SHINVEST HOLDING LTD.
旭阳控股有限公司

REFINING OUR DIRECTION

ANNUAL REPORT 2019

CONTENTS

CORPORATE PROFILE

Shinvest Holding Ltd. ("Shinvest" or the "Company"), was incorporated in 1989 and has been listed on the Mainboard of Singapore Exchange Limited since 13 October 1999. The Company underwent a corporate restructuring exercise approved by shareholders on 30 July 2009, which saw the company divesting most of its loss-making subsidiaries.

The Company returned to profit in 2010 after the acquisition of Sin Hong Hardware Pte Ltd ("Sin Hong"). Subsequently, in March 2014, the Company invested 10% equity interest in Espressif Group, comprising Espressif Incorporated, Espressif Systems (Shanghai) Pte Ltd and Espressif Microelectronics Wuxi Pte Ltd ("Espressif Group"). Over the years, Espressif Group had embarked on a series of restructuring and fund raising exercise. On 22 July 2019, Espressif Systems (Shanghai) Co., Ltd. ("Espressif Shanghai") listed on Shanghai Stock Exchange STAR Market. As a consequence of these changes , the Company is now directly holding 6% of equity interest of Espressif Shanghai.

Sin Hong is an integral part of the manufacturing value chain providing a wide range of industrial fasteners and a specialist in Standard, Non-standard and Customised Fasteners.

Sin Hong caters to customers with special parts or custom-made parts for assembly requirement in various industries manufacturing and also provide special services such as Ship-To-Stock program according to production delivery requirements by implementing supply Just in Time, Two Bins System, Kanban System and other logistic replenishment systems suited to customers requirement.

It serves both the domestic market and international market, countries coverage includes United States of America, Europe, Malaysia and Indonesia.

Espressif Shanghai is a fabless semiconductor design group, specializing in wireless connectivity chipsets and software solutions for tablets, TV boxes, Internet of Things (IoT), as well as wearable electronics applications, and focused on improving lives through innovation and collaboration. It is dedicated to provide high quality and highly integrated connectivity semiconductor solutions to clients worldwide. Users can now easily embed its WiFi solution, based on the latest silicon technologies, within other systems, with complete and extensive functionalities, minimal cost and small form factor.

BOARD STATEMENT

Dear Fellow Shareholders,

FINANCIAL REVIEW

On behalf of the Board of Directors, I am pleased to present the Annual Report of Shinvest Holdings Ltd. ("Shinvest" or "the Company", and together with its subsidiaries, "the Group") for the financial year ended 31 August 2019 ("FY2019").

In a period characterised by the International Monetary Fund ("IMF") as a "synchronised slowdown", overall global economic sentiment remained subdued across FY2019, with manufacturing and global trade being notably hard hit. This downturn, termed by the IMF as the "slowest-paced" since the global financial crisis, was markedly underscored by the twin deadlocks of the prolonged US-China trade war and Brexit negotiations.

Amidst these sluggish conditions, and the deconsolidation of subsidiary GD Tech (H.K.) Private Limited (further detailed below), the Group's revenue reduced 14.5% year-on-year (YoY) to S$15.4 million in FY2019, as compared to S$18.0 million in the financial year ended 31 August 2018 ("FY2018"). Segmentally, the Export Strategic Business Unit (SBU) continued to serve as the largest contributor to sales from continuing operations in FY2019, forming 47.6% of the Group's revenue (FY2018: 53.1%). Meanwhile, buoyed by a relatively more robust market, the Retail SBU saw its percentage contribution to sales move up by 5.4 percentage points to 35.7% in FY2019. On the other hand, revenue contribution from the Original Equipment Manufacturing (OEM) SBU remained relatively stable at 16.7% for FY2019 (FY2018: 16.6%).

While gross profit slid 8.3% YoY to S$5.3 million, the Group's gross profit margin improved by 2.3 percentage points to 34.3% in FY2019. The Group was also able to achieve a profit before income tax of S$83.8 million, a sizeable step up from S$2.2 million in FY2018.

DEVELOPMENTS WITHIN OUR INVESTMENT PORTFOLIO

In our previous annual report, I touched on the then proposed disposal of the Group's 57.48% equity interest in its subsidiary GD Tech (H.K.) Private Limited, a company that provides one-stop manufacturing services to the semiconductor, aerospace, medical, and solar industries. The disposal has since been completed, with the full consideration of S$6.5 million received. The Group now stands on more tenable footing, benefitting from reduced loan and interest expense exposure.

Meanwhile, Espressif Systems (Shanghai) Co., Ltd. ("Espressif Shanghai"), in which the Group owns a 6% stake[1], successfully made its debut on the technology-focused "STAR Market" board of the Shanghai Stock Exchange in July 2019, generating substantial valuation for our investment. As a leading player in the developing high-performance, cutting-edge semiconductor chips, Espressif has developed extensive expertise in the fields of WiFi, WiFi-and-Bluetooth and Internet of Things[2] ("IoT"). Espressif's chips, modules and development boards, including the critical success of its ESP8266 and ESP32 Systems on a Chip ("SoCs[3]"), are widely utilised in a wide array of technological products, including tablets, over-the-top boxes, cameras and other IoT gadgets.

In addition, the Company entered into a joint venture agreement with Esse PI Pte. Ltd. ("Esse"), which will see the Company gain a 12.5% equity interest in the Singapore-based software company at a subscription price of S$250,000. The Company has engaged an independent valuator to determine the value of assets to be acquired.

OUTLOOK & STRATEGY

Moving ahead, while looking for other opportunities, the Group will continue to be progressing forward with an ongoing optimisation programme within Sin Hong Hardware Pte. Ltd ("Sin Hong"). Sin Hong has begun phasing in an enhanced Enterprise Resource Planning ("ERP") infrastructure that has begun to yield efficiency gains amidst greater digitisation in its operational workflow. Staff are also progressively being trained to be proficient with the new ERP infrastructure, alongside Lean Manufacturing methodology training modules which have enabled them to keep a tighter leash on operational waste and inefficiencies. These slew of initiatives also leverage on the invaluable support of the Singapore Government via Enterprise Singapore's Enterprise Development Grant.

While the Group's core identity and mainstay will continue to be anchored by the fastener business for the foreseeable future, the Board also recognises that judiciously-managed investments are also a viable channel for greater growth.

Esse's budding development is still in its nascent phrases at this time, but the Group holds earnest, albeit cautious optimism as Esse prepares for its first major debut on the scene. Over at Espressif, development is underway for the next iteration in its flagship ESP32 chip series — the ESP32-S2. This upcoming release will pack a formidable suite of capabilities and security enhancements, all contained within a small form factor.

The Board is encouraged that both the Singapore and Chinese governments have established highly conducive frameworks for their respective technology sectors, and have pledged even more extensive support in the coming period. These initiatives may augur well for our two technology investments.

DIVIDEND & ACKNOWLEDGEMENTS

In closing, I would like to give thanks to our staff, who, have through their hard work, propelled our business to greater heights, as well as our business partners, who have enabled us to further unlock conduits for growth. Our shareholders have also continued to serve as a bastion of unwavering support in spite of uncertain times, and in recognition, the Board has proposed a final cash dividend of 3.0 Singapore cents per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting.

I look forward to working alongside your continued support as we gear up for yet another fruitful and productive financial year ahead.

STEVEN LOH SUAN LEN
Non-Executive Chairman and Independent Director

[1]The Group previously held an 8% stake in Espressif, which was subsequently diluted to 6% following Espressif's initial public offering exercise
[2]A network of interconnected and interrelated devices
[3]Microchips containing all electronic circuits and parts required for a system

BOARD OF DIRECTORS

LOH SUAN LEN, FCA, FCPA
Non-Executive Chairman and Independent Director

Mr Loh, aged 64, joined the Board on 20 January 2014, was appointed as the Company's Non-Executive Chairman on 1 Feb 2018. He is still chairing the Audit Committees and Nominating Committees, and well as a member of the Renumeration Committees.

Mr Loh was with Volex Plc and Volex (Asia) Pte Ltd for about 19 years' and has experience in developing and leading a cross cultural team in the global business environment. Volex group is the world's leading manufacturer of power products. He was a Managing Director of its Asia division overseeing the business and participated in strategic formulation and implementations.

Mr Loh holds a Master of Business Administration from Strathclyde University Of Scotland in year 1993. He is a Fellow Member of The Association of Chartered Certified Accountants (UK) (ACCA) & a non-practising Chartered Accountant Singapore.

TEO TECK LEONG
Managing Director

Mr Teo Teck Leong, aged 64, joined the Board on 9 July 2010 and was appointed as the Company's Managing Director on 28 June 2011. He is currently a member of the Nominating and Remuneration Committees of the Company and also sits on the Board of Sin Hong and all of its subsidiaries ("Sin Hong Group"). Mr Teo stepped down as Chief Executive Officer of the Sin Hong Group on 1 October 2019. Mr Teo Teck Leong not only has a wealth of experience in the fastener and hardware business, clinching product agency and distributorship deals, but also has keen business acumen in relation to the acquisition of and investment in high-tech companies and other businesses.

Mr Teo Teck Leong started managing Sin Hong's sales after joining the firm (known back then as Sin Hong Hardware & Engineering) in 1984. During which, he established two strategic business units – the Original Equipment Manufacturing and Export departments – to capture both the local and export markets. He also helped expand Sin Hong's international sales to major markets such as United States of America, Europe, Malaysia and Indonesia. He further expanded Sin Hong Group's business activities by adding product agency and negotiating distributorship deals.

Under the leadership of Mr Teo Teck Leong, the Group acquired a 57.48% stake in GD Tech (H.K.) Private Co., Ltd. in 2011, a company primarily engaged in high precision components and complex electromechanical assembly. In 2014, the Group acquired a 10% stake in the Espressif Group of companies, which specializes in wireless connectivity chipsets and software solutions.

Mr Teo Teck Leong holds a Bachelor of Commerce degree in Accountancy from the Nanyang University of Singapore in 1979.

TEO ENG THIAN
Executive Director

Mr Teo Eng Thian, aged 50, joined the Board and appointed as an Executive Director since 15 October 2012. He also appointed as a member of the Audit Committee on 01 Feb 2018.

Mr Teo Eng Thian joined Sin Hong since 1996 & has more than 19 years of experience in fastener & hardware business. He was appointed as an executive director of Sin Hong on 8 September 2005, and is currently the Chief Operating Officer of Sin Hong overseeing the manufacturing operations and supply chain for Sin Hong Group. He sits on the board of all Sin Hong's subsidiaries.

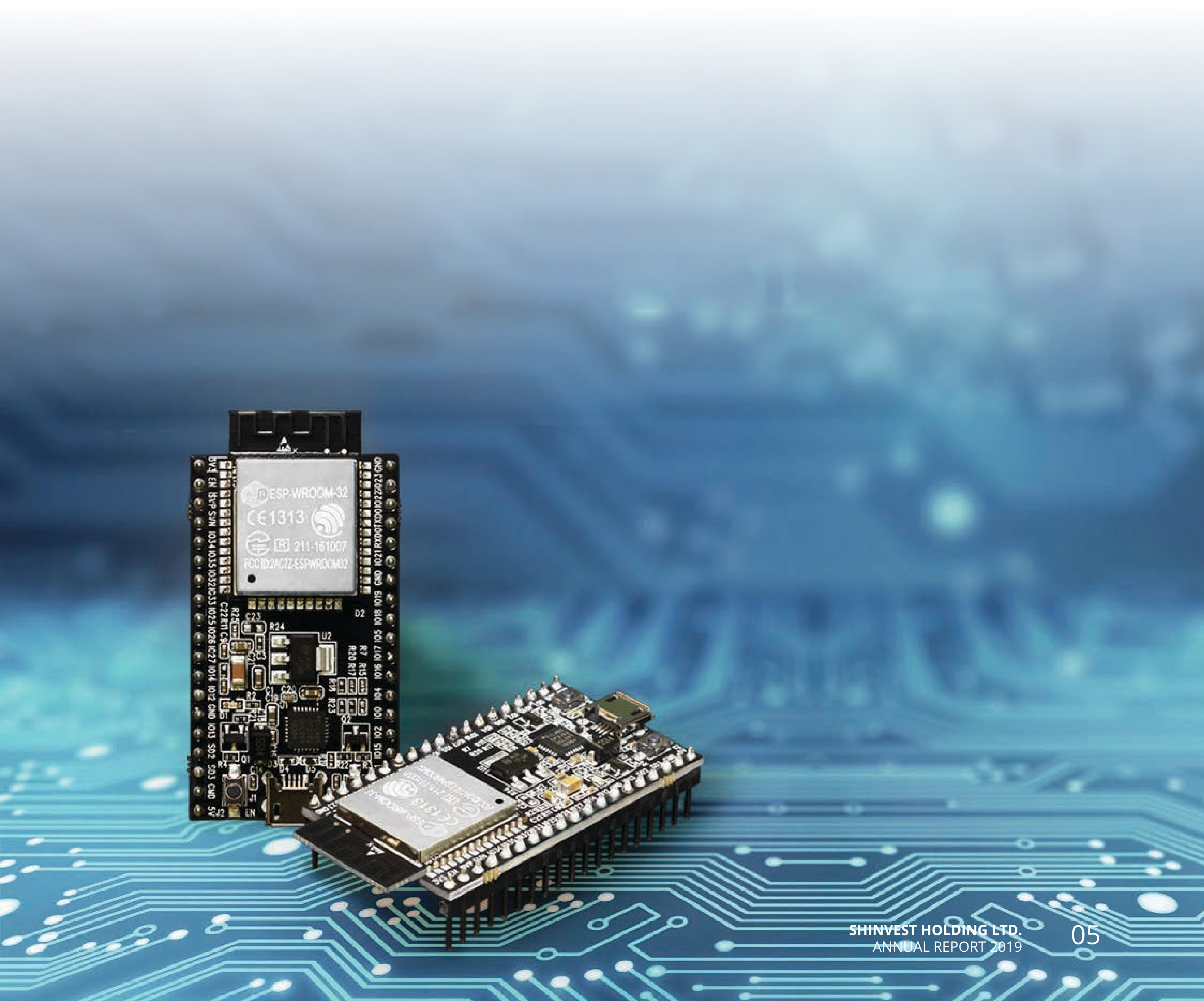
Mr Teo Eng Thian graduated from the Ngee Ann Polytechnic with a Diploma of Accountancy in 1993.

DR CHAU SIK TING, PBM, BBM
Independent Director

Dr Chau, aged 79, joined the Board on 8 September 2009. He was appointed as the Chairman of the Remuneration Committee and is currently a member of the Audit and Nominating Committees.

Dr Chau serves as the Medical Advisor to SembCorp Marine Ltd and as an Accredited Specialist in Occupational Medicine with Singapore's Ministry of Health. He is a Medical Practitioner by profession and has been an Independent Non-Executive Director of China Dairy Group Ltd., since 2004. Prior to this, Dr Chau also served as Independent Director of the former Jurong Engineering Ltd from 1997 to 2004, and as Chairman of the School Management Committee in Pei Chun Public School and the NTUC Committee on Occupational Safety & Health. Dr Chau has also held positions in the Singapore Federation of Clan Associations and the Hainan Hwee Kuan and was an elected Member of Parliament for Thomson from 1980 to 1984.

Dr Chau graduated from the University of Singapore with a degree of MBBS (Singapore). He is also a Fellow of the Academy of Medicine Singapore (FAMS) and the Faculty of Occupational Medicine from Royal College of Physicians [FFOM (London)].



KEY MANAGEMENT

TEO ENG HWEE
Executive Director of Sin Hong

Mr Teo Eng Hwee, aged 53, was appointed as an executive director of Sin Hong on 2 July 2012 to assist Directors of the Company in strategic business development. He has more than 20 years of experiences in managing electronic product development for the consumer and automotive industry.

On 1 October 2019, Mr Teo Eng Hwee was appointed as the CEO of Sin Hong Group.

Mr Teo Eng Hwee graduated from National University of Singapore with a Bachelor of Engineering Degree in 1991.

TEO CHER CHEONG, PBM, BBM
Executive Director Of Sin Hong

Mr Teo Cher Cheong, aged 64, joined Sin Hong in November 2007. He was appointed as an executive director of Sin Hong on 2 May 2008, and is currently overseeing the strategic and corporate planning of Sin Hong Group. He sits on the board of all Sin Hong's subsidiaries.

Mr Teo Cher Cheong holds a Bachelor of Commerce degree in Accountancy from the Nanyang University of Singapore in 1979.

TEO ENG SHING
Executive Director of Sin Hong

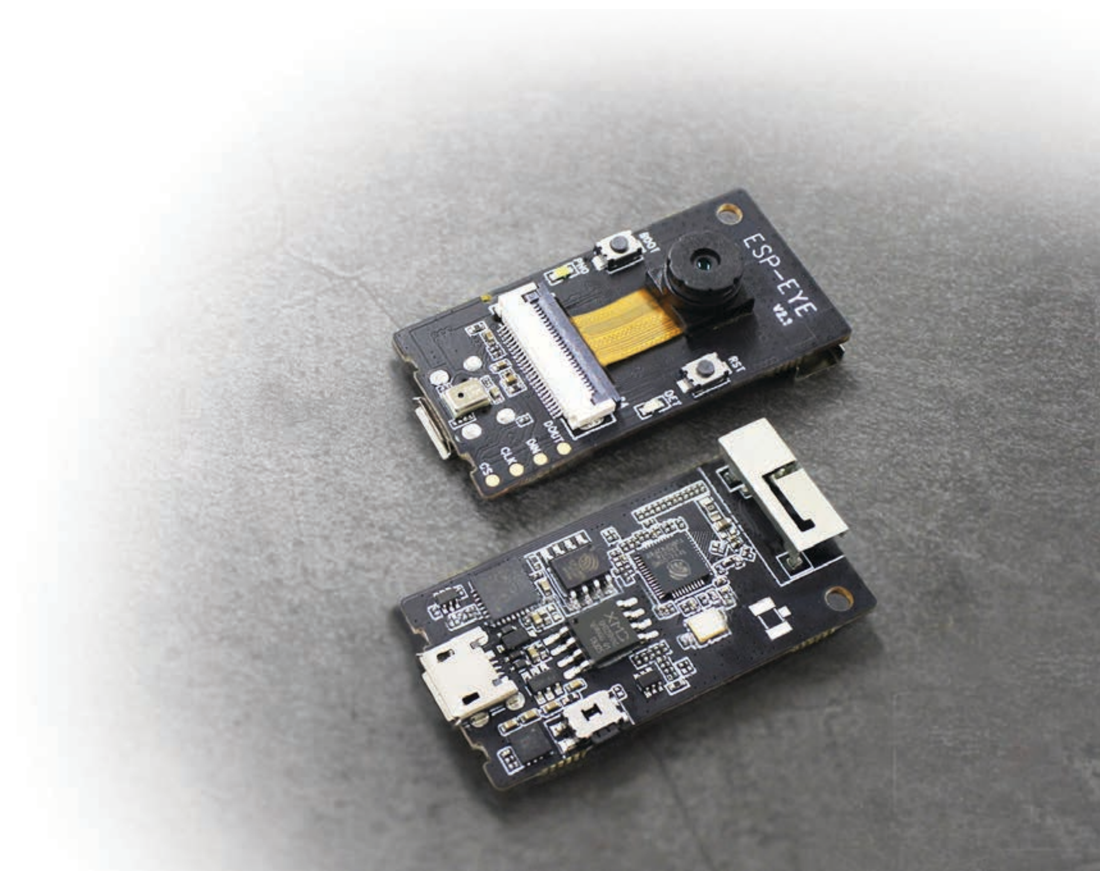
Mr Teo Eng Shing, aged 48, joined Sin Hong in July 1996. He was appointed as an executive director of Sin Hong on 15 March 2006, and is currently overseeing the retail business, with more than 19 years of experience in the fasteners business under his belt.

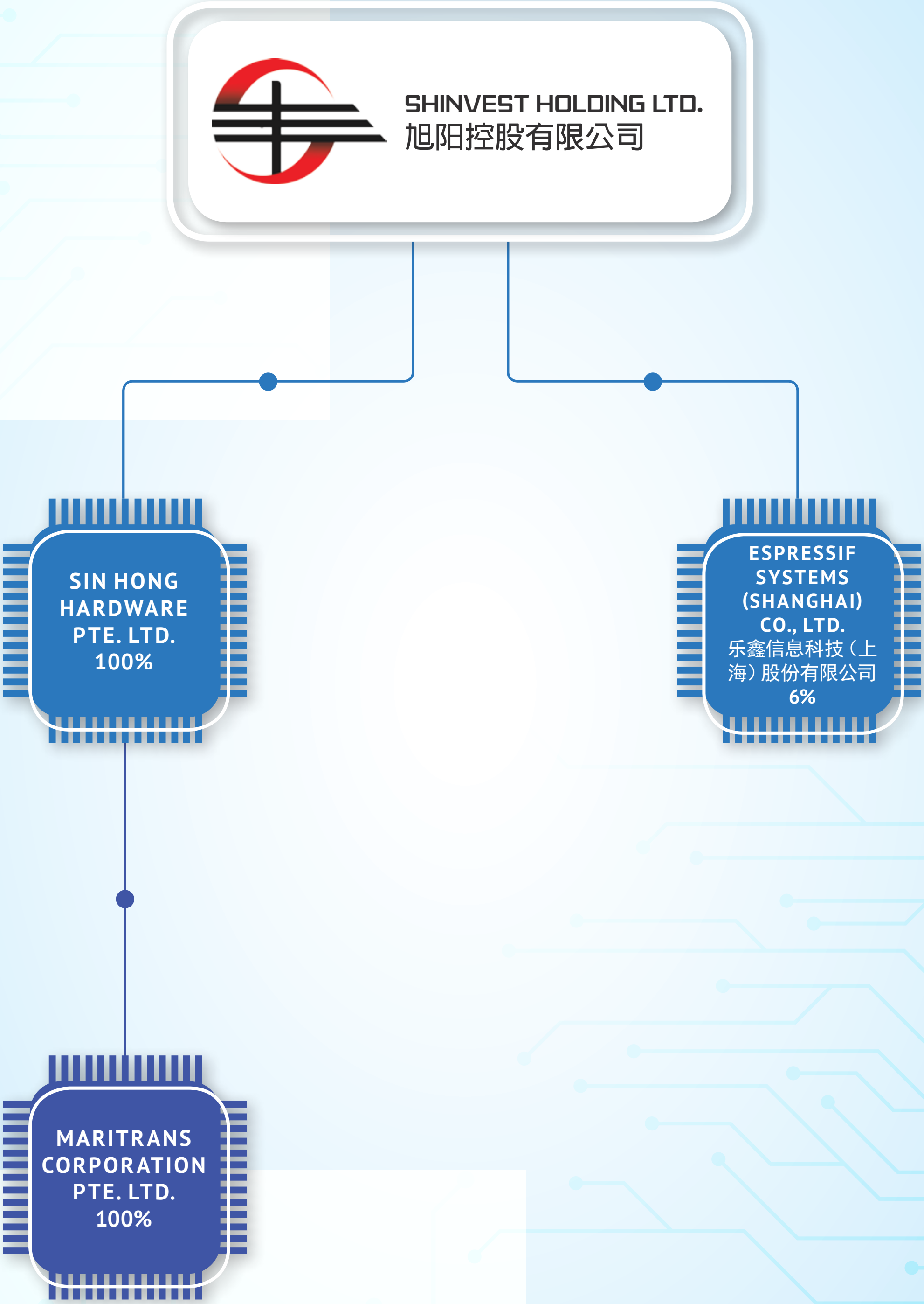
Mr Teo Eng Shing graduated from RMIT University Australia with a Degree of Accountancy in 2000.

VOO KIM SENG
Chief Financial OffiCer

Mr Voo, aged 64, joined its subsidiary Sin Hong in December 2007. He is currently the Chief Financial Officer. His duties include financial and management reporting as well as liaising with Singapore Exchange Securities Trading Limited as the Company's authorised representative. Mr Voo has worked for companies in the manufacturing and trading business including a listed company, Autron Corporation Ltd, in Singapore.

Mr Voo graduated from the Nanyang University of Singapore in 1980 with a Bachelor of Commerce Degree in Accountancy. He is a non-practising Fellow Chartered Accountant Singapore.




SHINVEST HOLDING LTD.
旭阳控股有限公司
SIN HONG HARDWARE PTE. LTD. 100%
ESPRESSIF SYSTEMS (SHANGHAI) CO., LTD. 乐鑫信息科技（上海）股份有限公司 6%
MARITRANS CORPORATION PTE. LTD. 100%

CORPORATE INFORMATION

REGISTERED OFFICE

3 Kian Teck Crescent
Singapore 628881
Tel: 6265 1555
Fax: 6265 2115

BOARD OF DIRECTORS

Loh Suan Len (Non-Executive Chairman and Independent Director)
Teo Teck Leong (Managing Director)
Teo Eng Thian (Executive Director)
Dr Chau Sik Ting (Independent Director)

AUDIT COMMITTEE

Loh Suan Len (Chairman)
Teo Eng Thian
Dr Chau Sik Ting

NOMINATING COMMITTEE

Loh Suan Len (Chairman)
Teo Teck Leong
Dr Chau Sik Ting

REMUNERATION COMMITTEE

Dr Chau Sik Ting (Chairman)
Teo Teck Leong
Loh Suan Len

SECRETARY

Voo Kim Seng

REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6230 9785
Fax : (65) 6438 8710

AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-In-Charge: Khoo Gaik Suan
(Appointed since the financial year ended 31 August 2017)

BANKS

United Overseas Bank Limited
Malayan Banking Berhad

REGISTRATION NUMBER

198905519R

FINANCIAL CONTENTS

The Board of Directors (the "Board") of Shinvest Holding Ltd. (the "Company" or together with its subsidiaries, the "Group") is committed to ensuring a high standard of corporate governance within the Group to protect the interests of shareholders and to promote investors' confidence within the constraints of the Group's operations and size, and supports full compliance of the Code of Corporate Governance 2018 (the "Code").

The Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires all listed companies to describe, in its annual reports, its corporate governance practices with specific reference to both the principles and provisions of the Code, and how the company's practices conform to the principles.

A. BOARD MATTERS

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: *Board leadership and control*

Role of the Board

Directors are fiduciaries who act objectively in the best interest of the Company and hold management accountable for performance. All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensure proper accountability within the Company, especially in areas relating to conflicts of interest.

The day-to-day management of the Group's businesses and affairs, the development of various business activities and the formulation of corporate strategies have been entrusted to the executive directors. This is to facilitate effective management. Directors also have separate and independent access to Management, the Company Secretary and external advisers (where applicable).

Board Processes

The Board has delegated specific responsibilities to three committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to support its role. These committees operate within clearly defined terms of references and operating procedures. These are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. However, the ultimate responsibility on all matters lies with the entire Board.

Board Meetings Held

The Board meets at least two (2) times a year. Fixed meetings are scheduled at the beginning of the financial year. Ad hoc meetings are convened when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. Management provides Directors with complete, adequate and timely information prior to these meetings to enable them to make informed decisions and discharge their duties and responsibilities. Directors have separate and independent access to Management, the Company Secretary and external advisers (where necessary) at the Company's expense.

Directors attend and actively participate in a Board and board committee meetings by telephone conference, video-conference or other means of similar communication. The number of meetings held and attended by each director during the financial year from 1 September 2018 to 31 August 2019 is tabulated below:

Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings							
Name	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Loh Suan Len	2	2	3	3	1	1	2	2
Teo Teck Leong	2	2	3	3	1	1	2	2
Teo Eng Thian	2	1	3	2	–	–	–	–
Dr Chau Sik Ting	2	2	3	3	1	1	2	2

Matters Requiring the Board's Approval

The Board has adopted a set of guidelines on matters that require its approval. Matters requiring the Board's approval include:

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as interim and annual results announcements;
- financial objectives of the Group;
- corporate strategic direction, strategies and action plans;
- declare interim dividends and propose final dividends;
- appointment and removal of the Company Secretary;
- the setting of policies and key business initiatives; and
- authorisation of acquisition/disposal and other material transactions.

Training of Directors

The Company does not have a formal training programme for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be orientated on the Group's business, operations, organisation structure and corporate strategy and policies. He will also be briefed on the Company's corporate governance practices, regulatory regime and his roles and responsibilities as a director of a listed company. Directors are updated via electronic mail of regulatory changes affecting the Group. They are also informed about matters such as the Code of Dealings in the Company's shares as they are privy to price sensitive information. In addition, Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors, Singapore Exchange Securities Trading Limited, business and financial institutions, and consultants. Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. Directors may, at any time, request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from Management. A formal letter of appointment or service agreement outlining the scope of duties and obligations of the director will also be issued to each new director upon appointment.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: *Independence and diversity of the Board*

Currently, the Board comprises:

- Loh Suan Len (Non-Executive Chairman and Independent Director)
- Teo Teck Leong (Managing Director)
- Teo Eng Thian (Executive Director)
- Dr Chau Sik Ting (Independent Director)

As a Group, the Directors bring with them a wide range of business and financial experience, skills and expertise to meet the Company's targets. The Board has reviewed its composition and is satisfied that the existing composition is appropriate taking into account the scope and nature of operations of the Company. As non-executive directors make up half of the Board, the Board is able to exercise objective judgement independently from management and no individual or small group of individuals should be allowed to dominate the Board's decision making. The non-executive directors and independent directors, led by the independent Chairman or other independent director, meet regularly without the presence of the Management. The Chairman of such meetings provides feedback to the Board as appropriate. Although all the directors have an equal responsibility for the Group's operations, the independent and non-executive directors ensure that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taking into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

The Board carries out annually a rigorous review of the independence of a director who has served on the Board beyond nine years from the date of the first appointment, taking into account the need for progressive refreshing of the Board. Independent director, Mr Loh Suan Len has served the Board for no more than nine years since his first appointment in January 2014. On 9 September 2018, Dr Chau Sik Ting has served the Board beyond nine years from the date of his first appointment since 8 September 2009. Under the rigorous review, the Board has confirmed that Dr Chau Sik Ting nor any of his immediate family, relatives and associates does not have any relationship or business dealings with a controlling shareholder or a controlling shareholder's connected persons that would give rise to a conflict of interest or impairment of the independent director's independence.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *Clear division of responsibilities between the leadership of the Board and Management*

The Company has a separate Non-Executive Chairman and Managing Director and the Board establishes and sets out in writing the division of responsibilities between the Chairman and the Chief Executive Officer/Managing Director.

The Chairman, Mr Loh Suan Len sets the agenda for Board Meetings and ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of non-executive directors, and ensures effective communications with shareholders. He takes a leading role in promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management.

The Chairman and the Managing Director are not related. The Managing Director, Mr Teo Teck Leong is responsible for the Group's business and implements the Board's decisions. The roles of the Chairman and the Managing Director are kept separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

4. BOARD MEMBERSHIP

Principle 4: *Formal and transparent process for the appointment and re-appointment of directors*

Currently, the NC comprises:

- Loh Suan Len (Chairman)
- Teo Teck Leong
- Dr Chau Sik Ting

The NC has adopted written terms of reference and its principal functions are to make recommendations to the Board on matters relating to:

- the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- the process and criteria for evaluation of the performance of the Board, its board committees and directors;
- the identification and evaluation of potential directors and review all nominations on appointment and re-appointment of directors including making recommendations on the composition of the Board and the balance between executive and non-executive directors on the Board;
- the review of the balance and diversity of skills, experience, gender, knowledge and competencies of the Board, its size and composition;
- determine the independence of directors annually, guided by the provisions contained in the Code;
- review and decide if a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;
- the review of training and professional development programmes for the Board and its directors, including ensuring that new directors are aware of their duties and obligations; and
- assess the effectiveness of the Board as a whole.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

The NC ensures that any new directors are oriented and made aware of their duties and obligations.

Pursuant to Regulation 91 of the Company's Constitution, directors would be required to submit themselves for re-nomination and re-election at the Annual General Meeting ("AGM"). Regulation 87 of the Company's Constitution requires that one-third of the directors retire by rotation at every AGM. However, the Managing Director is not subject to retirement by rotation.

In accordance with the Company's Constitution, Mr Loh Suan Len will retire pursuant to Regulation 87 at the forthcoming AGM. Mr Loh Suan Len has consented to continue to serve as director upon re-election.

Details of the directors' academic and professional qualifications, working experiences, committees served and other directorships are disclosed in the Annual Report.

The independent directors have declared their independence for the financial year ended 31 August 2019 ("FY2019"), in accordance with the provisions contained in the Code.

Currently, the Company does not have alternate directors. The Board provides for appointment of alternate director only in exceptional cases such as when a director has a medical emergency. The Board will take into consideration the same criteria for selection of directors such as his qualifications, competencies, and independence.

When the need for a new director arises, or where it is considered that the Board would benefit from the services of a new director with particular skills or to replace a retiring director, the NC will source for potential appointees through various channels such as recommendation, executive search or knowledge of the industry. The NC then evaluates the eligibility of potential appointees based on several criteria such as their relevant experience, ability to exercise independence in decision-making and level of commitment prior to recommending them to the Board.

During FY2019, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. The NC is also of the opinion that the current board size is adequate for the effective functioning of the Board.

5. BOARD PERFORMANCE

Principle 5: *Formal annual assessment of the effectiveness of the Board as a whole and that of each of its board committees and individual directors*

The NC reviews the Board's performance on an annual basis, and decides how this may be evaluated, based on performance criteria approved by the Board. The NC has established objective performance criteria such as entrepreneurial leadership, value setting, frequency of meetings and participation in strategic planning, risk management and internal controls to evaluate the Board's performance as a whole.

The Board has implemented a process for assessing the effectiveness of the Board as a whole and its three Committees. The evaluation of the Board performance entails all directors to complete a questionnaire seeking their views on various aspects of Board performance, such as composition, information provided, procedures, accountability, leadership and level of governance. The Company Secretary compiles all directors' responses into a consolidated report. This consolidated report is discussed at the NC meeting and also shared with the entire Board.

There is currently no annual performance evaluation exercise initiated for individual director's performance. The Board is of the view that directors deliberate on issues together as a Board and make decisions as a Board.

For FY2019, taking into account the Board composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of its principal functions and fiduciary duties, and guidance to and communication with Management, the NC assessed the performance of the Board as a whole and was of the view that the overall performance of the Board as a whole was satisfactory and that all the directors had contributed positively to the deliberations and decisions at Board and Committee levels.

B. REMUNERATION MATTERS

1. REMUNERATION POLICIES

Principle 6: *Formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages*

Currently, the RC comprises:

- Dr Chau Sik Ting (Chairman)
- Teo Teck Leong
- Loh Suan Len

The RC has adopted specific terms of reference and its principal functions are to make recommendations to the Board on:

- review and recommend to the Board a framework of remuneration for directors and key executives to ensure the package is sufficient to attract and retain people of required quality to run the Company successfully. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, bonuses, options and benefits-in-kind; and
- determine the specific remuneration packages for executive directors and key executives based on performance, service seniority, experience and scope of responsibility. Such remuneration packages are periodically bench-marked to market/industry.

The RC's recommendations are made and submitted for endorsement by the entire Board. However, members of the RC will ensure that they do not set their own remuneration. The RC may obtain independent professional advice if they deem necessary to properly discharge their responsibilities and shall disclose the engagement of any remuneration consultants and their independence. Such expenses are borne by the Company.

The RC reviews the service agreements of executive directors and key executives to ensure that the agreements are fair and reasonable, including the termination clauses.

For FY2019, the RC has not consulted any external professional to advice on remuneration matters. The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the RC.

2. LEVEL AND MIX OF REMUNERATION

Principle 7: *Appropriate and proportionate remuneration to attract and retain directors*

The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed component comprises fixed salary plus other fixed allowances. The variable component is linked to the performance of the Company and the individual.

The remuneration framework of executive directors and key executives are structured in a way that links rewards to corporate and individual performance and takes into account industry benchmarks. The review of remuneration packages also takes into consideration the pay and employment conditions within the industry and the long term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, share options and benefits-in-kind. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

All independent and non-executive directors are paid Directors' fees, which are proposed by the Board based on the effort, time spent and responsibilities of the independent directors. The Directors' fees are subject to approval by the shareholders at each AGM of the Company. Except as disclosed, the independent and non-executive directors do not receive any remuneration from the Company.

3. DISCLOSURE ON REMUNERATION

Principle 8: *Clear disclosure on remuneration policy, level and mix*

After considering this matter carefully, the Board has decided that disclosure of the Directors' and Key Executives' detailed remuneration will not be in the interests of the Company given the wage discrepancies in the industry and the competitive pressures that may result from such disclosure.

The annual remuneration of Directors for the financial year ended 31 August 2019 is as follows:

Remuneration Band and Name of Director	Salaries %	Bonus %	CPF %	Other Benefits %	Directors' Fees %
Above S$250,000					
Teo Teck Leong	12.05	87.64	0.24	0.07	0.00
Teo Eng Thian (1)	10.24	88.41	0.50	0.85	0.00
Below S$250,000					
Loh Suan Len	0.00	0.00	0.00	0.00	100.00
Dr Chau Sik Ting	0.00	0.00	0.00	0.00	100.00

(1) Mr Teo Eng Thian is nephew of Mr Teo Teck Leong.

The RC had recommended that an aggregate sum of $90,000 to be paid as directors' fees for FY2019.

Remuneration of the Key Executives (who are not directors or managing director) for the financial year ended 31 August 2019 is as follows:

Remuneration Band and Name of Director	Salaries %	Bonus %	CPF %	Other Benefits %
Above S$250,000				
Teo Eng Shing (2)	82.07	7.34	4.73	5.86
Teo Cher Cheong	89.52	7.75	2.73	0.00
Below S$250,000				
Ng Hoo Teng	88.16	11.84	0.00	0.00
Teo Eng Hwee (2)	72.17	7.00	8.43	12.40
Voo Kim Seng	85.17	10.93	3.90	0.00

(2) Mr Teo Eng Shing and Mr Teo Eng Hwee are nephews of Mr Teo Teck Leong.

For FY2019, the aggregate remuneration paid to the top five key executives (who are not directors or managing director) for the financial year ended 31 August 2019 was $972,030 and there were no employees who are substantial shareholders of the Company, or are immediate family members of a director, the managing director or a substantial shareholder of the Company whose remuneration exceeded $100,000.

Currently, the Company does not have any employee share option scheme.

The Company advocates a performance-based remuneration system for Executive Directors and Key Executives that is flexible and responsive to the market, comprising a fixed salary and other fixed allowances, as well as variable salary/bonus which is based on the Group's performance and the individual's performance, such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The RC and the Board are of the opinion that the remuneration of the Directors and Key Executives for the financial year ended 31 August 2019 is adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

C. ACCOUNTABILITY AND AUDIT

1. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: *Risk governance and sound system of internal controls*

Risk Management

The Board is overall responsible for determining the nature and extent of the significant risks which the Group is willing to take in achieving its strategic objectives and value creation. The AC is supported by the Management in the review of these risks and effectiveness of mitigation strategies and controls.

The Company's Risk Management Team, headed by the Chief Financial Officer assesses and reviews the Group's business and operational environment in order to identify areas of significant business, financial, operational and compliance risks, as well as appropriate measures to control and mitigate these risks. The Risk Management Team, which works alongside with the AC, reports and highlights all significant risk matters to the Board for discussions and appropriate actions, if required.

The Group has implemented an Enterprise Risk Management framework to enable it to assess, identify, manage and monitor key risks and controls in the Group's businesses.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

In accordance with Rule 1207(10) of the Listing Manual of the SGX-ST, the AC and the Board had received assurance from the Non-Executive Chairman, Managing Director and Chief Financial Officer that, as at 31 August 2019:

(a) 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

(b) the Group's risk management and internal control systems in place were adequate and effective to address key financial, operational, compliance and information technology risks.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

Securities Transactions

The Company has in place a policy prohibiting share dealings by directors and officers of the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as one month before the announcement of the Group's half year and full year financial statements and ending on the date of the announcement of the relevant results. Directors and officers of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

The directors and officers of the Group are reminded to refrain from dealing in the Company's securities on short-term considerations.

3. AUDIT COMMITTEE

Principle 10: *Establishment of an AC with written terms of reference*

The members of the AC at the end of the financial year were as follows:

- Loh Suan Len (Chairman)
- Dr Chau Sik Ting
- Teo Eng Thian

The members of the AC have professional expertise and extensive experience in the field of financial management, accounting, business management and strategic planning. The Board is of the view that the AC members have sufficient relevant expertise and experience to discharge the AC's responsibilities.

The AC meets at least two (2) times a year. Additional meetings are scheduled if considered necessary by the Chairman of the AC. The AC meets with the external auditors, without the presence of the Company's management, at least once a year. The AC meets with the internal auditors, without the presence of the Company's management, where necessary.

The AC carries out its functions set out in the Companies Act and SGX-ST Listing Manual. The terms of reference of the AC are as follows:

- review the audit plans and scope of the internal and external audits of the Company and ensure the adequacy and effectiveness of the system of internal accounting controls and the co-operation given by the Company's management to the internal and external auditors;

- review the half year and full year financial statements and the auditors' report on the annual financial statements of the Company and of the Group before submission to the Board;

- review the auditors' evaluation of the system of internal accounting controls and discuss issues and concerns arising from their audit or any other matters which the auditors might wish to discuss with the AC;

- review any formal announcements relating to the Company's financial performance in addition to the half year and full year financial statements compliance;

- meet with the internal and external auditors and/or the Management in separate executive sessions to discuss any matters that should be discussed privately with the AC;

- review the independence of the external auditors annually and recommend the external auditors for appointment or re-appointment; and

- review interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

Apart from the functions listed above, the AC also has the power to conduct or authorize investigations into any matters within its terms of reference. The AC is authorized to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The Company has also put in place a whistle-blowing policy, whereby staff of the Group and any other person may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions. The AC has reviewed the policy and arrangements of the whistle-blowing policy. There have been no incidents pertaining to whistle-blowing for FY2019.

The external auditors provides regular updates and briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

During FY2019, the AC reviewed the half year and full year financial statements prior to approving or recommending their release to the Board, as applicable; the annual audit plan of the external auditors and the results of the audits performed by them, and the re-appointment of the external auditors and its remuneration. The AC reviewed that the internal audit during the year was adequate and shall resume the internal audit cycle by the Internal Auditor commencing from financial year 2019.

The Internal Auditor reports primarily to the AC. The AC decides on the appointment, termination and remuneration of the head of the Internal Auditor. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

The Company has put in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During FY2019, there were no interested person transactions.

The AC has full access to, and the co-operation of, management and has full discretion to invite any director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions properly.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the SGX-ST Listing Manual.

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm appointed will report directly to the AC Chairman. The AC will review the requirements of outsourcing the internal audit function annually. In FY2019, the Company has appointed Messrs UHY Lee Seng Chan & Co to carry out internal audit.

The aggregate amount of fees paid and/or payable to the external auditors amounted to approximately $152,000 for audit services and $14,000 non-audit services rendered by the external auditors.

The AC has reviewed the non-audit services provided by the external auditors to the Group. The amount of non-audit fees paid to the Group's external auditors for their non-audit services was approximately $14,000. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided a confirmation of their independence to the AC.

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

D. SHAREHOLDER RIGHTS AND ENGAGEMENT

1. SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: *Fair and equitable treatment of shareholders*

Shareholders are invited to attend, participate and vote at the general meetings. The notice of the meetings is given within the stipulated timeline and the shareholders are informed of the relevant rules and voting procedures of the meetings.

To encourage greater shareholders' participation in the general meetings, the Company's Constitution allows the shareholders to appoint up to 2 proxies so that the shareholders who hold shares through corporation can attend and participate in general meetings as proxies. The Company allows shareholders who hold shares through nominees to attend the general meetings as observers, without being constrained by the 2-proxy rule. However, the Company has not provided for voting in absentia in its Constitution as there exists difficulty in authenticating shareholder identity amongst other security reasons. Further, it is felt that this would not serve the interest of shareholders.

The Board recognises the importance of engaging in regular, effective and fair communications with its shareholders. In this regard, it strictly adheres to the disclosure requirements set out in the Listing Manual of the SGX-ST to ensure that material information is made publicly available on a timely and non-selective basis to all shareholders.

In disclosing information to shareholders, the Company aims to provide a balanced and meaningful description. Shareholders are kept informed of all major developments and performance of the Group through timely half year and full year results announcements and the various disclosures and announcements made to the SGX-ST via the SGXNet, annual reports and circulars to shareholders.

Additionally, the shareholders' meetings are the principal forum for the Board to have face-to-face dialogue with the shareholders, to gather their views or inputs as well as to address any concerns they may have. As such, the Company also tables separate resolution at general meetings of the shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. The Board always encourages shareholders' active participation at such meetings by giving them adequate opportunity and time to air their views and pose questions regarding the Group's business activities and performance.

All directors attend the general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. The number of general meetings held and attended by each director during the financial year from 1 September 2018 to 31 August 2019 is tabulated below:

Director	**No. of General Meetings**	
Name	**Held**	**Attended**
Loh Suan Len	2	2
Teo Teck Leong	2	2
Teo Eng Thian	2	2
Dr Chau Sik Ting	2	2

Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends the Board may recommend or declare, will depend on various factors, including general financial condition, the level of Group's cash and earnings, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate.

Notwithstanding the above, the Company has clearly communicated to shareholders via the financial results announcement through SGXNet on any declaration of dividend.

2. ENGAGEMENT WITH SHAREHOLDERS

Principle 12: *Regular, effective and fair communication with shareholders*

Shareholders are notified to participate in the Company's general meetings through notices in its annual reports or circulars, as well as publication in a local newspaper and announcements made via SGXNet.

The Company also believes in providing avenues for shareholder participation at its general meetings and other dialogues to allow shareholders to communicate their views on matters affecting the Company. As such the Company has in place an investor relations policy which allows an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. Shareholders are encouraged to contact the Company with any questions through the following avenues:-

- Shareholders' meetings; and
- email correspondence via the Company's website.

E. MANAGING STAKEHOLDERS RELATIONSHIPS

1. ENGAGEMENT WITH STAKEHOLDERS

Principle 13: *Considering and balancing the needs and interests of material stakeholders*

The Board is mindful that stakeholders form an important part of the Company's eco-system. As such, the Board actively identifies and engages with its material stakeholder groups to ensure that the needs and interests of the Company's stakeholders are considered and balanced. This is achieved through maintaining effective communications and constant engagement with stakeholders through the Company's corporate website to communicate, inform, include and engage stakeholders.

The Directors of Shinvest Holding Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 August 2019 and the statement of financial position of the Company as at 31 August 2019.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon 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 31 August 2019, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

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

2. Directors

The Directors of the Company in office at the date of this statement are as follows:

Loh Suan Len
Teo Teck Leong
Teo Eng Thian
Dr Chau Sik Ting

3. Arrangements to enable Directors to acquire shares or debentures

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

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors	Shareholdings registered in the name of Director		Shareholdings in which Director is deemed to have interest	
	Balance as at 1.9.2018	Balance as at 31.8.2019	Balance as at 1.9.2018	Balance as at 31.8.2019
The Company	Number of ordinary shares			
Loh Suan Len	526,375	526,375	202,400	202,400
Teo Teck Leong	20	424,120	2,477,000	2,865,900
Teo Eng Thian	1,477,500	1,537,500	-	-
Dr Chau Sik Ting	73,400	112,400	-	-

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interests as at 21 September 2019 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 August 2019.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. Audit Committee

At the date of this report, the Audit Committee comprises the following members:

Loh Suan Len	(Independent Director, Chairman of Audit Committee)
Dr Chau Sik Ting	(Independent Director)
Teo Eng Thian	(Executive Director)

The Audit Committee has carried out its functions in accordance with section 201B(5), including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the results of the internal auditors examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's external auditor; and

(f) the re-appointment of the external auditor of the Company.

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

The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Loh Suan Len
Director

Teo Teck Leong
Director

Singapore
5 December 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Shinvest Holding Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shinvest Holding 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 31 August 2019;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

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 31 August 2019, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 period. 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 MATTER	AUDIT RESPONSE
1 Assessment of ability to exercise significant influence over financial assets at fair value through profit or loss ("FVTPL")	
As at 31 August 2018, the Company had an indirect equity interest of 8.90% in an investee company through a major investor, and classified as an investment in AFS financial assets. On 15 January 2018, the major investor completed a restructuring exercise to bring all indirect shareholders of the investee company, including the company, to hold the investee company's shares directly. Subsequent to the restructuring, the Company's direct equity interest in the investee company remained at 8.90% as at 31 August 2018. Subsequent to completion of IPO exercise in Shanghai Stock Exchange STAR Market, the Company's direct equity interest in the investee company was diluted to 6% as at 31 August 2019. In accordance with SFRS(I) 9 *Financial Instruments,* the Group recognises and measures the investment of quoted equity interest in Espressif Systems (Shanghai) Co., Ltd ("Espressif Shanghai") as financial asset measured at FVTPL. As a director of the Company was appointed as one of the investee company's non-executive directors ("Director"), management carried out an assessment to determine whether the Company has the power to participate in the financial and operating policy decisions of the investee company. Based on management's assessment, the Company does not have significant influence over the investee company. Accordingly, the Company continues to account for its interest in the investee company as financial assets in accordance with SFRS(I) 9 *Financial Instruments*. We focused on this area as a key audit matter as significant management judgements were involved in determining whether the Company had significant influence over the investee company, which would in turn consider the accounting for this investment in the consolidated financial statements. Refer to Notes 3.1(ii), 8 and 9 to the financial statements.	We have performed the following audit procedures, amongst others: • perused the investee company's revised Memorandum and Articles after IPO exercise to understand the rights of the respective shareholders' and responsibilities of the Board of Directors; • reviewed investee company's IPO document to confirm the Company does not have any managerial personnel who holds any position in the investee company after IPO exercise; and • reviewed the nomination letter from the major investor to the Director to evaluate the terms and conditions surrounding the Director's appointment as a non-executive director of the investee company. In this regard, the Director was to discharge his duty in-line with the major investor's interest and shall support the major investor in all the board meetings.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Impairment assessment of goodwill	
As at 31 August 2019, the Group's goodwill amounted to $1,647,000. In accordance with SFRS(I)1-36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually or more frequently if there is any indication that the cash-generating unit ("CGU") to which goodwill have been allocated may be impaired. For the purpose of impairment assessment, the management applied the value-in-use (discounted cash flow forecast) approach to determine the recoverable amount of the CGU. Any shortfall between the recoverable amount and the carrying amount of the CGU would be recognised as impairment losses. We focused on this area as a key audit matter as the goodwill impairment assessment requires the exercise of significant judgements and estimates with regard to the key assumptions such as revenue growth rate, terminal growth rate, and discount rate. Refer to Notes 3.2(v) and 5 to the financial statements.	We have performed the following audit procedures, amongst others: • discussed with management and evaluated the process in determining the recoverable amounts of the CGUs, including the process in deriving the key estimates for revenue growth rate, terminal growth rate, and discount rate; • evaluated management's budgeting process by comparing the actual results to previously forecasted results; • assessed the reasonableness of management's key assumptions and estimates applied by comparing revenue growth rate, terminal growth rate and discount rate against historical data and market data; • engaged our internal valuation specialist to evaluate the reasonableness of the key assumptions used (i.e. discount rate and terminal growth rate) • performed sensitivity analysis around the key assumptions including the revenue growth rate, terminal growth rate and discount rate used in discounted cash flow forecast; and • assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.

KEY AUDIT MATTER	AUDIT RESPONSE
3 Net realisable value of inventories	
As at 31 August 2019, the Group's inventories amounted to $14,569,000 which accounted for approximately 10% of the Group's total assets. During the financial year, a write-down of $370,000, reversal of previous write-down of $425,000 and write-off of $274,000 were made and included in profit or loss. The Group's inventories comprising finished goods of $14,569,000 are carried at lower of cost and net realisable value. Inventories may be written down to net realisable value if they are slow-moving, become obsolete due to no market demand, or if their selling prices have declined. As the general market conditions continue to be challenging and competitive, there is a risk that net realisable values of the Group's inventories may be below cost, resulting in an overstatement of inventories. The determination of the net realisable values of inventories is based on current market conditions and historical sales experience. We focused on this area as a key audit matter as significant management judgements are involved in assessing the market positioning of the Group's products which are dependent on factors such as customer specification requirements, demand levels and price competition in response to the industry cycles. Refer to Notes 3.2(iii) and 10 to the financial statements.	We have performed the following audit procedures, amongst others: • discussed with management to obtain an understanding of management's assessment and basis for write-downs, reversals and write-offs made during the year; • tested the inventory aging report which is used by management to identify slow moving, excess and obsolete inventories; • assessed the appropriateness of management's estimation of the net realisable values of the inventories by checking, on a sample basis, to actual sales subsequent to the financial year as appropriate; and • assessed the appropriateness of the reversal of slowing-moving inventories, on a sample basis, by checking that the sales prices of those inventories were above the net realisable values and evaluating the likelihood of future demand.

Other Information

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.

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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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 Khoo Gaik Suan.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore
5 December 2019

	Note	Group 31 August 2019 $'000	Group 31 August 2018 $'000	Group 1 September 2017 $'000	Company 31 August 2019 $'000	Company 31 August 2018 $'000	Company 1 September 2017 $'000
Non-current assets							
Property, plant and equipment	4	5,511	14,622	15,332	-	-	2
Intangible assets	5	1,647	1,647	1,647	-	-	-
Investment property	6	549	498	524	-	-	-
Investments in subsidiaries	7	-	-	-	18,000	23,620	23,620
Available-for-sale financial assets	8	-	27,380	6,795	-	27,380	6,795
Financial assets at fair value through profit or loss ("FVTPL")	9	124,967	-	-	124,967	-	-
Other receivables	11	-	74	289	-	-	-
		132,674	44,221	24,587	142,967	51,000	30,417
Current assets							
Available-for-sale financial assets	8	-	3,080	-	-	3,080	-
Inventories	10	14,569	18,247	16,099	-	-	-
Trade and other receivables	11	3,764	22,406	16,416	1,727	11	17
Prepayments		84	433	422	20	20	20
Derivative financial instruments	12	12	5	-	-	-	-
Cash and bank balances	13	325	5,583	2,992	5	2	6
		18,754	49,754	35,929	1,752	3,113	43
Non-current asset classified as held for sale	14	-	-	1,449	-	-	-
		18,754	49,754	37,378	1,752	3,113	43
Less:							
Current liabilities							
Trade and other payables	15	2,728	16,511	11,598	1,876	3,213	5,148
Interest bearing liabilities	16	5,408	14,107	12,982	-	-	-
Derivative financial instruments	12	-	-	29	-	-	-
Current income tax payable		14	339	368	-	-	-
		8,150	30,957	24,977	1,876	3,213	5,148
Net current assets/(liabilities)		10,604	18,797	12,401	(124)	(100)	(5,105)

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

STATEMENT OF FINANCIAL POSITION

As At 31 August 2019

	Note	Group 31 August 2019 $'000	Group 31 August 2018 $'000	Group 1 September 2017 $'000	Company 31 August 2019 $'000	Company 31 August 2018 $'000	Company 1 September 2017 $'000
Less:							
Non-current liabilities							
Other payables	15	11,425	-	-	11,425	-	-
Interest bearing liabilities	16	1,802	2,708	2,616	-	-	-
Deferred tax liabilities	17	11,711	2,996	580	11,359	2,552	-
		24,938	5,704	3,196	22,784	2,552	-
Net assets		118,340	57,314	33,792	120,059	48,348	25,312
Equity							
Share capital	18	26,700	26,700	26,700	26,700	26,700	26,700
Reserves	19	91,640	23,632	274	93,359	21,648	(1,388)
Equity attributable to owners of the parent		118,340	50,332	26,974	120,059	48,348	25,312
Non-controlling interests	7	-	6,982	6,818	-	-	-
Total equity		118,340	57,314	33,792	120,059	48,348	25,312

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 August 2019

	Note	2019 $'000	2018 $'000
Continuing operations			
Revenue	20	15,401	18,009
Cost of sales		(10,119)	(12,248)
Gross profit		5,282	5,761
Other items of income			
Other income	21	358	3,389
Fair value gain on financial assets at FVTPL	22	89,899	-
Other items of expense			
Reversal of/(Loss) allowance on trade and other receivables		37	(8)
Selling and distribution expenses		(2,689)	(2,615)
Administrative expenses		(8,656)	(3,632)
Finance costs	23	(430)	(650)
Other expenses		(7)	(1)
Profit before income tax from continuing operations	24	83,794	2,244
Income tax (expense)/credit	25	(9,057)	6
Profit for the year from continuing operations		74,737	2,250
Discontinued operation			
(Loss)/Profit for the year from discontinued operation	26	(1,855)	1,394
Profit for the year		72,882	3,644
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss:			
Foreign currency differences on translation of foreign operations, net of tax $Nil		138	(665)
Fair value gain on available-for-sale financial assets		-	23,241
Income tax relating to fair value gain on available-for-sale financial assets		-	(2,552)
Other comprehensive income for the year		138	20,024
Total comprehensive income for the year		73,020	23,668

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

	Note	2019 $'000	2018 $'000
Profit attributable to:			
Owners of the parent		72,781	3,051
Non-controlling interests		101	593
		72,882	3,644
Total comprehensive income attributable to:			
Owners of the parent		72,861	23,358
Non-controlling interests		159	310
		73,020	23,668
Earnings per share from continuing operations attributable to owners of the parent (in cents)			
Basic and diluted	27	249.915	7.524
(Loss)/Earnings per share from discontinued operation attributable to owners of the parent (in cents)			
Basic and diluted	27	(6.541)	2.678

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 August 2019

	Equity attributable to owners of the parent							
	Share capital $'000	Statutory reserve fund $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	(Accumulated losses)/ Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 31 August 2018	26,700	691	23,375	290	(724)	50,332	6,982	57,314
Effect of adopting SFRS(I) 9 (Note 37)	-	-	(23,375)	-	23,172	(203)	-	(203)
Balance at 1 September 2018	26,700	691	-	290	22,448	50,129	6,982	57,111
Profit for the year	-	-	-	-	72,781	72,781	101	72,882
Other comprehensive income for the year that may subsequently be reclassified to profit or loss:								
Foreign currency differences on translation of foreign operations	-	-	-	80	-	80	58	138
Total comprehensive income for the year	-	-	-	80	72,781	72,861	159	73,020
Transactions with owners, recognised directly in equity								
Dividend paid (Note 28)	-	-	-	-	(3,589)	(3,589)	-	(3,589)
Transactions with non-controlling shareholders								
Disposal of a subsidiary (Note 7)	-	(691)	-	(370)	-	(1,061)	(7,141)	(8,202)
Balance at 31 August 2019	26,700	-	-	-	91,640	118,340	-	118,340

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 August 2019

	Equity attributable to owners of the parent							
	Share capital $'000	Statutory reserve fund $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 September 2017	26,700	478	2,686	672	(3,562)	26,974	6,818	33,792
Profit for the year	-	-	-	-	3,051	3,051	593	3,644
Other comprehensive income for the year that may subsequently be reclassified to profit or loss:								
Foreign currency differences on translation of foreign operations	-	-	-	(382)	-	(382)	(283)	(665)
Fair value gain on available-for-sale financial assets	-	-	23,241	-	-	23,241	-	23,241
Income tax relating to fair value gain on available-for-sale financial assets	-	-	(2,552)	-	-	(2,552)	-	(2,552)
Total comprehensive income for the year	-	-	20,689	(382)	3,051	23,358	310	23,668
Transactions with non-controlling shareholders								
Dividend paid (Note 7)	-	-	-	-	-	-	(146)	(146)
Others								
Transfer to statutory reserve fund	-	213	-	-	(213)	-	-	-
Balance at 31 August 2018	26,700	691	23,375	290	(724)	50,332	6,982	57,314

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

	Note	2019 $'000	2018 $'000
Operating activities			
Profit before income tax from continuing operations		83,794	2,244
(Loss)/Profit before income tax from discontinued operation	26	(1,673)	1,660
Profit before income tax, total		82,121	3,904
Adjustments for:			
Bad debts written off – other receivables		*	-
Bad debts written off – trade receivables		7	1
Loss allowance on other receivables		11	-
Loss allowance on trade receivables		-	1,792
Reversal of loss allowance on trade receivables		(720)	-
Depreciation of investment property		29	26
Depreciation of property, plant and equipment		1,219	2,345
Fair value gain on derivative financial instruments		(12)	(5)
Fair value gain on financial assets at FVTPL		(89,899)	-
Gain on disposal of non-current asset classified as held for sale		-	(2,715)
(Gain)/Loss on disposal of property, plant and equipment		(3)	7
Loss on disposal of a subsidiary		2,092	-
Impairment loss on property, plant and equipment		1,500	-
Interest expenses		412	606
Interest income		(6)	(25)
Inventories written off		274	50
Reversal of inventories write-down		(425)	(245)
Write-down for inventories obsolescence		370	556
Unrealised foreign exchange loss/(gain)		98	(2)
Operating cash flows before working capital changes		(2,932)	6,295
Changes in working capital:			
Inventories		415	(2,644)
Trade and other receivables		3,975	(8,033)
Prepayments		204	112
Trade and other payables		2,602	4,991
Cash generated from operations		4,264	721
Interest received		6	25
Income taxes paid		(571)	(313)
Net cash from operating activities		3,699	433

** denotes amounts less than $1,000*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 August 2019

	Note	2019 $'000	2018 $'000
Investing activities			
Additions in investment property		(80)	-
Disposal of a subsidiary, net of cash disposed	7	752	-
Deposits placed to purchase of property, plant and equipment		(53)	(491)
Proceeds from disposal of financial assets at FVTPL		3,080	-
Proceeds from disposal of property, plant and equipment		5	4
Proceeds from disposal of non-current asset classified as held for sale		-	4,065
Purchase of property, plant and equipment		(210)	(540)
Net cash from investing activities		3,494	3,038
Financing activities			
Dividend paid to shareholders	28	(3,589)	-
Dividend paid to non-controlling shareholders	7	-	(146)
Repayment of obligations under finance leases	A	(271)	(457)
Proceeds from bank borrowings	A	7,266	2,168
Repayment of bank borrowings	A	(15,413)	(1,872)
Interest paid		(412)	(606)
Net cash used in financing activities		(12,419)	(913)
Net change in cash and cash equivalents		(5,226)	2,558
Cash and cash equivalents at beginning of financial year		5,583	2,992
Effect of foreign exchange rate changes on cash and cash equivalents		(32)	33
Cash and cash equivalents at end of financial year	13	325	5,583

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

Note A: Reconciliation of liabilities arising from financing activities

	1 September 2018	Cash flows	← Non-cash changes Disposal of a subsidiary	Additions of property, plant and equipment under finance leases	Foreign exchange differences →	31 August 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Bank borrowings	15,647	(8,147)	(431)	-	(11)	7,058
Finance lease payables	1,168	(271)	(1,104)	371	(12)	152
Total	16,815	(8,418)	(1,535)	371	(23)	7,210

	1 September 2017	Cash flows	← Non-cash changes Additions of property, plant and equipment under finance leases	Foreign exchange differences →	31 August 2018
	$'000	$'000	$'000	$'000	$'000
Bank borrowings	15,209	296	-	142	15,647
Finance lease payables	389	(457)	1,239	(3)	1,168
Total	15,598	(161)	1,239	139	16,815

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

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

1. General

Shinvest Holding Ltd. (the "Company") is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 3 Kian Teck Crescent Singapore 628881. The Company's registration number is 198905519R. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 August 2019 were authorised for issue in accordance with a Directors' resolution dated 5 December 2019.

2. Significant accounting policies

2.1 Basis of preparation

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

These financial statements are the Group and the Company's first financial statements prepared in accordance with SFRS(I)s. The Group and Company have previously prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). As required by SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)*, the Group and the Company have consistently applied the same accounting policies in its opening statement of financial position at 1 September 2017 and throughout all financial years presented, as if these policies had always been in effect subject to the mandatory exceptions and optional exemptions under SFRS(I) 1. Comparative information for the financial year ended 31 August 2018 in these financial statements were not restated as there is no significant financial impact on transition from FRSs to SFRS(I)s as disclosed in Note 37 to the financial statements, except for the adoption of SFRS(I) 9.

As at 31 August 2019, the Company's current liabilities exceeded its current assets by approximately $124,000 (31 August 2018: $100,000; 1 September 2017: $5,105,000). The Company is an investment holding company and most of its assets are held by the subsidiaries within the Group. However, as at 31 August 2019, the Group's current assets exceeded its current liabilities by approximately $10,604,000(31 August 2018: $18,797,000; 1 September 2017: $12,401,000) and its total assets exceeded its total liabilities by approximately $118,340,000 (31 August 2018: $57,314,000; 1 September 2017: $33,792,000). The Directors are of the view that it is appropriate for the financial statements to be prepared on a going concern basis which contemplates the realisation of assets and liabilities in the ordinary course of business.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company and statement of changes in equity are presented in Singapore dollar ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

SFRS(I)s and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT that may be relevant to the Company were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 16	: Leases	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle		
- SFRS(I) 3 (Amendments)	: Business Combinations	1 January 2019
- SFRS(I) 1-12 (Amendments) (Amendments)	: Income Tax	1 January 2019
- SFRS(I) 1-23 (Amendments)	: Borrowing Costs	1 January 2019
SFRS(I) INT 23	: Uncertainty over Income Tax Treatments	1 January 2019
SFRS(I) 1-19	: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
SFRS(I) 10 (Amendments)	: Consolidated Financial Statements	To be determined
Various amendments	: References to the Conceptual Framework in SFRS(I) Standards, illustrative examples, implementation guidance and SFRS(I)	1 January 2020

Consequential amendments were also made to various standards as a result of these new or revised standards.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

SFRS(I)s and SFRS(I) INT issued but not yet effective (Continued)

Except as disclosed below, management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

The Group and the Company has performed an assessment on the adoption of SFRS(I) 16 based on currently available information as well as recognition exemptions under SFRS(I) 16. The Group and the Company expects to capitalise its operating lease on rented land premises and other operating facilities on the statement of financial position by recognising a 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments. This assessment may be subject to changes from the ongoing analysis until the finalisation of transition entries.

The Group and the Company plans to adopt the standard in the financial year beginning on 1 September 2019 using the modified retrospective method in accordance with the transitional provisions, and therefore will only recognise leases on statement of financial position as at 1 September 2019. The Group will include the required additional disclosures in its financial statements for the financial year ending 31 August 2020.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests

Non-controlling interests represents the equity in subsidiaries which is not attributable directly or indirectly to the equity owners of the parent. They are shown separately in the consolidated statements of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). 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 subsidiary. 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 parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and non-controlling interest. The profit or loss on disposal 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. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments 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 joint venture.

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

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

2. Significant accounting policies (Continued)

2.3 Business combinations (Continued)

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.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

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

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Shop house	60
Leasehold buildings	26 & 46
Leasehold improvements	5
Plant, machinery and factory equipment	5 – 10
Computer equipment	3
Motor vehicles	5
Office equipment, furniture and fittings	5 - 10

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

2. Significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.5 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives as follows:

	Years
Leasehold building	26

The residual values, useful life and depreciation method of investment property is reviewed, and adjusted as appropriate, at each financial year-end. The effects of any revision are included in profit or loss when the changes arise.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvements are charged to profit or loss when incurred.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property is recognised in profit or loss in the year of retirement or disposal.

2. Significant accounting policies (Continued)

2.6 Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill on acquisition of subsidiaries prior to 1 January 2010 and jointly controlled entities represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(ii) Customer relationship

Customer relationship was acquired through business combinations, and measured at fair value as at the date of acquisition. Subsequently, customer relationship was carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives as follows:

	Years
Customer relationship	4.7

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss or expected category consistent with the function of the intangible asset.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

2. Significant accounting policies (Continued)

2.7 Impairment of non-financial assets, excluding goodwill

At the end of each financial year, the Group and the Company review the carrying amounts of their 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 estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its 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.

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 financial years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a “weighted average” basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which the inventories can be realised in the ordinary course of business, less the estimated costs of completion and costs incurred in marketing, selling and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying amount of those inventories to the lower of cost and net realisable value.

2.9 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group’s business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group’s accounting policy for each category is as follows:

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The lifetime expected credit losses are determined based on expected credit losses. The Group has established expected credit loss model based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other financial assets are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at the end of each financial year, there has been a significant increase in credit risk since initial recognition of the financial asset. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the end of each financial year with the risk of a default occurring on the financial asset as at the date of initial recognition. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it had previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statements of financial position.

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss ("FVTPL")

The Group has investment in a listed entity which is not accounted for as subsidiary, associate or jointly controlled entity. They are carried at fair value with changes in fair value recognised in profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through profit or loss are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through profit or loss.

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

At the end of each financial year, the Group assesses whether financial assets carried at amortised cost are credit-impaired. 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;
- a breach of contract, such as a default or past due event
- 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;
- 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.

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Accounting policy for financial assets prior to 1 September 2018

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables and cash and bank balances.

Available-for-sale financial assets ("AFS")

Available-for-sale financial assets is non-derivative financial asset that is either designated as available-for-sale or not classified in any of the other categories. It is presented as non-current asset unless the management intends to dispose of the asset within 12 months after the end of the financial year.

Investment in equity instruments are measured at fair value and changes therein, including any related foreign exchange component, are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

Impairment of financial assets

Financial assets, other than fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Accounting policy for financial assets prior to 1 September 2018 (Continued)

Impairment of financial assets (Continued)

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

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

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

In respect of AFS, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are reversed.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables (excluding goods and services tax payable, advance payment from customer, VAT payable and other tax payable) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.17).

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Prior to 1 September 2018, financial guarantees were subsequently measured at the higher of amount initially recognised less amortisation and the expected amounts payable to the banks in the event it is probable that the Company will reimburse the banks.

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments

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 and the consideration paid is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments held by the Group are recognised as assets or liabilities on the statements of financial position and classified as financial assets or financial liabilities at the fair value through profit or loss.

Derivative financial instruments held by the Group are recognised as assets or liabilities on the statements of financial position and classified as financial assets or financial liabilities at the fair value through profit or loss.

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.10 Cash and bank balances

Cash and bank balances comprise cash on hand, cash with banks and financial institutions. Bank balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and cash at bank net of bank overdrafts. In the statements of financial position, bank overdrafts are presented within interest bearing liabilities under current liabilities.

2.11 Non-current assets classified as held for sale and discontinued operation

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

2. Significant accounting policies (Continued)

2.11 Non-current assets classified as held for sale and discontinued operation

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

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

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

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

2.12 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation 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 financial year, 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. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

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

2.13 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to these fixed prices.

2. Significant accounting policies (Continued)

2.13 Revenue recognition (Continued)

Revenue from sales of goods

The Group's primary source of revenue are from the sale of building materials, general merchants, hardware and fasteners. Revenue from the sales of these products is recognised at a point in time when the products and the products are delivered to or collected by customers. For overseas sales, performance obligations are satisfied when the control of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within the credit term.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the respective leases.

Dividend income

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

2.14 Government grants

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures.

2.15 Employee benefit expenses

Defined contribution plans

Payments to defined contribution plans are charged as an expense as they fall due. 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 plan.

Bonus plans

The Group recognised a liability and an expenses for the expected cost of bonuses when and only when it is contractually obligated to pay and when there is a past practice that has created a constructive obligation to pay which the Group has no realistic alternative but to make the payments.

2. Significant accounting policies (Continued)

2.15 Employee benefit expenses (Continued)

Other long-term service benefits

Other employee benefits that are expected to be settled wholly within 12 months from the reporting date are presented as current liabilities and recognised at carrying value.

Employee entitlements to other employee benefits that are not expected to be settled wholly within 12 months after the end of the financial year are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using market discount rate at the end of the financial year. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

2.16 Leases

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to the acquisition, construction of production of qualifying assets, in which case they are capitalised in accordance with the Group’s general policy on borrowing costs (Note 2.17).

Operating leases

Group as lessee of operating leases

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

Group as lessor of operating leases

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. Assets leased out under operating leases are included under investment properties.

2. Significant accounting policies (Continued)

2.17 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.18 Taxes

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

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss 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 recognised at the amount expected to be paid or recovered from the tax authorities and 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 financial year.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year 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 deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the financial year. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

2. Significant accounting policies (Continued)

2.18 Taxes (Continued)

Deferred tax (Continued)

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.

Deferred taxes are recognised in profit or loss, except when the taxes relate to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.19 Foreign currencies

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity’s functional currency (“foreign currencies”) are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in equity.

2. Significant accounting policies (Continued)

2.19 Foreign currencies (Continued)

For the purpose of presenting consolidated financial statements, the results and financial position, changes in equity and cash flows of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rate at the end of the financial year;

(i) income and expense items (including comparatives) are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(ii) all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.20 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recognised as a liability in the financial year in which the dividends are approved by the shareholders.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director who make strategic decisions.

2.22 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingencies are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

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 made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These 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.

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have significant effect on the amounts recognised in the financial statements.

(i) Impairment of investments in subsidiaries

The Group and the Company follow the guidance of SFRS(I) 1-36 *Impairment of Assets* in determining whether investments in subsidiaries are impaired. This process requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount, and the financial health and near-term business outlook of the investment. Factors, such as industry and sector performance, changes in technology and operational and financing cash flows were used.

(ii) Ability to exercise significant influence over the financial assets at fair value through profit or loss

Significant influence is presumed to exist (or not exist) when an entity holds 20% or more (or less than 20%) of the voting rights of another entity, unless it can be clearly demonstrated otherwise.

The Group and the Company hold a direct non-controlling equity interest of 6% in quoted equity shares of an investee company subsequent to completion of IPO exercise and a restructuring exercise carried out by a major investor of the investee company. A director of the Company was appointed as a director in the investee's company. As the director which was appointed in the investee's company is required to vote in accordance to the major investor's interest and support the major investor in all the board meetings, management assessed and determined that the Group and the Company do not have significant influence since the director does not have practical ability to exercise his rights in the affairs and operations of investee company in the interest of the Group and the Company. Hence, the Group and the Company have recognised the non-controlling equity interest in the investee company as a financial assets at fair value through profit or loss.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and, where applicable, cash-generating unit ("CGU") are determined by the management based on fair value less costs of disposal. In determining the fair value less costs of disposal, the management exercised judgement in estimating the amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal. The carrying amount of property, plant and equipment of the Group and the Company as at 31 August 2019 were approximately $5,511,000 (31 August 2018: $14,622,000; 1 September 2017: $15,332,000) and $Nil (31 August 2018: $Nil; 1 September 2017: $2,000) respectively. During the financial year, an impairment loss on plant, machinery and factory equipment amounting to $1,500,000 (2018: $Nil) was recognised. Further information is disclosed in Note 4 and 26.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of the property, plant and equipment to be within 3 to 60 years. The carrying amount of property, plant and equipment of the Group and the Company as at 31 August 2019 were approximately $5,511,000 (31 August 2018: $14,622,000; 1 September 2017: $15,332,000) and $Nil (31 August 2018: $Nil; 1 September 2017: $2,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the property, plant and equipment. Therefore, future depreciation charges could be revised.

(iii) Write-down for inventories obsolescence

Inventories are valued at the lower of cost and net realisable value. The management determines cost of inventories primarily using the weighted average method, and the determination of the net realisable value of inventories is based on current market conditions and historical sales experience. Inventories may be written down to net realisable value if they are slow-moving, become obsolete due to no market demand, or if their selling prices have declined. In determining excess quantities, the management considers recent sales quantities, related margins and the market positioning of its products. Nonetheless, the Group may be required to reduce the value of its inventories when faced with factors beyond its control, such as customer specification requirements, demand levels and price competition in response to the industry cycles. The carrying amount of the Group's inventories as at 31 August 2019 was approximately $14,569,000 (31 August 2018: $18,247,000; 1 September 2017: $16,099,000).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(iv) Estimating expected credit loss allowance for trade and other receivables

Trade receivables

The Group and the Company have elected to apply the simplified approach within SFRS(I) 9, based on lifetime expected credit losses ("ECL"), in determining the loss allowance on trade receivables at the end of each reporting period.

The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For credit-impaired trade receivables, ECL is determined as the difference between the gross carrying amount and the present value of the estimated future cash flows.

During the reporting period, the loss allowance on trade receivables of $Nil (2018: $1,792,000) was recognised in the Group's profit or loss. The loss allowance on trade receivables for the previous financial year was accounted based on incurred loss model.

The carrying amount of trade receivables of the Group as at 31 August 2019 was $3,510,000 (31 August 2018: $18,785,000; 1 September 2017: $15,795,000).

Non-trade amounts due from third parties and subsidiary

At each reporting date, management determines whether there is change in credit risk of the non-trade receivables since initial recognition. In measurement of the ECL, management evaluated historical payment patterns of non-trade amount due from third parties, operating performance ratios and liquidity ratios of non-trade amount due from subsidiary.

A loss allowance on other receivables of $11,000 (2018: $Nil) was recognised in Group's profit or loss as at 31 August 2019. There is no loss allowance on other receivables in the Company's profit or loss during current and previous financial years.

The carrying amount of other receivables of the Group and the Company amounting to $240,000 (31 August 2018: $3,509,000; 1 September 2017: $555,000) and $1,727,000 (31 August 2018: $11,000; 1 September 2017: $17,000) respectively is disclosed in Note 11 on the financial statements.

(v) Impairment of goodwill

The management determines whether goodwill is impaired on an annual basis and as and when there is an indication of impairment. The recoverable amounts of the cash-generating units ("CGU") are determined based on the value in use method, which requires the use of estimates. In estimating the value in use, the management exercises judgement in estimating the expected future cash flows from the CGUs and in selecting suitable discount rates to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 August 2019 were approximately $1,647,000 (31 August 2018 and 1 September 2017: $1,647,000). There was no impairment loss recognised in current and previous financial years. Further information is disclosed in Note 5.

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(vi) Income taxes

The Group recognises expected liabilities for income tax based on estimation of the likely taxes due. This requires significant judgement as to the ultimate tax determination of certain items. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amounts of the Group's current income tax payable and deferred tax liabilities as at 31 August 2019 were approximately $14,000 (31 August 2018: $339,000; 1 September 2017: $368,000) and $11,711,000 (31 August 2018: $2,996,000; 1 September 2017: $580,000) respectively.

4. Property, plant and equipment

Group	Shop house $'000	Leasehold buildings $'000	Leasehold improvements $'000	Plant, machinery and factory equipment $'000	Computer equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
2019								
Cost								
Balance at 1 September 2018	979	6,092	931	18,010	109	1,047	2,003	29,171
Additions	-	-	47	155	5	313	119	639
Disposals	-	-	-	(4)	-	(70)	-	(74)
Write-off	-	-	-	-	(21)	-	-	(21)
Disposal of a subsidiary (Note 7)	-	-	(987)	(17,354)	-	(708)	(1,566)	(20,615)
Currency translation adjustment	-	-	9	98	-	(1)	12	118
Balance at 31 August 2019	979	6,092	-	905	93	581	568	9,218
Accumulated depreciation and impairment								
Balance at 1 September 2018	223	1,563	778	9,632	98	858	1,397	14,549
Depreciation for the financial year	27	198	67	686	10	63	168	1,219
Impairment loss (Note 26)	-	-	-	1,500	-	-	-	1,500
Disposals	-	-	-	(2)	-	(70)	-	(72)
Write-off	-	-	-	-	(21)	-	-	(21)
Disposal of a subsidiary (Note 7)	-	-	(853)	(11,203)	-	(349)	(1,149)	(13,554)
Currency translation adjustment	-	-	8	72	-	(1)	7	86
Balance at 31 August 2019	250	1,761	-	685	87	501	423	3,707
Net carrying amount								
Balance at 31 August 2019	729	4,331	-	220	6	80	145	5,511

4. Property, plant and equipment (Continued)

Group	Shop house $'000	Leasehold buildings $'000	Leasehold improvements $'000	Plant, machinery and factory equipment $'000	Computer equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
2018								
Cost								
Balance at 1 September 2017	979	6,092	892	17,160	109	1,012	1,716	27,960
Additions	-	-	71	1,420	-	74	337	1,902
Disposals	-	-	-	(39)	-	(33)	(8)	(80)
Currency translation adjustment	-	-	(32)	(531)	-	(6)	(42)	(611)
Balance at 31 August 2018	979	6,092	931	18,010	109	1,047	2,003	29,171
Accumulated depreciation								
Balance at 1 September 2017	196	1,365	593	8,475	75	832	1,092	12,628
Depreciation for the financial year	27	198	214	1,478	23	62	343	2,345
Disposals	-	-	-	(33)	-	(33)	(3)	(69)
Currency translation adjustment	-	-	(29)	(288)	-	(3)	(35)	(355)
Balance at 31 August 2018	223	1,563	778	9,632	98	858	1,397	14,549
Net carrying amount								
Balance at 31 August 2018	756	4,529	153	8,378	11	189	606	14,622
Balance at 1 September 2017	783	4,727	299	8,685	34	180	624	15,332

4. Property, plant and equipment (Continued)

	Computer equipment $'000
Company	
Cost	
Balance at 1 September 2017, 31 August 2018 and 31 August 2019	8
Accumulated depreciation	
Balance at 1 September 2017	6
Depreciation for the financial year	2
Balance at 31 August 2018	8
Depreciation for the financial year	-
Balance at 31 August 2019	8
Net carrying amount	
Balance at 31 August 2019	-
Balance at 31 August 2018	-
Balance at 1 September 2017	2

During the financial year, the Group carried out a review of the recoverable amount of its plant, machinery and equipment under GD Precision (Shanghai) Co., Ltd (which was disposed on 7 March 2019) due to a deterioration in operating results following the loss of key customers. The review led to the recognition of an impairment loss of approximately $1,500,000 (2018: $Nil) that had been recognised in profit or loss, and included in other expenses (Note 26). The recoverable amount of the relevant assets of approximately $1,493,000 (31 August 2018: $Nil) had been determined on the basis of its fair value less costs to sell with reference to indicative market values by a third party valuer on an individual basis using the replacement cost approach by making reference to recent transactions of similar assets with appropriate adjustments (Level 3 hierarchy).

Assets pledged as security/held in trust for the Group

As at the end of the financial year, the Group's shop house and leasehold buildings with a total carrying amount of approximately $5,060,000 (31 August 2018: $5,285,000, 1 September 2017: $5,510,000) were pledged to the banks as security for banking facilities granted to a subsidiary as disclosed in Note 16 to the financial statements.

In addition, a motor vehicle with carrying amount of $Nil as at 31 August 2019 (31 August 2018 and 1 September 2017: $Nil) was registered in the name of a Director of the Company and held in trust for the Group.

Property, plant and equipment acquired under finance lease

Assets acquired under finance leases were also pledged as security for the related finance lease payables as disclosed in Note 16 to the financial statements.

4. Property, plant and equipment (Continued)

Property, plant and equipment acquired under finance lease (Continued)

As at the end of the financial year, carrying amounts of property, plant and equipment acquired under finance lease arrangements were as follows:

	Group 31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000
Motor vehicles	80	115	65
Plant, machinery and factory equipment	130	1,230	2,101
	210	1,345	2,166

For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	Group 31 August 2019 $'000	31 August 2018 $'000
Cash payments to acquire property, plant and equipment	210	540
Acquired under finance lease	371	1,239
Transferred from other receivables and deposit paid in prior year	58	123
Total additions to property, plant and equipment	639	1,902

The Group's shop house and leasehold buildings as at 31 August 2019, 31 August 2018 and 1 September 2017 are as follows:

Location	Description	Tenure	Approximate site area (sq.m) 31 August 2019	31 August 2018	1 September 2017
No. 11 Syed Alwi Road #01-06 Teck Heng Long Industrial Building Singapore 207629	Shop house	Freehold	108	108	108
8B Admiralty Street #01-09 Singapore 757440	Retail unit	Leasehold of 60 years commencing 9 October 2000	325	325	325
No. 3 Kian Teck Crescent Singapore 628881	Factory building, office and warehouse	Leasehold for 20 years commencing 1 July 1993 with an extended lease of another 24 years	4,848.84	4,942.97	4,942.97

5. Intangible assets

	Goodwill $'000	Customer relationship $'000	Total $'000
Group			
2019			
Cost			
Balance at 1 September 2018 and 31 August 2019	1,647	1,081	2,728
Accumulated amortisation			
Balance at 1 September 2018 and 31 August 2019	-	1,081	1,081
Net carrying amount			
Balance at 31 August 2019	1,647	-	1,647
2018			
Cost			
Balance at 1 September 2017 and 31 August 2018	1,647	1,081	2,728
Accumulated amortisation			
Balance at 1 September 2017 and 31 August 2018	-	1,081	1,081
Net carrying amount			
Balance at 31 August 2018	1,647	-	1,647
Balance at 1 September 2017	1,647	-	1,647

The Group's intangible assets arose from the Group's acquisitions of a subsidiary.

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that are expected to benefit from that business combination, which is also the reportable operating segment. The carrying amount of goodwill had been allocated to the following segments:

	Trading of hardware and fasteners		
	31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000
Goodwill	1,647	1,647	1,647

The recoverable amount of the CGU has been determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period and projections to terminal year. The management has estimated the discount rate using pre-tax rate that reflect current market assessment of the time value of money and the risks specific to the CGUs. The growth rate is based on management's estimates and expectations from historical trends and market data. The terminal growth rate is based on management's best estimate.

5. Intangible assets (Continued)

The pre-tax discount rate applied to the cash flow and the forecasted average growth rate used to extrapolate the cash flows projections are as follows:

	Trading of hardware and fasteners		
	31 August 2019	**31 August 2018**	**1 September 2017**
	%	**%**	**%**
Revenue growth rate	3.48	2.60	3.00
Terminal growth rate	1.40	0	0
Pre-tax discount rate	9.22	6.62	6.50

As at the end of the current and previous financial years, the recoverable amount of the CGU for trading of hardware and fasteners was determined to be higher than the carrying amount and thus, no impairment loss needs to be recognised.

Sensitivity analysis

As at 31 August 2019, any reasonably possible changes to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount of the CGU.

6. Investment property

	Group		
	31 August 2019	**31 August 2018**	**1 September 2017**
	$’000	**$’000**	**$’000**
Cost			
Balance at beginning of each reporting date	719	719	2,919
Additions	80	-	-
Reclassified as asset held for sale (Note 14)*	-	-	(2,200)
Balance at end of each reporting date	799	719	719
Accumulated depreciation			
Balance at beginning of each reporting date	221	195	947
Depreciation for the financial year	29	26	149
Reclassified as asset held for sale (Note 14)*	-	-	(901)
Balance at end of each reporting date	250	221	195
Net carrying amount			
Balance at each reporting date	549	498	524

* The investment property in No. 2 Kwong Min Road Singapore 628705 held by one of the subsidiaries of the Group was classified as non-current asset held for sale as at 1 September 2017 (Note 14).

6. Investment property (Continued)

The fair value of the Group's investment property as at 31 August 2019 was approximately $1,446,000 (31 August 2018: $974,000, 1 September 2017: $1,014,000). The Group's investment property was valued by an independent professional valuation firm with recent experience in the location and category of the investment property held by the Group.

The valuation was arrived at using the direct comparison approach whereby sale prices of comparable properties in similar locations are adjusted for differences in key attributes such as remaining lease term, property size and time factor. The valuation conforms to International Valuation Standards and is based on the asset's highest and best use, which is in line with its actual use. Management considers the key unobservable inputs include the price per square meter and the premium (discount) on the quality of the building and remaining lease terms. The resulting fair value of investment property is considered level 3 recurring fair value measurement.

There were no changes to the valuation techniques of the investment property as at the end of the reporting period. There were no transfers between levels during the financial year.

The following amounts are recognised in profit or loss:

	Group	
	2019	2018
	$'000	$'000
Rental income from investment property	247	550
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	(236)	(377)

The Group's investment property as at 31 August 2019, 31 August 2018 and 1 September 2017 is as follows:

			Approximate site area (sq.m)		
Location	Description	Tenure	31 August 2019	31 August 2018	1 September 2017
No. 3 Kian Teck Crescent Singapore 628881	Workers' dormitory	Leasehold for 20 years commencing 1 July 1993 with an extended lease of another 24 years	697.29	545.41	545.41

During the financial year, the approximate site area (sq.m) of the investment property was revised as there was adjustment in differential premium for the lifting of state title restrictions in accordance with Singapore Land Authority Act.

The Grant of Written Permission (Temporary) for continued use of part of the 2nd storey and part of the 3rd storey as secondary workers' dormitory for 155 workers was granted on 11 July 2019 for a period of 5 years commencing 4 November 2018. The secondary workers' dormitory shall cease with effect from 4 November 2023. Upon expiry of the temporary permission for the temporary secondary workers' dormitory, the permission shall be used for industrial or warehouse purposes.

As at the end of current and previous financial years, the investment property was pledged to the banks for banking facilities granted to a subsidiary as disclosed in Note 16 to the financial statements.

7. Investments in subsidiaries

	Company 31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000
Unquoted equity shares, at cost			
Balance at beginning of each reporting period	23,620	23,620	23,620
Disposal	(5,620)	-	-
Balance at end of each reporting period	18,000	23,620	23,620

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group			Proportion of ownership interest held by non-controlling interests			Principal activities
	31 August 2019 %	31 August 2018 %	1 September 2017 %	31 August 2019 %	31 August 2018 %	1 September 2017 %	
Held by the Company							
Sin Hong Hardware Pte Ltd ("Sin Hong")[1] (Singapore)	100	100	100	-	-	-	Importers, exporters, marketing of building materials, general merchants and hardware dealers
GD Tech (H.K.) Private Co., Limited ("GD Tech HK")[2] (Hong Kong)	-	57.48	57.48	-	42.52	42.52	Trading of high precision components, machinery parts and tools
Held by Sin Hong							
Maritrans Corporation Pte Ltd[1] (Singapore)	100	100	100	-	-	-	Investment holding

7. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows (Continued):

Name of subsidiaries (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group			Proportion of ownership interest held by non-controlling interests			Principal activities
	31 August		1 September	31 August		1 September	
	2019	2018	2017	2019	2018	2017	
	%	%	%	%	%	%	
Held by GD Tech HK							
GD Tech (Dongguan) Co., Ltd[2] (People's Republic of China)	-	57.48	57.48	-	42.52	42.52	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Tech (Zhuzhou) Co., Ltd[2] (People's Republic of China)	-	57.48	57.48	-	42.52	42.52	Manufacturing and trading of high precision mechanical components
GD Precision (Shanghai) Co., Ltd[2] (People's Republic of China)	-	57.48	57.48	-	42.52	42.52	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Tech Pte. Ltd.[2]	-	57.48	-	-	42.52	-	Trading of electronic and machinery parts and tools

(1) Audited by BDO LLP, Singapore
(2) Disposed on 7 March 2019, audited and reviewed by BDO Limited, Hong Kong, for purpose of group consolidation

On 9 February 2018, GD Tech Pte. Ltd., a wholly-owned subsidiary of GD Tech HK, was incorporated in Singapore with a paid up capital of $10,000.

7. Investments in subsidiaries (Continued)

Disposal of a subsidiary

On 7 March 2019, the Company disposed of 57.48% equity interest in a subsidiary, GD Tech (H.K.) Private Co., Limited (“GD Tech HK”) to a third party individual purchaser for a cash consideration of $6,500,000.

The value of assets and liabilities of GD Tech HK recorded in the consolidated financial statements as at 7 March 2019 and the cash flow effect of the disposal were:

	Carrying amount 2019 $’000
Plant and equipment	7,061
Inventories	3,006
Trade and other receivables	14,882
Prepayments	400
Cash and bank balances	5,748
Total assets	31,097
Trade and other payables	12,540
Income tax payable	207
Interest bearing liabilities	1,535
Deferred tax liabilities (Note 17)	21
Total liabilities	14,303
Net identifiable assets derecognised	16,794
Net identifiable assets derecognised	16,794
Non-controlling interests	(7,141)
Foreign currency translation reserve	(370)
Statutory reserve fund	(691)
Loss on disposal of a subsidiary (Note 26)	(2,092)
Cash consideration received	6,500
Net cash flows on disposal of a subsidiary:	
Cash consideration received	6,500
Cash and bank equivalents of the subsidiary	(5,748)
Net cash inflow on disposal of a subsidiary	752

7. Investments in subsidiaries (Continued)

Non-controlling interests

Summarised financial information in relation to the subsidiary that has non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	GD Tech HK	
	2019	2018
	$'000	$'000
Revenue	21,607	46,144
Profit before income tax	441	1,702
Income tax expense	(190)	(281)
Profit after tax	251	1,421
Profit allocated to NCI	107	604
Other comprehensive income allocated to NCI	141	287
Total comprehensive income allocated to NCI	248	891
Dividend paid to NCI	-	146
Cash flows from operating activities	1,261	2,614
Cash flows used in investing activities	(439)	(1,173)
Cash flows from financing activities	412	337
Net cash inflows	1,234	1,778

		GD Tech HK	
	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000
Assets:			
Current assets	-	22,884	17,026
Non-current assets	-	8,899	9,487
	-	31,783	26,513
Liabilities:			
Current liabilities	-	14,670	10,478
Non-current liabilities	-	693	-
	-	15,363	10,478
Net assets	-	16,420	16,035
Accumulated non-controlling interests	-	6,982	6,818

7. Investments in subsidiaries (Continued)

Significant restrictions

As at 31 August 2019, the Group had cash and bank balances of approximately $Nil (31 August 2018: $512,000, 1 September 2017: $555,000) placed with the banks in the People's Republic of China ("PRC"). The cash and bank balances are not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange these cash and bank balances through the banks that are authorised to conduct foreign exchange business.

8. Available-for-sale financial assets

	Group and Company	
	31 August 2018	**1 September 2017**
	$'000	**$'000**
Unquoted equity shares		
Balance at beginning of each reporting date	6,795	4,109
Add: Fair value gain recognised in other comprehensive income	23,241	2,686
Add: Restructuring cost	424	-
Balance at end of each reporting date	30,460	6,795
Representing:		
- Non-current asset	27,380	6,795
- Current asset	3,080	-
	30,460	6,795

The investment in unquoted equity securities has no fixed maturity date or coupon rate.

In 2017, the Company had engaged an independent valuer in determining the fair value of the unquoted equity security using the income approach at the end of the financial year. The fair value measurement of the available-for-sale financial assets was categorised under level 3 of the fair value hierarchy.

During 2018, a major investor of the investee company had divested certain of its shares in the investee company to external parties and as a result, relevant information was available to assess the fair value of the available-for-sale financial assets as at 31 August 2018. The fair value measurement of the available-for-sale financial asset changed from level 3 to level 2 of the fair value hierarchy as disclosed in Note 35 to the financial statements.

In 2018, the available-for-sale financial assets classified in current asset was measured at fair value of US$2,250,000 (approximately $3,080,000) representing the cash consideration offered by a third party to acquire the available-for-sale financial assets. On 30 May 2018, a share transfer agreement to dispose of the 0.9% equity interest in the available-for-sale financial asset was signed between the Company and a third party in connection with the sale of asset classified as held for sale. The share transfer was subsequently completed on 21 September 2018.

Available-for-sale financial assets are denominated in United States dollar.

9. Financial assets at fair value through profit or loss ("FVTPL")

	Group and Company 31 August 2019 $'000
Balance at beginning of financial year[1]	30,460
Less: Disposal during the financial year	(3,080)
Fair value change recognised in profit or loss (Note 22)	97,587
Balance at end of financial year	124,967
Details of the investment is as follows:	
Quoted equity securities:	
- listed in Shanghai – People's Republic of China	124,967

[1] See Note 37 to the financial statements on the details of reclassification of available-for-sale financial assets as at 1 September 2018 on the adoption of SFRS(I) 9.

On 1 September 2018, the Group and Company have not made an irrevocable election for investments in equity securities to present subsequent changes in fair value to other comprehensive income. Therefore, such equity securities are measured at FVTPL.

Fair value measurement

The investments in quoted equity securities have no fixed maturity date nor coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

Financial assets at FVTPL as at the end of the financial year are denominated in Chinese renminbi.

10. Inventories

	Group		
	31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000
Raw materials	-	486	434
Work-in-progress	-	880	407
Finished goods	14,569	16,881	15,258
	14,569	18,247	16,099

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to approximately $9,617,000 (2018: $39,469,000) for the financial year ended 31 August 2019.

During the financial year, the Group carried out a review of the realisable value of its inventories and the review led to the recognition of a write-down for inventories obsolescence and inventories written off of approximately $370,000 (2018: $556,000) and $274,000 (2018: $50,000) respectively. These were recognised as expenses and included in "cost of sales" line item in profit or loss.

10. Inventories (Continued)

During the financial year, the Group has recognised a reversal of $425,000 (2018: $245,000) being part of an inventories write-down made in the previous financial years as the related inventories were sold above their carrying amounts. The reversal was included in the "cost of sales" line item in profit or loss.

11. Trade and other receivables

	Group			Company		
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current						
Other receivables – third parties	-	74	289	-	-	-
Current						
Trade receivables						
- third parties	3,709	17,882	14,569	-	-	-
- related party	-	-	49	-	-	-
- VAT receivables	-	2,874	1,330	-	-	-
Less: Loss allowance on trade receivables	(199)	(1,971)	(153)	-	-	-
	3,510	18,785	15,795	-	-	-
Other receivables						
- third parties	251	3,569	632	35	11	17
- related party	-	11	3	-	-	-
- subsidiary	-	-	-	1,692	-	-
	251	3,580	635	1,727	11	17
Less: Loss allowance on other receivables						
- third parties	(11)	(71)	(80)	-	-	-
	240	3,509	555	1,727	11	17
Deposits	14	112	66	-	-	-
	3,764	22,406	16,416	1,727	11	17
Total trade and other receivables	3,764	22,480	16,705	1,727	11	17
Less:						
Goods and services tax receivable	(14)	-	-	(17)	-	-
VAT receivables	-	(2,874)	(1,330)	-	-	-
Add:						
Cash and bank balances (Note 13)	325	5,583	2,992	5	2	6
Financial assets at amortised cost/ Loans and receivables (31 August 2018 and 1 September 2017)	4,075	25,189	18,367	1,715	13	23

11. Trade and other receivables (Continued)

Movements in the loss allowance on trade receivables under SFRS(I) 9 were as follows:

	Group 2019 $'000	2018 $'000
At 1 September under FRS 39	1,971	153
Effect on application of SFRS(I) 9 (Note 37)	244	-
At 1 September under SFRS(I) 9	2,215	-
Allowance during the financial year	-	1,792
Reversal made during the financial year	(48)	-
Written off during the financial year	(5)	-
Disposal of a subsidiary	(1,963)	-
Currency translation adjustment	-	26
At 31 August	199	1,971

Movements of loss allowance on other receivables under SFRS(I) 9 were as follows:

	Group 2019 $'000	2018 $'000
At 1 September under SFRS(I) 9/ FRS 39 (2018)	71	80
Allowance during the financial year	11	-
Written off made during the financial year	-	(7)
Disposal of a subsidiary	(71)	-
Currency translation adjustment	-	(2)
At 31 August	11	71

Trade and other receivables were denominated in the following currencies:

	Group			Company		
	31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000	31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000
Singapore dollar	3,629	8,080	4,530	1,727	11	17
United States dollar	118	6,393	5,629	-	-	-
Chinese renminbi	-	7,895	6,338	-	-	-
Euro	1	89	191	-	-	-
Hong Kong Dollar	-	22	-	-	-	-
Others	16	1	17	-	-	-
	3,764	22,480	16,705	1,727	11	17

11. Trade and other receivables (Continued)

Nature of trade and other receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 (31 August 2018: 30 to 90, 1 September 2017: 30 to 90) days' credit terms.

Other receivables are non-trade in nature, unsecured, interest-free and repayable on demand. The balances are expected to be settled in cash.

Non-current other receivables due from third parties are non-trade in nature, unsecured, non-interest bearing and are repayable within 2 to 5 years.

In previous financial year, other receivables - third parties, included proceeds on disposal of non-current asset held for sale which was completed on 31 August 2018 (Note 14). The proceeds received from the buyer amounting to $3,016,000 was used to settle the revolving loan as disclosed in Note 16.

The amounts due from a subsidiary is non-trade in nature, unsecured, non-interest bearing and repayable on demand, and expected to be settled in cash.

In prior reporting periods, the other receivables were carried at amortised cost using effective interest method.

12. Derivative financial instruments (Continued)

As at the end of the financial year, the Group entered into foreign currency forward contracts as follows:

	Average exchange rate	Foreign currency	Notional amount	Fair value	Settlement date
		USD'000	$'000	$'000	
Group					
31 August 2019					
Buy United States dollar	1.361	452	628	12	September 2019 to December 2019
31 August 2018					
Buy United States dollar	1.353	786	1,073	5	November 2018 to February 2019
1 September 2017					
Buy United States dollar	1.391	986	1,339	(29)	September 2017 to January 2018

13. Cash and bank balances

	Group 31 August 2019	Group 31 August 2018	Group 1 September 2017	Company 31 August 2019	Company 31 August 2018	Company 1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash on hand	14	33	28	1	*	*
Bank balances	311	5,550	2,964	4	2	6
Cash and bank balances on consolidated statement of cash flows	325	5,583	2,992	5	2	6

** denotes amounts less than $1,000*

Cash and bank balances were denominated in the following currencies:

	Group 31 August 2019	Group 31 August 2018	Group 1 September 2017	Company 31 August 2019	Company 31 August 2018	Company 1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore dollar	322	1,032	229	5	2	6
United States dollar	3	3,469	1,987	-	-	-
Hong Kong dollar	-	468	209	-	-	-
Chinese renminbi	-	531	562	-	-	-
Euro	-	78	-	-	-	-
Others	-	5	5	-	-	-
	325	5,583	2,992	5	2	6

14. Non-current asset classified as held for sale

	Group		
	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000
Balance at beginning of each reporting period	-	1,449	-
Disposal of asset classified as held for sale	-	(1,449)	-
Reclassified from property, plant and equipment	-	-	150
Reclassified from investment property	-	-	1,299
Balance at end of each reporting period	-	-	1,449

As at 31 August 2017, the fair value of the asset classified as held for sale was $4,380,000, representing the cash consideration offered by a third party to acquire the investment property. On 29 September 2017, a sale and purchase agreement was signed between a subsidiary and a third party in connection with the sale of asset classified as held for sale. The sale of the asset was completed on 31 August 2018. The gain recognised on the sale of the investment property was $2,715,000 (Note 21) net of related transaction costs of approximately $315,000 incurred for the sale of investment property.

The details of the Group's asset classified as held for sale in previous financial year are as follows:

Location	Description	Tenure	Approximate site area (sq.m)
No. 2 Kwong Min Road Singapore 628705	Factory building, office and warehouse	Leasehold for 60 years commencing 1 April 1968	5,356.40

15. Trade and other payables

	Group			Company		
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Non-current						
Accrued operating expenses	3,737	-	-	3,737	-	-
Other payables						
- VAT payable (Note 22)	7,688	-	-	7,688	-	-
	11,425	-	-	11,425	-	-
Current						
Trade payables - third parties	202	13,363	9,218	-	-	-
Goods and services tax payable	99	415	96	-	-	-
	301	13,778	9,314	-	-	-
Other payables						
- third parties	632	723	407	489	432	9
- directors of subsidiaries	-	15	44	-	-	-
- subsidiary	-	-	-	-	2,329	4,490
	632	738	451	489	2,761	4,499
Accrued operating expenses	1,795	1,995	1,833	1,387	452	649
	2,728	16,511	11,598	1,876	3,213	5,148
Total trade and other payables	14,153	16,511	11,598	13,301	3,213	5,148
Add:						
Interest bearing liabilities						
- Current (Note 16)	5,408	14,107	12,982	-	-	-
- Non-current (Note 16)	1,802	2,708	2,616	-	-	-
Less:						
Advance payment from customer*	(61)	(37)	(17)	-	-	-
Goods and services tax payable	(99)	(415)	(96)	-	-	-
Other tax payable	-	(87)	(53)	-	-	-
VAT payable	(7,688)	-	-	(7,688)	-	-
Financial liabilities carried at amortised cost	13,515	32,787	27,030	5,613	3,213	5,148

* The advance payment from customer will be recognised as revenue in the subsequent period.

15. Trade and other payables (Continued)

Nature of trade and other payables

Trade payables are unsecured, non-interest bearing and generally on 7 to 120 (31 August 2018: 7 to 120, 1 September 2017: 7 to 120) days' credit terms.

Other payables are non-trade in nature, unsecured, interest-free and repayable on demand.

Non-trade amounts due to a subsidiary was unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

Included in the accrued operating expenses is the provision for contingent liability amounting to $121,000 (31 August 2018: $303,000, 1 September 2017: $484,000) for the guarantee of hire purchase facilities taken by a subsidiary which was disposed of by the end of the financial year 2017.

Trade and other payables were denominated in the following currencies:

	Group			Company		
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore dollar	5,831	2,196	1,477	5,120	3,213	5,148
United States dollar	567	1,207	841	430	-	-
Hong Kong dollar	63	375	2,361	63	-	-
Chinese renminbi	7,688	12,686	6,913	7,688	-	-
Euro	2	47	6	-	-	-
Others	2	*	*	-	-	-
	14,153	16,511	11,598	13,301	3,213	5,148

* *denotes amounts less than $1,000*

16. Interest bearing liabilities

	Group 31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000
Current liabilities			
Secured:			
- Term loans	231	631	632
- Revolving loan I	-	2,800	2,800
- Revolving loan II	1,450	4,500	4,000
- Revolving loan III (which is subject to a repayment on demand clause)			
- Portion of revolving loan due for repayment within one year	-	-	525
- Revolving loan IV	250	450	650
- Revolving loan V	-	-	75
- Revolving loan VI (which is subject to a repayment on demand clause)			
- Portion of revolving loan due for repayment within one year	-	206	252
- Portion of revolving loan due for repayment after one year	-	-	206
- Revolving loan VII	800	-	-
- Accounts receivables factoring ("ARF")	-	819	-
- Trust receipts I	1,511	2,591	2,274
- Trust receipts II	1,119	1,700	1,216
- Finance lease payables	47	410	352
	5,408	14,107	12,982
Non-current liabilities			
Secured:			
- Term loans	1,697	1,950	2,579
- Finance lease payables	105	758	37
	1,802	2,708	2,616
	7,210	16,815	15,598

The interest bearing liabilities were denominated in the following currencies:

	Group 31 August 2019 $'000	31 August 2018 $'000	1 September 2017 $'000
Singapore dollar	4,580	11,727	11,953
United States dollar	2,630	4,013	3,313
Hong Kong dollar	-	1,075	-
Chinese renminbi	-	-	332
	7,210	16,815	15,598

16. Interest bearing liabilities (Continued)

The average effective interest rates per annum of the interest bearing liabilities are as follows:

	Group		
	31 August 2019	31 August 2018	1 September 2017
	%	%	%
Term loans	3.34	3.27	2.91
Revolving loans	4.28	3.74	3.46
ARF	3.82	3.47	-
Trust receipts	4.40	3.35	3.06
Finance leases	3.32	3.46	4.94

The repayment terms of the respective interest bearing liabilities with instalment plans are as follows:

	Group		
	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000
Term loan I repayable by 180 monthly instalments commencing 16 November 2009	848	1,000	1,147
Term loan II repayable by 240 monthly instalments commencing 18 February 2013	947	1,003	1,058
Term loan III repayable by 120 monthly instalments commencing 13 February 2017	133	149	164
Term loan IV repayable by 60 monthly instalments commencing 29 September 2014	-	429	842
Revolving loan III repayable by 36 monthly instalments commencing 4 May 2015	-	-	525
Revolving loan VI repayable by 24 monthly instalments commencing 3 July 2017	-	206	458
	1,928	2,787	4,194

<u>**Interest bearing liabilities (excluding finance lease liabilities)**</u>

The non-current interest bearing liabilities (excluding finance lease liabilities) have the following maturities:

	Group		
	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000
Later than one year but not later than five years	945	932	1,298
Later than five years	752	1,018	1,281
	1,697	1,950	2,579

16. Interest bearing liabilities (Continued)

Interest bearing liabilities (excluding finance lease liabilities) (Continued)

Trust receipts have maturity periods ranging from 77 to 183 (31 August 2018: 38 to 183; 1 September 2017: 90 to 182) days.

Revolving loans have maturity periods up to 3 months (31 August 2018: from 1 to 3 months; 1 September 2017: from 1 to 3 months).

Term loan I, II, III, IV, revolving loan II, IV, V, ARF and trust receipt I are secured by:

(a) Legal mortgage (open) over the property located at No. 3 Kian Teck Crescent Singapore 628881 (Note 4 and Note 6);

(b) Legal mortgage (open) over the property located at 8B Admiralty Street #01-09 Singapore 757400 (Note 4);

(c) Legal mortgage over the shop house located at No. 11 Syed Alwi Road #01-06 Teck Heng Long Industrial Building Singapore 207629 (Note 4);

(d) Existing corporate guarantee from the Company;

(e) Assignment of contracts and contracts proceeds or charge over account of the subsidiary; and

(f) Debenture incorporating a First Floating charge over the receivables of the subsidiary.

Revolving loan I, III, VI and trust receipt II are secured by:

(i) Existing first legal mortgage, assignment of rental proceeds of an investment property (Note 6) and a floating charge over bank balances amounting $Nil (31 August 2018: $38,000; 1 September 2017: $82,000) until the full settlement of the outstanding revolving credit facilities; and

(ii) Existing corporate guarantee from the Company.

Revolving loan VII is secured by the corporate guarantee from the Company.

The term loans due for repayment after one year which are classified as current liabilities that are subject to a repayment on demand clause are not expected to be settled within one year.

Proceed on disposal of non-current asset classified as held for sale as disclosed in Note 14 for full settlement of revolving loan I and VI was received by the bank on 31 August 2018 and fully redeemed on 3 September 2018. The securities stated in (i) above was discharged on the same date.

Term loan IV is repayable over 60 months commencing from September 2014 to August 2019. This loan was fully settled during the financial year ended 31 August 2019.

Revolving loan III is repayable over 36 months commencing from May 2015 to April 2018. This loan was fully settled during the financial year ended 31 August 2018.

Revolving loan VI is repayable over 24 months commencing from July 2017 to September 2018. This loan was fully settled during the financial year ended 31 August 2019.

The fair values of non-current interest bearing liabilities approximate their carrying amounts as at the end of the financial year as the interest rates are re-priced frequently.

16. Interest bearing liabilities (Continued)

Finance leases - secured

As at the end of the financial year, the Group has obligations under finance leases that are payable as follows:

	Group		
	31 August 2019	**31 August 2018**	**1 September 2017**
	$'000	**$'000**	**$'000**
Minimum lease payments due:			
- Not later than one year	51	445	369
- Later than one year and not later than five years	110	784	38
Less: Future finance charges	(9)	(61)	(18)
Present value of finance lease liabilities	152	1,168	389
The present value of finance lease liabilities is as follows:			
- Not later than one year	47	410	352
- Later than one year and not later than five years	105	758	37
	152	1,168	389

Nature of finance leases

The finance leases have a term period of 5 years (31 August 2018: 3 to 7 years; 1 September 2017: 2 to 7 years).

Interest rates are fixed at the contracts dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair values of the Group's finance lease liabilities approximate their carrying amounts as the current lending rates for similar types of lending arrangements are not materially different from rates obtained by the Group.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group.

17. Deferred tax

	Group			Company		
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax asset	41	-	-	-	-	-
Deferred tax liabilities	(11,752)	(2,996)	(580)	(11,359)	(2,552)	-
	(11,711)	(2,996)	(580)	(11,359)	(2,552)	-

The movements for the financial year in deferred tax position is as follows:

	Group	
	2019	2018
At 1 September	(2,996)	(580)
- effect on application of SFRS(I) 9 (Note 37)	41	-
- as restated	(2,955)	-
Disposal of investment property	-	99
Disposal of a subsidiary	21	-
Disposal of financial assets at FVTPL	258	-
(Charged)/Credited to profit or loss	(9,035)	37
Charged to other comprehensive income	-	(2,552)
At 31 August	(11,711)	(2,996)

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

Deferred tax asset

The movements for the financial year in deferred tax position is as follow:

	2019	2018
	$'000	$'000
Balance at 1 September	-	-
- effect on application of SFRS(I) 9 (Note 37)	41	-
- as restated	41	-
Credited to profit or loss	-	-
Balance at 31 August	41	-

The deferred tax asset relates to the loss allowance on trade receivables.

17. Deferred tax (Continued)

Deferred tax liabilities

Deferred tax liabilities are attributable to the following temporary differences:

	Available-for-sale financial assets	Fair value of financial assets at FVTPL	*Fair value of property, plant and equipment	*Fair value of investment properties	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Balance at 31 August 2018	(2,552)	-	(389)	(55)	(2,996)
Effect on application of SFRS(I) 9	2,552	(2,552)	-	-	-
Balance at 1 September 2018	-	(2,552)	(389)	(55)	(2,996)
(Charged)/Credited to profit or loss	-	(9,065)	27	3	(9,035)
Disposal of financial assets at FVTPL	-	258	-	-	258
Disposal of a subsidiary	-		21	-	21
Balance at 31 August 2019	-	(11,359)	(341)	(52)	(11,752)
Balance at 1 September 2017	-	-	(423)	(157)	(580)
Credited to profit or loss	-	-	34	3	37
Charged to other comprehensive income	(2,552)	-	-	-	(2,552)
Disposal of investment property	-	-	-	99	99
Balance at 31 August 2018	(2,552)	-	(389)	(55)	(2,996)

* The fair values were recognised on acquisition of subsidiaries which owned these assets.

	Available-for-sale financial assets	Fair value of financial assets at FVTPL	*Fair value of property, plant and equipment	*Fair value of investment properties	Total
	$'000	$'000	$'000	$'000	$'000
Company					
Balance at 31 August 2018	(2,552)	-	-	-	(2,552)
Effect on application of SFRS(I) 9	2,552	(2,552)	-	-	-
Balance at 1 September 2018	-	(2,552)	-	-	(2,552)
Charged to profit or loss	-	(9,065)	-	-	(9,065)
Disposal of financial assets at FVTPL	-	258			258
Balance at 31 August 2019	-	(11,359)	-	-	(11,359)
Balance at 1 September 2017	-	-	-	-	-
Charged to other comprehensive income	(2,552)	-	-	-	(2,552)
Balance at 31 August 2018	(2,552)	-	-	-	(2,552)

17. Deferred tax (Continued)

Deferred tax liabilities (Continued)

No deferred tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries as at 31 August 2019. In previous financial year, unremitted earnings totalled approximately $7,443,000 at 31 August 2018 (1 September 2017: $5,575,000).

18. Share capital

	Group and Company					
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	Number of ordinary shares ('000)			$'000	$'000	$'000
Issued and fully paid:						
Balance at beginning and end of financial year	29,905	29,905	29,905	26,700	26,700	26,700

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restriction.

19. Reserves

	Group			Company		
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Statutory reserve fund	-	691	478	-	-	-
Fair value reserve	-	23,375	2,686	-	23,375	2,686
Foreign currency translation reserve	-	290	672	-	-	-
Retained earnings/ (Accumulated losses)	91,640	(724)	(3,562)	93,359	(1,727)	(4,074)
Balance at end of financial year	91,640	23,632	274	93,359	21,648	(1,388)

Statutory reserve fund

In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), the subsidiary is required to appropriate an amount not less than 10% of its profit after income tax to Statutory Reserve Fund ("SRF") each year until the SRF balances reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or capitalisation as paid-up capital. The SRF is not available for dividend distribution to shareholders. Movement in this account is set out in consolidated statement of changes in equity.

19. Reserves (Continued)

Fair value reserve

The non-distributable fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are derecognised or impaired. Movement in this account is set out in consolidated statement of changes in equity.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency and is non-distributable. Movement in this account is set out in consolidated statement of changes in equity.

20. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categorical in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 32 to the financial statements.

	Group	
	2019	**2018**
	$'000	**$'000**
Sale of goods		
- Retail	5,497	5,462
- Original equipment manufacturing ("OEM")	2,573	2,990
- Export	7,331	9,557
	15,401	18,009

The Group's revenue comprised of invoiced value of services and goods sold and is recognised at point in time.

21. Other income

	Group 2019 $'000	Group 2018 $'000
Bad debts recovered – trade receivables - third parties	18	24
Fair value gain on derivative financial instruments	12	5
Gain on disposal of non-current asset classified as held for sale	-	2,715
Gain on disposal of property, plant and equipment	5	1
Gain on foreign exchange, net	14	38
Government grants	33	49
Interest income	3	5
Rental income	247	550
Others	26	2
	358	3,389

22. Fair value gain on financial assets at FVTPL

	Group 2019 $'000	Group 2018 $'000
Fair value gain before income tax	97,587	-
Less: value-added tax expenses (Note 15)	(7,688)	-
	89,899	-

23. Finance costs

	Group 2019 $'000	Group 2018 $'000
Bank charges	54	68
Interest expenses		
- bank overdraft	4	25
- term and revolving loans	227	421
- trust receipts	141	134
- finance leases	4	2
	430	650

24. Profit before income tax from continuing operations

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges/(credit):

	Group	
	2019	2018
	$'000	$'000
Cost of sales		
Inventories written off	274	50
Reversal of inventories write-down	(425)	(245)
Write-down for inventories obsolescence	370	556
Administrative expenses		
Audit fees		
- auditor of the Company	95	80
- other auditors	57	-
Depreciation of investment property	29	26
Depreciation of property, plant and equipment	321	343
Directors' fees – Directors of the Company	90	72
Directors' remuneration		
- Directors of the Company	5,450	705
- Directors of subsidiaries	734	662
Operating leases	154	286
Other expense		
Bad debts written off – other receivables	*	-
Bad debts written off – trade receivables	7	1

* *denotes amounts less than $1,000*

Profit before income tax also includes:

	Group	
	2019	2018
	$'000	$'000
Employee benefits expenses		
- salaries, bonuses and other benefits	9,380	4,373
- contributions to the defined contribution plan	360	344
	9,740	4,717

24. **Profit before income tax from continuing operations** (Continued)

The employee benefits expenses are recognised in the following line items of profit or loss:

	Group	
	2019	**2018**
	$'000	**$'000**
Administrative expenses*	7,256	2,315
Selling and distribution expenses	2,484	2,402
	9,740	4,717

*The above includes the amounts shown as Directors' remuneration in Note 31 to the financial statements.

25. **Income tax expense**

	Group	
	2019	**2018**
	$'000	**$'000**
From continuing operations		
Income tax		
- current financial year	14	20
- over provision in respect of prior financial years	*	(4)
	14	16
Deferred income tax		
- current financial year	9,043	(22)
Income tax from continuing operations	9,057	(6)
From discontinued operation		
Income tax		
- current financial year	404	365
- over provision in respect of prior financial years	(214)	(84)
	190	281
Deferred income tax		
- current financial year	(8)	(15)
Income tax from discontinued operation (Note 26)	182	266
Total income tax expense recognised in profit or loss	9,239	260

** denotes amounts less than $1,000*

In 2017, one of the subsidiaries in People's Republic of China is recognised as a High and New Technology Enterprises, and obtained a preferential tax treatment for deriving income from the investment in, and the operation of certain High Technology Expertise projects. These projects are eligible for key support from the State, whereby the income tax rate of the subsidiary is charged at 15% during the financial period.

25. Income tax expense (Continued)

Reconciliation of income tax

	Group	
	2019	2018
	$'000	$'000
Profit before income tax		
- continuing operations	83,794	2,244
- discontinued operation (Note 26)	(1,673)	1,660
	82,121	3,904
Income tax expense at Singapore statutory tax rate of 17%	13,961	664
Effect of different income tax rates in other countries	(199)	191
Tax effect of income not subject to income tax	(15,285)	(464)
Tax effect of expenses not deductible for income tax purposes	1,495	194
Tax effect on tax incentives	11	(247)
Tax effect on tax rebate	-	(5)
Singapore's statutory stepped income exemption	(33)	(26)
Deferred tax assets not recognised	605	109
Utilisation of deferred tax assets previously not recognised	(111)	(39)
Withholding tax	9,065	-
Over provision of income tax in respect of prior financial years	(214)	(88)
Others	(56)	(29)
	9,239	260

The Group operates mainly in Singapore, Hong Kong and People's Republic of China, for which the corporate income tax rate applicable is 17% (2018: 17%), 16.5% (2018: 16.5%) and 25% (2018: 25%) respectively.

Unrecognised deferred tax assets

The movements of unrecognised deferred tax assets are as follows:

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of financial year	476	412
Amount not recognised during financial year	605	109
Utilisation of deferred tax asset previously not recognised	(111)	(39)
Disposal of a subsidiary	(831)	-
Currency translation adjustment	(10)	(6)
Balance at end of financial year	129	476

25. Income tax expense (Continued)

Unrecognised deferred tax assets (Continued)

The unrecognised deferred tax assets arise from the following temporary differences:

	Group	
	2019	**2018**
	$'000	**$'000**
Accelerated tax depreciation	129	134
Unutilised tax losses	-	342
	129	476

As at 31 August 2019, the Group had accelerated tax depreciation of approximately $762,000 (31 August 2018: $789,000) and unutilised tax losses of approximately $Nil (31 August 2018: $1,587,000) available for set-off against future taxable profits subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates.

The expiry dates for tax losses arising in certain foreign tax jurisdictions are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
2018	-	123
2019	-	91
2020	-	116
2021	-	610
2022	-	3
	-	943

The above deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with the accounting policy in Note 2.18 to the financial statements.

26. Discontinued operation

On 7 March 2019, the Group disposed of GD Tech (H.K.) Private Co., Limited ("GD Tech HK") and its subsidiaries, which were principally engaged in manufacturing and trading of high precision components, machinery parts and tools. The results from GD Tech HK were presented separately on the consolidated statement of comprehensive income as "Discontinued operation".

The revenue, results, cash flows and net assets of the discontinued operation for the period from 1 September 2018 to the date of disposal were as follow:

	Group	
	2019	2018
	$'000	$'000
Revenue	21,607	46,144
Cost of sales	(18,074)	(39,588)
Gross profit	3,533	6,556
Other income	38	955
Reversal of/(Loss) allowance on trade receivables	672	(1,784)
Selling and distribution expenses	(416)	(792)
Administrative expenses	(1,792)	(3,218)
Finance costs	(55)	(49)
Other expenses	(1,561)	(8)
Profit before tax from discontinued operation	419	1,660
Income tax expense	(182)	(266)
Profit after tax from discontinued operation	237	1,394
Loss on disposal of a subsidiary (Note 7)	(2,092)	-
(Loss)/Profit from discontinued operation, net of tax	(1,855)	1,394

The details of income statement disclosures are as follows:

	Group	
	2019	2018
	$'000	$'000
Other income		
Gain on foreign exchange, net	-	738
Government grants	33	164
Interest income	3	20
Others	2	33
	38	955
Finance costs		
Bank charges	19	25
Interest expenses		
- term loans	9	-
- finance leases	27	24
- imputed interest - other receivables	-	*
	55	49

** denotes amounts less than $1,000*

26. Discontinued operation (Continued)

	Group	
	2019	**2018**
	$'000	**$'000**
Other expenses		
Impairment loss for property, plant and equipment	1,500	-
Loss on disposal of property, plant and equipment	2	8
Loss on foreign exchange, net	59	-
	1,561	8

The impact of the discontinued operation on the cash flows of the Group is as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
Cash flows from operating activities	1,261	2,614
Cash flows used in investing activities	(439)	(1,173)
Cash flows from financing activities	412	337
Total cash inflows	1,234	1,778

The Group recognised a loss on disposal of approximately $2,092,000 when the Group lost control over GD Tech HK.

For the purpose of presenting discontinued operation, the comparative consolidated income statement and the related notes have been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative year.

27. Earnings per share

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the earnings for the financial year attributable to owners of the parent by the actual number of ordinary shares during the financial year.

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Group is based on the following data:

	2019			2018		
	Continuing operations	**Discontinued operation**	**Total**	**Continuing operations**	**Discontinued operation**	**Total**
Numerator						
Profit/(Loss) attributable to equity holder of parent ($'000)	74,737	(1,956)	72,781	2,250	801	3,051

27. Earnings per share (Continued)

From continuing and discontinued operations (Continued)

	2019			2018		
	Continuing operations	**Discontinued operation**	**Total**	**Continuing operations**	**Discontinued operation**	**Total**
Numerator						
Denominator						
Weighted average number of ordinary shares ('000)	29,905	29,905	29,905	29,905	29,905	29,905
Earnings/(Loss) per share (in cents)						
Basic and diluted	249.915	(6.541)	243.374	7.524	2.678	10.202

The Group did not have any dilutive potential ordinary shares in the current or previous financial years.

28. Dividends

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Final tax-exempt dividend of $0.03 per ordinary share in respect of financial year ended 31 August 2018	897	-
Special tax-exempt dividend of $0.03 per ordinary share in respect of financial year ended 31 August 2018	897	-
Interim tax-exempt dividend of $0.06 per ordinary share in respect of financial year ended 31 August 2019	1,795	-
	3,589	-

The Board of Directors of the Company has proposed a final tax-exempt (one-tier) cash dividend of 3.0 cents per ordinary share in respect of profit for the financial year ended 31 August 2019. This would amount to a pay out of approximately $0.897 million based on the number of issued shares as at 31 August 2019. The tax-exempt dividend is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity in the financial year ending 31 August 2020.

29. Operating lease commitments

When the Group is a lessor

As at the end of the financial year, there were non-cancellable operating lease commitments for rental receivable for premises in subsequent accounting periods as follows:

	Group		
	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000
Not later than one year	-	-	312
Later than one year and not later than five years	-	-	312
	-	-	624

As of 31 August 2018, the above lease agreements had been assigned to the party who acquired the investment property (Note 14).

When the Group and the Company are lessees

As at the end of the financial year, there were non-cancellable operating lease commitments for rental payable for office equipment, office premises and land rent in subsequent accounting periods as follows:

	Group			Company		
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Not later than one year	129	907	1,041	2	35	35
Later than one year and not later than five years	339	1,058	2,190	-	2	37
Later than five years	1,087	1,172	1,918	-	-	-
	1,555	3,137	5,149	2	37	72

The expiration dates of the above lease agreements are in the range of 1 to 18 years (31 August 2018: 1 to 19 years; 1 September 2017: 1 to 20 years). The current rent payables under the leases are subject to revision after expiry. The leases have varying terms, escalation clauses and renewal rights with no provisions for contingent rent.

30. Capital commitments

As at the end of the financial year, the Group had the following capital commitments:

	Group	
	31 August 2019	31 August 2018
	$'000	$'000
Purchase of plant and equipment contracted but not provided for	-	97
Purchase of computer software and equipment contracted but not provided for	239	-

31. Significant related party transactions

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group and the Company entered into the following transactions with related parties at rates and terms agreed by and between the parties:

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
With related parties				
* Sales to	-	925	-	-
** Salaries and other benefits to related parties	170	158	-	-

* The related party is entity where a director is a close family member of a director of the Company.
** The related parties are close family members of certain directors of the Company.

	Company	
	2019	2018
	$'000	$'000
With subsidiary		
Dividend income from a subsidiary	-	2,999
Loans from a subsidiary	5,048	653
Repayment to a subsidiary	(9,930)	(195)
Payment on behalf by a subsidiary	861	182

The outstanding balances as at 31 August with a subsidiary are disclosed in Notes 10 and 15 to the financial statements.

Compensation of key management personnel

Key management personnel are Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group's key management personnel are the Directors of the Company and subsidiaries and Head of Functions.

The remuneration of key management personnel of the Group and the Company during the financial year is as follows:

	Group		Company	
	2019	2018	2019	2018
Continuing operations	$'000	$'000	$'000	$'000
Directors' fee	90	72	90	72
Short-term benefits	2,546	1,459	1,851	155
Other long-term benefits	3,737	-	3,737	-
Post-employment benefits	66	72	28	8
	6,439	1,603	5,706	235

31. Significant related party transactions (Continued)

Compensation of key management personnel (Continued)

	Group		Company	
	2019	2018	2019	2018
Discontinued operation	$'000	$'000	$'000	$'000
Short-term benefits	72	148	-	-

The remuneration of Directors during the financial year is as follows:

	Group		Company	
	2019	2018	2019	2018
Continuing operations	$'000	$'000	$'000	$'000
Directors of the Company				
Directors' fee	90	72	90	72
Short-term benefits	1,692	678	1,692	-
Other long-term benefits	3,737	-	3,737	-
Post-employment benefits	21	27	21	-
	5,540	777	5,540	72
Directors of subsidiaries				
Short-term benefits	696	626	-	-
Post-employment benefits	38	36	-	-
	734	662	-	-
	6,274	1,439	5,540	72
Discontinued operation				
Directors of subsidiaries				
Short-term benefits	72	148	-	-

32. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by management of the respective entities within the Group.

32. Segment information (Continued)

There is no change from prior periods in the measurement methods used to determine reported segment results.

The accounting policies of the operating segments are the same as those described in the significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before income tax expense, not including non-recurring gains and losses.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment sales

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation. Inter-segment pricing is determined on an arm's length basis.

Business segments

The Group is organised into strategic business units ("SBU"), catering to the need of different customer segments. The SBUs are:

(i) Trading of hardware and fasteners

(a) Retail

- operates two retail shops in Singapore and partners with other hardware distributors, stockists and retail hardware stores in Singapore to reach the small and medium enterprises.

(b) Original equipment manufacturing ("OEM")

- serves a wide spectrum of manufacturing sectors in Singapore. The customers are mainly from the machine manufacturing and assembly, automation assembly, electronic assembly, metal stamping, construction building, shipyard and aerospace aviation industries.

(c) Export

- manages overseas customers, mainly distributors and traders, and provides freight and shipment services.

(ii) Precision engineering

- engages in the manufacturing of high precision components and complex electromechanical assembly, serving mainly the semiconductor equipment manufacturers, oil and gas, medical and solar manufacturers.

(iii) Others

- Investment holding and general trading.

32. Segment information (Continued)

Business segments (Continued)

	Continuing operations				Discontinued operation				
	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 August 2019									
Revenue									
External operating revenue	5,497	2,573	7,331	15,401	-	-	-	-	15,401
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total revenue	5,497	2,573	7,331	15,401	-	-	-	-	15,401
Segment results	578	28	369	975		83,246	-	-	84,221
Interest income	3	*	*	3	-	-	-	-	3
Finance costs	(158)	(130)	(141)	(429)	-	(1)	-	-	(430)
Income tax expenses	*	-	-	-	-	(9,057)	-	-	(9,057)
Profit/(Loss) from continuing operations	423	(102)	228	549	-	74,188	-	-	74,737
Loss from discontinued operation (Note 26)	-	-	-	-	(1,855)	-	-	-	(1,855)
Profit/(Loss) for the year	423	(102)	228	549	(1,855)	74,188	-	-	72,882
Segment assets	-	-	-	23,481	-	149,894	-	(21,947)	151,428
Segment liabilities	-	-	-	9,697	-	25,402	-	(2,011)	33,088
Capital expenditure									
Property, plant and equipment	-	-	-	181	443	15	-	-	639

* *denotes amounts less than $1,000*

32. **Segment information** (Continued)

Business segments (Continued)

	Continuing operations				Discontinued operation				
	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 August 2019									
Significant non-cash items									
Depreciation of investment property	-	-	-	-	-	29	-	-	29
Depreciation of property, plant and equipment	-	-	-	157	898	164	-	-	1,219
Impairment loss for property, plant and equipment	-	-	-	-	1,500	-	-	-	1,500
Loss allowance on other receivables	-	-	-	11	-	-	-	-	11
Reversal of loss allowance on trade receivables	-	-	-	(48)	(672)	-	-	-	(720)
Inventories written off	-	-	-	274	-	-	-	-	274
Reversal of inventories write-down	-	-	-	(425)	-	-	-	-	(425)
Write-down for inventories obsolescence	-	-	-	370	-	-	-	-	370

32. Segment information (Continued)

Business segments (Continued)

	Continuing operations				Discontinued operation				
	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 August 2018									
Revenue									
External operating revenue	5,462	2,990	9,557	18,009	-	-	-	-	18,009
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total revenue	5,462	2,990	9,557	18,009	-	-	-	-	18,009
Segment results	372	(40)	654	986	-	1,903	-	-	2,889
Interest income	5	*	*	5	-	-	-	-	5
Finance costs	(230)	(199)	(220)	(649)	-	(1)	-	-	(650)
Income tax expenses	*	-	-	-	-	6	-	-	6
Profit/(Loss) from continuing operations	147	(239)	434	342	-	1,908	-	-	2,250
Profit from discontinued operation (Note 26)	-	-	-	-	1,394	-	-	-	1,394
Profit/(Loss) for the year	147	(239)	434	342	1,394	1,908	-	-	3,644
Segment assets	-	-	-	30,996	31,898	59,352	-	(28,271)	93,975
Segment liabilities	-	-	-	17,250	15,479	6,582	-	(2,650)	36,661

** denotes amounts less than $1,000*

32. **Segment information** (Continued)

Business segments (Continued)

	Continuing operations				Discontinued operation				
	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
31 August 2018									
Capital expenditure									
Property, plant and equipment	-	-	-	116	1,786	-	-	-	1,902
Significant non-cash items									
Depreciation of investment property	-	-	-	-	-	26	-	-	26
Depreciation of property, plant and equipment	-	-	-	150	2,002	193	-	-	2,345
Loss allowance on trade receivables	-	-	-	8	1,784	-	-	-	1,792
Inventories written off	-	-	-	50	-	-	-	-	50
Reversal of inventories write-down	-	-	-	(245)	-	-	-	-	(245)
Write-down for inventories obsolescence	-	-	-	556	-	-	-	-	556
1 September 2017									
Segment assets	-	-	-	28,624	26,689	35,926	1,449	(30,723)	61,965
Segment liabilities	-	-	-	16,245	10,655	6,277	99	(5,103)	28,173

32. Segment information (Continued)

Geographical information

The Group's business segments operate in four main geographical areas. Sales revenue is based on the country in which goods are delivered and services are provided.

	Singapore	Indonesia	Malaysia	China	* Others	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2019						
Total revenue from external customers	7,387	2,763	3,556	655	1,040	15,401
Total non-current assets	7,707	-	-	-	-	7,707
2018						
Total revenue from external customers	7,632	3,475	4,662	1,043	1,197	18,009
Total non-current assets	7,790	-	-	8,977	-	16,767

* *Others comprise of revenues from external customers attributed to foreign countries which are individually not material.*

Non-current assets consist of property, plant and equipment, investment property and intangible assets as presented in the statement of financial position of the Group.

Major customers

In the financial year ended 31 August 2018, revenue from the major customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	Precision engineering		OEM	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Customer A	-	11,430	-	-
Customer B	-	10,771	-	-

33. Financial instruments and financial risks

The Group's and the Company's activities expose them to credit risk, market risks (including interest rate risk and foreign exchange risk) and liquidity risk. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance. The Group uses financial instruments such as foreign currency forward contracts to hedge its foreign exchange risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risk.

33. Financial instruments and financial risks (Continued)

33.1 Market risks

(i) Foreign currency risk

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the respective entities' functional currency. The Group operates and/or sell their products/services in several countries other than Singapore and transacted in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar and Chinese Renminbi.

33. Financial instruments and financial risks (Continued)

33.1 Market risks (Continued)

(i) Foreign currency risk (Continued)

The Group's exposure from foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year is as follows:

	Monetary assets		Monetary liabilities				
	Trade and other receivables $'000	Cash and bank balances $'000	Trade and other payables $'000	Interest bearing liabilities $'000	Net financial assets/ (liabilities) $'000	Net liabilities denominated in the respective entities' functional currencies $'000	Currency exposure $'000
Group							
31 August 2019							
Singapore dollar	3,629	322	(5,831)	(4,580)	(6,460)	(6,460)	-
United States dollar	118	3	(567)	(2,630)	(3,076)	-	(3,076)
Euro	1	-	(2)	-	(1)	-	(1)
Hong Kong dollar	-	-	(63)	-	(63)	-	(63)
Chinese renminbi	-	-	(7,688)	-	(7,688)	-	(7,688)
Others	16	-	(2)	-	14	-	14
	3,764	325	(14,153)	(7,210)	(17,274)	(6,460)	(10,814)

33. Financial instruments and financial risks (Continued)

33.1 Market risks (Continued)

(i) Foreign currency risk (Continued)

	Monetary assets		Monetary liabilities				
	Trade and other receivables $'000	Cash and bank balances $'000	Trade and other payables $'000	Interest bearing liabilities $'000	Net financial assets/ (liabilities) $'000	Net liabilities denominated in the respective entities' functional currencies $'000	Currency exposure $'000
Group							
31 August 2018							
Singapore dollar	8,080	1,032	(2,196)	(11,727)	(4,811)	(4,908)	97
United States dollar	6,393	3,469	(1,207)	(4,013)	4,642	-	4,642
Euro	89	78	(47)	-	120	-	120
Hong Kong dollar	22	468	(375)	(1,075)	(960)	(960)	-
Chinese renminbi	7,895	531	(12,686)	-	(4,260)	(4,260)	-
Others	1	5	*	-	6	-	6
	22,480	5,583	(16,511)	(16,815)	(5,263)	(10,128)	4,865

** denotes amounts less than $1,000*

33. Financial instruments and financial risks (Continued)

33.1 Market risks (Continued)

(i) Foreign currency risk (Continued)

	Monetary assets		Monetary liabilities				
	Trade and other receivables $'000	Cash and bank balances $'000	Trade and other payables $'000	Interest bearing liabilities $'000	Net financial assets/ (liabilities) $'000	Net liabilities denominated in the respective entities' functional currencies $'000	Currency exposure $'000
Group							
1 September 2017							
Singapore dollar	4,530	229	(1,477)	(11,953)	(8,671)	(8,784)	113
United States dollar	5,629	1,987	(841)	(3,313)	3,462	-	3,462
Euro	191	-	(6)	-	185	-	185
Hong Kong dollar	-	209	(2,361)	-	(2,152)	(2,152)	-
Chinese renminbi	6,338	562	(6,913)	(332)	(345)	(345)	-
Others	17	5	*	-	22	-	22
	16,705	2,992	(11,598)	(15,598)	(7,499)	(11,281)	3,782

** denotes amounts less than $1,000*

33. Financial instruments and financial risks (Continued)

33.1 Market risks (Continued)

(i) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a change of 3% (31 August 2018: 4%, 1 September 2017: 1%) in United States dollar and Chinese Renminbi against Singapore dollar. The results of the sensitivity analysis were not significant for currencies other than the United States dollar and Chinese Renminbi.

The sensitivity analysis assumes an instantaneous 3% (31 August 2018: 4%, 1 September 2017: 1%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items are included in the analysis.

	Increase/(Decrease)		
		Profit or loss	
	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000
Group			
United States dollar			
- strengthens against Singapore dollar	(92)	186	35
- weakens against Singapore dollar	92	(186)	(35)
Chinese Renminbi			
- strengthens against Singapore dollar	(231)	-	-
- weakens against Singapore dollar	231	-	-

As at end of the financial year, the Group does not have any exposure to foreign currency risk.

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to short term deposits and bank borrowings with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for financial liabilities as at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year.

33. Financial instruments and financial risks (Continued)

33.1 Market risks (Continued)

(ii) Interest rate risk (Continued)

Interest rate sensitivity analysis (Continued)

If interest rate had been 50 (31 August 2018: 50; 1 September 2017: 50) basis points lower/higher with all other variables held constant, the Group's profit or loss would have been higher/lower by approximately $35,000 (31 August 2018: $78,000; 1 September 2017: $76,000), arising mainly as a result of lower or higher interest expense on floating rate loans and borrowings.

As at end of the financial year, the Group does not have any exposure to interest rate risk.

33.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

At each reporting date, the Group's and the Company's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statement of financial position except for the financial guarantees given by the Company for bank facilities granted to a subsidiary and third parties as disclosed in Note 33.3 to the financial statements.

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

The Group's exposure to credit risk is largely dependent on the credit quality of its trade and other receivables, which in turn, is mainly influenced by the individual characteristic of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk. At the end of the financial year, the Group had 13.8% (31 August 2018: 10.2%; 1 September 2017: 13.0%) of the total trade receivables due from the Group's largest customer and 38.9% (31 August 2018: 42.9%; 1 September 2017: 44.4%) from the five largest customers, which is considered to be manageable.

<u>Comparative information applying the principles under FRS 39</u>

The age analysis of trade receivables that are past due is as follows:

	Gross receivables 2018 $'000	Impairment 2018 $'000	Gross receivables 2017 $'000	Impairment 2017 $'000
Group				
Past due 1 to 30 days	1,704	-	1,315	-
Past due 31 to 90 days	3,149	-	1,855	-
Past due over 90 days	3,071	(1,971)	2,488	(153)

33. Financial instruments and financial risks (Continued)

33.2 Credit risk (Continued)

Comparative information applying the principles under FRS 39 (Continued)

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group. The Group has not provided for trade receivables balances of major customers which are past due at the end of the reporting period as there has not been a change in credit quality based on historical experience in the collection of receivables and the amounts are still considered recoverable. The Group does not hold any collateral over the balances.

Trade receivables

Expected credit loss assessment for trade receivables as at 31 August 2019

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking assumptions, as appropriate. Management takes into account historical provision trend and other relevant factors.

The provision matrix is based on actual credit loss experience over the past three years. The expected credit loss computed is derived from historical data and credit assessment includes forward-looking information which management is of the view that customer conditions are representative at the reporting date.

The following table provides information about the exposure to credit risk and expected credit loss for third parties trade receivables as at 31 August 2019.

	Gross carrying amount	**Loss allowance**	**Credit impaired**	**Total loss allowance**
	$'000	**$'000**	**$'000**	**$'000**
Not due	1,569	-	-	-
Past due for 1 to 30 days	556	5	-	5
Past due for 31 to 60 days	458	9	-	9
Past due for 61 to 90 days	223	7	-	7
Past due over 90 days	903	175	3	178*
	3,709	196	3	199

* This amount includes approximately $3,000 which is related to credit-impaired balances from a customer who may not likely to repay the outstanding balances mainly due to economic circumstances.

33. Financial instruments and financial risks (Continued)

33.2 Credit risk (Continued)

Non-trade amounts due from third parties

The Group has assessed credit risk for non-trade amounts due from third parties based on 12-month expected loss basis which reflects the low credit risk of the exposures except for non-trade amounts due from a third party (former associate). The Group monitors and assess at each reporting date on any indicator of significant increase in credit risk on non-trade receivables due from third party (Note 11), by considering their performance ratio and any default in external debts. At the end of the financial year, the Group has assessed its financial performance to meet the contractual cash flow obligations and is of the view that expected credit loss allowance is $11,000 (1 September 2018: $Nil) for non-trade amounts due from the third party (former associate).

Non-trade amounts due from subsidiary

Management has taken into account information that it has available internally about the past, current and expected operating performance and cash flow position of subsidiary (Note 11). Management monitors and assess at each reporting date on any indicator of significant increase in credit risk on the amount due from subsidiary, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as the subsidiary has sufficient liquid assets to repay their debts and subject to immaterial credit loss.

Cash and bank balances

Credit risk arises from balances held with banks. The Group substantially placed its cash and bank balances in 3 banks (31 August 2018: 10 banks; 1 September 2017: 9 banks) which represent 96% (31 August 2018: 99%; 1 September 2017: 99%) of the Group's cash and bank equivalents as at 31 August 2019.

The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances have been measured based on 12-month expected credit loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties which are banks assigned with investment grade ratings range between Aa1 to A3 by international credit-rating agencies.

33. Financial instruments and financial risks (Continued)

33.3 Liquidity risk

Liquidity risk refers to the risk of the Group and the Company encountering difficulties in meeting their short-term obligations. Liquidity risk is managed by matching the payment and receipt cycles.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and ensuring that the Group and the Company in question has the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims at maintaining a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At Group and Company levels, the Company has given financial guarantees to banks for banking facilities granted to a subsidiary and third parties as disclosed in the tables below.

The following tables detail the Group's and the Company's contractual maturity analyses for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to make payment. The table include both expected interests and principal cash flows.

	Within one year $'000	After one year but within five years $'000	More than five years $'000	Total $'000
Group				
31 August 2019				
Financial liabilities				
Non-interest bearing	2,568	3,737	-	6,305
Interest bearing:				
- Fixed	51	110	-	161
- Variable	5,639	1,248	951	7,838
	8,258	5,095	951	14,304
Financial guarantee contracts issued for:				
- a third party (former subsidiary)	112	-	-	112

33. Financial instruments and financial risks (Continued)

33.3 Liquidity risk (Continued)

	Within one year $'000	After one year but within five years $'000	More than five years $'000	Total $'000
Group				
31 August 2018				
Financial liabilities				
Non-interest bearing	15,972	-	-	15,972
Interest bearing:				
- Fixed	445	784	-	1,229
- Variable	14,288	1,281	1,254	16,823
	30,705	2,065	1,254	34,024
Financial guarantee contracts issued for:				
- a third party (former associate)	183	-	-	183
- a third party (former subsidiary)	271	-	-	271
	454	-	-	454
1 September 2017				
Financial liabilities				
Non-interest bearing	11,432	-	-	11,432
Interest bearing:				
- Fixed	369	38	-	407
- Variable	12,898	1,915	1,585	16,398
	24,699	1,953	1,585	28,237
Financial guarantee contracts issued for:				
- a third party (former associate)	476	-	-	476
- a related party (former subsidiary)	419	-	-	419
	895	-	-	895

33. Financial instruments and financial risks (Continued)

33.3 Liquidity risk (Continued)

	Within one year $'000	After one year but within five years $'000	More than five years $'000	Total $'000
Company				
31 August 2019				
Financial liabilities				
Non-interest bearing	1,876	3,737	-	5,613
Financial guarantee contracts issued for:				
- a third party (former subsidiary)	112	-	-	112
- a subsidiary	7,826	-	-	7,826
	7,938	-	-	7,938
31 August 2018				
Financial liabilities				
Non-interest bearing	3,213	-	-	3,213
Financial guarantee contracts issued for:				
- a third party (former associate)	183	-	-	183
- a third party (former subsidiary)	271	-	-	271
- a subsidiary	16,809	-	-	16,809
	17,263	-	-	17,263
1 September 2017				
Financial liabilities				
Non-interest bearing	5,148	-	-	5,148
Financial guarantee contracts issued for:				
- a third party (former associate)	476	-	-	476
- a related party (former subsidiary)	419	-	-	419
- a subsidiary	16,630	-	-	16,630
	17,525	-	-	17,525

The disclosed amounts for the financial guarantee contracts represent the maximum amount and at the earliest period for which the Company could be called upon by the banks to pay should the third parties, a related party and subsidiary as mentioned above default on repayments.

33. Financial instruments and financial risks (Continued)

33.3 Liquidity risk (Continued)

The Group's and the Company's operations are financed mainly through equity and debts. Adequate lines of credit are maintained to ensure that liquidity is available as and when required.

The repayment terms of the Group's interest bearing liabilities are disclosed in Note 16 to the financial statements.

34. Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balances.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising share capital, foreign currency translation reserve and retained earnings or accumulated losses as disclosed in the consolidated statement of changes in equity.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged from the last financial year.

The management monitors capital based on gearing ratios. A subsidiary is also required by the banks to maintain a gearing ratio not exceeding 300% (31 August 2018: 300%; 1 September 2017: 300%) and a minimum consolidated tangible net worth of not less than $25 million (31 August 2018: $12 million; 1 September 2017: $12 million) throughout.

As disclosed in Note 19, a subsidiary of the Group is required by the relevant laws and regulations in the PRC to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to the approval of the relevant PRC authorities.

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 August 2019 and 31 August 2018.

The gearing ratio is calculated as net debt divided by total capital plus net debt. The Group and the Company include within net debt, trade and other payables and interest bearing liabilities less cash and bank balances. Capital consists of equity attributable to the owners of the parent less statutory reserve fund and fair value reserve.

34. Capital management policies and objectives (Continued)

	Group			Company		
	31 August 2019	31 August 2018	1 September 2017	31 August 2019	31 August 2018	1 September 2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	14,153	16,511	11,598	13,303	3,213	5,148
Interest bearing liabilities	7,210	16,815	15,598	-	-	-
Less: Cash and bank balances	(325)	(5,583)	(2,992)	(5)	(2)	(6)
Net debt	21,038	27,743	24,204	13,298	3,211	5,142
Equity attributable to owners of the parent	118,340	50,332	26,974	120,059	48,348	25,312
Less:						
Statutory reserve fund	-	(691)	(478)	-	-	-
Fair value reserve	-	(23,375)	(2,686)	-	(23,375)	(2,686)
Total capital	118,340	26,266	23,810	120,059	24,973	22,626
Capital and net debt	139,378	54,009	48,014	133,357	28,184	27,768
Gearing ratio (%)	15	51	50	10	11	19

35. Fair value of financial assets and financial liabilities

The Group and the Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

35. Fair value of financial assets and financial liabilities (Continued)

Fair value of financial instruments that are not carried at fair value

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

Fair value of financial instruments that are carried at fair value

The fair value of available-for-sale financial assets, financial assets at FVTPL and derivative financial instruments are disclosed in Note 8, Note 9 and Note 12 to the financial statements respectively.

Financial instruments carried at fair value classified by level of fair value hierarchy are as follows:

	Fair value measurement using		
	Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**
Group			
31 August 2019			
Financial assets			
Financial assets at FVTPL			
- Quoted equity shares	124,967	-	-
Derivative financial instruments	-	12	-
31 August 2018			
Financial assets			
Available-for-sale financial assets[1]			
- Unquoted equity shares	-	30,460	-
Derivative financial instruments	-	5	-
1 September 2017			
Financial assets			
Available-for-sale financial assets[1]			
- Unquoted equity shares	-	-	6,795
Financial liabilities			
Derivative financial instruments	-	29	-

[1] Available-for-sale financial assets was reclassified to financial assets at FVTPL upon adoption of SFRS(I) 9, refer to Note 37 of the financial statements for details.

35. Fair value of financial assets and financial liabilities (Continued)

Fair value of financial instruments that are carried at fair value (Continued)

There have been no transfer between Level 1, Level 2 and Level 3 as at each reporting date, except as disclosed below.

Transfer out of Level 2

As at 1 September 2018, the Group reclassified the available-for-sale unquoted equity shares to financial assets at FVTPL and also transferred the valuation of these financial assets from Level 2 to Level 1 of the fair value hierarchy due to the availability of quoted market prices in an active market. The carrying amount of these financial assets at FVTPL is disclosed in Note 9 to the financial statements.

Transfer out of Level 3

During the financial year ended 31 August 2018, the Group transferred the available-for-sale unquoted equity shares from Level 3 to Level 2 of the fair value hierarchy. The carrying amount of the available-for-sale financial assets transferred was $30,460,000.

The available-for-sale unquoted equity shares was transferred from Level 3 to Level 2 as information was available with reference to the recent acquisitions and disposals of the equity instruments between the independent third parties of the available-for-sale unquoted equity shares during the financial year (Note 8). Prior to the transfer, the fair value of the financial asset was determined using valuation model incorporating significant unobservable inputs. Since the transfer, the fair value of the financial asset is determined based on most recent agreed sales consideration of the available-for-sale unquoted equity shares with no significant changes to the operation of investee company that may have an impact to the fair value from the respective date of disposal to financial year ended 31 August 2018.

The derivative financial instruments are not traded in an active market. The management determines the fair value of derivative financial instruments through the valuation based on bankers' quotations. The key inputs to the calculation are the foreign exchange spot and forward rates.

During the financial year ended 31 August 2017, the valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

35. Fair value of financial assets and financial liabilities (Continued)

Fair value of financial instruments that are carried at fair value (Continued)

Financial Instrument	**Valuation techniques used**	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value**
Unquoted equity shares	Income approach based on discounted cash flow analysis	– Revenue is forecasted with an average growth rate of 59% from FY2018 to FY2020, normalised revenue for FY2021 to FY2023 with an average growth rate of 11% from FY2021 to FY2023	- A slight increase in the long term revenue growth rate would result in an increase in the fair value.
		– Average gross profit margin of 29% from FY2018 to FY2023	- A slight increase in the average gross profit margin would result in an increase in the fair value.
		– Terminal value growth rate of 3%	- A slight increase in the terminal value growth rate would result in an increase in the fair value.
		– Weighted average cost of capital of 13% to 15%	- A slight increase in the weighted average cost of capital would result in a decrease in the fair value.
		– Minority discount rate of 23%	- A slight increase in the minority discount rate would result in a decrease in the fair value.
		– Marketability discount rate of 30%	- A slight increase in the marketability discount rate would result in a decrease in the fair value.

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and SFRS(I) 13 *Fair Value Measurement* guidance.

35. Fair value of financial assets and financial liabilities (Continued)

Fair value of financial instruments that are carried at fair value (Continued)

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

36. Contingent liabilities

As at the end of the financial year, there were contingent liabilities in respect of corporate guarantees of $25,155,000 (31 August 2018: $31,917,000, 1 September 2017: $29,317,000) given by the Company for credit facilities granted to the Group's subsidiary and third parties. The maximum amount that the Group and the Company could be forced to settle under the corporate guarantee if the full guaranteed amount is claimed by the counterparty to the guarantee, is approximately $112,000 (31 August 2018: $454,000; 1 September 2017: $895,000) and $7,938,000 (31 August 2018: $17,263,000; 1 September 2017: $17,525,000) respectively.

As at the end of the financial year, the Group and the Company have not recognised any liability in respect of the guarantee given to the banks for banking facilities granted as the Directors have assessed that the likelihood of defaulting on repayment of its loans is remote.

37. Convergence to SFRS(I)s

The Group has transited to SFRS(I)s on 1 September 2018. In transiting to SFRS(I)s, the Group is required to apply all of the specific transition requirements under SFRS(I) 1 *First-time Adoption of SFRS(I)*.

The accounting policies set out in Note 2 to the financial statements comply with SFRS(I)s effective on 1 January 2018. These accounting policies have been applied in preparing the financial statements of the Group for the financial year ended 31 August 2019, as well as comparative information presented in these financial statements for the financial year ended 31 August 2018 and in the preparation of the opening statements of financial position at 1 September 2017 ("date of transition").

(a) Optional exemptions applied

The Group has applied the following exemptions in preparing their first set of financial statements in accordance with SFRS(I)s:

Short-term exemption on adoption of SFRS(I) 9 *Financial Instruments*

The Group has elected to apply the short-term exemptions upon adoption of SFRS(I) 9 on 1 September 2018. As a result, the financial instruments included in the comparatives have been accounted for in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* on the disclosure requirements in relation to SFRS(I) 9.

37. Convergence to SFRS(I)s (Continued)

(a) Optional exemptions applied (Continued)

Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under SFRS(I) 15. There is no impact on revenue recognition for the Group when the new standard is effective.

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)s

	Note	Reported under FRS	Group Effects of applying SFRS(I) 9	Reported under SFRS(I)
		$'000	**$'000**	**S'000**
At 1 September 2018				
Non-current assets				
Property, plant and equipment		14,622	-	14,622
Intangible assets		1,647	-	1,647
Investment property		498	-	498
Available-for-sale financial assets	ii	27,380	(27,380)	-
Financial assets at FVTPL	ii	-	27,380	27,380
Other receivables		74	-	74
		44,221	-	44,221
Current assets				
Available-for-sale financial assets	ii	3,080	(3,080)	-
Financial assets at FVTPL	ii	-	3,080	3,080
Inventories		18,247	-	18,247
Trade and other receivables	i	22,406	(244)	22,162
Prepayments		433	-	433
Derivative financial instruments		5	-	5
Cash and bank balances		5,583	-	5,583
		49,754	(244)	49,510
Less:				
Current liabilities				
Trade and other payables		16,511	-	16,511
Interest bearing liabilities		14,107	-	14,107
Current income tax payable		339	-	339
		30,957	-	30,957
Net current assets		18,797	(244)	18,553

37. Convergence to SFRS(I)s (Continued)

(b) Reconciliation of the Group's equity reported in accordance with FRS to SFRS(I)s (Continued)

	Note	Reported under FRS	Group Effects of applying SFRS(I) 9	Reported under SFRS(I)
		$'000	$'000	S'000
At 1 September 2018				
Less:				
Non-current liabilities				
Interest bearing liabilities		2,708	-	2,708
Deferred tax liabilities	i	2,996	(41)	2,955
		5,704	(41)	5,663
Net assets		57,314	(203)	57,111
Equity				
Share capital		26,700	-	26,700
Reserves	i	23,632	(203)	23,429
Equity attributable to owners of the parents		50,332	(203)	50,129
Non-controlling interests		6,982	-	6,982
Total equity		57,314	(203)	57,111

Explanatory notes to reconciliation effect of FRS framework to SFRS(I)s framework

Adoption of SFRS(I) 9 Financial Instruments

(i) The Group elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the retained earnings brought forward at the date of initial application, i.e. 1 September 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of approximately $244,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding increase in deferred tax assets and a decrease in retained earnings by approximately $41,000 and $203,000 respectively as at 1 September 2018.

(ii) The Group has adopted SFRS(I) 9 and elected to recognise investment in unquoted equity shares at fair value currently classified as available-for-sale financial assets ("AFS") to financial assets at FVTPL. Hence, the assets with carrying amount of approximately $30,460,000 was reclassified from AFS to financial assets at FVTPL and fair value gains of approximately $23,375,000 was reclassified from fair value reserve to retained earnings on 1 September 2018.

The accounting policies for financial instruments under SFRS(I) 9 is as disclosed in Note 2.9.

38. Event subsequent to the reporting date

On 26 November 2019, the Group entered into a joint venture agreement with Esse PI Pte. Ltd. ("Esse") and Esse's shareholder to subscribe for 250,000 ordinary shares at a subscription price of $250,000 for cash, which represents 12.5% of shareholdings of Esse.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5,627	75.45	91,349	0.31
100 - 1,000	1,199	16.08	398,386	1.33
1,001 - 10,000	504	6.76	1,701,212	5.69
10,001 - 1,000,000	119	1.59	10,834,785	36.23
1,000,001 AND ABOVE	9	0.12	16,879,490	56.44
TOTAL	7,458	100.00	29,905,222	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	3,956,704	13.23
2	SHK INVESTMENT PTE LTD	2,375,000	7.94
3	TEO ENG HWEE	1,925,000	6.44
4	TEO ENG SHING	1,925,000	6.44
5	TEO ENG THIAN	1,537,500	5.14
6	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,514,999	5.07
7	PEH HUAN HENG	1,484,000	4.96
8	ONG BEE MOI	1,108,300	3.71
9	CITIBANK NOMINEES SINGAPORE PTE LTD	1,052,987	3.52
10	TOH CHIN HENG	974,600	3.26
11	ONG AH PIAN OR TAN MEE HONG	946,800	3.17
12	TOH SIEW LAN	812,100	2.72
13	LOH SUAN LEN	526,375	1.76
14	TAN AH SONG	436,400	1.46
15	TEO TECK LEONG	424,120	1.42
16	CHEN RONGLI	408,500	1.37
17	WU JIAN	401,250	1.34
18	LOW SIEW SIEW (LIU XIUXIU)	400,000	1.34
19	SOH LIAN EU	369,500	1.24
20	TOH CHIN WAH (ZHUO ZHENHUA)	369,150	1.23
	TOTAL	22,948,285	76.76

STATISTICS OF SHAREHOLDINGS

As At 29 November 2019

Paid-Up Share Capital	:	S$26,700,193.69
No of Shares in Issue	:	29,905,222
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

LIST OF SUBSTANTIAL SHAREHOLDERS
As at 29 November 2019

	Direct Interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Ong Tze King	–	–	1,495,758[(1)]	5.002
Low Chin Kwee & Ng Ban Low	–	–	2,370,000[(2)]	7.925
Teo Teck Leong	424,120	1.418	2,865,900[(3)]	9.584
Teo Eng Hwee	1,925,000	6.437	–	–
Teo Eng Shing	1,925,000	6.437	–	–

(1)	1,495,758	held in the name of DBS Nominees Pte Ltd for Ong Tze King
(2)	2,370,000	held in the name of DBS Nominees Pte Ltd for Low Chin Kwee & Ng Ban Low
(3)	478,900	held in the name of Maybank Kim Eng Secs Pte Ltd for Teo Teck Leong
	12,000	held by Spouse, Toh Ah Hoi
	2,375,000	held in the name of SHK Investment Pte. Ltd.*
	2,865,900	

* Deemed to be interested in the shares held by SHK Investment Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap.50.

PUBLIC FLOAT

Based on information available to the Company, approximately 55.24% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual of the SGX-ST is complied with.

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of Shinvest Holding Ltd. (the "Company") will be held at RELC International Hotel, Room 503, Level 5, 30 Orange Grove Road (off Orchard Road), Singapore 258352 on Monday, 30 December 2019 at 10.00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 August 2019. **Resolution 1**

2. To declare a final tax exempt (one-tier) dividend of 3 cents per ordinary share for the financial year ended 31 August 2019. **Resolution 2**

3. To re-elect Mr Loh Suan Len, the Director who retires pursuant to Article 87 of the Constitution of the Company and being eligible, will offer himself for re-election. **Resolution 3**

   Mr Loh Suan Len will, upon re-election as Director, continue to serve as Chairman of the Audit and Nominating Committees and remain as a member of the Remuneration Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

4. To approve Directors' fees of S$90,000 (2018: S$71,923) for the financial year ended 31 August 2019 **Resolution 4**

5. To re-appoint BDO LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as Ordinary Resolutions:-

6 **Authority to issue shares** **Resolution 6**

That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

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

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, 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

(2) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company (as calculated in accordance with sub-paragraph (b) below);

(b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (a) above, the percentage of issued shares shall be calculated based on the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or sub-division of shares;

(c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, 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 **Proposed Adoption of the Share Buyback Mandate** **Resolution 7**

"THAT:-

(a) for the purposes of the Sections 76C and 76E of the Companies Act, Cap. 50 (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company ("**Shares**") not exceeding the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases (the "**Market Purchase**"), transacted on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(ii) off-market purchases (the "**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by Shareholders in a general meeting.

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST))) as at the date of the passing of this Resolution;

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related expenses of the purchase) which shall not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days ("**Market Day**" being a day on which the SGX-ST is open for trading in securities) on which the Shares were transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5)-day period;

"**day of the making of the offer**" means the day on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution."

ANY OTHER BUSINESS

8 To transact any other business that may be transacted at an AGM.

By Order of the Board

Voo Kim Seng
Company Secretary

Singapore
13 December 2019

NOTES

1. A Member entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a Member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.

2. A member who is a relevant intermediary (as defined in Section 181 of the Companies Act) is entitled to appoint more than two proxies to attend and vote at the AGM but each proxy must be appointed to exercise the rights attached to a different share(s) held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

3. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office at 3, Kian Teck Crescent, Singapore 628881, not less than 72 hours before the time for holding the above AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

(1) The proposed Ordinary Resolution 6, if passed, will empower the Directors from the date of this AGM until the next AGM, to allot and issue new shares and/or convertible securities in the Company up to a number not exceeding in total 50% of the issued shares excluding treasury shares and subsidiary holdings in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the issued shares excluding treasury shares and subsidiary holdings in the capital of the Company for the time being. The percentage of issued shares shall be based on the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company at the time the Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting at the time the Ordinary Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company.

(2) Ordinary Resolution 7, if passed, will empower the Directors of the Company, to purchase or otherwise acquire its issued Shares, on the terms of the Share Buyback Mandate. This authority will continue to be in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. Please refer to the Circular dated 13 December 2019 for further details.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (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 such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Verification for Attendance and Voting

In order for us to protect your rights as a shareholder and ensure admittance to, and voting at, the AGM and EGM only by appropriately verified individuals, we will require your/your proxy(ies)' or representative(s)' full name and full NRIC/passport number when we verify your/your proxy(ies)' or representative(s)' identity for attendance and voting at the AGM and EGM. Partial NRIC/passport numbers do not suffice in the circumstances. As such, we will require your/your proxy(ies)' or representative(s)' NRIC/passport to be produced for sighting at registration. We reserve the right to refuse admittance to the AGM and EGM if we are unable to verify accurately your/your proxy(ies)' or representative(s)' identity.

SHINVEST HOLDING LTD.
(Incorporated in the Republic of Singapore)
Company Reg. No. 198905519R

IMPORTANT:
1. *Relevant intermediaries as defined in Section 181 of the Companies Act. Cap. 50 may appoint more than two proxies to attend, speak and vote at the annual general meeting.*
2. *For CPF/SRS investors who have used their CPF/SRS monies to buy Shinvest Holding Ltd.'s shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.*
3. *By submitting an instrument appointing a proxy(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 dated 13 December 2019.*

PROXY FORM
Annual General Meeting

I/We, ______________________________ (Name)

of ______________________________ (Address)
being a member/members of Shinvest Holding Ltd. (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons referred to above, the Chairman of the annual general meeting of the Company ("**Meeting**") as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Meeting to be held at RELC International Hotel, Room 503, Level 5, 30 Orange Grove Road (off Orchard Road), Singapore 258352 on Monday, 30 December 2019 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the Meeting and at any adjournment thereof.

Voting will be conducted by poll. Please indicate your vote "For" or "Against" each Resolution with a tick (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" the relevant Resolution.

No.	**Resolutions relating to:**	**No. of votes For**	**No. of votes Against**
1	Adoption of Directors' Statement and Financial Statements		
2	Payment of proposed final dividend		
3	Re-election of Mr Loh Suan Len as Director		
4	Approval of Directors' fees		
5	Re-appointment of BDO LLP as Independent Auditors		
6	Authority to Directors to issue shares		
7	Proposed Share Buyback Mandate		

Dated this ______ day of ____________ 2019

Total number of Shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(s) or
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

3. A Proxy need not be a member of the Company.

(1) Fold along this line

Please affix postage stamp

The Company Secretary
Shinvest Holding Ltd.
3, Kian Teck Crescent
Singapore 628881

(2) Fold along this line

4. This instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3, Kian Teck Crescent, Singapore 628881 not less than 72 hours before the time set for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

6. Where an instrument appointing a proxy or proxies is executed on behalf of the appointor by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instruments of the appointor specified in the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy 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.

9. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the Meeting.

10. Investors who have used their CPF/SRS monies ("CPF/SRS Investors") to buy shares in the Company may attend and cast their vote at the Meeting in person. CPF/SRS Investors who are unable to attend the Meeting but would like to vote, may inform CPF Approved Nominees and/or SRS Operators to appoint Chairman of the Meeting to act as their proxy, in which case, the CPF/SRS Investor shall be precluded from attending the Meeting.

SHINVEST HOLDING LTD.
旭阳控股有限公司

No. 3 Kian Teck Crescent,
Singapore 628881

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Tel: (65) 63278398