voting in absentia, such as by mail, email or fax, is currently not implemented due to concerns over integrity of information and authentication of shareholder identity.

For FY2020, due to the COVID-19 pandemic crisis and in line with the initiatives implemented by the regulatory bodies (i.e. the Joint Guidance issued by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and the SGX-ST), the Company conducted a virtual annual general meeting ("2021 AGM") on 21 January 2021 in accordance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debentures Holders) Order 2020 issued by the Ministry of Law (the "Meeting Order"). A "live" webcast of the virtual 2021 AGM was made available to participating shareholders who had registered and were assigned a unique link to access the live audio-visual webcast or live audio-only stream. The 2021 AGM results of the poll votes on each resolution tabled at the AGM (including the total number of votes cast for or against each resolution) were announced at the virtual AGM and via SGXNet thereafter.

Generally, all directors, senior management and the external auditors will be present at the AGMs to address shareholders' questions and concerns. The entire Board, the financial controller cum company secretary, and the external auditors attended the virtual 2021 AGM remotely. The forthcoming AGM to be held in January 2022 will also be held via electronic means in view of the ongoing COVID-19 pandemic.

CORPORATE GOVERNANCE

The Company does not publish minutes of general meetings of shareholders on its corporate website as it is of the view that such minutes is an internal document and should only be made available to its shareholders but not to the public at large. Furthermore, shareholders, including those who did not attend the relevant general meeting, have a right to be furnished copies of minutes of general meeting pursuant to Section 189 of the Companies Act, Chapter 50. Accordingly, the Company is of the view that its position is consistent with the intent of Principle 11 of the 2018 Code as shareholders are treated fairly and equitably by the Company. However, in line with the Meeting Order, the minutes of the 2021 AGM were announced via SGXNet and the Company's corporate website within the prescribed timeframe, i.e. within one month from the date of AGM.

The Company does not have a formal dividend policy. The Board considers factors such as the Group's performance, financial position, future plans, external economic environment, and other factors deemed appropriate when deciding the amount of dividends to be declared or proposed. The Company has paid dividends at least once annually since 2007. Any pay-outs are promptly communicated via announcements through SGXNet.

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure the best interests of the Company are served.

The Company recognizes the contributions and impact that its stakeholders can have on the Group's growth and development. As such, it continuously maintains multiple communication channels as appropriate with its various stakeholders to engage with them and also receive their feedback. The stakeholders are identified based on the impact that they have, or may potentially have, on the Group. The Group's efforts on sustainability takes into consideration the concerns of its various stakeholders. A summary of the Group's sustainability efforts can be found in the Sustainability section of this Annual Report, with full details available in a standalone report that will be issued by February 2022.

The Company maintains a current corporate website to communicate and engage with stakeholders on a regular basis and attends to their queries.

Listing Rule 1207(19) – Dealing in Securities

The Group has adopted the SGX-ST's Listing Rule 1207(19) with respect to dealings in the Company's securities. The Group's directors and officers are not allowed to deal in the Company's securities during the period beginning one month prior to the announcement of the half and full year results, and ending on the day of the announcement of the results, or while they are in possession of unpublished price-sensitive information. Directors and officers are also discouraged from dealing in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS

The Company has procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders. There were no interested person transactions with amounts of $100,000 or more during the year ended September 30, 2021. The Company does not have any shareholders' mandate for interested person transactions.

MATERIAL CONTRACTS AND LOANS

Pursuant to Rule 1207(8) of the Listing Manual, the Company confirms that there were no material contracts and loans of the Company and its subsidiaries involving the interests of the controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which were entered into since the end of the previous financial year.

CORPORATE GOVERNANCE

SUSTAINABILITY

The Group's Sustainability Report highlights its commitment towards sustainability, and describes its practices on material economic, environment, social and governance ("ESG") factors. It is prepared in accordance with the Global Reporting Initiative ("GRI") Standards 2016: Core Option – one of the international standards for sustainability reporting, and with reference to the SGX-ST Listing Rules 711A and 711B. The full report will be released in February via SGXNET, and a copy will also be available on the Company's website at www.pne.com.sg. Below are key elements of the report.

Stakeholder Engagement

The Group has identified 5 groups of stakeholders, namely:

1. Government and regulators
2. Customers
3. Employees
4. Shareholders and investors
5. Suppliers and contractors

The Group recognizes that its stakeholders play a key role in the Group's business and growth. As such, the Group proactively engages with its stakeholders on a regular basis via various channels to understand their interests and ensure that their needs and concerns are appropriately addressed.

Material ESG Factors

The following have been identified as the material ESG factors to the Group. Various measures are put in place to monitor and manage these factors to help ensure the sustainable growth of the Group.

Topics	List of ESG Indicator
Economic Performance	201-1: Direct Economic Value Generated and Distributed
Energy	302-1: Energy Consumption within the Organization
Environmental Compliance	307-1: Non-compliance with Environmental Laws and Regulations
Supplier Environmental Assessment	308-1: New Suppliers that were screened using Environmental Criteria
Employment	401-1: New Employee Hires and Employee Turnover
Occupational Health and Safety	403-2: Types of Injury and Rates of Injury, Occupational Disease, Lost Days, Absenteeism and Number of Work-related Fatalities
Training and Education	404-1: Average Hours of Training per Year per Employee

CORPORATE GOVERNANCE

Additional Information on Directors Seeking Re-election

Pursuant to SGX-ST Listing Manual Rule 720(6) and Appendix 7.4.1, the additional information on directors seeking re-election this year are as follows:

		Tan Kong Heng	Tan Kong Leong	Lim Meng Wee
1	Date of Appointment	25 September 1999	4 May 2000	1 June 2013
2	Date of last re-appointment (if applicable)	17 January 2020	17 January 2020	17 January 2019
3	Age	81	61	66
4	Country of principal residence	Singapore	Singapore	Singapore
5	The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Tan was recommended by the NC and approved by the Board, after taking into consideration his experience and contributions since he was appointed as a director.	The re-election of Mr Tan was recommended by the NC and approved by the Board, after taking into consideration his experience and contributions since he was appointed as a director.	The re-election of Mr Lim was recommended by the NC and approved by the Board, after taking into consideration his independence, experience and contributions since he was appointed as a director.
6	Whether appointment is executive, and if so, the area of responsibility	Non-executive.	Executive.	Lead independent non-executive.
7	Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chairman of the Board, member of NC and RC.	Executive director.	Lead independent director, Chairman of AC, member of NC and RC.
8	Professional qualifications	• GCE "O" Levels.	• Bachelor of Engineering (Electrical) from the National Technological University. • Master of Business Administration from the National University of Singapore.	• Diploma in Electronics and Communications Engineering from the Singapore Polytechnic.

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		Tan Kong Heng	Tan Kong Leong	Lim Meng Wee
9	Working experience and occupation(s) during the past 10 years	• Non-executive Chairman of the Group since its inception. • Executive Chairman of PNE PCB Bhd from inception up to 2014. • Non-executive Chairman of Sen Yue Holdings Ltd from inception up to 2016.	• Executive Director of PNE Industries Ltd. • Has been with the Group since 1986.	• Managing Director of SP Consulting (International) Pte Ltd since 1993. • A council member of the Singapore Manufacturing Federation from 2004 to 2021. • He had experience in organisation management and development in various industries, namely in the area of business excellence, business continuity management, information security management, quality, environment and occupational health and safety.
10	Shareholding interest in the listed issuer and its subsidiaries	8,829,100 shares (10.52%)	8,614,875 shares (10.27%).	Nil.
11	Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Messrs Tan Kong Heng, Tan Koon Chwee, Tan Kong Leong, and Tan Kwong Soon, who are all directors as well as substantial shareholders of the Company, are siblings. They, together with Messrs Tan Kong Sin, and Tan Kwang Hua (Deceased), who are also substantial shareholders of the Company, are siblings. Mr Tan Wei Kang, who is also a substantial shareholder, is a nephew of all the substantial shareholders listed above. Mr Tan Kong Heng is also the father of Ms Tan Meng Siew, who is the financial controller and company secretary of the Company.	Messrs Tan Kong Heng, Tan Koon Chwee, Tan Kong Leong, and Tan Kwong Soon, who are all directors as well as substantial shareholders of the Company, are siblings. They, together with Messrs Tan Kong Sin and Tan Kwang Hua (Deceased), who are also substantial shareholders of the Company, are siblings. Mr Tan Wei Kang, who is also a substantial shareholder, is a nephew of all the substantial shareholders listed above. Mr Tan Kong Leong is also the uncle of Ms Tan Meng Siew, who is the financial controller and company secretary of the Company.	None.
12	Conflict of interest (including any competing business)	None.	None.	None.

CORPORATE GOVERNANCE

		Tan Kong Heng	Tan Kong Leong	Lim Meng Wee
13	Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes.	Yes.	Yes.
14	Other Principal Commitments including directorships – Past 5 years	Nil.	Nil.	Nil.
15	Other Principal Commitments including directorships – Present	Directorships: ● Focal Dynamic Sdn Bhd. ● General Leader (M) Sdn Bhd. ● PNE Appliance Controls Pte Ltd. ● PNE Electric Sdn Bhd. ● PNE Translite Pte Ltd.	Directorships: ● Brilliance Resources Sdn Bhd. ● Da Xi Enterprises Ltd. ● Duolink Networks Sdn Bhd. ● Focal Dynamic Sdn Bhd. ● PNE Appliance Controls Pte Ltd. ● PNE Electric Sdn Bhd. ● PNE Electronic Technology (Shenzhen) Co., Ltd. ● PNE International Pte Ltd. ● PNE Translite Pte Ltd. ● Simi Ocean Sdn Bhd. ● Wanli Company Enterprises Ltd. ● Wanxi Holdings Pte Ltd.	Directorships: ● SP Consulting (International) Pte Ltd. ● SP Investment Pte Ltd. ● Singapore Christian Home.

Each of the above directors seeking re-election has confirmed that their replies to items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual is “no”.

DIRECTORS' STATEMENT

for the financial year ended September 30, 2021

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 September 30, 2021.

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 29 to 82 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 September 30, 2021, 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:

Tan Kong Heng
Tan Koon Chwee
Tan Kong Leong
Tan Kwong Soon
Lim Meng Wee
Tan Lee Khiang
Tung Chee Weng

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:

Names of directors and companies in which interests are held	Shareholdings registered in names of directors	
	At beginning of year	At end of year
PNE Industries Ltd		
- Ordinary shares		
Tan Kong Heng	8,829,100	8,829,100
Tan Koon Chwee	9,334,875	9,334,875
Tan Kong Leong	8,614,875	8,614,875
Tan Kwong Soon	4,709,750	4,709,750
Tan Lee Khiang	25,000	25,000

The directors' interests in the shares of the Company as at October 21, 2021 were the same as at September 30, 2021.

DIRECTORS' STATEMENT

for the financial year ended September 30, 2021

4. Share Options

(a) *Options to take up unissued shares*
During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options 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 carried out its functions in accordance with Section 201B of the Singapore Companies Act, Cap. 50, and the Singapore Exchange Listing Manual.

The Audit Committee is chaired by Mr Lim Meng Wee, an independent director, and includes Mr Tan Lee Khiang and Mr Tung Chee Weng, both are independent directors and Mr Tan Kwong Soon, a non-executive director.

The Audit Committee works in accordance with written terms of reference duly adopted by the Board. Some of its primary responsibilities are as follows:

(a) To review the audit plans and findings of the Company's internal auditors, and their evaluation of the systems of internal controls arising from their audit;

(b) To review the audit plans of the external auditors;

(c) To review 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 Board of Directors and the external auditors' report on those financial statements;

(d) To review half-yearly and full-year results announcements of the Group and Company before their submission to the Board of Directors;

(e) To review interested person transactions;

(f) To review annually the independence and objectivity of the external auditors, taking into consideration the non-audit services provided to the Group;

(g) To ensure that a review of the effectiveness of the Group's significant internal controls is conducted at least annually;

(h) To review the co-operation and assistance given by the management to the Group's external auditors; and

(i) To review the re-appointment of the external auditors of the Group.

The Audit Committee has full authority to investigate any matters within its terms of reference, and has full access to the management of the Company. 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.

DIRECTORS' STATEMENT

for the financial year ended September 30, 2021

The Audit Committee held 2 meetings during the year. All members of the Audit Committee attended the meetings.

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

The Group is in compliance with Listing Rules 712 and 715 of the Singapore Exchange Securities Trading Limited as suitable auditing firms have been appointed to meet the Group's audit obligations.

6. AUDITORS

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

ON BEHALF OF THE DIRECTORS

Tan Koon Chwee

Tan Kong Leong

December 10, 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PNE INDUSTRIES LTD

for the financial year ended September 30, 2021

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PNE Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 29 to 82.

In our opinion, the accompanying 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 Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at September 30, 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key audit matters	How the matter was addressed in the audit
Allowance for inventories As at September 30, 2021, the Group has inventories of $23.1 million, which is approximately 24.3% of its total assets. The Group has made an allowance for inventories as at September 30, 2021 amounting to $1.7 million.	We performed the following: • Evaluated the design and implementation of relevant controls over the valuation of inventories. • Enquired with and challenged management on their analysis and assessment made in arriving at the allowance for inventories and assessed the reasonableness and accuracy of the allowance recognised.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PNE INDUSTRIES LTD

for the financial year ended September 30, 2021

Key Audit Matters *(continued)*

Key audit matters	How the matter was addressed in the audit
The value of the inventories and the usage are affected by market demand and technological advances. Management is required to assess at each reporting date whether there is any indication that the cost of inventories exceeds the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. There is judgement involved in assessing the level of inventory allowance required. The relevant disclosure with respect to allowance for inventories has been set out in Note 9 to the financial statements.	• On a sample basis, assessed the net realisable value of inventories and challenged the appropriateness of the level of inventory allowance, considering the anticipated usage of raw materials and the expected demand and actual selling price for selected finished goods samples. • Assessed and evaluated the inventory aging analysis of the Group at year end, and any subsequent usage and sale of inventories after year end, taking into consideration the impact of changes in technology and customers' preference and our knowledge of the Group's business and the industry in which it operates. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements in Note 9.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PNE INDUSTRIES LTD

for the financial year ended September 30, 2021

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PNE INDUSTRIES LTD

for the financial year ended September 30, 2021

Auditor's Responsibilities for the Audit of the Financial Statements *(continued)*

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Patrick Tan Hak Pheng.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants, Singapore

December 10, 2021

STATEMENTS OF FINANCIAL POSITION

as at September 30, 2021

	Note	Group		Company	
		2021	2020	**2021**	2020
		$'000	$'000	**$'000**	$'000
ASSETS					
Current assets					
Cash and bank balances	6	**38,740**	43,184	**22,895**	24,915
Trade receivables	7	**20,629**	33,137	**-**	-
Other receivables	8	**1,584**	1,134	**537**	555
Inventories	9	**23,122**	17,325	**-**	-
Total current assets		**84,075**	94,780	**23,432**	25,470
Non-current assets					
Property, plant and equipment	10	**5,321**	5,597	**-**	-
Right-of-use assets	11	**4,710**	1,718	**-**	-
Investments in subsidiaries	12	**-**	-	**19,514**	19,514
Investment in associate	13	**570**	525	**-**	-
Financial assets at fair value through other comprehensive income	14	**127**	454	**119**	84
Deferred tax assets	15	**442**	397	**-**	-
Total non-current assets		**11,170**	8,691	**19,633**	19,598
Total assets		**95,245**	103,471	**43,065**	45,068
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	16	**13,329**	16,525	**58**	22
Other payables	17	**2,436**	3,082	**532**	642
Lease liabilities	18	**778**	593	**-**	-
Income tax payable		**661**	1,727	**9**	55
Total current liabilities		**17,204**	21,927	**599**	719
Non-current liabilities					
Lease liabilities	18	**2,992**	8	**-**	-
Deferred tax liabilities	15	**36**	36	**-**	-
Total non-current liabilities		**3,028**	44	**-**	-
Capital and reserves					
Share capital	19	**36,991**	36,991	**36,991**	36,991
Currency translation reserve		**660**	164	**-**	-
Capital reserve		**938**	642	**-**	-
Investment revaluation reserve		**(944)**	(614)	**27**	(5)
Accumulated profits		**37,368**	44,317	**5,448**	7,363
Net equity		**75,013**	81,500	**42,466**	44,349
Total liabilities and equity		**95,245**	103,471	**43,065**	45,068

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended September 30, 2021

	Note	2021 $'000	2020 $'000
Revenue	20	**64,644**	85,844
Cost of sales		**(52,317)**	(65,937)
Gross profit		**12,327**	19,907
Other operating income	21a	**1,016**	1,489
Distribution costs		**(1,979)**	(2,335)
Administrative expenses		**(9,953)**	(10,438)
Other operating expenses	21b	**(724)**	(624)
Share of results of associate	13	**55**	61
Finance costs	22	**(65)**	(42)
Profit before tax		**677**	8,018
Income tax expense	23	**(1,456)**	(1,824)
(Loss) Profit for the year	24	**(779)**	6,194
Other comprehensive income:			
<u>Items that will not be reclassified subsequently to profit or loss:</u>			
Net fair value loss on financial assets at FVTOCI		**(330)**	(568)
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Exchange difference arising on translation of foreign operations		**496**	(201)
Other comprehensive income for the year, net of tax		**166**	(769)
Total comprehensive income for the year		**(613)**	5,425
(Loss) Earnings per share (cents)			
Basic and diluted	25	**(0.9)**	7.4

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended September 30, 2021

	Share capital $'000	Currency translation reserve[1] $'000	Capital reserve[2] $'000	Investment revaluation reserve $'000	Accumulated profits $'000	Net $'000
Group						
Balance at October 1, 2019	36,991	365	501	(171)	45,942	83,628
Total comprehensive income for the year:						
Profit for the year	-	-	-	-	6,194	6,194
Other comprehensive income for the year	-	(201)	-	(568)	-	(769)
Total	-	(201)	-	(568)	6,194	5,425
Transactions with owners, recognised directly in equity:						
Dividends (Note 27)	-	-	-	-	(7,553)	(7,553)
Transfer to reserve fund	-	-	141	-	(141)	-
Total	-	-	141	-	(7,694)	(7,553)
Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal (Note 14)	-	-	-	125	(125)	-
Balance at September 30, 2020	36,991	164	642	(614)	44,317	81,500
Total comprehensive income for the year:						
Loss for the year	-	-	-	-	(779)	(779)
Other comprehensive income for the year	-	496	-	(330)	-	166
Total	-	496	-	(330)	(779)	(613)
Transactions with owners, recognised directly in equity:						
Dividends (Note 27)	-	-	-	-	(5,874)	(5,874)
Transfer to reserve fund	-	-	296	-	(296)	-
Total	-	-	296	-	(6,170)	(5,874)
Balance at September 30, 2021	**36,991**	**660**	**938**	**(944)**	**37,368**	**75,013**

(1) Comprises exchange differences arising from the translation of the net investment in foreign entities.

(2) Laws and regulations in the People's Republic of China ("PRC") require foreign investment enterprises to appropriate from profit after tax, an amount to the capital reserve fund.

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the financial year ended September 30, 2021

	Share capital $'000	Investment revaluation reserve $'000	Accumulated profits $'000	Total $'000
Company				
Balance at October 1, 2019	36,991	(179)	10,100	46,912
Total comprehensive income for the year:				
Profit for the year	-	-	4,941	4,941
Other comprehensive income for the year	-	49	-	49
Total	-	49	4,941	4,990
Dividends, representing transaction with owners recognised directly in equity (Note 27)	-	-	(7,553)	(7,553)
Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal (Note 14)	-	125	(125)	-
Balance at September 30, 2020	36,991	(5)	7,363	44,349
Total comprehensive income for the year:				
Profit for the year	-	-	3,959	3,959
Other comprehensive income for the year	-	32	-	32
Total	-	32	3,959	3,991
Dividends, representing transaction with owners, recognised directly in equity (Note 27)	-	-	(5,874)	(5,874)
Balance at September 30, 2021	**36,991**	**27**	**5,448**	**42,466**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended September 30, 2021

	2021 $'000	2020 $'000
Operating activities		
Profit before tax	**677**	8,018
Adjustments for:		
Share of results of associate	**(55)**	(61)
Depreciation of property, plant and equipment	**815**	810
Depreciation of right-of-use assets	**889**	745
Reversal of impairment on property, plant and equipment	**-**	(10)
Interest income	**(202)**	(548)
Dividend income	**(3)**	(3)
Finance costs	**65**	42
Gain on disposal of property, plant and equipment	**(2)**	(10)
Property, plant and equipment written off	**55**	10
(Reversal of) Loss allowance recognised on trade receivables (net)	**(28)**	99
(Reversal of) Allowance for inventories (net)	**(646)**	587
Operating cash flows before movements in working capital	**1,565**	9,679
Trade receivables	**13,221**	(1,682)
Other receivables	**(431)**	(93)
Inventories	**(4,998)**	2,171
Trade payables	**(2,860)**	515
Other payables	**(611)**	(63)
Cash generated from operations	**5,886**	10,527
Interest received	**202**	548
Interest paid	**(65)**	(42)
Income tax paid	**(2,552)**	(1,507)
Net cash from operating activities	**3,471**	9,526
Investing activities		
Dividends received from associate	**-**	112
Dividends received from equity instruments held at FVTOCI	**3**	3
Proceeds from disposal of equity instruments held at FVTOCI	**-**	866
Proceeds from disposal of property, plant and equipment	**21**	13
Purchase of property, plant and equipment	**(519)**	(1,034)
Purchase of equity instruments held at FVTOCI	**-**	(89)
Net cash used in investing activities	**(495)**	(129)

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the financial year ended September 30, 2021

	2021 $'000	2020 $'000
Financing activities		
Fixed deposits and bank balances pledged	-	1
Dividends paid	**(5,874)**	(7,553)
Repayment of lease liabilities	**(724)**	(687)
Net cash used in financing activities	**(6,598)**	(8,239)
Net (decrease) increase in cash and cash equivalents	**(3,622)**	1,158
Cash and cash equivalents at beginning of year	**43,021**	41,300
Net effect of foreign exchange rate changes	**(821)**	563
Cash and cash equivalents at end of year (Note 6)	**38,578**	43,021

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

1. GENERAL

The Company (Registration No. 199905792R) is incorporated in Singapore with its principal place of business and registered office at 996 Bendemeer Road, #07-06, Singapore 339944. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 12.

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 September 30, 2021 were authorised for issue by the Board of Directors on December 10, 2021.

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 (International) ("SFRS(I)s").

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 leasing transactions that are within the scope of SFRS(I) 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 Inventories or value in use in SFRS(I) 1-36 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 October 1, 2020, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/ revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

NEW/REVISED STANDARDS AND IMPROVEMENTS TO THE STANDARDS NOT YET ADOPTED

At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements relevant to the Group were issued but not effective:

- Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: *Interest Rate Benchmark Reform – Phase 2*[1]
- Amendments to SFRS(I) 16 Leases: *Covid-19-Related Rent Concessions*[2]
- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*[3]
- Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*[3]
- Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*[3]
- Annual improvements to SFRS(I)s 2018-2020[3]
- Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-Current*[4]
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*[4]
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*[4]
- Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[4]
- Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1-28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between Investor and its Associate or Joint Venture*[5]

[1] Applies to annual periods beginning on or after January 1, 2021
[2] Applies to annual periods beginning on or after April 1, 2021
[3] Applies to annual periods beginning on or after January 1, 2022
[4] Applies to annual periods beginning on or after January 1, 2023
[5] Effective date is deferred indefinitely

Management anticipates that the adoption of the above amendments to SFRS(I)s in future periods will not have a material impact on the financial statements in the period of their initial adoption.

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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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.

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

<u>Changes in the Group's ownership interests in existing subsidiaries</u>
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 SFRS(I)s). 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 SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 interests 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *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 acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment at the acquisition date*; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *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 SFRS(I).

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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

<u>Classification of financial assets</u>

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

Despite the aforegoing, the Group may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss under “other operating income” line item.

Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination to which SFRS(I) 3 applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated profits.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (see Note 14).

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other operating income" line item in profit or loss.

<u>Foreign exchange gains and losses</u>
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in either the "other operating income" or the "other operating expenses" line items; and

- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investment revaluation reserve.

<u>Impairment of financial assets</u>
The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognised lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely trading and assembly of emergency lighting, electrical apparatus, light fittings and related products, manufacturing and trading of electronic and electrical products and dealers in electronic and electrical appliances.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- significant increases in credit risk on other financial instruments of the same debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors;
- Nature of collaterals for other receivables; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

<u>Derecognition of financial assets</u>
The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when 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 ownerships of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profits.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt 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.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised either in the "other operating income" or "other operating expenses" line items in profit or loss for financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group and the Company have a legally enforceable right to set off the recognised amounts; and intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

CAPITAL RESERVE

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC") applicable to foreign investment enterprises and the Articles of Association of the PRC subsidiaries, the dividend declaring subsidiaries are required to maintain two statutory reserves, being a statutory surplus reserve fund and an enterprise fund. Appropriations to such reserves are made out of profit after taxation of the statutory financial statements of the subsidiaries. The subsidiaries are required to transfer 10% of its profit after taxation as reported in its PRC statutory financial statements to the statutory surplus reserve fund until the balance reached 50% of its registered capital. The statutory surplus reserve fund can be used to make up prior year losses incurred and, with approval from relevant government authority, to increase capital.

LEASES

<u>The Group as lessee</u>

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in “Impairment of non-financial assets”.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line ‘Other operating expenses” in the consolidated statement of profit or loss.

As a practical expedient, SFRS(I) 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has not used this practical expedient. For a contract that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Costs comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Buildings	-	2% to 5%
Plant and machinery	-	10% to 20%
Furniture, fittings and office equipment	-	10% to 33.33%
Motor vehicles	-	10% to 20%

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

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.

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 amount of the asset and is recognised in profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial 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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 SFRS(I) 5 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 SFRS(I) 9 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 SFRS(I) 1-36 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 SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

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 SFRS(I) 9. 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.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

GOVERNMENT GRANTS

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received. Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other 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. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

REVENUE RECOGNITION

The Group recognises revenue from the sale of goods.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product to a customer.

<u>Sale of goods</u>

The Group manufactures and sells electrical and electronic products, emergency lighting, electrical apparatus, light fittings and related products.

Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. Delivery occurs when the goods have been shipped to the customer's specific location. A receivable is recognised by the Group upon delivery as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 shareholder's rights to receive payment have been established.

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 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.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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 and statement of changes in equity 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.

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 currency translation reserve.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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, loss of joint control over a jointly controlled entity 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.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is 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 currency translation reserve.

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.

Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements (apart from those involving estimations which are dealt with below).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at 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 described below:

<u>Allowance for inventories</u>

The value of the inventories and the usage are affected by market demand and technological advances. Management is required to assess at each reporting date whether there is any indication that the cost of inventories exceeds the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. There is judgement involved in assessing the level of inventory allowance required.

The carrying amount of inventories is disclosed in Note 9.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Financial assets				
Financial assets at amortised cost	**59,696**	76,609	**23,367**	25,362
Financial assets at FVTOCI:				
Equity instruments designated as at FVTOCI	**127**	454	**119**	84
Financial liabilities				
Amortised cost	**15,213**	19,125	**590**	572
Lease liabilities	**3,770**	601	**-**	-

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and Company do not have any financial instruments which are subject to enforceable master netting arrangements or similar netting arrangements.

(c) Financial risk management policies and objectives

The Group's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates.

The Group does not hold nor issue derivative financial instruments for speculative purpose.

There has been no change to the Group's exposure to these financial risks nor the manner in which it manages and measures the risks.

(i) Foreign exchange risk management

Foreign exchange risk arises from a change in foreign currency exchange rate which is expected to have an adverse effect on the Group and the Company in the current reporting period and in future years.

The Group has sales and purchases primarily denominated in United States dollars, Malaysian ringgit and Singapore dollars. Fluctuations in the exchange rate between the United States dollars, Malaysian ringgit and Singapore dollars against the functional currency of the Group entity will therefore have an impact on the Group. With a higher proportion of sales than purchases and expenses denominated in either United States dollars or Malaysian ringgit, any depreciation of United States dollars or Malaysian ringgit against Singapore dollars will have an unfavourable impact on the Group.

The Group does not have any formal policy with respect to the foreign currency exposure and does not intend to pursue such a policy in the future.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(continued)*

At the reporting date, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group entities' functional currencies are as follows:

	Assets		Liabilities	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Group				
United States dollars	**42,495**	55,604	**32,034**	31,584
Singapore dollars	**5**	5,787	**42**	-
Malaysian ringgit	**6,438**	5,657	**13**	-
Company				
United States dollars	**2,994**	9,771	**-**	-
Malaysian ringgit	**5,584**	5,547	**-**	-

The Company has investments in foreign subsidiaries whose net assets are exposed to currency risk.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each Group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes receivables to and payables from foreign operations within the Group where they gave rise to an impact on the Group's profit or loss.

If the United States dollar, Singapore dollar and Malaysian ringgit weakens by 10% against the functional currency of each Group entity with all other variables being held constant, profit or loss will increase (decrease) by:

	US dollar impact		Singapore dollar impact		Malaysian ringgit impact	
	2021	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Profit or loss						
Group	**(1,046)**[i]	(2,402)[i]	**4**[i]	(579)[i]	**(643)**[i]	(566)[i]
Company	**(299)**[ii]	(977)[ii]	**-**	-	**(558)**[ii]	(555)[ii]

If the United States dollar, Singapore dollar and Malaysian ringgit strengthens by 10% against the functional currency of each Group entity with other variables being held constant, profit or loss will increase or decrease by the same but opposite amount.

(i) This is mainly attributable to the exposure outstanding on foreign currency denominated cash and bank balances, receivables and payables at year end.

(ii) This is mainly attributable to the exposure on foreign currency denominated cash and bank balances at year end.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(continued)*

(ii) Interest rate risk management

All financial assets and liabilities at the end of the reporting period do not bear interest except for cash and bank balances and lease liabilities. The Group's profit or loss and equity are not affected by the changes in interest rates as the interest-bearing instruments are carried at fixed interest rates.

(iii) Overview of the Group's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at September 30, 2021, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages these risks by monitoring credit-worthiness and limiting the aggregate risk to any individual counterparty. Therefore, the Group does not expect to incur material credit losses on its financial instruments. The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors. 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's current credit risk framework comprises the following categories:

Category	**Description**	**Basis for recognising expected credit losses ("ECL")**
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	Trade receivables: Lifetime ECL – not credit-impaired Other receivables: 12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(continued)*

The table below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group						
2021						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	**20,782**	**(153)**	**20,629**
Other receivables	8	Performing	12-month ECL	**327**	-	**327**
					(153)	
2020						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	33,565	(428)	33,137
Other receivables	8	Performing	12-month ECL	288	-	288
					(428)	
Company						
2021						
Other receivables	8	Performing	12-month ECL	**472**	-	**472**
2020						
Other receivables	8	Performing	12-month ECL	447	-	447

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated from historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 7 includes further details on the loss allowance for these assets.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(continued)*

(iv) 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 and the Company. The Group and the Company have adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial losses from defaults.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except that as at September 30, 2021, the Group has 2 (2020 : 3) major outstanding third party debtors amounting to $14,648,000 (2020 : $25,017,000) which accounted for 70% (2020 : 75%) of the total gross trade receivable balance.

The Group places its cash and bank balances with reputable institutions.

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

Further details of credit risks on trade and other receivables are disclosed in Notes 7 and 8 respectively.

(v) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified at FVTOCI. These equity investments are held for strategic rather than trading purposes. The Group does not actively trade such investments.

Further details of these equity investments can be found in Note 14.

Equity price sensitivity

The sensitivity analysis below has been determined based on the exposure to equity price risks at the reporting date.

In respect of these equity investments, if the inputs to the valuation model had been 5% higher/lower while all other variables were held constant; the Group's investment revaluation reserve would increase/decrease by $6,000 (2020 : $23,000). 5% is the sensitivity rate used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

(vi) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. The Group minimises liquidity risk by keeping committed credit lines available.

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 adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liabilities on the statement of financial position.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(continued)*

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustments $'000	Total $'000
Group					
2021					
Non-interest bearing	-	**15,213**	-	-	**15,213**
Lease liabilities (fixed rate)	**3.70**	**925**	**3,242**	**(397)**	**3,770**
		16,138	**3,242**	**(397)**	**18,983**
2020					
Non-interest bearing	-	19,125	-	-	19,125
Lease liabilities (fixed rate)	4.00	605	8	(12)	601
		19,730	8	(12)	19,726
Company					
2021					
Non-interest bearing	-	**590**	-	-	**590**
2020					
Non-interest bearing	-	572	-	-	572

Non-derivative financial assets

Other than the Group's equity instruments, all non-derivative financial assets as at September 30, 2021 and September 30, 2020 are repayable on demand or due within 1 year from the end of the reporting period.

(vii) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables 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 the financial statements.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used).

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(continued)*

Financial Assets	Fair value as at ($'000)		Fair value hierarchy	Valuation technique and key input	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021	2020				
	Assets	Assets				
Financial assets at fair value through other comprehensive income – quoted equity shares	**119**	84	Level 1	Quoted bid prices in an active market.	N/A	N/A
Financial assets at fair value through other comprehensive income - unquoted equity shares	**8**	370	Level 3	2021: Market approach - in this approach, fair value of the investee entity is determined based on the *enterprise value over revenue multiple* by reference to a portfolio of comparable companies and comparable transactions which is then adjusted against a discount for lack of marketability ("DLOM") of 25%-30% (2020 : Net Asset approach - in this approach, the net asset value of the investee entity is used to estimate the fair value)	2021 : DLOM (2020 : The net asset value of the investee entity)	2021 : The higher the DLOM, the lower the fair value (2020 : The higher the net asset value, the higher the fair value)

In prior year, the fair value of the unquoted equity shares was determined by an independent valuer using the Net Asset approach as the investee entity is in the early stage of its business. Accordingly, the fair value of the unquoted equity shares was determined based on the investee entity's unaudited net asset value as at September 30, 2020. In the current year, Net Asset approach has not been applied as there has been no marked progress in the business of the investee entity after several years of research and development activities, and the net assets include certain capitalised development costs which may not be recoverable. Accordingly, the fair value of the unquoted equity shares was determined based on Market Approach as at the end of the reporting period.

There has been no transfer between the different levels of the fair value hierarchy during the year ended September 30, 2021 and September 30, 2020.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

4. FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT *(continued)*

(d) Capital 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 issued capital, reserves and accumulated profits.

The Company's Board of Directors reviews the capital structure on a yearly basis and balances the Group's overall capital structure through the payment of dividends.

The Group's overall strategy remains unchanged from prior year.

5. OTHER 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 is reflected in these financial statements. The balances are unsecured, interest-free, repayable on demand and expected to be settled in cash, unless otherwise stated.

During the year, a subsidiary of the Group entered into the following transactions with a related party:

	Group	
	2021	2020
	$'000	$'000
Transactions with associate:		
Purchase of goods	**2**	42
Commission expense	**1,195**	1,591

Compensation of directors and key management personnel

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

	Group	
	2021	2020
	$'000	$'000
Short-term benefits	**1,820**	2,096
Post-employment benefits	**49**	51
	1,869	2,147

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

6. CASH AND BANK BALANCES

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Fixed deposits	**26,788**	28,086	**19,646**	16,761
Cash and bank balances	**11,952**	15,098	**3,249**	8,154
Total	**38,740**	43,184	**22,895**	24,915
Less: Fixed deposits pledged	**(162)**	(163)		
Cash and cash equivalents in consolidated statement of cash flows	**38,578**	43,021		

Cash and bank balances comprise cash and fixed deposits held by the Group and the Company which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Fixed deposits bear interest at average interest rates ranging from 0.14% to 1.90% (2020 : 0.01% to 3.10%) per annum and with a tenure of three months or less. Fixed deposits of $162,000 (2020 : $163,000) have been pledged for bank guarantees granted to third parties on behalf of the Group.

At September 30, 2021, the Group had cash and bank balances placed with banks in the People's Republic of China amounting to $1,306,000 (2020 : $623,000). The repatriation of these cash into Singapore is subject to the Foreign Exchange Control Regulations in China.

7. TRADE RECEIVABLES

	Group	
	2021	2020
	$'000	$'000
Outside parties	**20,782**	33,565
Loss allowance - outside parties	**(153)**	(428)
	20,629	33,137

As at October 1, 2019, trade receivables from contracts with customers amounted to $32,086,000 (net of allowance of $843,000).

The average credit period on sales of goods ranged from 30 days to 100 days (2020 : 30 days to 100 days). No interest is charged on outstanding trade receivables that are beyond the credit timeframe.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses ("ECL"). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

7. TRADE RECEIVABLES *(continued)*

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings. None of the trade receivables that have been written off is subject to enforcement activities.

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base.

	Group Trade Receivables - days past due					
	Not past due $'000	Up to 3 months $'000	4 months to 6 months $'000	7 months to 12 months $'000	>12 months $'000	Total $'000
2021						
Expected credit loss rate	**0.06%**	**2.13%**	**3.51%**	**60%**	**98.20%**	
Estimated total gross carrying amount at default	**19,793**	**47**	**826**	**5**	**111**	**20,782**
Lifetime ECL	**(11)**	**(1)**	**(29)**	**(3)**	**(109)**	**(153)**
						20,629
2020						
Expected credit loss rate	0.04%	0.68%	5.13%	44.07%	100%	
Estimated total gross carrying amount at default	32,066	147	955	59	338	33,565
Lifetime ECL	(14)	(1)	(49)	(26)	(338)	(428)
						33,137

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

7. TRADE RECEIVABLES *(continued)*

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9:

	Lifetime ECL - non-credit impaired $'000	Lifetime ECL - credit-impaired $'000	Total $'000
Balance as at October 1, 2019	-	843	843
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	98	1	99
Amounts written off	-	(502)	(502)
Currency translation differences	-	(12)	(12)
Balance as at September 30, 2020	98	330	428
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	(47)	19	(28)
Amounts written off	-	(247)	(247)
Balance as at September 30, 2021	**51**	**102**	**153**

8. OTHER RECEIVABLES

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
Value-added tax recoverable	**181**	21	-	-
Prepayments	**763**	564	**30**	22
Deposits	**287**	234	-	-
Subsidiaries (Note 12)	-	-	**450**	444
Export tax rebates recoverable	**239**	-	-	-
Government grant receivables	**74**	261	**35**	86
Others	**40**	54	**22**	3
	1,584	1,134	**537**	555

Loss allowance for other receivables has always been at an amount equal to lifetime expected credit losses ("ECL"). The ECL on other receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. Management believes that there is no loss allowance required using 12-month ECL as it is not material.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

Government grant receivables relate to the Enhanced Jobs Support Scheme provided by the Singapore government which are expected to be received within the next financial year.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

9. INVENTORIES

	Group	
	2021	2020
	$'000	$'000
Finished goods	**6,042**	4,740
Work in progress	**1,520**	1,567
Raw materials	**15,560**	11,018
	23,122	17,325

In the previous financial year, an allowance for inventories of $587,000 was made in respect of write-down of inventory to net realisable value.

During the year, the Group recognised a reversal of $646,000, being part of an inventory write-down made in the previous financial years, as the inventories were sold above the carrying amounts in 2021.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land	Buildings	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Cost:						
At October 1, 2019	282	4,721	10,133	1,424	905	17,465
Additions	-	5	806	36	187	1,034
Disposals	-	-	(1)	(3)	(29)	(33)
Write off	-	(2)	(19)	(22)	-	(43)
Exchange differences	(2)	(43)	32	12	(4)	(5)
At September 30, 2020	280	4,681	10,951	1,447	1,059	18,418
Additions	-	69	119	331	-	519
Disposals	-	-	(149)	(37)	-	(186)
Write off	-	-	(449)	(661)	-	(1,110)
Exchange differences	(2)	(35)	217	37	1	218
At September 30, 2021	**278**	**4,715**	**10,689**	**1,117**	**1,060**	**17,859**
Accumulated depreciation:						
At October 1, 2019	-	1,994	7,897	1,083	713	11,687
Depreciation for the year	-	103	522	105	80	810
Eliminated on disposals	-	-	(1)	(3)	(26)	(30)
Write off	-	(1)	(13)	(19)	-	(33)
Exchange differences	-	(16)	5	11	(4)	(4)
At September 30, 2020	-	2,080	8,410	1,177	763	12,430
Depreciation for the year	-	85	572	75	83	815
Eliminated on disposals	-	-	(134)	(33)	-	(167)
Write off	-	-	(394)	(661)	-	(1,055)
Exchange differences	-	(14)	109	31	-	126
At September 30, 2021	**-**	**2,151**	**8,563**	**589**	**846**	**12,149**
Impairment:						
At October 1, 2019	-	378	27	-	-	405
Reversal for the year	-	-	(10)	-	-	(10)
Exchange differences	-	(5)	1	-	-	(4)
At September 30, 2020	-	373	18	-	-	391
Exchange differences	-	(3)	1	-	-	(2)
At September 30, 2021	**-**	**370**	**19**	**-**	**-**	**389**
Carrying amount:						
At September 30, 2021	**278**	**2,194**	**2,107**	**528**	**214**	**5,321**
At September 30, 2020	280	2,228	2,523	270	296	5,597

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

11. RIGHT-OF-USE ASSETS

The Group leases its leasehold land, factory and office space and office equipment. The average lease term of factory and office space and office equipment ranges from 2 to 5 years (2020 : 2 to 5 years). The average lease term of leasehold land ranges from 56 to 97 years (2020 : 56 to 97 years).

	Leasehold land $'000	Factory and office space $'000	Office equipment $'000	Total $'000
Group				
Cost:				
At October 1, 2019	1,896	1,259	16	3,171
Exchange differences	(19)	16	-	(3)
At September 30, 2020	1,877	1,275	16	3,168
Additions	-	3,832	-	3,832
Derecognition of right-of-use assets	-	(1,315)	-	(1,315)
Exchange differences	(15)	82	-	67
At September 30, 2021	**1,862**	**3,874**	**16**	**5,752**
Accumulated depreciation:				
At October 1, 2019	616	-	-	616
Depreciation for the year	32	709	4	745
Exchange differences	(6)	(4)	-	(10)
At September 30, 2020	642	705	4	1,351
Depreciation for the year	32	853	4	889
Derecognition of right-of-use assets	-	(1,315)	-	(1,315)
Exchange differences	(5)	24	-	19
At September 30, 2021	**669**	**267**	**8**	**944**
Impairment:				
At October 1, 2019	100	-	-	100
Exchange differences	(1)	-	-	(1)
At September 30, 2020	99	-	-	99
Exchange differences	(1)	-	-	(1)
At September 30, 2021	**98**	-	-	**98**
Carrying amount:				
At September 30, 2021	**1,095**	**3,607**	**8**	**4,710**
At September 30, 2020	1,136	570	12	1,718

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021	2020
	$'000	$'000
Unquoted equity shares, at cost	**19,514**	19,514

Details of the subsidiaries are as follows:

Name of subsidiary	Proportion of ownership interest/ voting power held		Principal activities/ Country of incorporation
	2021	2020	
	%	%	
Da Xi Enterprises Ltd[3]	**100**	100	Trading of electrical and electronic products/ British Virgin Islands
PNE Appliance Controls Pte Ltd	**100**	100	Dealers in electronic and electrical appliances/ Singapore
PNE Electric Sdn Bhd[1]	**100**	100	Manufacture of electronic and electrical products/ Malaysia
PNE Electronic Technology (Shenzhen) Co., Ltd[2]	**100**	100	Manufacture of electronic and electrical products/ People's Republic of China
PNE International Pte Ltd	**100**	100	Investment holding/ Singapore
PNE Systems Sdn Bhd[1]	**100**	100	Dealers in domestic and commercial electrical appliances/ Malaysia
PNE Translite Pte Ltd	**100**	100	Trading and assembly of emergency lighting, electrical apparatus, light fittings and related products/ Singapore
Wanli Company Enterprises Ltd[3]	**100**	100	Trading of electrical and electronic products/ British Virgin Islands
Wanxi Holdings Pte Ltd	**100**	100	Investment holding/ Singapore

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

12. INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes:

Audited by Deloitte & Touche LLP, Singapore except as follows:

(1) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

(2) Audited by another firm of auditors, Shenzhen Yida Certified Public Accountants.

(3) Not required to be audited by law in the country of incorporation and not material.

The Group is in compliance with Listing Rules 712 and 715 of the Singapore Exchange Securities Trading Limited as management is of the view that suitable auditing firms have been appointed to meet the Group's audit obligations.

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

There were no significant restrictions on the Company or its subsidiaries' ability to access or use the assets and settle the liabilities of the Group.

Significant transactions with subsidiaries:

	Company	
	2021	2020
	$'000	$'000
Dividend income	**4,190**	4,682
Management fee income	**1,584**	1,525

13. INVESTMENT IN ASSOCIATE

	Group	
	2021	2020
	$'000	$'000
Unquoted equity shares, at cost	**155**	155
Share of post-acquisition accumulated profits, net of dividends received	**424**	369
Currency realignment	**(9)**	1
	570	525

Details of the Group's associate are as follows:

Name of associate	Proportion of ownership interest/ voting power held 2021 %	2020 %	Principal activities/ Country of incorporation
PNE Benelux BV [1]	**50**	50	Marketing and engineering services/ The Netherlands

Note:

(1) No audit is required in the country of incorporation and the share of results are not material to the Group.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

13. INVESTMENT IN ASSOCIATE *(continued)*

Summarised financial information in respect of the Group's associate is set out below:

	2021 $'000	2020 $'000
Current assets	**1,170**	1,123
Non-current assets	**48**	69
Total assets	**1,218**	1,192
Current liabilities	**(198)**	(262)
Net assets	**1,020**	930

	2021 $'000	2020 $'000
Revenue	**1,410**	1,958
Profit for the year	**110**	122
Group's share of associate's profit for the year	**55**	61
Dividends received from associate during the year	-	112

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in these consolidated financial statements:

	2021 $'000	2020 $'000
Net assets of the associate	**1,020**	930
Proportion of the Group's ownership in associate	**50%**	50%
Group's share of associate's net assets	**510**	465
Goodwill	**48**	48
Others	**12**	12
Carrying amount of the Group's share of associate's net assets	**570**	525

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Investments in equity instruments designated at FVTOCI:				
Quoted equity shares	**119**	84	**119**	84
Unquoted equity shares	**8**	370	-	-
	127	454	**119**	84

These investments in equity instruments are not held for trading. Instead they are held for medium to long-term strategic purposes. Accordingly, management has elected to designate these investments in equity instruments as at FVTOCI as management believes that recognising short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

In the previous financial year, the Group disposed its quoted equity shares in an investee entity to maximise returns after assessing the market outlook for the investment. These disposed investments had a fair value of $866,000 at the date of disposal, and the cumulative loss on disposal amounted to $125,000, net of tax. The cumulative loss on disposal was reclassified from investment revaluation reserve to accumulated profits. The balance of quoted equity shares at the end of the previous reporting period represents a new equity investment during the previous financial year.

15. DEFERRED TAX ASSETS (LIABILITIES)

The following are the major deferred tax assets and liabilities recognised by the Group and movements thereon during the year:

	Provisions	**Tax over book depreciation**	**Total**
	$'000	**$'000**	**$'000**
Group			
Balance at October 1, 2019	188	(50)	138
Credit to profit or loss for the year (Note 23)	202	13	215
Exchange differences	7	1	8
Balance at September 30, 2020	397	(36)	361
(Charge) Credit to profit or loss for the year (Note 23)	34	(1)	33
Exchange differences	11	1	12
Balance at September 30, 2021	**442**	**(36)**	**406**

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

15. DEFERRED TAX ASSETS (LIABILITIES) *(continued)*

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position presentation purposes:

	Group	
	2021	2020
	$'000	$'000
Deferred tax assets	**442**	397
Deferred tax liabilities	**(36)**	(36)
	406	361

At the end of the reporting period, a subsidiary of the Group has tax benefits of $263,000 (2020 : $Nil) arising from unutilised tax losses, which are available for set off against future taxable profits. These tax benefits were not recognised in the financial statements due to the uncertainty of their realisation. The utilisation of these tax benefits is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the country in which the subsidiary operates. These unutilised tax losses will expire within five years.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is $17,247,000 (2020 : $21,284,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not crystallise in the foreseeable future.

16. TRADE PAYABLES

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Outside parties	**12,639**	16,214	**58**	22
Related parties (Note 5)	**138**	88	**-**	-
Contract liability	**552**	223	**-**	-
	13,329	16,525	**58**	22

The average credit period on purchases of goods is 30 to 90 days (2020 : 30 to 90 days). No interest is charged on outstanding trade payable balances beyond the credit timeframe.

Contract liability relates to advance consideration received from customers for contract revenue.

The increase in contract liability balances from 2020 to 2021 was mainly due to advance receipts from customers for the purchase of raw materials for future deliveries of finished goods.

The amount of revenue recognised in the current period which relates to brought-forward contract liability is $141,000 (2020 : $230,000).

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

17. OTHER PAYABLES

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Accruals	**2,436**	2,823	**532**	550
Deferred government grant income	-	259	-	92
	2,436	3,082	**532**	642

18. LEASE LIABILITIES

	Group	
	2021	2020
	$'000	$'000
Maturity analysis:		
Year 1	**925**	605
Year 2	**968**	4
Year 3	**875**	4
Year 4	**763**	-
Year 5	**636**	-
	4,167	613
Less: Unearned interest	**(397)**	(12)
	3,770	601
Analysed as:		
Current	**778**	593
Non-current	**2,992**	8
	3,770	601

The Group does not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's finance and treasury function.

The above represents leases for factory and office space and office equipment. The weighted average incremental borrowing rate was 3.7% (2020: 4.0%) per annum.

As at September 30, 2021, the fair values of the Group's lease liabilities approximates their carrying amounts.

<u>Reconciliation of liabilities arising from financing activities</u>

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

18. LEASE LIABILITIES *(continued)*

			Non-cash changes		
	October 1, 2020 $'000	Financing cash flows[1] $'000	New lease liabilities $'000	Exchange differences $'000	**September 30, 2021 $'000**
Lease liabilities	601	(724)	3,832	61	**3,770**

			Non-cash changes	
	October 1, 2019 $'000	Financing cash flows[1] $'000	Exchange differences $'000	September 30, 2020 $'000
Lease liabilities	1,275	(687)	13	601

[1] The cash flows make up the repayment of lease liabilities in the consolidated statement of cash flows.

19. SHARE CAPITAL

	Group and Company			
	2021 '000	2020 '000	**2021 $'000**	2020 $'000
	Number of ordinary shares			
Issued and paid-up capital:				
At the beginning and end of year	**83,917**	83,917	**36,991**	36,991

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

20. REVENUE

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 26).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2021 $'000	2020 $'000
Segment revenue		
Contract manufacturing	**57,686**	78,726
Trading	**6,952**	7,115
Others	**6**	3
	64,644	85,844

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

21a. OTHER OPERATING INCOME

	Group	
	2021	2020
	$'000	$'000
Interest income from fixed deposits	**202**	548
Reversal of loss allowance recognised on trade receivables (net)	**28**	-
Government grant income	**638**	517
Reversal of impairment loss on property, plant and equipment	**-**	10
Income from sale of scrap	**90**	180
Gain on disposal of property, plant and equipment	**2**	10
Other	**56**	224
	1,016	1,489

Government grants mainly represent support given by the Singapore and Malaysia governments to support businesses financially impacted by the COVID-19 outbreak.

21b. OTHER OPERATING EXPENSES

	Group	
	2021	2020
	$'000	$'000
Foreign exchange loss (net)	**558**	487
Property, plant and equipment written off	**55**	10
Loss allowance recognised on trade receivables	**-**	99
Expenses relating to leases of low value assets	**5**	5
Expenses relating to short-term leases	**106**	23
	724	624

22. FINANCE COSTS

	Group	
	2021	2020
	$'000	$'000
Interest expense on lease liabilities	**65**	42

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

23. INCOME TAX EXPENSE

	Group	
	2021	2020
	$'000	$'000
Current tax:		
Singapore	**144**	372
Foreign	**491**	1,667
Deferred tax	**(103)**	(119)
Under (Over) provision in prior years:		
Current tax	**854**	-
Deferred tax	**70**	(96)
	1,456	1,824

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2020 : 17%) to profit before tax as a result of the following differences:

	Group	
	2021	2020
	$'000	$'000
Profit before tax	**677**	8,018
Income tax expense at statutory rate	**115**	1,363
(Non-taxable) Non-deductible items	**(157)**	42
Effects of different tax rates of overseas operations	**275**	535
Exempt income	**(17)**	(54)
Under (Over) provision of taxes in prior years	**924**	(96)
Unrecognised deferred tax benefits	**310**	51
Others	**6**	(17)
	1,456	1,824

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

24. (LOSS) PROFIT FOR THE YEAR

(Loss) Profit for the year has been arrived at after charging:

	Group	
	2021	2020
	$'000	$'000
Directors' remuneration:		
Directors of the Company	**1,095**	1,373
Directors of subsidiaries	**79**	74
Employee benefits expense (including directors' remuneration)	**15,422**	16,834
Cost of defined contribution plans (included in employee benefits expense)	**869**	791
Audit fees:		
Paid to auditors of the Company	**151**	144
Paid to other auditors	**29**	29
Non-audit fees:		
Paid to auditors of the Company	**12**	24
Paid to other auditors	**5**	5
Cost of inventories included in cost of sales	**52,317**	65,937

25. (LOSS) EARNINGS PER SHARE

The calculation of the basic loss/earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2021	2020
(Loss) Profit for the year ($'000)	**(779)**	6,194
Number of fully paid ordinary shares in issue during the year (in '000)	**83,917**	83,917

As there are no dilutive potential ordinary shares issued and/or granted, the fully diluted earnings per share is the same as the basic earnings per share.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

26. SEGMENT INFORMATION

(a) Business segment

The Group determines its operating segments based on internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance.

The Group is organised into business units based on their products on which information is prepared and reportable to the Group's chief operating decision maker for the purposes of resources allocation and assessment of performance.

The Group's reportable segments are therefore contract manufacturing, trading and others, as described below:

Contract manufacturing - The products sold include electronic controllers and electronic and electrical products.

Trading - The products sold include emergency lighting equipment and related products.

Others - Refer to others which do not fall into the above segments.

Information regarding the Group's reporting segments is presented below.

(i) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		**Net Profit (Loss)**	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Contract manufacturing	**57,686**	78,726	**440**	6,843
Trading	**6,952**	7,115	**413**	658
Others	**6**	3	**(368)**	(50)
Total	**64,644**	85,844	**485**	7,451
Interest income			**202**	548
Share of results of associate			**55**	61
Finance costs			**(65)**	(42)
Profit before tax			**677**	8,018
Income tax expense			**(1,456)**	(1,824)
(Loss) Profit for the year			**(779)**	6,194

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

26. SEGMENT INFORMATION *(continued)*

Revenue reported above represents revenue generated from external customers after excluding all inter-segment sales between contract manufacturing segment and trading segment during the year amounting to $6,762,000 (2020 : $6,203,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment, before finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(ii) Segment assets and liabilities

	2021 $'000	2020 $'000
Segment assets		
Contract manufacturing	**51,408**	54,821
Trading	**3,699**	3,979
Others	**829**	636
Total segment assets	**55,936**	59,436
Unallocated	**39,309**	44,035
Consolidated assets	**95,245**	103,471
Segment liabilities		
Contract manufacturing	**14,316**	17,568
Trading	**901**	1,389
Others	**548**	650
Total segment liabilities	**15,765**	19,607
Unallocated	**4,467**	2,364
Consolidated liabilities	**20,232**	21,971

All assets are allocated to reportable segments other than cash and bank balances (Note 6), financial assets at fair value through other comprehensive income (Note 14), and deferred tax assets (Note 15).

All liabilities are allocated to reportable segments other than lease liabilities (Note 18), income tax payable and deferred tax liabilities (Note 15).

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

26. SEGMENT INFORMATION *(continued)*

(iii) Other segment information

	Depreciation		Additions to non-current assets*		(Reversal of) Loss allowance on trade receivables		(Reversal of) allowance for inventories	
	2021	2020	**2021**	2020	**2021**	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Contract manufacturing	**1,494**	1,324	**4,046**	929	**(25)**	55	**(407)**	537
Trading	**210**	231	**305**	105	**(3)**	44	**(239)**	50
Others	**-**	-	**-**	84	**-**	-	**-**	-
	1,704	1,555	**4,351**	1,118	**(28)**	99	**(646)**	587

* excluding deferred tax assets.

In addition to the depreciation reported above, reversal of impairment loss of $10,000 attributable to the reportable segment under contract manufacturing was recognised in respect of property, plant and equipment in 2020.

(b) Geographical information

The Group's activities are mainly located in Europe, Malaysia, Singapore and the People's Republic of China.

The Group's revenue is analysed by geographical location of its customers and the analysis on the carrying amount of non-current assets is based on geographical location of its assets.

	Revenue from external customers		Non-current assets	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Romania	**27,030**	25,092	**-**	-
Netherlands	**10,374**	14,809	**578**	894
Europe (excluding Romania and Netherlands)	**7,819**	12,186	**-**	-
People's Republic of China	**4,878**	19,812	**4,520**	2,086
Malaysia	**5,341**	5,593	**5,168**	5,232
Singapore	**4,360**	3,563	**904**	479
Others	**4,842**	4,789	**-**	-
	64,644	85,844	**11,170**	8,691

(c) Information about major customers

Included in revenue arising from contract manufacturing sales to customers is revenue of $42,609,000 (2020 : $61,481,000) which arose from sales to the Group's 2 (2020 : 3) major groups of customers, each of whom accounted for more than 10% of the Group's total external revenue.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

27. DIVIDENDS

On February 24, 2021, a one-tier tax-exempt final dividend of $0.030 per share and a special dividend of $0.020 per share (2020 : a one-tier tax-exempt final dividend of $0.030 per share and a special dividend of $0.030 per share) was paid to shareholders in respect of the year ended September 30, 2020, amounting to a total dividend of $4,196,000 (2020 : $5,036,000 for the year ended September 30, 2019).

In respect of the year ended September 30, 2021:

(a) The Company declared and paid a one-tier tax-exempt interim dividend of $0.020 per share totaling $1,678,000 on June 11, 2021 (2020 : one-tier tax-exempt interim dividend of $0.020 per share and a special interim dividend of $0.010 per share totalling $2,518,000).

(b) The directors proposed that a one-tier tax-exempt final dividend of $0.030 per share be paid to shareholders. This dividend is subject to the approval of the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is $2,518,000.

28. IMPACT OF COVID-19 OUTBREAK ON THE GROUP'S OPERATIONS

The Coronavirus Disease ("COVID-19") pandemic has affected almost all countries in the world, and resulted in border closures, production stoppages, workplace closures, movement controls and other measurements imposed by the various governments. The Group's significant operations are in Europe, Malaysia, Singapore and the People's Republic of China, all of which have been affected by the spread of COVID-19 since 2020.

Set out below is the impact of COVID-19 on the Group's financial performance reflected in this set of financial statements for the year ended September 30, 2021.

- The Group has assessed that the going concern basis of preparation for this set of financial statements remains appropriate.

- In 2021, border closures, production stoppages and workplace closures have resulted in periods where the Group's operations were temporarily suspended to adhere to the respective governments' movement control measures. These have negatively impacted business production and volume in 2021, resulting in a negative impact on the Group's financial performance for 2021.

- As a result of the global lockdowns, chip production facilities of certain suppliers were shut down, leading to the depletion of raw materials which has caused a major disruption in production, material supply and global logistics, resulting in a negative impact on the Group's financial performance for 2021.

- In 2021, the Group has received government grants from Singapore and Malaysia governments. The effect of such government grants received are disclosed in Note 21a.

- The Group has considered the market conditions (including the impact of COVID-19) as at the end of the reporting period, in making estimates and judgements on the allowance for inventories as at September 30, 2021. The significant estimates and judgement applied on allowance for inventories is disclosed in Note 3.

NOTES TO FINANCIAL STATEMENTS

for the financial year ended September 30, 2021

28. IMPACT OF COVID-19 OUTBREAK ON THE GROUP'S OPERATIONS *(continued)*

- The Group has considered the impact of COVID-19 on the carrying amount of its assets, and has assessed that no further loss allowance is required for its financial assets and no further impairment loss is required for its non-financial assets. In terms of its non-financial assets relating to the Company's investments in subsidiaries, management has assessed that no impairment loss is required.

- The Group has considered the challenges arising from the outbreak and assessed the impact of COVID-19 on its operations, and anticipated that adequate funds are available for its operating requirements to enable it to continue as a going concern for at least the next 12 months from the date of authorisation of the financial statements.

The Group anticipates that any potential impact will depend on, to a large extent, future developments and further action taken by Government authorities and other parties to contain the COVID-19 outbreak which are beyond the Group's control. The pandemic may continue to affect the Group in the next 12 months, hence the Group will stay vigilant and focus on improving operating efficiencies in a bid to contain costs.

STATISTICS OF SHAREHOLDINGS

As at December 8, 2021

Issued share capital	:	S$36,991,168
Number of shares	:	83,916,757
Class of shares	:	ordinary shares
Voting rights	:	one vote per share

The Company does not have any treasury shares or subsidiary holdings.

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	31	2.58	1,354	0.00
100 - 1,000	286	23.81	142,111	0.17
1,001 - 10,000	584	48.63	2,496,122	2.97
10,001 - 1,000,000	286	23.81	17,544,558	20.91
1,000,001 and above	14	1.17	63,732,612	75.95
Total	**1,201**	**100.00**	**83,916,757**	**100.00**

Based on information available to the Company as at December 8, 2021, approximately 20.77% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

Twenty Largest Shareholders

No.	Name	No. of Shares	%
1	Tan Koon Chwee	9,334,875	11.12
2	Tan Kong Heng	8,829,100	10.52
3	Tan Kong Leong	8,614,875	10.27
4	Tan Kong Sin	6,502,132	7.75
5	Estate of Tan Kwang Hua, deceased	6,384,375	7.61
6	Tan Kwong Soon	4,709,750	5.61
7	Tan Wei Kang Eugene	4,596,750	5.48
8	Lam Kue Yen	3,830,500	4.56
9	Tan Kong Boon	3,227,550	3.85
10	Tan Kong Guan	2,520,000	3.00
11	Tan Bee Foon	1,823,905	2.17
12	DBS Nominees (Private) Limited	1,233,250	1.47
13	Chua Cheng Hwee Rona (Cai Jinghui Rona)	1,125,500	1.34
14	Tan Kian Hie	1,000,050	1.19
15	Tan Kim Kim	984,500	1.17
16	Tan Pai Li	878,200	1.05
17	Phillip Securities Pte Ltd	856,950	1.02
18	ABN Amro Clearing Bank N.V.	802,450	0.96
19	Tan Jian Hui	741,187	0.88
20	Tan Tee Ching	622,500	0.74
	Total	**68,618,399**	**81.76**

STATISTICS OF SHAREHOLDINGS

As at December 8, 2021

Substantial Shareholders as shown in the Register of Substantial Shareholders

S/No.	Name of Shareholders	No. of Shares Direct Interest	No. of Shares Deemed Interest
1	Tan Koon Chwee	9,334,875	Nil
2	Tan Kong Heng	8,829,100	Nil
3	Tan Kong Leong	8,614,875	Nil
4	Tan Kong Sin	6,502,132	Nil
5	Estate of Tan Kwang Hua, deceased	6,384,375	Nil
6	Tan Kwong Soon	4,709,750	Nil
7	Tan Wei Kang Eugene	4,596,750	Nil

NOTICE OF ANNUAL GENERAL MEETING

PNE INDUSTRIES LTD (Company Registration No. 199905792R)

NOTICE IS HEREBY GIVEN that pursuant to the Covid-19 (Temporary Measures) Act 2020, the Twenty Second Annual General Meeting of PNE Industries Ltd will be convened and held by way of electronic means on Thursday, 20 January 2022 at 9.00 a.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Statements for the year ended 30 September 2021 and the Auditors' Report thereon.

2. To declare a final dividend of S$0.03 (2020: S$0.03) per ordinary share for the year ended 30 September 2021.

3. To approve the Directors' Fees of S$147,500/- (2020: S$150,000/-) for the year ended 30 September 2021.

4(a). To re-elect Mr Tan Kong Heng, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution.

4(b). To re-elect Mr Tan Kong Leong, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution.

4(c). To re-elect Mr Lim Meng Wee, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution.

5. To re-appoint Messrs Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolutions as Ordinary Resolutions:

6. "That pursuant to Section 161 of the Companies Act, Cap. 50, authority be and is hereby given to the Directors to:

(i) (aa) issue shares in the Company ("Shares") whether by way of rights, bonus or otherwise; and/or

(bb) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued during the continuance of this authority or thereafter, 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 and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion, deem fit; and

(ii) issue Shares in pursuance of any Instrument made or granted by the directors while such authority was in force (notwithstanding that such issue of Shares pursuant to the Instruments may occur after the expiration of the authority contained in this resolution),

Provided that:

(iii) the aggregate number of the Shares to be issued pursuant to such authority (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority), does not exceed 50% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below), and provided further that where shareholders of the Company ("Shareholders") are not given the opportunity to participate in the same on a pro-rata basis ("non-pro-rata basis"), then the Shares to be issued under such circumstances (including the Shares to be issued in pursuance of Instruments made or granted pursuant to such authority) shall not exceed 20% of the total number of issued Shares (as calculated in accordance with paragraph (iv) below);

NOTICE OF ANNUAL GENERAL MEETING

PNE INDUSTRIES LTD (Company Registration No. 199905792R)

(iv) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "SGX-ST")) for the purpose of determining the aggregate number of the Shares that may be issued under paragraph (iii) above, the total number of issued Shares shall be based on the total number of issued Shares of the Company (excluding treasury shares) at the time such authority was conferred, after adjusting for:

(aa) new Shares arising from the conversion or exercise of any convertible securities;

(bb) new Shares arising from exercising share options or the vesting of share awards which are outstanding or subsisting at the time such authority was conferred; and

(cc) any subsequent bonus issue, consolidation or subdivision of the Shares;

and, in relation to an Instrument, the number of Shares shall be taken to be that number as would have been issued had the rights therein been fully exercised or effected on the date of the making or granting of the Instrument; and

(v) (unless revoked or varied by the Company in general meeting), the authority so conferred 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 of the Company is required by law to be held whichever is the earlier."

7. To approve the continued appointment of Mr Lim Meng Wee as an independent director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders.

That contingent upon the passing of Resolutions 4(c) and 8, and in accordance with Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST that has taken effect from 1 January 2022:

(i) The continued appointment of Mr Lim Meng Wee as an independent director be and is hereby approved; and

(ii) The authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Lim Meng Wee as a director or the conclusion of the third AGM of the Company following the passing of this resolution.

8. To approve the continued appointment of Mr Lim Meng Wee as an independent director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the directors and the chief executive officer ("CEO") of the Company and their respective associates.

That contingent upon the passing of Resolutions 4(c) and 7, and in accordance with Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST that has taken effect from 1 January 2022:

(i) The continued appointment of Mr Lim Meng Wee as an independent director be and is hereby approved; and

(ii) The authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Lim Meng Wee as a director or the conclusion of the third AGM of the Company following the passing of this resolution.

9. To transact any other business.

By Order of the Board

TAN MENG SIEW
Company Secretary

Singapore
Date: 4 January 2022

NOTICE OF ANNUAL GENERAL MEETING

PNE INDUSTRIES LTD (Company Registration No. 199905792R)

Notes:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice of AGM will not be sent to shareholders. Instead, this Notice and the accompanying proxy form will be sent to members by electronic means via publication on the Company's website at the URL http://www.pne.com.sg/industries/index.html. This Notice and the accompanying proxy form will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements relating to, among others, attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via "live" audio-and-visual webcast or "live" audio-only stream), submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 4 January 2022. The announcement together with the proxy form may be accessed at the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at http://www.pne.com.sg/industries/index.html on the same day.

3. Members as well as investors holding shares through Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") ("CPF/SRS investors") who wish to participate in the AGM by observing and/or listening to the AGM proceedings via "live" audio-and-visual webcast or "live" audio-only stream should follow the steps for pre-registration set out in the announcement dated 4 January 2022.

4. Investors holding shares through relevant intermediaries ("Investors") (other than CPF/SRS investors) who wish to participate in the AGM by observing and/or listening to the AGM proceedings via "live" audio-and-visual webcast or "live" audio-only stream should contact the relevant intermediary through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

5. **Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it **must give specific instructions** as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

6. The Chairman of the Meeting, as proxy, need not be a member of the Company.

7. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Registered office of the Company, 996 Bendemeer Road #07-06, Singapore 339944; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at RSVP@boardroomlimited.com,

   in either case **not less than 72 hours** before the time appointed for holding the Annual General Meeting, i.e. by 9.00 a.m. on 17 January 2022.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or by scanning and sending it via email to the email address provided above.

NOTICE OF ANNUAL GENERAL MEETING

PNE INDUSTRIES LTD (Company Registration No. 199905792R)

CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 11 January 2022 (being 7 working days before the AGM).

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

8. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if such appointor is a corporation, under its common seal or under the hand of its attorney. A body corporate which is a member may also appoint an authorised representative or representatives in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore, to attend and vote for on behalf of such body corporate.

9. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

10. The Annual Report for the financial year ended 30 September 2021 which was issued on 4 January 2022 can be accessed at the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at http://www.pne.com.sg/industries/index.html. Printed copies of the Annual Report 2021 will not be sent to shareholders of the Company.

NOTICE OF BOOK CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of PNE Industries Ltd will be closed at 5.00 p.m. on 27 January 2022 for the preparation of dividend entitlement and shall reopen on the following working day.

Duly completed and stamped registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 27 January 2022 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 27 January 2022 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 20 January 2022, will be made on 18 February 2022.

EXPLANATORY NOTE TO RESOLUTION 4(a):

Mr. Tan Kong Heng is the Non-Executive Chairman of the Company and a member of the Remuneration and Nominating Committees. He will, upon re-election, continue to serve as Non-Executive Chairman of the Company and as a member of the respective Committees. Mr. Tan Kong Heng was last-re-elected in 2020.

EXPLANATORY NOTE TO RESOLUTION 4(b):

Mr. Tan Kong Leong is an Executive Director of the Company. He will, upon re-election, continue to serve as an Executive Director of the Company. Mr. Tan Kong Leong was last re-elected in 2020.

EXPLANATORY NOTE TO RESOLUTIONS 4(c), 7, and 8:

Mr. Lim Meng Wee is the Lead Independent Director of the Company. He is the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. He will, upon re-election, continue to serve as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees respectively. Mr. Lim Meng Wee was last re-elected in 2019.

NOTICE OF ANNUAL GENERAL MEETING

PNE INDUSTRIES LTD (Company Registration No. 199905792R)

The ordinary resolutions proposed under special business in Resolutions 7 and 8 are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST that has taken effect from 1 January 2022, whereby a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders excluding the directors and the CEO of the Company and their respective associates.

Detailed information on these three directors seeking re-election (including information as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST) can be found under "Board of Directors" and "Corporate Governance-Additional Information" in the Company's Annual Report 2021.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:

The ordinary resolution proposed in item (6) above if passed will empower the Directors of the Company from the date of the above Meeting to issue shares in the Company up to an amount not exceeding in total 50% of the total number of issued shares in the capital of the Company, with a sub-limit of 20% for issue of shares other than on a pro-rata basis, to shareholders for the time being for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of 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) for the purpose of 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) 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), 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) of the personal data of the member's 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.

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PROXY FORM

PNE INDUSTRIES LTD

Company registration no. 199905792R
(Incorporated in the Republic of Singapore)

IMPORTANT:
Alternative Arrangements for Annual General Meeting ("AGM")

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of Annual General Meeting and proxy form will not be sent to members. Instead, the Notice of Annual General Meeting and proxy form will be sent to members by electronic means via publication on the Company's website at the URL http://www.pne.com.sg/industries/index.html. This proxy form will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to, among others, attendance at AGM by electronic means (including arrangements by which the meeting can be electronically accessed via "live" audio-and-visual webcast or "live" audio-only stream), submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 4 January 2022. The announcement together with this proxy form may be accessed at the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at http://www.pne.com.sg/industries/index.html on the same day.
3. **Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
4. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**
5. CPF or SRS investors who wish to appoint the Chairman of the Meeting as Proxy should approach their respective CPF Agent Banks or SRS Operators **to submit their votes by 5.00 p.m. on 11 January, 2022**.
6. By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 4 January 2022.

*I/We ____
(*NRIC / Passport / Company Registration No. ______________________) of ______________________
____ (Address) being a *member/members of PNE Industries Ltd, hereby appoint the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf, at the AGM of the Company, to be convened and held by way of electronic means on Thursday, 20 January 2022 at 9.00 a.m. and at any adjournment thereof. *I/We have indicated with an "X" in the appropriate box against each item below how *I/we wish the Chairman of the Meeting as *my/our proxy to vote, or to abstain from voting.

No.	Resolutions	For	Against	Abstain
	ORDINARY BUSINESS			
1.	To receive and adopt the Directors' Statement and Financial Statements for the year ended 30 September 2021.			
2.	To declare a final dividend of S$0.03 (2020: S$0.03) per ordinary share for the year ended 30 September 2021.			
3.	To approve the Directors' Fees of S$147,500/- (2020: S$150,000/-) for the year ended 30 September 2021.			
4(a).	To re-elect Mr Tan Kong Heng, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution.			
4(b).	To re-elect Mr Tan Kong Leong, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution.			
4(c).	To re-elect Mr Lim Meng Wee, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution.			
5.	Re-appointment of Messrs Deloitte & Touche LLP as the Company's Auditors.			
	SPECIAL BUSINESS			
6.	Approval of the ordinary resolution pursuant to Section 161 of the Companies Act, Cap. 50.			
7.	To approve the continued appointment of Mr Lim Meng Wee as an independent director for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual of the SGX-ST by all shareholders.			
8.	To approve the continued appointment of Mr Lim Meng Wee as an independent director for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual of the SGX-ST by shareholders, excluding the directors and the chief executive officer ("CEO") of the Company and their respective associates.			

Note: Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes "For" or "Against" a resolution, please indicate with an "X" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution. If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution, please indicate with an "X" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of ordinary shares that the Chairman of the Meeting as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Signed this ________ day of ______________ 2022.

Total Number of Shares Held

____
Signature(s) of Member(s)/ Common Seal
* Delete Accordingly

FOLD THIS FLAP FOR SEALING

Proxy Form

The Company Secretary
PNE Industries Ltd
996 Bendemeer Road #07-06
Singapore 339944

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Notes:

1. A member should insert the total number of shares held. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he/she/it should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and registered in his/her/its name in the Register of Members, he/she/it should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.

2. **Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

   Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF and SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by 5.00 p.m. on 11 January 2022.

3. The Chairman of the Meeting, as proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) if submitted by post, be deposited at the Registered office of the Company, 996 Bendemeer Road #07-06, Singapore 339944; or

   (b) if submitted electronically, be submitted via email to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at RSVP@boardroomlimited.com,

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   in either case **not less than 72 hours** before the time appointed for holding the Annual General Meeting, ie. by 9.00 a.m. on 17 January 2022.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or by scanning and sending it via email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. This instrument appointing the Chairman of the Meeting as proxy must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or its attorney or affixed with its common seal thereto.

6. Where an instrument appointing a proxy 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 this instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of Members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such Member is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by CDP to the Company.

Personal Data Privacy:
By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.