# NEW WAVE HOLDINGS LTD.

ANNUAL REPORT 2015

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# CHAIRMAN'S MESSAGE

**DEAR SHAREHOLDERS,**

The Group is heartened to register continued growth in sales for the financial year ended 31 March 2015 ("FY2015"). Revenue grew by 13.1% to S$24.49 million, driven by positive contribution from our Aluminium Products Distribution division.

Sales from the division improved 19.0%, underscoring the success of our strategy to penetrate the Malaysia and People's Republic of China ("PRC") markets with a wider portfolio of aluminium products. Along with an expanded customer base, sales in Malaysia and the PRC improved 27.7% and 20.9% respectively in FY2015.

Our revenue growth was partially offset by an 11.9% dip in sales recorded by our Components Distribution division. The slowdown was due to various factors, including shrinking product and technology cycles, lower demand for cabling products and pricing pressures from competitors. Competition also increased during the year, resulting in fewer projects secured.

Overall, increased sales volume lifted the Group's gross profit by 8.4% to S$4.64 million. Gross profit margin, however, dipped slightly to 18.9%, from 19.7% last year due to the rising US Dollar against the Singapore dollar and Malaysian Ringgit. The hike was particularly steep in the last quarter of FY2015, making the cost of our purchase more expensive. We anticipate this impact to be temporary as active steps have since been taken to re-align our pricing structure.

Distribution and administrative expenses rose 25.7% and 7.2% respectively, in tandem with improved sales and higher operational activities. Total other expenses increased 21.9% as a result of higher depreciation charge and impairment on inventories and trade receivables. Together with higher finance cost, the Group recorded a loss before income tax of S$0.52 million in FY2015, compared to a loss of S$0.53 million in the previous year.

During the year, we commenced proceedings to wind up wholly-owned subsidiary ST Microtech Enterprise Sdn Bhd, which has been dormant since March 2009. The voluntary winding up is not expected to have any material impact on our earnings per share.

**SEGMENTAL REVIEW**

The Aluminium Products Distribution division remained our bigger revenue contributor for FY2015. Sales from this division constituted 85.1% of total revenue, while the Components Distribution division contributed 14.9%.

Geographically, Malaysia overtook Singapore to become our biggest market in FY2015, representing 42.0% of total sales. Singapore contributed 33.3% as sales from this market dipped 3.7% due to lower demand for both components and aluminium products as our customers cut down on their manufacturing activities. The PRC market brought in 22.3% of total sales.

**BUSINESS STRATEGY**

Stiff competition and elevated operating costs, particularly in Singapore, will continue to create challenges for our two key businesses.

To counter the challenges, our Aluminium Products Distribution division will focus on high growth segments, which welcome the better grade aluminium alloys offered by our wide product portfolio. Concurrently, expansion efforts will be intensified in the growing markets of Malaysia and China.

To protect the Components Distribution division from eroding margins, our priority is to establish new product lines and re-direct marketing efforts to focus on markets outside of Singapore.

Operationally, we will spare no efforts in strengthening inventory management and credit controls. Groundwork for optimising our stocking programme and logistics systems was conducted during the year at our Singapore headquarters. We will soon be extending our resource planning system, currently available in Singapore, to our subsidiaries in Malaysia and the PRC.

**APPRECIATION**

On behalf of our Board of Directors, I would like to express my sincere appreciation to our business partners and our team who, together, has played a part in charting the growth of our Group. We also extend special thanks to you, our valued shareholders, for placing your trust in us.

**TITO SHANE ISAAC**
**Chairman**

# FINANCIAL AND OPERATIONS REVIEW

**TURNOVER**

Group revenue increased by 13.1% from S$21.66 million in FY2014 to S$24.49 million for the financial year ended 31 March 2015 ("FY2015").

The aluminium products distribution division showed an increase in revenue of 19.0%, contributed from the Malaysian and PRC subsidiaries. As reflected in the geographical segment breakdown, sales in the Malaysia and the PRC segments increased by 27.7% and 20.9% respectively. The division has in the previous financial year gradually expanded its product range so as to cater for expanding customer base, especially in Malaysia and the PRC.

The components distribution division showed a decrease in revenue of 11.9% partly due to a slowdown in demand for cabling products in line with lesser upgrading projects. In general, the electronic components industry faces keen competition and the challenges of eroding margins and rapid technology changes. Overall, the Singapore segment showed a decrease in revenue of 3.7%, as both the components and aluminium products distribution divisions recorded decreased sales in this segment for FY2015.

**GROSS PROFIT, INCOME AND EXPENSES**

The gross profit margin for FY2015 is 18.9%, lower than the 19.7% margin recorded in the financial year ended 31 December 2014 ("FY2014"). As much of the Group's purchases are denominated in US Dollars, the sharp increase in US Dollar rates against the Singapore Dollar and the Malaysian Ringgit especially in the last quarter of the year had affected our margins. Nevertheless, this impact should be temporary, as measures were taken to re-align our pricing structure. The increased sales volume however has helped gross profit for FY2015 to improve by 8.4% to S$4.64 million, as compared to S$4.28 million for FY2014.

Other income increased by 79.7% from $0.28 million in FY2014 to S$0.51 million in FY2015. This was mainly due to a net foreign exchange gain of S$0.32 million recorded in FY2015, whereas in FY2014, there was a net loss of S$0.03 million.

Distribution costs increased by 25.7% from S$0.55 million in FY2014 to S$0.69 million in FY2015 in line with the increase in sales. Freight costs in particular recorded an increase of 39.0% in FY2015 when compared with the costs incurred in FY2014.

Administrative expenses increased by 7.2% from S$3.92 million in FY2014 to S$4.20 million in FY2015. All categories of expenses including employment costs, professional fees, bank charges, repairs and maintenance expenses, increased in tandem with increase in sales and the consequent increase in operational activities. The only exception was a decrease in rental of about 7.7% as, since January 2014, all operations in Malaysia were housed in the factory bought during FY2014.

Total other expenses increased by 21.9% from S$0.52 million in FY2014 to S$0.64 million in FY2015. Depreciation charge increased by 11.5% from S$0.27 million in FY2014 to S$0.30 million in FY2015 as the charge included the first full year's depreciation on the Malaysian factory bought during the second half of FY2014. Other increases recorded in FY2015 included write-down of inventories of S$0.15 million, and an impairment of trade receivables of S$0.04 million, as compared with S$0.07 million and S$0.01 million respectively, recorded in FY2014.

Finance costs increased by 34.5% from S$0.12 million FY2014 to S$0.16 million in FY2015. Finance costs comprised finance lease interests and bank interests on trust receipts and a term loan. Interest on trust receipts used to finance trade purchases increased as a result of the higher purchase volume during the current financial year, while interests on the term loan increased threefold as a full year's interest was charged for FY2015, compared to 4 months' interest recorded in FY2014.

As a result of the above, the Group recorded a loss before income tax of S$0.52 million in FY2015, as compared to a loss before income tax of S$0.53 million in FY2014.

**FINANCIAL POSITION**

Additions to plant and equipment totalled S$0.07 million, the main purchase was a forklift, bought with a finance lease, for the aluminium distribution business in Malaysia. Other purchases included warehouse rackings and sundry computer equipment for the various offices. The additions to property, plant and equipment were more than offset by a depreciation charge of S$0.30 million incurred for FY2015, so that the balance as at 31 March 2015 was S$2.91 million, compared with S$3.19 million as at 31 March 2014.

Based on the valuation reports done by an independent professional valuer, there was no change in the fair value of the investment properties which totalled S$2.82 million as at 31 March 2015 and 31 March 2014.

Intangible assets decreased as a result of an amortisation charge of S$0.15 million to S$1.27 million as at 31 March 2015.

Inventories increased at both the subsidiaries situated in Malaysia and the People's Republic of China ("PRC") to support their increases in sales for this financial year. Total inventories for the Group increased from S$11.21 million as at end of FY2014 to S$12.81 million as at the end of FY2015.

Trade and other receivables increased from S$5.92 million as at 31 March 2014 to S$6.63 million as at 31 March 2015. Trade receivables increased fairly proportionately with the increase in sales. Likewise, other receivables which comprised largely of the value-added tax recoverable for the PRC subsidiary also increased in tandem with the higher prepaid taxes for the imports made to support the increased sales.

Current interest-bearing liabilities, which comprised mainly bank trust receipts, increased from S$3.03 million as at the end of FY2014 to S$5.46 million as at the end of FY2015. In FY2014, usage of trust receipts was skewed towards the earlier months of the financial year as the Group set out to expand its product range, necessitating higher purchases then, so that by the end of FY2014, many of these were already repaid, hence the lower balance at the end of FY2014. Coupled with increased sales in FY2015, resulting in even higher usage of trust receipts, the balance of interest-bearing liabilities therefore reflected quite a major increase when comparing the two financial years.

Non-current interest-bearing liabilities, which comprised finance leases and a term loan, decreased from S$1.23 million as at 31 March 2014 to S$1.20 million as at 31 March 2015. The decrease mainly reflected the instalments of the term loan paid during FY2015.

The Group had a positive working capital of S$14.91 million as at the end of FY2015.

**CASH FLOW**

Cash and cash equivalents decreased from S$4.45 million as at the end of FY2014 to S$4.03 million as at the end of FY2015.

Net cash used in operating activities amounted to S$2.67 million for FY2015 and was mainly due to the increase in inventories and trade and other receivables of S$1.75 million and S$0.75 million respectively. Both the Malaysian and the PRC subsidiaries were holding higher inventory levels to support the increase in sales during FY2015. These locations also recorded higher trade receivables during the year, due to the increased sales.

Net cash used in investing activities of S$0.04 million was mainly incurred for the acquisition of plant and equipment.

Net cash generated from financing activities amounted to S$2.37 million in FY2015 and was mainly from proceeds of trust receipts used to finance purchases.

# BOARD OF DIRECTORS

## TITO SHANE ISAAC

*Non-Executive Chairman and Independent Director*

Mr Tito Shane Isaac was first appointed to the Board on 30 August 2006 and last re-elected on 31 July 2014. Mr Isaac was appointed as the Non-Executive Chairman of the Company on 23 September 2010. He is a practicing advocate and solicitor with more than 20 years of experience in legal practice. He is the Managing Partner of Tito Isaac & Co LLP, a firm that provides a range of legal services including Commercial and Corporate Law, Intellectual Property Law, Civil and Criminal Litigation, Property, Family and Insurance Law. In 2006, Mr Isaac was admitted as a Fellow of the Singapore Institute of Arbitrators and in December 2008, he received the Minister for Law Appreciation Award. Mr Isaac is also an Independent Director of CPH Ltd.

## ONG KIAN SOON

*Chief Executive Officer*

Mr Ong Kian Soon was appointed as the Chief Executive Officer of the Company on 1 July 2011 and his directorship was approved at the following annual general meeting of the Company held on 29 July 2011. Mr Ong was last re-elected on 31 July 2014. He has more than 15 years of experience in the areas of accounting, finance, administration and sales. He served as an Executive Director of CPH Ltd from 29 December 1998 till 30 June 2011, after which he was re-designated as Non-Executive Director.

Mr Ong is responsible for strategic planning and business development and oversees the business operations of the Group.

## TAN BON TAN

*Executive Director*

Mr Tan Bon Tan was first appointed to the Board on 20 August 2009 and was last re-elected on 30 July 2012. He has more than 15 years' experience in the installation and maintenance of computer network systems and telecommunication systems. He holds a Diploma in Electronics & Communications Engineering from the Singapore Polytechnic and a Postgraduate Certificate in Network Engineering from the Information Communication Institute of Singapore of Nanyang Technological University. Mr Tan obtained his RCDD (Registered Communication Distribution Designer) accreditation from BICSI (Building Industry Consulting Service International, Inc.), a global telecommunication association in February 2001 and is also a member of IEEE (Institute of Electrical and Electronics Engineers, Inc.). Mr Tan oversees the sales and operations of the Group's Components Distribution Division.

## CHAN TECK WAH

*Executive Director*

Mr Chan Teck Wah was first appointed to the Board on 23 September 2010 and was last re-elected on 30 July 2013. He holds an Honours Degree in Engineering (Civil & Structural) from the Nanyang Technological University and a Graduate Diploma in Systems Analysis from the National University of Singapore. Before joining the Group in 2004, he had 2 years of experience in projects management in construction and engineering firms, and another 2 years of experience in the analysis, design and implementation of information technology systems. Mr Chan oversees the sales and operations of the Group's Aluminium Products Distribution Division.

## CHEA CHIA CHAN

*Executive Director*

Mr Chea Chia Chan was first appointed to the Board on 23 September 2010 and was last re-elected on 30 July 2013. He joined the Group in 2007 and was instrumental in setting up the Group's first metal service centre in Malaysia. Before joining the Group, he was the production manager of Circuits Plus (M) Sdn Bhd and has more than 20 years of experience in the management of a business operation. He is responsible for the day-to-day functioning of the service centre and oversees the sales and marketing operations within Malaysia.

# KEY MANAGEMENT

## CHOO TUNG KHENG

*Non-Executive Director*

Mdm Choo Tung Kheng was first appointed to the Board on 19 November 1999 and was last re-elected on 31 July 2014. She has more than 15 years of experience in finance and accounting with local and multi-national companies prior to her appointment as Executive Director on 21 June 2002. Mdm Choo was redesignated as the Non-Executive Director of the Company with effect from 1 July 2011. She is the Managing Director of CPH Ltd.

## LEE TEONG SANG

*Independent Non-Executive Director*

Mr Lee Teong Sang was first appointed to the Board on 27 March 2003 and was last re-elected on 30 July 2013. He holds a Bachelor of Pharmacy Degree from the University of London and a Master of Business Administration Degree from the University of Sheffield, UK. Mr Lee has more than 20 years of working experience in banking, equity research and investor relations. He is currently the principal consultant of Cyrus Capital Consulting. Mr Lee is also an Independent Director of CPH Ltd. and a director of Cyrus Corporation Pte Ltd.

## LEE SENG CHAN

*Independent Non-Executive Director*

Mr Lee Seng Chan was first appointed to the Board on 29 August 2003 and was last re-elected on 31 July 2014. Mr Lee is an accountant by training and is a Certified Public Accountant in practice. He is a member of the Institute of Singapore Chartered Accountants, a member of The Malaysian Institute of Accountants as well as a member of The Institute of Certified Public Accountants of Australia. Mr Lee is a senior and managing partner of UHY Lee Seng Chan & Co and has been in public accounting practice for the last 40 years. Mr Lee is also the Independent Director of CPH Ltd.

## SIM PUAY HWANG

*Financial Controller*

Ms Sim Puay Hwang is a Chartered Accountant and has more than 30 years of working experience in finance and administration. Ms Sim is responsible for the areas of financial planning and reporting and corporate services of the Group and works closely with the Company Secretaries on secretarial matters.

## ONG SIEW KIM

*Accounts Manager*

Ms Ong Siew Kim has 30 years of working experience in the Company's subsidiary, General Electronics & Instrumentation Corporation Pte Ltd, handling accounts and administrative matters. She holds a London Chamber of Commerce and Industry higher stage group diploma in Accounting.

## TAN YEAT CHEONG

*Business Development Manager*

Mr Tan Yeat Cheong holds a Bachelor of Science Degree from SIM University. He first joined the Group in October 2006 and underwent training in various areas of the Group's operations, including sales and corporate services. He was promoted to his current position on 18 January 2012. He is responsible for the development of the aluminium products distribution business in Malaysia and China.

Mr Tan is the son of Mdm Choo Tung Kheng, a Non-Executive Director of the Company.

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**
Tito Shane Isaac
*(Non-Executive Chairman and Independent Director)*
Ong Kian Soon
*(Chief Executive Officer)*
Tan Bon Tan
*(Executive Director)*
Chan Teck Wah
*(Executive Director)*
Chea Chia Chan
*(Executive Director)*
Choo Tung Kheng
*(Non-Executive Director)*
Lee Seng Chan
*(Independent Non-Executive Director)*
Lee Teong Sang
*(Independent Non-Executive Director)*

**AUDIT COMMITTEE**
Tito Shane Isaac
*(Chairman)*
Lee Seng Chan
Choo Tung Kheng

**COMPANY SECRETARIES**
Koh Ee Koon
Koh Geok Hoon, Judy

**REGISTERED OFFICE**
101 Kitchener Road #02-17
Jalan Besar Plaza
Singapore 208511
Tel: (65) 6268 3377
Fax: (65) 6261 9961

**SHARE REGISTRAR**
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

**INDEPENDENT AUDITOR**
BDO LLP
Public Accountants and Chartered Accountants
21 Merchant Road #05-01
Singapore 058267
Partner-in-charge: William Ng Wee Liang
*(Appointed since the financial year ended 31 March 2011)*

**PRINCIPAL BANKERS**
United Overseas Bank Limited
Malayan Banking Berhad
Bank of China Limited

**SPONSOR**
PrimePartners Corporate Finance Pte. Ltd.
16 Collyer Quay #10-00
Income at Raffles
Singapore 049318

# CORPORATE GOVERNANCE

New Wave Holdings Ltd. recognises the importance of maintaining good corporate governance to protect the interest of shareholders and promote investors' confidence. This report describes the Company's corporate governance practices with specific reference to the principles of the Code of Corporate Governance 2012 (the "Code"), as required under Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") ("Rules of Catalist") and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the "SGX-ST") in January 2015 (the "Guide"). The Company has adhered to the principles and guidelines of the Code and the Guide where applicable and any deviation is explained in this report.

**Principle 1: The Board's Conduct of Affairs**

The Board of Directors of the Company (the "Board") sets the overall strategic direction for the Group, establishes goals for management and monitors the achievement of these goals. The Board also reviews the internal controls and risk management systems and ensures compliance with the Code, the Companies Act (Chapter 50) of Singapore (the "Companies Act"), and other relevant statutes and regulations.

The Board has identified, without limitation, the following matters that require its approval:

- Approval of periodic financial results announcements;
- Approval of annual audited financial statements;
- Declaration of interim and proposal of final dividends, if any;
- Major corporate policies on key areas of operation;
- Major funding proposals or bank borrowings;
- Corporate restructuring;
- Mergers and acquisitions;
- Material acquisitions and disposal of assets;
- Share issuances; and
- Board changes.

To improve management efficiency, certain functions have been delegated to the Board Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. Each of these Board Committees has its own terms of reference and its actions are reported regularly to and monitored by the Board.

Directors are provided with regular updates on changes in the relevant laws and regulations that impact the Group's operations. They are encouraged to attend workshops and seminars to enhance their skills and knowledge. In the event that new Directors are appointed, they will receive comprehensive orientation and briefings on the Group's history, business operations, policies and strategies. Newly appointed Directors will also receive formal appointment letters setting out their duties and obligations. The Company will also provide training for first-time Directors in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company.

# CORPORATE GOVERNANCE

Briefing and updates provided to the Directors for the financial year ended 31 March 2015 ("FY2015") include:

- briefing by the external auditors, BDO LLP, on the developments in financial reporting and governance standard at the half-yearly review meetings;
- briefing on the Guide to the Code of Corporate Governance 2012 by Management; and
- receiving reports on internal controls by management.

The Board conducts regular meetings to oversee the business affairs of the Group and approve the Group's financial results announcements. Ad-hoc meetings are arranged as and when necessary. The Company's Articles of Association ("Articles") also provide for telephonic and videoconference meetings.

The attendance of the Directors at meetings of the Board and Board Committees held in FY2015 are set out as follows:

| | Board | | Audit Committee | | Nominating Committee | | Remuneration Committee | |
|---|---|---|---|---|---|---|---|---|
| **Directors** | **No. of meetings held**[1] | **No. of meetings attended** | **No. of meetings held**[1] | **No. of meetings attended** | **No. of meetings held**[1] | **No. of meetings attended** | **No. of meetings held**[1] | **No. of meetings attended** |
| Tito Shane Isaac | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Ong Kian Soon | 2 | 2 | 2 | 2[2] | 1 | 1[2] | 1 | 1[2] |
| Choo Tung Kheng | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Tan Bon Tan | 2 | 2 | 2 | 2[2] | 1 | 1[2] | 1 | 1[2] |
| Chan Teck Wah | 2 | 2 | 2 | 2[2] | 1 | 1[2] | 1 | 1[2] |
| Chea Chia Chan | 2 | 2 | 2 | 2[2] | 1 | 1[2] | 1 | 1[2] |
| Lee Seng Chan | 2 | 1 | 2 | 1 | 1 | 1 | 1 | 1 |
| Lee Teong Sang | 2 | 2 | 2 | 2[2] | 1 | 1[2] | 1 | 1[2] |

(1) The number of meetings held as applicable to each individual Director.

(2) Attendance at meetings was on a "By Invitation" basis.

**Principle 2: Board Composition and Guidance**

The Board currently comprises four Executive Directors, a Non-executive Director and three Independent Directors:

***Executive Directors***
Ong Kian Soon – Chief Executive Officer ("CEO")
Tan Bon Tan
Chan Teck Wah
Chea Chia Chan

# CORPORATE GOVERNANCE

***Non-executive Director***
Choo Tung Kheng

***Independent Non-executive Directors***
Tito Shane Isaac – Chairman of the Board
Lee Seng Chan
Lee Teong Sang

When identifying director nominees, the Board would like to ensure a balanced combination of core competencies, knowledge, skills and experience. The current Board composition provides just such a diversity of skills, experience, gender and knowledge:–

**Balance and Diversity of the Board**

| | Number of Directors | Proportion of Board (%) |
|---|---|---|
| **Core Competencies** | | |
| – Business management or accounting | 8 | 100 |
| – Legal | 1 | 12 |
| – Industry knowledge and experience | 5 | 63 |
| – Investor relations | 1 | 12 |
| **Gender** | | |
| – Male | 7 | 88 |
| – Female | 1 | 12 |

To maintain or enhance its balance and diversity, the Nominating Committee conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributing to the efficacy of the Board. The review also explores any possible areas of expertise that may be lacking by the Board, with a view to using such results when recommending the appointment of new Directors.

There are three Independent Directors, who provide the necessary balance to the Board to ensure that strategies and plans proposed by the management of the Company are fully discussed and examined, taking into account the long-term interests of the Group. The requirement of the Code that at least one third of the Board comprises of Independent Directors is satisfied.

# CORPORATE GOVERNANCE

The Nominating Committee conducted rigorous reviews when considering the independence of each Independent Director, and took into account the examples of relationships as set out in the Code, whether the Director has any business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's judgement. Mr Lee Seng Chan and Mr Lee Teong Sang have both served on the Board as Independent Directors for more than nine years. The Nominating Committee has considered specifically their length of service and determined that the Directors concerned have demonstrated strong independence both in character and in judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company in upholding the interest of the non-controlling shareholders.

The Board is of the view that both Mr Lee Seng Chan and Mr Lee Teong Sang bring invaluable expertise, experience and knowledge to the Board and resolved that they both continue to serve as Independent Directors, notwithstanding they have served on the Board for more than nine years from the date of their first appointment.

**Principle 3: Chairman and Chief Executive Officer**

The roles of the Chairman and the CEO are separate and distinct, with a clear division of responsibilities between the two Directors to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making.

As the Chairman of the Board, Mr Tito Shane Isaac is responsible for, among others, ensuring the effectiveness of the Board, exercising control over the quality, quantity and timeliness of the flow of information between the management of the Company and the Board, and ensuring compliance with the Company's guidelines on corporate governance.

As CEO, Mr Ong Kian Soon assumes full executive responsibilities for the operational decisions of the Group.

The Chairman and the CEO are not related to each other. All the Board Committees are chaired by Independent Directors and the Code's requirement that at least one third of the Board is made up of independent directors is also satisfied. There are, therefore, adequate accountability and safeguards to ensure an appropriate balance of power and authority for good corporate governance.

The Independent Directors had met in the absence of key management personnel in FY2015.

**Principle 4: Board Membership**

The Nominating Committee ("NC") comprises the following Directors, the majority of whom, including the Chairman, are independent:

Lee Seng Chan – Chairman
Tito Shane Isaac – Member
Choo Tung Kheng – Member

# CORPORATE GOVERNANCE

The Chairman of the NC is not directly associated with any substantial shareholder of the Company. The NC has adopted specific written terms of reference and is scheduled to meet at least once a year. The key terms of reference which set out the role of the NC includes, amongst others, the following:

- establishes an objective and transparent process for the appointment or re-election of members of the Board and of the various Board Committees;
- evaluates and assesses the effectiveness of the Board as a whole, and the contribution of each Director to its effectiveness;
- determines the independence of Directors, and
- reviews training and professional development programs for the Board.

In the event that any member of the NC has an interest in a matter being deliberated upon by the NC, he or she will abstain from participating in the review and approval process relating to that matter.

For new appointments of Directors, the NC will take into consideration the current Board size and its mix and determine if the candidate's background, knowledge, expertise and business experience will bolster the core competencies of the Board. The selected candidate must also be a person of integrity and be prepared to commit time and attention to the Company's affairs, especially if he or she is serving on multiple boards.

In identifying suitable candidates, the NC may:

1. Advertise or use the services of external advisers to facilitate the search;
2. Approach alternative sources such as the Singapore Institute of Directors; and
3. Consider candidates from a wide range of backgrounds from internal or external sources.

After shortlisting the candidates, the NC shall:

(a) consider and interview all candidates on merit against objective criteria, taking into consideration that the appointees will have sufficient time to devote to the position; and
(b) evaluate and agree on a preferred candidate for recommendation to and appointment by the Board.

The NC reviews annually the independence of the Company's Independent Directors based on the Code's definition of what constitutes an independent director and has affirmed that Mr Lee Seng Chan, Mr Lee Teong Sang and Mr Tito Shane Isaac are independent, notwithstanding that Mr Lee Seng Chan and Mr Lee Teong Sang have served as Independent Directors for more than 9 years, as explained under Principle 2. The NC has also reviewed the Directors who are due for retirement and re-election. All Directors are required under Article 89 of the Company's Articles of Association to submit themselves for re-nomination and re-election at least once every three years. New Directors who were appointed by the Board during the year will hold office until the next annual general meeting and would be eligible for re-election.

# CORPORATE GOVERNANCE

The NC recommends to the Board that the following Directors be nominated for re-election under the provisions of Article 89 of the Company's Articles at the forthcoming annual general meeting:

Lee Teong Sang
Tan Bon Tan
Chea Chia Chan

Mr Lee Teong Sang is considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

The NC further recommends that Mr Lee Seng Chan be re-appointed as a Director of the Company pursuant to Section 153(6) of the Companies Act. Mr Lee Seng Chan will, upon re-appointment as a Director, remain as the Chairman of the NC, and a member of the Audit Committee and the Remuneration Committee. Mr Lee Seng Chan is considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

In making the recommendation, the NC had considered the Directors' overall contribution and performance. The NC had also reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all the Directors have adequately discharged their duties.

Key information regarding the Directors is set out below and can also be found on pages 6 and 7 of this Annual Report.

| Directors | Board Membership | Date of initial appointment | Date of last re-election | Directorships in other listed companies | | Principal commitments |
|---|---|---|---|---|---|---|
| | | | | **Current** | **Past 3 Years** | **Current** |
| Tito Shane Isaac | Non-executive Chairman and Independent Director | 30 August 2006 | 31 July 2014 | CPH Ltd. | Nil | Managing Partner at Tito Isaac & Co LLP |
| Ong Kian Soon | Executive Director/ Chief Executive Officer | 1 July 2011 | 31 July 2014 | CPH Ltd. | Nil | Nil |
| Tan Bon Tan | Executive Director | 20 August 2009 | 30 July 2012 | Nil | Nil | Nil |
| Chan Teck Wah | Executive Director | 23 September 2010 | 30 July 2013 | Nil | Nil | Nil |
| Chea Chia Chan | Executive Director | 23 September 2010 | 30 July 2013 | Nil | Nil | Nil |
| Choo Tung Kheng | Non-executive Director | 19 November 1999 | 31 July 2014 | CPH Ltd. | Nil | Nil |
| Lee Teong Sang | Independent Non-executive Director | 27 March 2003 | 30 July 2013 | CPH Ltd. | Nil | Principal Consultant at Cyrus Capital Consulting<br>Director of Cyrus Corporation Pte Ltd |
| Lee Seng Chan | Independent Non-executive Director | 29 August 2003 | 31 July 2014 | CPH Ltd. | Nil | Managing Partner at UHY Lee Seng Chan & Co |

# CORPORATE GOVERNANCE

**Principle 5: Board Performance**

The Company did not use an external facilitator to perform the assessment of the Board, the Board Committees and each Director for the financial year in review. Instead, the Company has established an annual assessment procedure to evaluate the effectiveness of the Board as a whole, the Board Committees and the contribution by each Director to the effectiveness of the Board. The NC has proposed a set of performance criteria, approved by the Board, against which actual performances are measured.

The performance criteria for the Board's evaluation as a whole and the Board Committees include, inter alia, the Board structure, conduct of meetings, corporate strategy and planning, risk management and internal controls, recruitment and evaluation, compensation, succession planning, financial reporting and communication with shareholders.

The assessment criteria for each individual Director include, *inter alia*, attendance at board and related activities, adequacy of preparation for board meetings, generation of constructive debates, maintenance of independence, contributions to strategic or business decisions or in other areas, for instance, in finance, legal or risk management, and disclosure of interested person transactions. The evaluation process is undertaken by the Chairman of the NC, in consultation with the Chairman of the Board.

For the purpose of evaluating the Board's overall performance, each Director will complete an appraisal form and submit it to the Chairman of the NC who will have these compiled and thereafter reports its review and findings to the Board. Each Director will also complete a self-appraisal form and submit it to the NC for its evaluation and assessment of the individual Director's contribution to the effectiveness of the Board. The results of the evaluation process will be used by the NC, in consultation with the Chairman of the Board, to effect continuing improvements on Board processes.

The NC has assessed the current Board and Board Committee's performance to-date, as well as the performance of each individual Director and is of the view that the performance of the Board as a whole, the Board Committees, and of each individual Director has been satisfactory. The Board has met its performance objectives for FY2015.

Although some of the Board members have board representation in other listed companies, the NC is satisfied that sufficient time and attention has been given by these Directors to the Group. In deciding the capacity of the Directors, the Board takes into consideration the number of other board representations and other principal commitments that these Board members hold, the size and composition of the Board and the nature, scope and size of the Group's operations. The Board does not deem it necessary at present to fix a maximum number of board representations that a Director may hold as long as each of the Board members is able to commit his time and attention to the affairs of the Group. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his other commitments.

The Company does not have any alternate Directors.

# CORPORATE GOVERNANCE

**Principle 6: Access to Information**

The Board is provided with adequate and timely information to enable it to fulfill its responsibilities. Where a decision has to be made before a Board meeting, the necessary information including but not limited to financial reports are provided to the Directors to enable them to make informed decisions.

On a half-yearly basis, Independent Directors are updated on the Group's operations with explanations provided for variances. They are also updated for any major changes in the environment and the markets within which the Group operates. At the half-yearly Board meetings, the Independent Directors are provided with Board papers with explanatory information where necessary, as well as an updated report of the enterprise risk framework.

The Directors have separate and independent access to the Group's management and the Company Secretaries at all times. At least one Company Secretary is present at all Board meetings to ensure that they are conducted in accordance with the Articles of the Company and that the requirements of the Companies Act and the Rules of Catalist have been complied with. The Company Secretaries also ensure information flows well within the Board and its Board Committees and between management and Independent Directors. The appointment and removal of a Company Secretary is a matter for the Board as a whole. Should the Directors, whether individually or as a group, require independent professional advice, such professionals will be selected with the approval of the Board and will be appointed at the Company's expense.

**Principle 7: Procedures for Developing Remuneration Policies**
**Principle 8: Level and Mix of Remuneration**
**Principle 9: Disclosure on Remuneration**

The Remuneration Committee ("RC") comprises the following Non-executive Directors, the majority of whom, including the Chairman, are independent:

Tito Shane Isaac – Chairman
Lee Seng Chan – Member
Choo Tung Kheng – Member

The RC has adopted specific written terms of reference and is scheduled to meet at least once a year.

The key terms of reference which set out the responsibilities of the RC includes:

- Reviews and recommends to the Board a framework of remuneration and determine the appropriateness of specific remuneration packages awarded to attract, retain and motivate Executive and Non-executive Directors, the CEO and key management personnel. The recommendations should cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind;
- Considers the terms of compensation in the Directors' and the CEO's service contracts, if any, in the event of early termination with a view to be fair and avoid rewarding poor performance in the case of service contracts; and
- Considers whether the Directors, CEO and key management personnel should be eligible for benefits under share-based incentives and such other long-term incentive schemes as may from time to time be implemented.

# CORPORATE GOVERNANCE

As part of its review, the RC ensures that the remuneration packages are comparable within the industry and with companies with similar business activities to ensure that the Directors and key management personnel are adequately but not excessively remunerated. The RC has also taken into consideration the Group's relative performance and the performance of individual Directors.

The remuneration package for Executive Directors and key management personnel comprises a basic salary, allowances and a performance-related bonus linked to their respective contributions. The performance-related element of remuneration is designed to align the interests of the Executive Directors and key management personnel with those of shareholders and links rewards to corporate and individual performance. The performance related bonus is payable on the achievement of individual and corporate performance targets, such as sales targets.

The RC has reviewed and is satisfied that the corporate performance targets have been met for FY2015.

Non-executive Directors receive a basic fee for their services as Directors of the Company. The RC also ensures that the remuneration of Non-executive Directors is appropriate to their level of contribution.

All revisions to the remuneration packages for Directors and key management personnel are subject to the review and approval of the Board. No Director is involved in deciding his/her own remuneration package. Directors' fees will be paid only after approval by shareholders at the annual general meeting. Where necessary, the RC will consult human resource experts on remuneration matters of Directors and key management personnel. No remuneration consultants were engaged by the Company in FY2015.

The breakdown of remuneration packages of Directors and key management personnel for FY2015 is as follows:

| | Salary | Bonus | Others | Fees | Total |
|---|---|---|---|---|---|
| | % | % | % | % | % |
| ***Directors*** | | | | | |
| *Below $250,000* | | | | | |
| Ong Kian Soon | 84 | 8 | 8 | – | 100 |
| Tan Bon Tan | 92 | 8 | – | – | 100 |
| Chan Teck Wah | 92 | 8 | – | – | 100 |
| Chea Chia Chan | 92 | 8 | – | – | 100 |
| Choo Tung Kheng | – | – | – | 100 | 100 |
| Lee Seng Chan | – | – | – | 100 | 100 |
| Lee Teong Sang | – | – | – | 100 | 100 |
| Tito Shane Isaac | – | – | – | 100 | 100 |
| ***Key management personnel*** | | | | | |
| *Below $250,000* | | | | | |
| Sim Puay Hwang | 92 | 8 | – | – | 100 |
| Ong Siew Kim | 92 | 8 | – | – | 100 |
| Tan Yeat Cheong[1] | 92 | 8 | – | – | 100 |

(1) Mr Tan Yeat Cheong is the son of Mdm Choo Tung Kheng, the Non-Executive Director of the Company. His aggregate remuneration was within the $100,000 to $150,000 band.

# CORPORATE GOVERNANCE

There were only three top key management personnel for FY2015. The Board is of the view that it would not be in the best interest of the Group to disclose the specific remuneration of each individual Director on a named basis (as is recommended under Guideline 9.2 or the Code) or the aggregate total remuneration of the three key management personnel (as recommended under Guideline 9.3 of the Code) due to competitive hiring issues and the need to maintain the Group's talent pool. The Board believes that the above disclosure of the remuneration in bands of S$250,000 would provide a sufficient overview of remuneration matters.

For FY2015, there were no termination, retirement or post-employment benefits granted to Directors and key management personnel.

The Board members did not receive any share-based incentives or other long-term incentives in FY2015.

Further information on the Directors and key management personnel can be found on pages 6 and 7 of this Annual Report.

***Immediate family members of a Director***

Save for Mr Tan Yeat Cheong as disclosed in the table above, there is no other immediate family member of a Director or the CEO in employment with the Company and its subsidiaries whose remuneration exceeded S$50,000 during FY2015.

***Share option scheme***

The Company does not have any employee share option scheme.

**Principle 10: Accountability**

The Board is accountable to the shareholders and disseminates information on the Group's performance, position and prospects through the half year and full year results announcements and the annual reports in compliance with statutory requirements and the Rules of Catalist.

In presenting the annual financial statements and half year and full year results announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis, explanation and assessment of the Group's financial position and prospects. The management currently provides the Board with management accounts of the Group's performance, position and prospects on a half yearly basis in line with the Company's half yearly reporting requirement.

In compliance with the Catalist Rules, the Board provides a negative assurance statement to the shareholders in its half yearly results announcement, confirming to the best of its knowledge that nothing has come to the attention of the Board which may render the interim financial statements to be false or misleading in any material aspect.

**Principle 11: Risk Management and Internal Controls**

The Board had assessed and decided that it would not be necessary to establish a separate Risk Management Committee to oversee the Group's risk management framework and policies. Instead, this responsibility would be assumed by the Audit Committee. The Group has established an enterprise-wide risk management framework ("ERM Framework") which is embedded in the internal controls system of the Group so as to enhance its risk management capabilities. The key risks have been identified and action plans are in place to mitigate these risks. Management will regularly review the key risks and improve the controls on the key risks and will take necessary measures to address and mitigate these risks.

On a yearly basis, the Audit Committee reviews the adequacy and effectiveness of the Company's internal control systems, including financial, operational, compliance and information technology controls as well as the risk management policies and systems established by the management.

The Group has in place a system of internal controls and a risk management framework that addresses financial, operational, compliance and information technology risks to safeguard shareholders' investment and the Group's assets. The internal controls and the risk management framework maintained by the management are in place throughout the financial year to provide reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, compliance with appropriate legislation, regulations and best practices, and the identification and containment of business risks. The Company's external auditors had conducted a review of the effectiveness and adequacy of the Company's internal controls and risk management policies and systems and had reported to the Audit Committee any material non-compliance or failures in internal controls, with recommendations for improvements where necessary. The Audit Committee had also reviewed the effectiveness of the actions taken by the management on the recommendations made by the external auditors.

For FY2015, the Board has received assurance from the CEO, the Financial Controller and the Risk Officer in charge of the ERM Framework on the adequacy and effectiveness of the Company's risk management and internal control systems and that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances.

Based on the Group's risk management framework and internal controls established and maintained by the Group, the assurance from the Management and the work undertaken by the external auditors as part of their statutory audit and the Board Committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's risk management system is adequate and effective and that there are adequate internal controls in place to address financial, operational, compliance and information technology risks of the Group as at 31 March 2015.

The Company does not as yet have formalised sustainability risk management procedures. Nevertheless the Company recognises the importance of sustainability issues in today's business environment and will implement appropriate procedures and policies when necessary.

# CORPORATE GOVERNANCE

**Principle 12: Audit Committee**

The Audit Committee ("AC") currently comprises the following three Directors, all non-executive, the majority of whom, including the Chairman, are independent:

Tito Shane Isaac – Chairman
Lee Seng Chan – Member
Choo Tung Kheng – Member

Two of the members have accounting or related financial management expertise and the Board considers that the AC members are appropriately qualified to discharge the responsibilities of the AC.

The AC meets at least twice each year and plays a key role in assisting the Board to ensure the quality and integrity of the accounting reports, audit procedures, internal controls and financial practices of the Group. The external auditors are in attendance at each of these meetings and update the AC on changes to accounting standards and other issues which may have a direct impact on the financial statements. The AC has explicit authority to investigate any matter within its terms of reference, full access to management and full discretion to invite any Director or key management personnel to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The AC has received full co-operation from the Group's officers and management in the course of carrying out its duties.

The key terms of reference which set out the main functions of the AC includes the following:

- To review the overall scope of examination of the external auditors, the audit plan and their evaluation of the Group's system of internal accounting controls;
- To review significant financial reporting issues;
- To review on an annual basis the independence of the external auditors, recommend the appointment of the external auditors and their level of audit fees;
- To review the adequacy of the Company's internal controls and the assistance given by management to the external auditors, and discuss problems and concerns, if any, arising from the final audits;
- To review the Group's half year and full year results announcements prior to the Board's approval;
- To review interested person transactions (if any) falling within the scope of Chapter 9 of the Rules of Catalist;
- To review the effectiveness of the Company's internal audit function (as applicable);
- To undertake such other reviews and projects as may be requested by the Board, and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- To undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

The AC, having reviewed the scope and value of the non-audit services provided to the Group by the external auditors, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC is also satisfied with the level of co-operation rendered by management to the external auditors and the adequacy of the scope and quality of their audits.

# CORPORATE GOVERNANCE

The AC has met with the external auditors without the presence of the management in FY2015.

The AC has recommended to the Board the nomination of BDO LLP for re-appointment as external auditor at the forthcoming annual general meeting.

The breakdown of audit and non-audit fees paid to the external auditors of the Company, BDO LLP, for their services rendered to the Group for FY2015 is as follows:

| **Description** | **Amount** | **Percentage** |
|---|---|---|
| Statutory audit fees | S$85,000 | 84.7 |
| Non-audit fees payable in respect of tax advisory services rendered to the Group | S$15,400 | 15.3 |
| Total | S$100,400 | 100.0 |

The Company is in compliance with Rules 712 and 715 of the Rules of Catalist in relation to its external auditors.

The Company has formulated the guidelines for a whistle-blowing policy to provide a channel for employees of the Group to report in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting and other matters. The objective of the policy is to ensure that there is independent investigation of such matters and that appropriate follow up actions will be taken. Currently the whistle-blowing policy covers only employees of the Group. The Board will extend the whistle-blowing policy to external parties in due course.

**Principle 13: Internal Audit**

The Board is of the opinion that the size of the Group's operations does not warrant the Group having a separate internal audit function. Nevertheless the Company has in place a system of internal controls that has been approved and endorsed by the AC and the Board. The AC and the Board will assess the adequacy of internal control systems maintained by the management on a continual basis and may commission an independent audit if it is not satisfied with the effectiveness of these internal controls.

**Principle 14: Shareholder Rights**
**Principle 15: Communication with Shareholders**
**Principle 16: Conduct of Shareholder Meetings**

In line with the continuing obligations of the Group pursuant to the Rules of Catalist and the Companies Act, the Board's policy is to treat all shareholders fairly and equitably and to provide them with timely information on the Group's financial performance and material developments. The Group does not practise selective disclosure. Shareholders are provided with information on the Company through public announcements via SGXNET, publications in the press where appropriate, circulars to shareholders and the annual reports.

# CORPORATE GOVERNANCE

At the annual general meeting, the Board and management together with the external auditors are present to address any queries of the attending shareholders or their proxies. Shareholders are encouraged to attend and participate actively at these meetings and to raise questions, air their views and put in their votes for each of the resolutions tabled at the meetings.

To facilitate voting by shareholders, the Company's Articles of Association allow a shareholder to appoint one or two proxies to attend and vote on his/her behalf at all general meetings. The Company's Articles of Association do not allow corporations which provide nominee or custodial services to appoint more than two proxies to vote at general meetings.

The attending Corporate Secretary will prepare minutes of general meetings that include relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management. Such minutes are available to shareholders upon their request.

The Company does not have a dedicated investors' relations team. Instead the CEO is responsible for the Company's communications with shareholders. However, if the need arises, the Company may engage the assistance of an external investor relations company to facilitate communications with the public. This may take the form of press releases or media briefings to allow the public to have more in-depth understanding of the Company's performance and developments. Such briefings will also act as platforms to interact with investors and analysts and to solicit their views.

The Company currently does not have a fixed dividend policy. The declaration and payment of future dividends will depend upon the Group's operating results, cash flows projections and investment plans. The Company does not propose any dividend payment as the Company did not have any distributable profits for FY2015.

At the upcoming general meeting, the Company intends to conduct voting by a show of hands as poll voting is not cost effective for the Company. The Company would adopt poll voting for its general meetings of shareholders held on or after 1 August 2015.

**Dealings in Securities**

In line with Rule 1204(19) of the Rules of Catalist, the Group has adopted an internal code of conduct to provide guidance to its officers with regard to dealings in the Company's securities. The code prohibits dealing in the Company's securities by the Company, Directors and employees of the Group while in possession of unpublished price-sensitive information and during the period commencing one (1) month before the announcement of the Company's half year and full year financial results and ending on the date of the announcement of the results. Directors and officers of the Company are also not allowed to deal in the Company's securities on short-term considerations. The Directors and officers are also required to adhere to the provisions of the Companies Act and any other relevant regulations with regard to their securities transactions. Directors and officers are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading periods.

# CORPORATE GOVERNANCE

**Material Contracts**

There were no material contracts of the Company or its subsidiaries involving the interest of the CEO, any Director or controlling shareholder, either still subsisting as at 31 March 2015 or if not then subsisting, entered into since the end of the previous financial year.

**Interested Person Transactions**

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the Rules of Catalist.

The Board confirms that there were no interested person transactions conducted during FY2015 (excluding transactions less than S$100,000).

**Non-sponsorship Fees**

There were no non-sponsorship fees paid to the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. by the Company in FY2015.

**Update on Use of Rights Issue Proceeds**

On 18 December 2009, the Company completed a rights issue and raised gross proceeds amounting to approximately S$8.46 million. The following table shows the use of the gross proceeds up to the date of this report:–

| | **S$ million** | | |
|---|---|---|---|
| **Intended Use** | **Approximate Amount Allocated** | **Amount Used To-Date** | **Amount Remaining** |
| General working capital | 2.49 | 4.86[1][2] | – |
| Support business development, and provide liquidity for business expansion through acquisitions, joint ventures and collaborations | 5.81 | 3.44[2] | – |
| Expenses incurred in connection with the Rights Issue | 0.16 | 0.16 | – |
| **Total** | **8.46** | **8.46** | **–** |

Notes:
(1) Mainly used for the purchase of inventories.
(2) In view that the remaining proceeds have been unutilised for several years and the Company does not foresee plans for business development in the immediate future, the Company has re-allocated and utilised S$2.37 million for the purchase of inventories under general working capital.

As at the date of this report, the Company has utilised all of the rights issue proceeds.

# REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 31 March 2015 and the statement of financial position of the Company as at 31 March 2015 and the statement of changes in equity of the Company for the financial year ended 31 March 2015.

## 1. Directors

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

Chan Teck Wah
Chea Chia Chan
Choo Tung Kheng
Lee Seng Chan
Lee Teong Sang
Ong Kian Soon
Tan Bon Tan
Tito Shane Isaac

## 2. 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.

## 3. Directors' interests in shares or debentures

According to the Register of Directors' Shareholdings kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), none of the Directors of the Company who held office at the end of the financial year had any interest in the shares or debentures of the Company and its related corporations except as detailed below:

| | Shareholdings registered in the name of Directors | | Shareholdings in which Directors are deemed to have an interest | |
|---|---|---|---|---|
| | **Balance as at 1.4.2014** | **Balance as at 31.3.2015** | **Balance as at 1.4.2014** | **Balance as at 31.3.2015** |
| **The Company** | **Number of ordinary shares** | | | |
| Chan Teck Wah | 15,888,400 | 15,888,400 | – | – |
| Chea Chia Chan | 19,500,000 | 19,500,000 | – | – |
| Choo Tung Kheng | 196,314,197 | 196,314,197 | 176,378,000 | 176,378,000 |
| Ong Kian Soon | 31,180,000 | 31,180,000 | – | – |
| Tan Bon Tan | 23,175,000 | 23,175,000 | 2,500 | 2,500 |

# REPORT OF THE DIRECTORS

**3. Directors' interests in shares or debentures (Continued)**

By virtue of Section 7 of the Act, Mdm Choo Tung Kheng is deemed to have an interest in all related corporations of the Company. 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 the Directors' Shareholdings, the Directors' interests as at 21 April 2015 in the shares of the Company have not changed from those disclosed as at 31 March 2015.

**4. Directors' contractual benefits**

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed by Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements. Certain Directors received remuneration from the related corporations in their capacity as directors of those related corporations.

**5. Share options**

There were no share options granted by the Company or its subsidiaries 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 subsidiaries.

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

**6. Audit committee**

The Company's Audit Committee comprises the following members, all of whom are Non-Executive Directors and a majority of whom, including the Chairman, are Independent Directors.

Tito Shane Isaac (Chairman)
Lee Seng Chan
Choo Tung Kheng

The Audit Committee carried out its functions specified in Section 201B (5) of the Act. In performing those functions, the Audit Committee reviewed the audit plans and the overall scope of examination by the external auditor of the Group and of the Company.

The Audit Committee also reviewed the assistance provided by the Company's officers to the external auditor and the consolidated financial statements of the Group for the financial year ended 31 March 2015 and the statement of financial position of the Company as at 31 March 2015 and the statement of changes in equity of the Company for the financial year ended 31 March 2015 as well as the Independent Auditor's Report thereon prior to their submission to the Board of Directors of the Company for adoption.

# REPORT OF THE DIRECTORS

**6. Audit committee (Continued)**

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.

Based on the internal controls established and maintained by the Group, work performed by the external auditor in respect of internal controls relevant to the preparation of the Group's financial statements, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board of Directors are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 31 March 2015.

**7. Independent auditor**

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

On behalf of the Board of Directors

**Ong Kian Soon**
Director

**Chan Teck Wah**
Director

Singapore
26 June 2015

# STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

(a) the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; 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.

On behalf of the Board of Directors

**Ong Kian Soon**
Director

**Chan Teck Wah**
Director

Singapore
26 June 2015

TO THE MEMBERS OF NEW WAVE HOLDINGS LTD.

# INDEPENDENT AUDITOR'S REPORT

**Report on the Financial Statements**

We have audited the accompanying financial statements of New Wave Holdings Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 30 to 89, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 March 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

TO THE MEMBERS OF NEW WAVE HOLDINGS LTD.

# INDEPENDENT AUDITOR'S REPORT

**Report on the Financial Statements (Continued)**

*Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

**Report on Other Legal and Regulatory Requirements**

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

**BDO LLP**
Public Accountants and
Chartered Accountants

Singapore
26 June 2015

AS AT 31 MARCH 2015

# STATEMENTS OF FINANCIAL POSITION

| | Note | Group 2015 $ | Group 2014 $ | Company 2015 $ | Company 2014 $ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **2,909,242** | 3,191,804 | **1,685** | 3,288 |
| Investment properties | 5 | **2,815,000** | 2,815,000 | **–** | – |
| Investments in subsidiaries | 6 | **–** | – | **19,837,853** | 14,837,853 |
| Intangible assets | 7 | **1,270,272** | 1,421,848 | **–** | – |
| Deferred tax asset | 8 | **72,000** | 72,000 | **–** | – |
| | | **7,066,514** | 7,500,652 | **19,839,538** | 14,841,141 |
| **Current assets** | | | | | |
| Inventories | 9 | **12,814,632** | 11,213,504 | **–** | – |
| Trade and other receivables | 10 | **6,628,705** | 5,922,451 | **6,598,645** | 6,646,193 |
| Prepayments | | **156,971** | 152,606 | **11,471** | 9,742 |
| Cash and cash equivalents | 11 | **4,030,677** | 4,447,597 | **1,398,680** | 2,300,385 |
| Current income tax recoverable | | **7,076** | 6,793 | **–** | 26 |
| | | **23,638,061** | 21,742,951 | **8,008,796** | 8,956,346 |
| Less: | | | | | |
| **Current liabilities** | | | | | |
| Trade and other payables | 12 | **3,252,991** | 3,311,743 | **2,955,168** | 2,965,973 |
| Interest-bearing liabilities | 13 | **5,459,056** | 3,031,878 | **–** | – |
| Current income tax payable | | **20,000** | 27,453 | **–** | – |
| | | **8,732,047** | 6,371,074 | **2,955,168** | 2,965,973 |
| **Net current assets** | | **14,906,014** | 15,371,877 | **5,053,628** | 5,990,373 |
| Less: | | | | | |
| **Non-current liabilities** | | | | | |
| Interest-bearing liabilities | 13 | **1,198,621** | 1,229,811 | **–** | – |
| Deferred tax liabilities | 8 | **144,617** | 164,588 | **–** | – |
| | | **1,343,238** | 1,394,399 | **–** | – |
| **Net assets** | | **20,629,290** | 21,478,130 | **24,893,166** | 20,831,514 |
| **Equity** | | | | | |
| Share capital | 14 | **24,752,128** | 24,752,128 | **24,752,128** | 24,752,128 |
| Asset revaluation reserve | 15 | **314,842** | 314,842 | **–** | – |
| Share-based payment reserve | 16 | **31,000** | 31,000 | **31,000** | 31,000 |
| Foreign currency translation reserve | 17 | **(281,242)** | (153,391) | **–** | – |
| Accumulated (losses)/profit | | **(4,187,438)** | (3,466,449) | **110,038** | (3,951,614) |
| **Equity attributable to owners of the parent** | | **20,629,290** | 21,478,130 | **24,893,166** | 20,831,514 |

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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | 2015 | 2014 |
|---|---|---|---|
| | | $ | $ |
| Revenue | 18 | **24,495,016** | 21,661,349 |
| Cost of sales | | **(19,855,681)** | (17,383,715) |
| **Gross profit** | | **4,639,335** | 4,277,634 |
| ***Other items of income*** | | | |
| Interest income from deposits with banks | | **12,577** | 12,660 |
| Other income | 19 | **509,704** | 283,684 |
| ***Other items of expense*** | | | |
| Distribution costs | | **(685,938)** | (545,636) |
| Administrative expenses | | **(4,199,077)** | (3,918,148) |
| Finance costs | 20 | **(158,157)** | (117,582) |
| Other expenses | | **(639,442)** | (524,638) |
| **Loss before income tax** | 21 | **(520,998)** | (532,026) |
| Income tax expense | 22 | **(199,991)** | (269,093) |
| ***Loss for the financial year*** | | **(720,989)** | (801,119) |
| | | | |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translating foreign operations | | **(127,851)** | (167,289) |
| **Total comprehensive income for the financial year** | | **(848,840)** | (968,408) |
| **Loss attributable to:** | | | |
| Owners of the parent | | **(720,989)** | (801,119) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the parent | | **(848,840)** | (968,408) |
| **Loss per share (Cents)** | | | |
| – Basic and diluted | 23 | **(0.05)** | (0.05) |

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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# STATEMENTS OF CHANGES IN EQUITY

| | Share capital $ | Asset revaluation reserve $ | Share-based payment reserve $ | Foreign currency translation reserve $ | Accumulated losses $ | Equity attributable to owners of the parent $ |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Balance as at 1.4.2014 | 24,752,128 | 314,842 | 31,000 | (153,391) | (3,466,449) | 21,478,130 |
| **Loss for the financial year** | – | – | – | – | (720,989) | (720,989) |
| **Other comprehensive income for the financial year** | | | | | | |
| Exchange differences on translating foreign operations | – | – | – | (127,851) | – | (127,851) |
| **Total comprehensive income for the financial year** | – | – | – | (127,851) | (720,989) | (848,840) |
| Balance as at 31.3.2015 | 24,752,128 | 314,842 | 31,000 | (281,242) | (4,187,438) | 20,629,290 |
| Balance as at 1.4.2013 | 24,752,128 | 314,842 | 31,000 | 13,898 | (2,665,330) | 22,446,538 |
| **Loss for the financial year** | – | – | – | – | (801,119) | (801,119) |
| **Other comprehensive income for the financial year** | | | | | | |
| Exchange differences on translating foreign operations | – | – | – | (167,289) | – | (167,289) |
| **Total comprehensive income for the financial year** | – | – | – | (167,289) | (801,119) | (968,408) |
| Balance as at 31.3.2014 | 24,752,128 | 314,842 | 31,000 | (153,391) | (3,466,449) | 21,478,130 |

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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# STATEMENTS OF CHANGES IN EQUITY

| | Share capital<br>$ | Share-based payment reserve<br>$ | Accumulated (losses)/profit<br>$ | Total equity<br>$ |
|---|---|---|---|---|
| **Company** | | | | |
| Balance as at 1.4.2014 | 24,752,128 | 31,000 | (3,951,614) | 20,831,514 |
| Profit for the financial year, representing total comprehensive income for the financial year | – | – | 4,061,652 | 4,061,652 |
| Balance as at 31.3.2015 | 24,752,128 | 31,000 | 110,038 | 24,893,166 |
| | | | | |
| Balance as at 1.4.2013 | 24,752,128 | 31,000 | (3,110,658) | 21,672,470 |
| Loss for the financial year, representing total comprehensive income for the financial year | – | – | (840,956) | (840,956) |
| Balance as at 31.3.2014 | 24,752,128 | 31,000 | (3,951,614) | 20,831,514 |

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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# CONSOLIDATED STATEMENT OF CASH FLOWS

| | 2015<br>$ | 2014<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before income tax | **(520,998)** | (532,026) |
| Adjustments for: | | |
| Allowance for impairment of trade receivables | **43,914** | 11,283 |
| Amortisation of intangible assets | **151,576** | 151,576 |
| Bad trade receivables written off | **–** | 1,353 |
| Depreciation of property, plant and equipment | **298,671** | 267,949 |
| Fair value gain of derivative financial instruments | **–** | (32,087) |
| Gain on disposal of plant and equipment | **(1,038)** | (4,000) |
| Interest expense | **158,157** | 117,582 |
| Interest income | **(12,577)** | (12,660) |
| Plant and equipment written off | **–** | 207 |
| Write back of allowance for impairment of trade receivables no longer required | **(385)** | (27,798) |
| Write down of inventories | **145,281** | 66,844 |
| Operating cash flows before working capital changes | **262,601** | 8,223 |
| Working capital changes: | | |
| Inventories | **(1,746,409)** | (946,192) |
| Trade and other receivables | **(749,782)** | (793,678) |
| Trade and other payables | **(58,752)** | 507,264 |
| Prepayments | **(4,365)** | (25,505) |
| Cash used in operations | **(2,296,707)** | (1,249,888) |
| Interest received | **12,577** | 12,660 |
| Interest paid | **(158,157)** | (117,582) |
| Income taxes paid, net | **(227,029)** | (36,663) |
| Net cash used in operating activities | **(2,669,316)** | (1,391,473) |
| **Cash flows from investing activities** | | |
| Proceeds from disposal of plant and equipment | **3,958** | 4,000 |
| Purchase of property, plant and equipment | **(44,240)** | (895,145) |
| Net cash used in investing activities | **(40,282)** | (891,145) |
| **Cash flows from financing activities** | | |
| Proceeds from trust receipts | **13,771,436** | 11,226,096 |
| Repayment of trust receipts | **(11,289,375)** | (12,157,201) |
| Repayment of term loan | **(92,349)** | (5,679) |
| Repayment of finance lease obligations | **(23,318)** | (20,510) |
| Net cash from/(used in) financing activities | **2,366,394** | (957,294) |
| Net change in cash and cash equivalents | **(343,204)** | (3,239,912) |
| Cash and cash equivalents as at the beginning of the financial year | **4,447,597** | 7,778,872 |
| Effects of currency translation on cash and cash equivalents | **(73,716)** | (91,363) |
| Cash and cash equivalents as at the end of the financial year (Note 11) | **4,030,677** | 4,447,597 |

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

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

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

## 1. General corporate information

New Wave Holdings Ltd. (the "Company") is a public company limited by shares, incorporated and domiciled in the Republic of Singapore with its registered office and principal place of business at 101 Kitchener Road, #02-17 Jalan Besar Plaza, Singapore 208511. The Company's registration number is 199906870Z. The Company is listed on Catalist 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 6 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 March 2015 were authorised for issue by the Board of Directors on 26 June 2015.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 ("functional currency"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar ("$") which is the functional and presentation currency of the Company and the presentation currency for the consolidated financial statements.

The preparation of financial statements in conformity with FRS requires the 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 the management's best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years, except as detailed below.

# NOTES TO THE FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)**

**2.1 Basis of preparation of financial statements (Continued)**

*FRS 110 Consolidated Financial Statements and FRS 27 (Revised) Separate Financial Statements*

FRS 110 introduces a single new control model, as the basis for determining which entities are consolidated in the Group's financial statements. Under FRS 110, control exists when the Group has:

– power over an investee;

– exposure, or rights, to variable returns from the investee; and

– the ability to use its power over an investee to affect the Group's returns from the investee.

The Group has applied FRS 110 retrospectively, in accordance with the transitional provisions of FRS 110 and changed its accounting policy for determining whether it has control over an entity and whether it is required to consolidate that interest. The adoption of FRS 110 did not result in any changes to the control conclusions reached by the Group in respect of its involvement with other entities as at the date of initial adoption on 1 April 2014. The adoption of FRS 27 (Revised) did not result in any material changes to the Group's or the Company's financial statements.

*FRS 112 Disclosure of Interests in Other Entities*

FRS 112 prescribes comprehensive disclosure requirements for all types of interests in other entities. It requires an entity to disclose information that helps users to assess the nature and financial effects of relationships with subsidiaries, associates, joint arrangements and unconsolidated structured entities. As the new standard affects only disclosure, there is no effect on the Group's financial position or performance.

*Amendments to FRS 36 – Recoverable Amount Disclosures for Non-financial Assets*

The amendments to FRS 36 were issued to remove the requirement to disclose the recoverable amount of any cash-generating unit for which the carrying amount of goodwill or intangible assets with an indefinite useful life is significant compared to the total carrying amount of goodwill or intangible assets with an indefinite useful life, and instead require disclosure about recoverable amount only when there is a significant impairment or reversal of an impairment, as well as to require additional disclosures when recoverable amount is based on fair value less costs of disposal.

The Group has adopted the amendments to FRS 36 from 1 April 2014, and reflected the relevant amended disclosure requirements in these financial statements. There is no impact on the Group's financial position or financial performance.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

| | | | Effective date (annual periods beginning on or after) |
|---|---|---|---|
| FRS 1 (Amendments) | : | Disclosure Initiatives | 1 January 2016 |
| FRS 16 and FRS 38 (Amendments) | : | Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| FRS 109 | : | Financial Instruments | 1 January 2018 |
| FRS 115 | : | Revenue from Contracts with Customers | 1 January 2017 |
| Improvements to FRSs (January 2014) | | | 1 July 2014 |
| Improvements to FRSs (February 2014) | | | 1 July 2014 |
| Improvements to FRSs (November 2014) | | | 1 January 2016 |

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

The management anticipates that the adoption of the above FRS, where relevant, in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption except as disclosed below.

*FRS 109 Financial Instruments*

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

*FRS 109 Financial Instruments (Continued)*

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 April 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard, however the Group will be required to reassess the classification and measurement of financial assets and the new impairment requirements are expected to result in changes for impairment provisions on trade receivables and other financial assets not measured at fair value through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

*FRS 115 Revenue from Contracts with Customers*

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 April 2017 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

### 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 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 control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

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.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)**

**2.2 Basis of consolidation (Continued)**

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carry 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 any 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 FRS 39 Financial Instruments: Recognition and Measurement 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**

Business combinations from 1 April 2010

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 FRS 103 are recognised at their fair values at the acquisition date.

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.

## 2. Summary of significant accounting policies (Continued)

### 2.3 Business combinations (Continued)

Business combinations from 1 April 2010 (Continued)

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's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, 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.

Business combinations before 1 April 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

### 2.4 Property, plant and equipment

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

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the property, plant and equipment 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 of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

## 2. Summary of significant accounting policies (Continued)

### 2.4 Property, plant and equipment (Continued)

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the property, plant and equipment before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

| | **Years** |
|---|---|
| Plant and machinery | 5 – 10 |
| Office equipment | 3 – 10 |
| Furniture, fittings and renovation | 3 – 10 |
| Motor vehicles | 4 – 5 |
| Computer equipment and accessories | 3 – 5 |
| Freehold properties | 50 |

In the case of freehold properties, the costs of land and buildings are not allocated between these assets and depreciation is provided for on the total costs of the freehold properties. This is not in accordance with FRS 16 *Property, Plant and Equipment* in that depreciation need only be provided on the portion of cost representing buildings which are considered to be depreciable assets. The non-compliance is considered to be immaterial by the management.

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

The estimated useful life, residual values and depreciation method are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no reasonable 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. Any amount in the revaluation reserve relating to that asset is transferred to accumulated profits directly.

## 2. Summary of significant accounting policies (Continued)

### 2.5 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the financial year in which they arise.

Investment properties are subject to renovations or improvements at regular intervals. The costs 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 improvement are charged to profit or loss when incurred.

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

### 2.6 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated impairment losses, if any.

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 gain or loss on disposal.

Intangible asset acquired in a business combination

Intangible asset acquired in a business combination is identified and recognised separately from goodwill if the asset and its fair value can be measured reliably. The cost of such intangible asset is its fair value as at the acquisition date.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.6 Intangible assets (Continued)

Intangible asset acquired in a business combination (Continued)

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

Intangible asset acquired in a business combination relates to customer relationship with finite useful life and is amortised on a straight-line method over the estimated useful life of 10 years.

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revisions are recognised in profit or loss when the changes arise.

### 2.7 Impairment of tangible and intangible assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.8 Inventories

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

Aluminium products distribution

Cost of inventories under this segment is determined on the "first-in, first-out" basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Components distribution

Cost of inventories under this segment is determined on the "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 normal course of business after allowing for the costs of realisation. Allowance is made for obsolete, slow-moving and defective inventories.

### 2.9 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

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

**Financial assets**

Financial assets are initially measured at fair value, plus transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.9 Financial instruments (Continued)

**Financial assets (Continued)**

*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 (excluding advance payments to suppliers and goods and services tax ("GST")/value-added tax ("VAT") recoverable) and cash and cash equivalents.

Impairment of financial assets

Financial assets 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 asset have been impacted.

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 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.

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.

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.

**2. Summary of significant accounting policies (Continued)**

**2.9 Financial instruments (Continued)**

**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.

**Financial liabilities**

The Group classifies its financial liabilities as other financial liabilities.

*Other financial liabilities*

*Trade and other payables*

Trade and other payables (excluding deposits received from customers, accrued unutilised leave, GST payables and advance billings) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

*Interest-bearing liabilities*

Interest-bearing liabilities 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).

# NOTES TO THE FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)**

**2.9 Financial instruments (Continued)**

**Financial liabilities (Continued)**

*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 plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised, less cumulative amortisation in accordance with FRS 18 *Revenue*.

*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.

**2.10 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and deposits with financial institutions. Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**2.11 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

Sale of goods

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Normally, these criteria are met when the goods are delivered to and accepted by the buyer.

# NOTES TO THE FINANCIAL STATEMENTS

**2. Summary of significant accounting policies (Continued)**

**2.11 Revenue recognition (Continued)**

Interest income

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

Rental income

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

**2.12 Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

**2.13 Retirement benefit costs**

Payments to defined contribution retirement benefit 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 retirement benefit plan.

**2.14 Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.15 Share-based payments

The fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

### 2.16 Leases

When the Group is the lessee

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

*Operating leases*

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

## 2. Summary of significant accounting policies (Continued)

### 2.16 Leases (Continued)

When the Group is the lessor

*Operating leases*

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

### 2.17 Borrowing costs

Borrowing costs are recognised as an expense in profit or loss in the financial year in which they are incurred 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 financial year. Taxable profit differs from profit as reported in 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.18 Taxes (Continued)

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 used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on the tax rates (and tax laws) that have been enacted or substantively 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.

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 tax is recognised in profit or loss, except when it relates 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.

## 2. Summary of significant accounting policies (Continued)

### 2.18 Taxes (Continued)

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 statements of financial position.

### 2.19 Foreign currency transactions and translation

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 rate of exchange prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation 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 directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the financial year, unless exchange rates fluctuated significantly during that financial year, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's foreign currency translation reserve.

# NOTES TO THE FINANCIAL STATEMENTS

## 2. Summary of significant accounting policies (Continued)

### 2.19 Foreign currency transactions and translation (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.20 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 group of executive directors and the chief executive officer who make strategic decisions.

## 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 to the financial statements, 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

**3.1 Critical judgements made in applying the accounting policies**

In the process of applying the accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

Impairment of investments in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 or FRS 39 in determining when an investment in subsidiary or a financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment in subsidiary or a financial asset is less than its cost and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

**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 and reported amounts of revenue and expenses, within the next financial year, are discussed below.

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line method over their estimated useful lives. The management estimates the useful lives of the property, plant and equipment to be within 3 to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 March 2015 were $2,909,242 (2014: $3,191,804) and $1,685 (2014: $3,288) 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.

# NOTES TO THE FINANCIAL STATEMENTS

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

**3.2 Key sources of estimation uncertainty (Continued)**

(ii) Fair value of investment properties

The investment properties were stated at fair value in accordance with the accounting policy stated in Note 2.5 to the financial statements. The fair value of the investment properties is determined by a firm of independent professional valuers and the fair value of investment properties as at 31 March 2015 was $2,815,000 (2014: $2,815,000).

In making the judgements, consideration has been given to assumptions that are mainly based on market conditions existing at the end of the financial year. These estimates are regularly compared to actual market data and actual transactions entered into by the Group.

(iii) Allowance for inventories obsolescence

Inventories are stated at the lower of cost and net realisable value. The management primarily determines cost of inventories using the "first-in, first-out" and "weighted average" method. The management estimates the net realisable value of inventories based on assessment of receipt of committed sales prices and provides for excess and obsolete inventories based on historical usage, estimated future demand and related pricing. In determining excess quantities, the management considers recent sales activities, related margin and market positioning of its products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. Such factors may require the Group to reduce the value of its inventories.

The carrying amount of the Group's inventories as at 31 March 2015 was $12,814,632 (2014: $11,213,504) and the write down of inventories made during the financial year was $145,281 (2014: $66,844).

(iv) Allowance for impairment of receivables

The management establishes allowance for impairment of receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the management considers the historical experience and changes to its customers' financial position. If the financial conditions of customers were to deteriorate, resulting in impairment of their abilities to make the required payments, additional allowances may be required. The carrying amounts of trade and other receivables of the Group and the Company as at 31 March 2015 were $6,628,705 (2014: $5,922,451) and $6,598,645 (2014: $6,646,193) respectively.

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

**3.2 Key sources of estimation uncertainty (Continued)**

(v) Provision for income taxes

The Group recognises liabilities based on estimates of income tax payable. There are certain transactions and computation for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different 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 recoverable and current income tax payable as at 31 March 2015 were $7,076 (2014: $6,793) and $20,000 (2014: $27,453) respectively. The carrying amount of the Company's current income tax recoverable as at 31 March 2015 was Nil (2014: $26).

The carrying amounts of the Group's deferred tax asset and deferred tax liabilities as at 31 March 2015 were $72,000 (2014: $72,000) and $144,617 (2014: $164,588) respectively.

(vi) Impairment of intangible assets

Determining whether intangible assets are impaired require an estimation of the value-in-use of the cash-generating units ("CGU") to which intangible assets have been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of the Group's intangible assets as at 31 March 2015 was $1,270,272 (2014: $1,421,848).

(vii) Useful lives of intangible assets (excluding goodwill)

Intangible assets (excluding goodwill) are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be 10 years. The carrying amount of the Group's intangible assets (excluding goodwill) as at 31 March 2015 was $757,880 (2014: $909,456). Changes in the circumstances in estimating the useful lives of these assets could impact the economic useful lives of these assets, therefore future amortisation charges could be revised.

# NOTES TO THE FINANCIAL STATEMENTS

## 4. Property, plant and equipment

| | Plant and machinery $ | Office equipment $ | Furniture, fittings and renovation $ | Motor vehicles $ | Computer equipment and accessories $ | Freehold properties $ | Total $ |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **Cost** | | | | | | | |
| Balance as at 1.4.2014 | 668,193 | 70,938 | 258,991 | 268,908 | 437,024 | 2,798,781 | 4,502,835 |
| Additions | 53,040 | 3,011 | 3,727 | – | 14,054 | – | 73,832 |
| Written-off/disposal | (14,587) | (4,692) | – | (12,628) | (12,459) | – | (44,366) |
| Foreign currency translation differences | 9,949 | 2,617 | (1,968) | (163) | (862) | (70,157) | (60,584) |
| Balance as at 31.3.2015 | 716,595 | 71,874 | 260,750 | 256,117 | 437,757 | 2,728,624 | 4,471,717 |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1.4.2014 | 420,866 | 48,579 | 110,346 | 132,940 | 234,708 | 363,592 | 1,311,031 |
| Depreciation for the financial year | 52,349 | 7,486 | 51,090 | 50,875 | 109,646 | 27,225 | 298,671 |
| Written-off/disposal | (14,587) | (4,692) | – | (9,708) | (12,459) | – | (41,446) |
| Foreign currency translation differences | (3,739) | 1,408 | (1,136) | (316) | (905) | (1,093) | (5,781) |
| Balance as at 31.3.2015 | 454,889 | 52,781 | 160,300 | 173,791 | 330,990 | 389,724 | 1,562,475 |
| **Carrying amount** | | | | | | | |
| Balance as at 31.3.2015 | 261,706 | 19,093 | 100,450 | 82,326 | 106,767 | 2,338,900 | 2,909,242 |
| | | | | | | | |
| **Cost** | | | | | | | |
| Balance as at 1.4.2013 | 429,626 | 48,031 | 172,777 | 208,466 | 310,352 | 1,076,739 | 2,245,991 |
| Additions | 128,776 | 14,637 | 163,550 | 88,288 | 133,450 | 1,753,317 | 2,282,018 |
| Written-off/disposal | (8,754) | (2,288) | (74,610) | (29,219) | (12,107) | – | (126,978) |
| Adjustments | 126,126 | 10,762 | 458 | 2,957 | 6,467 | – | 146,770 |
| Foreign currency translation differences | (7,581) | (204) | (3,184) | (1,584) | (1,138) | (31,275) | (44,966) |
| Balance as at 31.3.2014 | 668,193 | 70,938 | 258,991 | 268,908 | 437,024 | 2,798,781 | 4,502,835 |
| **Accumulated depreciation** | | | | | | | |
| Balance as at 1.4.2013 | 267,693 | 31,560 | 161,018 | 111,985 | 137,723 | 323,584 | 1,033,563 |
| Depreciation for the financial year | 42,757 | 8,619 | 23,960 | 48,507 | 103,735 | 40,371 | 267,949 |
| Written-off/disposal | (8,754) | (2,174) | (74,530) | (29,219) | (12,094) | – | (126,771) |
| Adjustments | 126,126 | 10,762 | 458 | 2,957 | 6,467 | – | 146,770 |
| Foreign currency translation differences | (6,956) | (188) | (560) | (1,290) | (1,123) | (363) | (10,480) |
| Balance as at 31.3.2014 | 420,866 | 48,579 | 110,346 | 132,940 | 234,708 | 363,592 | 1,311,031 |
| **Carrying amount** | | | | | | | |
| Balance as at 31.3.2014 | 247,327 | 22,359 | 148,645 | 135,968 | 202,316 | 2,435,189 | 3,191,804 |

# NOTES TO THE FINANCIAL STATEMENTS

**4. Property, plant and equipment (Continued)**

| | Office equipment $ | Computer equipment and accessories $ | Total $ |
|---|---|---|---|
| **Company** | | | |
| **Cost** | | | |
| Balance as at 1.4.2014 | 842 | 23,460 | 24,302 |
| Written-off | (842) | (10,127) | (10,969) |
| Balance as at 31.3.2015 | – | 13,333 | 13,333 |
| **Accumulated depreciation** | | | |
| Balance as at 1.4.2014 | 842 | 20,172 | 21,014 |
| Depreciation for the financial year | – | 1,603 | 1,603 |
| Written-off | (842) | (10,127) | (10,969) |
| Balance as at 31.3.2015 | – | 11,648 | 11,648 |
| **Carrying amount** | | | |
| Balance as at 31.3.2015 | – | 1,685 | 1,685 |
| **Cost** | | | |
| Balance as at 1.4.2013 | 842 | 22,025 | 22,867 |
| Additions | – | 2,884 | 2,884 |
| Written-off | – | (1,449) | (1,449) |
| Balance as at 31.3.2014 | 842 | 23,460 | 24,302 |
| **Accumulated depreciation** | | | |
| Balance as at 1.4.2013 | 842 | 20,219 | 21,061 |
| Depreciation for the financial year | – | 1,402 | 1,402 |
| Written-off | – | (1,449) | (1,449) |
| Balance as at 31.3.2014 | 842 | 20,172 | 21,014 |
| **Carrying amount** | | | |
| Balance as at 31.3.2014 | – | 3,288 | 3,288 |

The carrying amount of property, plant and equipment of the Group which were pledged as security for banking facilities was as follows:

| | Group 2015 $ | Group 2014 $ |
|---|---|---|
| Freehold property | **1,625,825** | 1,702,074 |

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 4. Property, plant and equipment (Continued)

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Motor vehicles | **39,202** | 51,264 |
| Plant and machinery | **31,672** | – |
| | **70,874** | 51,264 |

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment during the financial year comprised:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Additions of property, plant and equipment | **73,832** | 2,282,018 |
| Financed by a term loan | **–** | (1,342,873) |
| Acquired under finance lease agreements | **(29,592)** | (44,000) |
| Cash payments to acquire property, plant and equipment | **44,240** | 895,145 |

The Group's freehold properties as at 31 March 2015 are as follows:

| **Location** | **Description** | **Tenure** | **Approximate site area (sq.m)** |
|---|---|---|---|
| 101 Kitchener Road<br>Jalan Besar Plaza #02-17<br>Singapore 208511 | Shop unit | Freehold | 163 |
| No. 12 Jalan Makmur 2<br>Taman Perindustrian Cemerlang<br>81800 Ulu Tiram<br>Malaysia | Factory | Freehold | 2,445.81 |

# NOTES TO THE FINANCIAL STATEMENTS

## 5. Investment properties

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| At fair value | | |
| Balance as at the beginning and end of the financial year | **2,815,000** | 2,815,000 |

The following amounts were recognised in profit or loss:

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Operating lease income – investment properties | **63,120** | 62,400 |
| Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties | **(27,225)** | (21,470) |

The fair values of the Group's investment properties as at 31 March 2015 and 2014 have been determined on the basis of valuation carried out by independent valuers having an appropriate recognised professional qualification and recent experience in the locations and category of the properties being valued. The valuations were arrived at by reference to market evidence of transaction prices per square meter for similar properties, and were performed in accordance with International Valuation Standards. The estimation of the fair values of the properties is based on the highest and best use of the properties, which is in line with their current use. The resulting fair values of investment properties are considered level 2 recurring fair value measurements.

The Group's investment properties as at 31 March 2015 are as follows:

| Location | Description | Tenure | Approximate site area (sq.m) |
|---|---|---|---|
| 101 Kitchener Road<br>Jalan Besar Plaza<br>Singapore 208511 | | | |
| #02-11 | Shop unit | Freehold | 112 |
| #02-22 | Shop unit | Freehold | 31 |
| #02-23 | Shop unit | Freehold | 34 |

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Investments in subsidiaries

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Unquoted equity in corporations, at cost | **41,895,236** | 41,895,236 |
| Allowance for impairment loss | **(22,057,383)** | (27,057,383) |
| | **19,837,853** | 14,837,853 |

Movement in allowance for impairment loss is as follows:

| | Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Balance as at the beginning of the financial year | **27,057,383** | 27,057,383 |
| Reversal of impairment loss during the financial year* | **(5,000,000)** | – |
| Balance as at the end of the financial year | **22,057,383** | 27,057,383 |

* This is included in the "Other income" in the Company's profit or loss for the financial year.

A reversal of an allowance for impairment loss of $5,000,000 (2014: Nil) was recognised relating to the investment in Manufacturing Network Pte Ltd in the aluminium products distribution segment following an improvement in market conditions that resulted in an increase in the projected value-in-use of this investment. The recoverable amount of the investment of $10,347,800 has been determined on the basis of its value-in-use. The discount rate used in measuring value-in-use was 3.6%. The discount rate used when the recoverable amount of the investment was previously estimated in 2012 was 8.4%.

Details of the subsidiaries are as follows:

| **Name of company (Country of incorporation and principal place of business)** | **Principal activities** | **Effective equity held by the Group** | |
|---|---|---|---|
| | | **2015** | **2014** |
| | | **%** | **%** |
| ***Held by the Company*** | | | |
| General Electronics & Instrumentation Corporation Private Limited (Singapore)[1] | Trading in electrical and electronic equipment and components, hardware and software engineering in micro-computer and communication systems | **100** | 100 |
| Eplus Technologies Pte Ltd (Singapore)[1] | Trading in electrical and electronics components and provision of IT and software consultancy services | **100** | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

## 6. Investments in subsidiaries (Continued)

| **Name of company (Country of incorporation and principal place of business)** | **Principal activities** | **Effective equity held by the Group 2015 %** | **Effective equity held by the Group 2014 %** |
|---|---|---|---|
| ***Held by the Company (Continued)*** | | | |
| Manufacturing Network Pte Ltd (Singapore)[(1)] | Wholesale of aluminium plates, wedges and bars including cutting and refining aluminium plates, trading and distribution of metal precision components and investment holding | **100** | 100 |
| Eplus Technologies Sdn. Bhd. (Malaysia)[(2)] | Trading and distribution of cables, electrical and electronics components | **100** | 100 |
| ***Held by Manufacturing Network Pte Ltd*** | | | |
| MNPL Aluminium Centre Sdn. Bhd. (Malaysia)[(2)] | Wholesale of aluminium plates, rods and bars including cutting and refining aluminium plates, rods and bars | **100** | 100 |
| MNPL Investments Pte. Ltd. (Singapore)[(1)] | Investment holding | **100** | 100 |
| MSC Aluminium Holdings Pte. Ltd. (Singapore)[(1)] | Import and export of aluminium alloy products and investment holding | **100** | 100 |
| ***Held by MNPL Investments Pte. Ltd.*** | | | |
| MNPL Metals Co., Ltd. (People's Republic of China)[(3)] | Sale and distribution of aluminium alloy, steel, stainless steel and other ferrous and non-ferrous semi-finished products | **100** | 100 |
| ***Held by MSC Aluminium Holdings Pte. Ltd.*** | | | |
| Twin Metal Service Centre Sdn. Bhd. (Malaysia)[(2)] | Fabricating and trading of aluminium products | **100** | 100 |
| ST Microtech Enterprise Sdn. Bhd. (Malaysia) | Under Member's voluntary liquidation | **100** | 100 |

(1) Audited by BDO LLP, Singapore
(2) Audited by BDO, Malaysia, a member of BDO International Limited
(3) Audited by Shanghai LSC Certified Public Accountants Co., Ltd.

MSC Aluminium Holdings Pte. Ltd. has commenced winding up proceedings of its wholly owned subsidiary, ST Microtech Enterprise Sdn. Bhd. ("STME") by way of a member's voluntary winding up pursuant to Section 254(1)(b) of the Companies Act, 1965 of Malaysia (the "Winding Up") on 6 February 2015.

# NOTES TO THE FINANCIAL STATEMENTS

**7. Intangible assets**

| | Goodwill<br>$ | Customer relationships<br>$ | Total<br>$ |
|---|---|---|---|
| **Group** | | | |
| **Cost** | | | |
| Balance as at 1.4.2014 and 31.3.2015 | 3,876,126 | 1,515,760 | 5,391,886 |
| **Accumulated amortisation** | | | |
| Balance as at 1.4.2014 | – | 606,304 | 606,304 |
| Amortisation for the financial year | – | 151,576 | 151,576 |
| Balance as at 31.3.2015 | – | 757,880 | 757,880 |
| **Accumulated impairment** | | | |
| Balance as at 1.4.2014 and 31.3.2015 | 3,363,734 | – | 3,363,734 |
| **Carrying amount** | | | |
| Balance as at 31.3.2015 | 512,392 | 757,880 | 1,270,272 |
| Average remaining useful lives | – | 5 years | |
| **Cost** | | | |
| Balance as at 1.4.2013 and 31.3.2014 | 3,876,126 | 1,515,760 | 5,391,886 |
| **Accumulated amortisation** | | | |
| Balance as at 1.4.2013 | – | 454,728 | 454,728 |
| Amortisation for the financial year | – | 151,576 | 151,576 |
| Balance as at 31.3.2014 | – | 606,304 | 606,304 |
| **Accumulated impairment** | | | |
| Balance as at 1.4.2013 and 31.3.2014 | 3,363,734 | – | 3,363,734 |
| **Carrying amount** | | | |
| Balance as at 31.3.2014 | 512,392 | 909,456 | 1,421,848 |
| Average remaining useful lives | – | 6 years | |

Amortisation expense was included in “Other expenses” line item of profit or loss.

Goodwill arising from business combination is allocated to the CGU that are expected to benefit from that business combination. The carrying amount of goodwill was allocated to MSC Aluminium Holdings Pte. Ltd. and its subsidiaries (“MSC Group”) as the single CGU.

The Group tests the CGU for impairment annually, or more frequently when there is an indication that the unit may be impaired.

# NOTES TO THE FINANCIAL STATEMENTS

## 7. Intangible assets (Continued)

The recoverable amount of the CGU is determined from value-in-use calculations. The key assumptions for the value-in-use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the CGU. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The Group prepared cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and the forecasted zero growth rates to extrapolate cash flows beyond five years. The gross profit margin and discount rate used for the next 5 years' cash flow forecasts are ranging from 17% to 19% (2014: 16% to 20%) and 3.6% (2014: 5.3%) respectively.

Customer relationships were acquired in the financial year ended 31 March 2011 as part of the acquisition of MSC Group. The fair value on the date of initial recognition was based on its intended use and the expected future economic benefit to be derived from the future operating cash inflows from products associated with the acquired customer relationships.

## 8. Deferred tax asset/(liabilities)

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| **Deferred tax asset – Unutilised tax losses** | | |
| Balance as at the beginning of the financial year | **72,000** | 182,000 |
| Charged to profit or loss | **–** | (110,000) |
| Balance as at the end of the financial year | **72,000** | 72,000 |
| **Deferred tax liabilities** | | |
| Balance as at the beginning of the financial year | **(164,588)** | (180,232) |
| Credited to profit or loss | **19,303** | 15,454 |
| Foreign currency translation differences | **668** | 190 |
| Balance as at the end of the financial year | **(144,617)** | (164,588) |
| Recognised deferred tax liabilities are attributable to the following: | | |
| Plant and equipment | **(15,777)** | (9,980) |
| Intangible assets – customer relationship | **(128,840)** | (154,608) |
| | **(144,617)** | (164,588) |

# NOTES TO THE FINANCIAL STATEMENTS

## 9. Inventories

| | Group | |
|---|---|---|
| | 2015 | 2014 |
| | $ | $ |
| Inventories held for resale | **12,196,085** | 10,625,278 |
| Goods-in-transit | **618,547** | 588,226 |
| | **12,814,632** | 11,213,504 |

The cost of inventories recognised as an expense and included in "Cost of sales" line item in profit or loss amounted to $19,855,681 (2014: $17,383,715).

## 10. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| Trade receivables | **5,742,622** | 5,115,584 | **–** | – |
| Allowance for impairment loss | **(84,009)** | (42,738) | **–** | – |
| | **5,658,613** | 5,072,846 | **–** | – |
| Other receivables | | | | |
| – third parties | **56,773** | 26,284 | **108** | 151 |
| – subsidiaries | **–** | – | **6,598,537** | 6,646,042 |
| | **56,773** | 26,284 | **6,598,645** | 6,646,193 |
| Deposits | **42,317** | 40,057 | **–** | – |
| Advance payments to suppliers | **43,768** | 60,187 | **–** | – |
| GST/VAT recoverable | **827,234** | 723,077 | **–** | – |
| Trade and other receivables | **6,628,705** | 5,922,451 | **6,598,645** | 6,646,193 |
| Less: Advance payments to suppliers | **(43,768)** | (60,187) | **–** | – |
| Less: GST/VAT recoverable | **(827,234)** | (723,077) | **–** | – |
| Add: Cash and cash equivalents | **4,030,677** | 4,447,597 | **1,398,680** | 2,300,385 |
| Loans and receivables | **9,788,380** | 9,586,784 | **7,997,325** | 8,946,578 |

# NOTES TO THE FINANCIAL STATEMENTS

## 10. Trade and other receivables (Continued)

Movements in allowance for impairment of trade receivables during the financial year were as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Balance as at the beginning of the financial year | **42,738** | 134,366 |
| Write-back of allowance no longer required | **(385)** | (27,798) |
| Write-off against allowance | **(2,210)** | (74,917) |
| Allowance made during the financial year | **43,914** | 11,283 |
| Foreign currency translation differences | **(48)** | (196) |
| Balance as at the end of the financial year | **84,009** | 42,738 |

Trade receivables are non-interest bearing and generally on 7 to 90 days' credit terms.

The non-trade amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience. These trade receivables are individually determined to be impaired. Allowance for impairment of trade receivables of $43,914 (2014: $11,283) was recognised in profit or loss under "Other expenses" line item.

Allowance written back of $385 (2014: $27,798) was recognised in profit or loss under "Other income" line item, during the financial year when the related trade receivables were recovered.

Trade and other receivables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| United States dollar | **752,330** | 276,828 | **–** | – |
| Singapore dollar | **2,325,413** | 2,742,530 | **6,598,645** | 6,646,193 |
| Malaysian ringgit | **1,857,095** | 1,677,380 | **–** | – |
| Chinese renminbi | **1,693,867** | 1,225,713 | **–** | – |
| | **6,628,705** | 5,922,451 | **6,598,645** | 6,646,193 |

# NOTES TO THE FINANCIAL STATEMENTS

## 11. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| Fixed deposits with banks | **1,703,706** | 1,817,766 | **1,338,530** | 1,442,323 |
| Cash and bank balances | **2,326,971** | 2,629,831 | **60,150** | 858,062 |
| | **4,030,677** | 4,447,597 | **1,398,680** | 2,300,385 |

Cash and cash equivalents are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| United States dollar | **587,648** | 411,395 | **12,148** | 11,110 |
| Singapore dollar | **2,134,859** | 3,271,335 | **1,386,532** | 2,289,275 |
| Malaysian ringgit | **858,968** | 550,299 | **–** | – |
| Chinese renminbi | **449,202** | 214,568 | **–** | – |
| | **4,030,677** | 4,447,597 | **1,398,680** | 2,300,385 |

The fixed deposits with banks mature within 1 month from the end of the financial year. The weighted average effective interest rate on the fixed deposits is approximately 0.67% (2014: 0.86%) per annum.

Chinese renminbi is not freely convertible into foreign currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange Chinese renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

# NOTES TO THE FINANCIAL STATEMENTS

## 12. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| Trade payables – third parties | 2,388,722 | 2,446,909 | – | – |
| Other payables | | | | |
| – third parties | 250,232 | 182,982 | 45,428 | 30,462 |
| – subsidiaries | – | – | 2,744,786 | 2,762,748 |
| | 250,232 | 182,982 | 2,790,214 | 2,793,210 |
| Deposits received from customers | 2,133 | 2,078 | – | – |
| Advanced billings | 52,923 | 70,204 | – | – |
| GST payables | 2,883 | 2,382 | – | – |
| Rental deposit received | 12,170 | 12,170 | – | – |
| Accrued operating expenses | 452,241 | 514,414 | 112,564 | 133,398 |
| Accrued unutilised leave | 91,687 | 80,604 | 52,390 | 39,365 |
| Trade and other payables | 3,252,991 | 3,311,743 | 2,955,168 | 2,965,973 |
| Less: | | | | |
| Deposits received from customers | (2,133) | (2,078) | – | – |
| Advanced billings | (52,923) | (70,204) | – | – |
| GST payables | (2,883) | (2,382) | – | – |
| Accrued unutilised leave | (91,687) | (80,604) | (52,390) | (39,365) |
| Add: Interest-bearing liabilities | 6,657,677 | 4,261,689 | – | – |
| Other financial liabilities carried at amortised cost | 9,761,042 | 7,418,164 | 2,902,778 | 2,926,608 |

Trade payables are non-interest bearing and generally on 30 to 90 days' credit terms.

The non-trade amounts due to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Trade and other payables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| | $ | $ | $ | $ |
| United States dollar | 905,783 | 845,485 | – | – |
| Singapore dollar | 1,200,371 | 1,178,324 | 2,955,168 | 2,965,973 |
| Malaysian ringgit | 1,077,143 | 1,240,952 | – | – |
| Chinese renminbi | 69,694 | 46,982 | – | – |
| | 3,252,991 | 3,311,743 | 2,955,168 | 2,965,973 |

## 13. Interest-bearing liabilities

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| **Current liabilities** | | |
| Finance lease – secured | **23,913** | 14,676 |
| Term loan – secured | **37,727** | 101,847 |
| Trust receipts – unsecured | **5,397,416** | 2,915,355 |
| | **5,459,056** | 3,031,878 |
| **Non-current liabilities** | | |
| Finance lease – secured | **15,356** | 18,317 |
| Term loan – secured | **1,183,265** | 1,211,494 |
| | **1,198,621** | 1,229,811 |
| | **6,657,677** | 4,261,689 |

The interest rates per annum charged during the financial year were as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **%** | **%** |
| Finance lease | **6.02 – 7.01** | 6.02 |
| Term loan | **4.70** | 4.70 |
| Trust receipts | **1.80 – 3.25** | 1.48 – 3.25 |

The term loan is repayable over 240 monthly instalments from January 2014. The term loan is secured by a charge over a freehold property of the Group and a corporate guarantee from the Company.

Trust receipts have maturity date of 150 days from the date of invoice and/or the date of drawdown.

As at the end of the financial year, the Group's banking facilities amounting to $14,796,546 (2014: $18,454,963) are supported by corporate guarantees provided by the Company.

As at the end of the financial year, the Group has banking facilities as follows:

| | **2015** | **2014** |
|---|---|---|
| | **$** | **$** |
| Facilities granted | **14,796,546** | 18,454,963 |
| Facilities utilised | **9,716,257** | 6,104,748 |

# NOTES TO THE FINANCIAL STATEMENTS

**13. Interest-bearing liabilities (Continued)**

**Finance lease – secured**

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

| | Minimum lease payments $ | Future finance charges $ | Present value of minimum lease payments $ |
|---|---|---|---|
| **Group** | | | |
| **2015** | | | |
| Not later than one year | **26,503** | **(2,590)** | **23,913** |
| Later than one year and not later than five years | **16,228** | **(872)** | **15,356** |
| | **42,731** | **(3,462)** | **39,269** |
| **2014** | | | |
| Not later than one year | 15,996 | (1,320) | 14,676 |
| Later than one year and not later than five years | 19,967 | (1,650) | 18,317 |
| | 35,963 | (2,970) | 32,993 |

The term of the finance leases is 3 years.

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

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

Interest-bearing liabilities are denominated in the following currencies:

| | Group | |
|---|---|---|
| | 2015 $ | 2014 $ |
| United States dollar | **5,212,306** | 2,821,551 |
| Singapore dollar | **18,317** | 32,993 |
| Malaysian ringgit | **1,241,944** | 1,313,341 |
| Euro | **185,110** | 93,804 |
| | **6,657,677** | 4,261,689 |

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 14. Share capital

| | Group and Company | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Issued and fully paid | | |
| 1,457,469,695 ordinary shares as at the beginning and end of the financial year | **24,752,128** | 24,752,128 |

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.

## 15. Asset revaluation reserve

**Group**

Asset revaluation reserve represents surplus on revaluation of the Group's freehold property transferred from property, plant and equipment to investment property in 2009 and is not distributable.

## 16. Share-based payment reserve

**Group and Company**

During the financial year ended 31 March 2010, a shareholder, who was also the then Director of the Company, transferred his shares to certain employees to reward their services rendered to the Group. The fair value of the shares was measured at the weighted average quoted market price at the date of transfer.

The share-based payment reserve is non-distributable.

## 17. Foreign currency translation reserve

**Group**

The foreign currency translation reserve comprises the 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.

## 18. Revenue

Revenue represents invoiced value of goods sold less returns inwards and discounts allowed, net of applicable tax.

# NOTES TO THE FINANCIAL STATEMENTS

## 19. Other income

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Fair value gain on derivative financial instruments | **–** | 32,087 |
| Foreign exchange gains, net | **318,158** | – |
| Gain on disposal of plant and equipment | **1,038** | 4,000 |
| Government grants | | |
| – PIC cash payout and PIC bonus | **62,672** | 99,488 |
| -– Special Employment Credit | **11,472** | 14,243 |
| – Wage Credit Scheme | **11,827** | 4,374 |
| Miscellaneous income | **41,032** | 39,294 |
| Operating lease income – investment properties | **63,120** | 62,400 |
| Write back of allowance for impairment of trade receivables no longer required | **385** | 27,798 |
| | **509,704** | 283,684 |

## 20. Finance costs

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Interest expenses on: | | |
| – finance leases | **2,631** | 1,359 |
| – term loan | **63,374** | 28,903 |
| – trust receipts | **92,152** | 87,320 |
| | **158,157** | 117,582 |

# NOTES TO THE FINANCIAL STATEMENTS

## 21. Loss before income tax

The above is arrived at after charging:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Distribution costs | | |
| Entertainment expenses | **90,015** | 94,795 |
| Freight outwards | **330,120** | 237,574 |
| Sales commission | **94,704** | 20,157 |
| Transport expenses | **59,261** | 97,291 |
| Travelling expenses | **42,845** | 24,285 |
| Administrative expenses | | |
| Directors' fees | **187,000** | 187,000 |
| Fees paid/payable to auditors of the Company | | |
| – Audit fees | **85,000** | 92,700 |
| – Non-audit fees | **15,400** | 15,800 |
| Fees paid/payable to other auditors | | |
| – Audit fees | **14,873** | 17,100 |
| – Non-audit fees | **4,717** | 4,324 |
| Operating lease expenses | | |
| – office equipment | **3,335** | 3,180 |
| – office premises | **239,713** | 259,613 |
| Professional fees | **182,978** | 170,024 |
| Employee benefits expense* | | |
| – salaries, bonus and other benefits | **2,461,593** | 2,290,476 |
| – defined contribution plans | **235,048** | 212,654 |
| | **2,696,641** | 2,503,130 |
| Other expenses | | |
| Allowance for impairment of trade receivables | **43,914** | 11,283 |
| Amortisation of intangible asset | **151,576** | 151,576 |
| Bad trade receivables written off | **–** | 1,353 |
| Depreciation of property, plant and equipment | **298,671** | 267,949 |
| Foreign exchange loss, net | **–** | 25,426 |
| Plant and equipment written off | **–** | 207 |
| Write down of inventories | **145,281** | 66,844 |

* These include key management personnel remuneration as disclosed in Note 25 to the financial statements.

## 22. Income tax expense

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Current income tax | | |
| – current financial year | **226,922** | 164,055 |
| – (over)/underprovision in prior financial years | **(7,628)** | 10,492 |
| | **219,294** | 174,547 |
| Deferred income tax | | |
| – current financial year | **(11,106)** | 26,911 |
| – (over)/underprovision in prior financial years | **(8,197)** | 67,635 |
| | **(19,303)** | 94,546 |
| Total income tax expense recognised in profit or loss | **199,991** | 269,093 |

Reconciliation of effective income tax rate

Domestic income tax is calculated at 17% of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Loss before income tax | **(520,998)** | (532,026) |
| Income tax using statutory tax rate | **(88,570)** | (90,444) |
| Effect of different tax rate in other countries | **33,828** | 43,978 |
| Tax effect of expenses not deductible for tax purposes | **255,949** | 243,704 |
| Tax effect of income not subject to tax | **(85,873)** | (57,626) |
| (Over)/Underprovision of current income tax in prior financial years | **(7,628)** | 10,492 |
| (Over)/Underprovision of deferred tax in prior financial years | **(8,197)** | 67,635 |
| Deferred tax assets not recognised in profit or loss | **108,308** | 56,549 |
| Utilisation of deferred tax assets previously not recognised | **(5,154)** | – |
| Others | **(2,672)** | (5,195) |
| | **199,991** | 269,093 |

# NOTES TO THE FINANCIAL STATEMENTS

**22. Income tax expense (Continued)**

Unrecognised deferred tax assets

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Balance as at the beginning of the financial year | **1,533,036** | 1,383,906 |
| Deferred tax assets not recognised | **108,308** | 56,549 |
| Adjustments | **21,885** | 92,581 |
| Utilised during the financial year | **(5,154)** | – |
| Balance as at the end of the financial year | **1,658,075** | 1,533,036 |

Unrecognised deferred tax assets are attributable to the following:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Property, plant and equipment | **104,369** | 113,840 |
| Unutilised tax losses | **1,553,706** | 1,419,196 |
| | **1,658,075** | 1,533,036 |

Subject to the agreement by relevant tax authorities, at the end of financial year, the Group has unutilised tax losses of $9,563,000 (2014: $8,771,000) available for offset against future profits. A deferred tax asset has been recognised in respect of $423,000 (2014: $423,000) of such losses. No deferred tax asset has been recognised in respect of the remaining $9,140,000 (2014: $8,348,000) due to the unpredictability of profit streams.

The unutilised tax losses arising from the subsidiary in the jurisdiction of People's Republic of China amounting to $774,000 (2014: $365,000) can only be utilised for the set-off against its future taxable profits within five years from the date the tax losses were incurred. The unutilised tax losses will expire at various dates up to and including 2020.

Except as disclosed above, the unutilised tax losses may be carried indefinitely subject to the conditions imposed by relevant tax authorities and provisions of the tax legislations of the respective countries in which the Group operates.

# NOTES TO THE FINANCIAL STATEMENTS

## 23. Loss per share

| | Group 2015 | Group 2014 |
|---|---|---|
| Loss per share (Cents) | | |
| – Basic and diluted | **(0.05)** | (0.05) |

The calculation of basic and diluted loss per share is based on:

| | 2015 | 2014 |
|---|---|---|
| Loss attributable to the owners of the parent ($) | **(720,989)** | (801,119) |
| Actual number of ordinary shares | **1,457,469,695** | 1,457,469,695 |

Basic loss per share is calculated by dividing the Group's loss attributable to the owners of the parent by the actual number of shares in issue during the financial year.

Diluted loss per share for the current financial year is the same as the basic loss per share as the Group does not have any potential dilutive ordinary shares as at the end of the financial year.

## 24. Operating lease commitments

When the Group is a lessor

As at the end of the financial year, there are operating lease commitments for premises receivable in subsequent accounting periods as follows:

| | Group 2015 $ | Group 2014 $ |
|---|---|---|
| Not later than one year | **7,220** | 63,120 |
| Later than one year and not later than five years | **–** | 7,220 |
| | **7,220** | 70,340 |

The above lease agreements expire on the dates between 14 April 2015 and 31 May 2015. The current rents receivable under the leases are subject to revision after expiry. The above commitments were based on prevailing rental rates for the current financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 24. Operating lease commitments (Continued)

When the Group is a lessee

In addition to the commitments as disclosed in Note 25 to the financial statements, commitments in respect of non-cancellable operating leases for office equipment and office premises to third parties at the end of the financial year are as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Not later than one year | **144,070** | 119,553 |
| Later than one year and not later than five years | **175,386** | 257,464 |
| | **319,456** | 376,997 |

The above lease agreements expire on the dates between 5 August 2015 and 19 February 2018 (2014: 14 September 2014 and 31 October 2016). The current rents payable under the leases is subject to revision after expiry. The above commitments was based on prevailing rental rate for the current financial year.

## 25. Significant related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

# NOTES TO THE FINANCIAL STATEMENTS

**25. Significant related party transactions (Continued)**

(b) An entity is related to the Group and the Company if any of the following conditions applies: (Continued)

(vi) The entity is controlled or jointly controlled by a person identified in (a); or

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| *With related party* | | |
| – operating lease expense – office premises | **87,119** | 79,095 |

Key management personnel remuneration

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| Directors' fee | **187,000** | 187,000 | **61,000** | 61,000 |
| Short-term employee benefits | **788,104** | 778,123 | **428,409** | 418,592 |
| Post-employment benefits | **69,016** | 67,666 | **35,476** | 34,080 |
| | **1,044,120** | 1,032,789 | **524,885** | 513,672 |

The remuneration to the Directors of the Company and of the subsidiaries during the financial year are as follows:

| | | | | |
|---|---|---|---|---|
| *Directors of the Company* | | | | |
| Directors' fees | **187,000** | 187,000 | **61,000** | 61,000 |
| Short-term employee benefits | **460,456** | 461,827 | **226,831** | 228,677 |
| Post-employment benefits | **38,466** | 38,144 | **9,525** | 8,925 |
| | **685,922** | 686,971 | **297,356** | 298,602 |
| *Directors of subsidiaries* | | | | |
| Short-term employee benefits | **207,659** | 197,370 | **123,500** | 112,530 |
| Post-employment benefits | **20,140** | 18,224 | **20,140** | 18,224 |
| | **227,799** | 215,594 | **143,640** | 130,754 |
| | **913,721** | 902,565 | **440,996** | 429,356 |

# NOTES TO THE FINANCIAL STATEMENTS

**25. Significant related party transactions (Continued)**

Commitment with a related party

At the end of the financial year, commitment in respect of non-cancellable operating lease in respect of rental of office premises is as follows:

| | Group | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| Not later than one year | **87,119** | 89,375 |
| Later than one year and not later than five years | **50,819** | 138,314 |
| | **137,938** | 227,689 |

**26. 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 (business segment), or in providing products 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 the management of respective entities within the Group.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, liabilities and expenses.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, intangible assets, receivables, prepayments, cash and cash equivalents, and exclude tax assets. Segment liabilities comprise operating liabilities and exclude tax liabilities.

Segment capital expenditure is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 26. Segment information (Continued)

Business segments

The Group is organised into two main business segments namely:

(i) Components distribution; and

(ii) Aluminium products distribution.

| | Components distribution $ | Aluminium products distribution $ | Unallocated $ | Consolidated $ |
|---|---|---|---|---|
| **Group** | | | | |
| **2015** | | | | |
| **Revenue** | | | | |
| External revenue | 3,641,171 | 20,853,845 | – | 24,495,016 |
| **Results** | | | | |
| Segment results | (172,044) | 1,186,326 | (939,453) | 74,829 |
| Interest income | 116 | 9,727 | 2,734 | 12,577 |
| Finance costs | – | (158,157) | – | (158,157) |
| Amortisation of intangible assets | – | (151,576) | – | (151,576) |
| Depreciation expense | (71,702) | (225,366) | (1,603) | (298,671) |
| (Loss)/Profit before income tax | (243,630) | 660,954 | (938,322) | (520,998) |
| Income tax expense | – | (199,965) | (26) | (199,991) |
| (Loss)/Profit after income tax | (243,630) | 460,989 | (938,348) | (720,989) |
| Capital expenditure | | | | |
| – Property, plant and equipment | 2,640 | 71,192 | – | 73,832 |
| **Assets and liabilities** | | | | |
| Segment assets | 5,739,760 | 23,473,794 | 1,411,945 | 30,625,499 |
| Current income tax recoverable and deferred tax asset | 72,000 | 7,076 | – | 79,076 |
| Total assets | 5,811,760 | 23,480,870 | 1,411,945 | 30,704,575 |
| Segment liabilities | 605,241 | 9,095,045 | 210,382 | 9,910,668 |
| Current income tax payable and deferred tax liabilities | – | 164,617 | – | 164,617 |
| Total liabilities | 605,241 | 9,259,662 | 210,382 | 10,075,285 |

# NOTES TO THE FINANCIAL STATEMENTS

**26. Segment information (Continued)**

Business segments (Continued)

| | Components distribution $ | Aluminium products distribution $ | Unallocated $ | Consolidated $ |
|---|---|---|---|---|
| **Group** | | | | |
| **2014** | | | | |
| **Revenue** | | | | |
| External revenue | 4,133,223 | 17,528,126 | – | 21,661,349 |
| **Results** | | | | |
| Segment results | 125,799 | 711,248 | (844,626) | (7,579) |
| Interest income | 191 | 7,398 | 5,071 | 12,660 |
| Finance costs | – | (117,582) | – | (117,582) |
| Amortisation of intangible assets | – | (151,576) | – | (151,576) |
| Depreciation expense | (68,405) | (198,142) | (1,402) | (267,949) |
| Profit/(Loss) before income tax | 57,585 | 251,346 | (840,957) | (532,026) |
| Income tax expense | (110,000) | (159,093) | – | (269,093) |
| Profit/(Loss) after income tax | (52,415) | 92,253 | (840,957) | (801,119) |
| Capital expenditure | | | | |
| – Property, plant and equipment | 116,068 | 2,163,066 | 2,884 | 2,282,018 |
| **Assets and liabilities** | | | | |
| Segment assets | 5,691,449 | 21,159,794 | 2,313,567 | 29,164,810 |
| Current income tax recoverable and deferred tax asset | 72,000 | 6,767 | 26 | 78,793 |
| Total assets | 5,763,449 | 21,166,561 | 2,313,593 | 29,243,603 |
| Segment liabilities | 616,492 | 6,753,716 | 203,224 | 7,573,432 |
| Current income tax payable and deferred tax liabilities | – | 192,041 | – | 192,041 |
| Total liabilities | 616,492 | 6,945,757 | 203,224 | 7,765,473 |

# NOTES TO THE FINANCIAL STATEMENTS

## 26. 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. Non-current assets consist primarily of property, plant and equipment, investment properties and intangible assets. Non-current assets are shown by the geographical area in which the assets are located.

| | Singapore | Malaysia | People's Republic of China | Others | Consolidated |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **Group** | | | | | |
| **2015** | | | | | |
| Total revenue from external customers | **8,151,044** | **10,281,502** | **5,459,356** | **603,114** | **24,495,016** |
| Non-current assets | **4,981,760** | **1,777,598** | **235,156** | **–** | **6,994,514** |
| **2014** | | | | | |
| Total revenue from external customers | 8,465,412 | 8,050,192 | 4,516,918 | 628,827 | 21,661,349 |
| Non-current assets | 5,302,453 | 1,869,984 | 256,215 | – | 7,428,652 |

Major customers

Revenue from two (2014: two) customers of the aluminium products distribution segment represents approximately 19% (2014: 19%) of total revenue.

## 27. Contingent liabilities – Unsecured

The Company

As at the end of the financial year, there were contingent liabilities in respect of guarantees given by the Company to banks in connection with banking facilities granted to the subsidiaries amounting to $14,796,546 (2014: $18,454,963).

These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the term of the facilities drawn. The financial guarantees have not been recognised in the financial statements of the Company as the probability of reimbursement is remote.

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

# NOTES TO THE FINANCIAL STATEMENTS

## 28. Financial instruments, financial risks and capital management

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 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.

### 28.1 Credit risk

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

The Group does not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for one (2014: two) trade receivable from third parties of the Group amounting to approximately $589,584 (2014: $1,042,970) as at the end of the financial year.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowance for impairment, represents the Group's and the Company's maximum exposure to credit risk. The Group and the Company do not hold any collateral.

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

Bank deposits are mainly deposits with reputable banks.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company. The Group's and the Company's historical experience in the collection of receivables falls within the recorded allowances.

# NOTES TO THE FINANCIAL STATEMENTS

**28. Financial instruments, financial risks and capital management (Continued)**

**28.1 Credit risk (Continued)**

The age analysis of trade receivable – third parties is as follows:

| | Gross receivables 2015 $ | Impairment 2015 $ | Gross receivables 2014 $ | Impairment 2014 $ |
|---|---|---|---|---|
| **Group** | | | | |
| Not past due | **3,136,942** | **–** | 2,617,465 | – |
| Past due for 1 to 90 days | **2,246,890** | **–** | 1,971,636 | – |
| Past due for 91 to 180 days | **195,735** | **–** | 470,830 | 7,372 |
| Past due for 181 to 365 days | **123,054** | **41,910** | 15,990 | 1,270 |
| Past due for more than 365 days | **40,001** | **42,099** | 39,663 | 34,096 |
| | **5,742,622** | **84,009** | 5,115,584 | 42,738 |

**28.2 Market risks**

The Group's and the Company's activities expose them primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group and the Company seek to identify areas of significant risks as well as appropriate measures to control and mitigate these risks.

Foreign currency risks

Currency risk arises from transactions denominated in currencies other than the respective functional currencies of the entities of the Group. The currency that give rise to this risk is primarily the United States dollar ("USD").

The Group and the Company monitor their foreign currency exchange risks closely and maintains funds in various currencies to minimise currency exposure due to timing differences between sales and purchases. Currency translation risk arises when commercial transactions, recognised assets and liabilities and net investment in foreign operations are denominated in a currency that is not the entity's functional currency.

It is not the Group's and the Company's policy to take speculative positions in foreign currencies. Where appropriate, the Group and the Company enter into foreign currency forward contracts with its principal bankers to mitigate the foreign currency risks (mainly export sales and import purchases).

# NOTES TO THE FINANCIAL STATEMENTS

**28. Financial instruments, financial risks and capital management (Continued)**

**28.2 Market risks (Continued)**

Foreign currency risks (Continued)

As at the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the functional currency of the entities within the Group are as follows:

| | Monetary liabilities | | Monetary assets | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| **Group** | | | | |
| USD | **16,924,181** | 11,039,719 | **12,224,034** | 8,110,108 |
| **Company** | | | | |
| USD | **–** | – | **12,148** | 11,110 |

*Foreign currency sensitivity analysis*

The Group and the Company are mainly exposed to fluctuations in the United States dollar ("USD").

The sensitivity analysis below shows the effect on loss before income tax of a 5% change in the relevant foreign currency against the functional currency of the entities within the Group. The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD are included in the analysis.

| | Group Increase/(Decrease) profit or loss | | Company Increase/(Decrease) profit or loss | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| **USD** | | | | |
| Strengthens against SGD | **(235,007)** | (146,481) | **607** | 556 |
| Weakens against SGD | **235,007** | 146,481 | **(607)** | (556) |

## 28. Financial instruments, financial risks and capital management (Continued)

### 28.2 Market risks (Continued)

Interest rate risks

The Group's and the Company's exposure to the risk of changes in interest rates arise mainly from the Group's and the Company's fixed deposits placed with banks and from finance leases, term loan and trade financing activities. The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts. For interest income from fixed deposits, the Group and the Company manage the interest rate risks by placing fixed deposits with its principal bankers on varying maturities and interest rate terms.

*Interest rate sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities 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. The sensitivity analysis assumes an instantaneous 1% change in the interest rates from the end of the financial year, with all variables held constant.

If the interest rate increases/decreases by 1%, loss before income tax will increase or decrease by:

| | **Profit or loss** | |
|---|---|---|
| | **2015** | **2014** |
| | **$** | **$** |
| **Group** | | |
| Term loan | **12,210** | 13,133 |
| Trust receipts | **53,974** | 29,154 |

The Company does not have any significant interest rate risk exposure.

### 28.3 Liquidity risk

Liquidity risk refers to the risk in which the Group and the Company encounter difficulties in meeting their short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The Group and the Company actively manage their operating cash flows so as to finance the Group's and the Company's operations. As part of overall prudent liquidity management, the Group and the Company maintain sufficient level of cash to meet working capital requirements.

The following table details the Group's and the Company's remaining contractual maturity for its 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 receive or pay. The table includes both interest and principal cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. Financial instruments, financial risks and capital management (Continued)

### 28.3 Liquidity risk (Continued)

Contractual maturity analysis

| | Effective interest rate % | On demand or less than one year $ | Within two to five years $ | More than five years $ | Total $ |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **Financial liabilities** | | | | | |
| Non-interest bearing | – | **3,103,365** | **–** | **–** | **3,103,365** |
| Fixed interest bearing | 6.02 – 7.01 | **26,503** | **16,228** | **–** | **42,731** |
| Variable interest bearing | 1.80 – 4.70 | **5,473,561** | **390,791** | **1,343,344** | **7,207,696** |
| **As at 31.3.2015** | | **8,603,429** | **407,019** | **1,343,344** | **10,353,792** |
| **Financial liabilities** | | | | | |
| Non-interest bearing | – | 3,156,475 | – | – | 3,156,475 |
| Fixed interest bearing | 6.02 | 15,996 | 19,967 | – | 35,963 |
| Variable interest bearing | 1.48 – 4.70 | 3,030,851 | 407,388 | 1,502,245 | 4,940,484 |
| **As at 31.3.2014** | | 6,203,322 | 427,355 | 1,502,245 | 8,132,922 |
| **Company** | | | | | |
| **Financial liabilities** | | | | | |
| Non-interest bearing | – | **2,902,778** | **–** | **–** | **2,902,778** |
| Corporate guarantees | – | **9,716,257** | **–** | **–** | **9,716,257** |
| **As at 31.3.2015** | | **12,619,035** | **–** | **–** | **12,619,035** |
| **Financial liabilities** | | | | | |
| Non-interest bearing | – | 2,926,608 | – | – | 2,926,608 |
| Corporate guarantees | – | 6,104,748 | – | – | 6,104,748 |
| **As at 31.3.2014** | | 9,031,356 | – | – | 9,031,356 |

The Group's and the Company's operation are financed mainly through equity and interest bearing liabilities. Adequate lines of credit are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the Group's interest-bearing liabilities are disclosed in Note 13 to the financial statements.

The maximum amount that the Company could be forced to settle under the corporate guarantee obligations if the full guaranteed amount is claimed by the counterparties to the guarantees, is $9.7 million (2014: $6.1 million). The earliest period that the guarantees could be called is within 1 year (2014: 1 year) from the end of the financial year. The Company considers that it is more likely than not that no amount will be payable under the arrangement.

# NOTES TO THE FINANCIAL STATEMENTS

## 28. Financial instruments, financial risks and capital management (Continued)

### 28.4 Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholders' value. The capital structure of the Group consists of debt and equity attributable to owners of the parent, comprising issued capital, asset revaluation reserve, share-based payment reserve, foreign currency translation reserve and accumulated losses as disclosed in Notes 14, 15, 16 and 17. The Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding 150% (2014: 150%). The Group's and the Company's strategy, which was unchanged from the previous financial year, is also to maintain gearing ratio of not exceeding 150% for the Group and the Company.

A subsidiary of the Group is required by the Foreign Enterprise Law of PRC to contribute and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group and the Company are in compliance with externally imposed capital requirements for the financial years ended 31 March 2015 and 2014.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as interest-bearing liabilities plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

| | Group | | Company | |
|---|---|---|---|---|
| | **2015** | **2014** | **2015** | **2014** |
| | **$** | **$** | **$** | **$** |
| Net debt | **5,879,991** | 3,125,835 | **1,556,488** | 665,588 |
| Total equity | **20,629,290** | 21,478,130 | **24,893,166** | 20,831,514 |
| Total capital | **26,509,281** | 24,603,965 | **26,449,654** | 21,497,102 |
| Gearing ratio | **22.2%** | 12.7% | **5.9%** | 3.1% |

### 28.5 Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relative short-term maturity of these financial instruments.

The carrrying amounts of the Group's non-current financial liabilities in relation to bank borrowings approximates its fair value as these financial instruments are mostly at floating interest rates.

AS AT 22 JUNE 2015

# STATISTICS OF SHAREHOLDINGS

| | | |
|---|---|---|
| Issued and fully paid up share capital | : | S$24,752,128 |
| Number of shares | : | 1,457,469,695 |
| Class of shares | : | Ordinary shares |
| Voting rights | : | 1 vote per ordinary share |
| Number of treasury shares | : | Nil |

Based on the information available to the Company as at 22 June 2015, approximately 67.17% of the issued ordinary shares of the Company are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual (Section B: Rules of Catalist) of the Singapore Exchange Securities Trading Limited has been complied with.

**Distribution of Shareholdings**

| Size of shareholdings | No. of shareholders | % | No. of shares | % |
|---|---|---|---|---|
| 1 – 99 | 51 | 2.05 | 575 | 0.00 |
| 100 – 1000 | 104 | 4.18 | 66,864 | 0.00 |
| 1,001 – 10,000 | 272 | 10.93 | 1,811,311 | 0.13 |
| 10,001 – 1,000,000 | 1,930 | 77.57 | 360,440,203 | 24.73 |
| 1,000,001 and above | 131 | 5.27 | 1,095,150,742 | 75.14 |
| **Total:** | **2,488** | **100.00** | **1,457,469,695** | **100.00** |

**Twenty Largest Shareholders**

| No. | Name | No. of shares | % |
|---|---|---|---|
| 1. | CHOO TUNG KHENG | 196,314,197 | 13.47 |
| 2. | CITIBANK NOMINEES SINGAPORE PTE LTD | 176,678,000 | 12.12 |
| 3. | KOH WEE MENG | 72,500,000 | 4.97 |
| 4. | RAFFLES NOMINEES (PTE) LIMITED | 52,116,000 | 3.58 |
| 5. | KOH SWEE LENG | 32,863,972 | 2.25 |
| 6. | ONG KIAN SOON | 31,180,000 | 2.14 |
| 7. | TAN BON TAN | 23,175,000 | 1.59 |
| 8. | HONG LEONG FINANCE NOMINEES PTE LTD | 22,255,000 | 1.53 |
| 9. | ZENG HANG CHENG | 22,155,000 | 1.52 |
| 10. | ANG KIM CHUAN | 19,820,000 | 1.36 |
| 11. | CHEA CHIA CHAN | 19,500,000 | 1.34 |
| 12. | CIMB SECURITIES (SINGAPORE) PTE. LTD. | 17,423,580 | 1.20 |
| 13. | CHAN TECK WAH | 15,888,400 | 1.09 |
| 14. | OCBC SECURITIES PRIVATE LIMITED | 14,101,450 | 0.97 |
| 15. | LEE YEN MEI | 12,686,000 | 0.87 |
| 16. | SUJANO SUPIANTO | 12,682,900 | 0.87 |
| 17. | LIEU MEE CHEAN @ LIEW MEE CHEAN | 11,000,000 | 0.75 |
| 18. | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 10,810,000 | 0.74 |
| 19. | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 10,408,350 | 0.71 |
| 20. | PERIAKARUPPAN ARAVINDAN | 10,405,200 | 0.71 |
| | | **783,963,049** | **53.78** |

AS AT 22 JUNE 2015

# STATISTICS OF SHAREHOLDINGS

***Substantial Shareholder's Information as at 22 June 2015***

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| **Name** | **No. of shares** | **%** | **No. of shares** | **%** |
| Choo Tung Kheng | 196,314,197 | 13.47 | 176,378,000[1] | 12.10 |

**Note:**

(1) Mdm Choo Tung Kheng ("**Mdm Choo**") is deemed to be interested in 176,378,000 shares held by Citibank Nominees Singapore Pte Ltd. These shares are held for the account of Sea Treasures Ltd, a Cayman Islands incorporated company, owned by Mdm Choo.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting ("**AGM**") of New Wave Holdings Ltd. (the "**Company**") will be held at 8 First Lok Yang Road, Singapore 629731 on Thursday, 30 July 2015 at 11.00 a.m. to transact the following business:–

**AS ORDINARY BUSINESS**

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 March 2015 together with the Report of the Directors and the Independent Auditors thereon. **Resolution 1**

2. To re-elect the following Directors of the Company, each of whom will retire pursuant to Article 89 of the Articles of Association of the Company and who, being eligible, will offer themselves for re-election:

   (a) Mr Lee Teong Sang **Resolution 2**

   (b) Mr Tan Bon Tan **Resolution 3**

   (c) Mr Chea Chia Chan **Resolution 4**

3. To pass the following resolution pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore:

   "That pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, Mr Lee Seng Chan be and is hereby re-appointed a Director of the Company to hold such office until the next annual general meeting of the Company." **Resolution 5**

   *Mr Lee Seng Chan will, upon re-appointment as Director of the Company, continue to serve as Chairman of the Nominating Committee and remain as a member of the Audit Committee and the Remuneration Committee. He is considered independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**").*

4. To approve the payment of Directors' fees of S$61,000 for the financial year ended 31 March 2015 (2014: S$61,000). **Resolution 6**

5. To re-appoint BDO LLP as Independent Auditor of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

6. To transact any other business that may be transacted at an annual general meeting.

**AS SPECIAL BUSINESS**

7. To consider and, if thought fit, to pass with or without modifications the following resolution as an Ordinary Resolution:–

   That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Act**") and Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors of the Company to: **Resolution 8**

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

# NOTICE OF ANNUAL GENERAL MEETING

(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) options, 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 one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) (calculated in accordance with sub-paragraph (b) below), or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed, 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 fifty per cent (50%) of the total number of issued Shares (excluding treasury shares) (as calculated in accordance with sub-paragraph (b) below) or such other limit as may be prescribed by the Catalist Rules as at the date this Resolution is passed;

(b) (subject to such manner of calculation and adjustments 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 total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

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

(ii) new Shares arising from exercising share options or vesting of share awards which are outstanding and/or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or sub-division of Shares;

(c) in exercising the authority conferred by this Resolution, the Directors shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Act and the Articles of Association for the time being of the Company; and

# NOTICE OF ANNUAL GENERAL MEETING

(d) unless previously revoked or varied by the Company in general meeting, such authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.
*[See Explanatory Note below]*

By Order of the Board

Koh Geok Hoon (Ms)
Koh Ee Koon (Ms)
Joint Company Secretaries

Singapore
15 July 2015

**Notes**

1. A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A 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. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
3. The instrument or form appointing a proxy, duly executed, must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623, not less than forty-eight (48) hours before the time for holding the above AGM or any adjournment thereof.

**EXPLANATORY NOTE IN RELATION TO SPECIAL BUSINESS**

The proposed Ordinary Resolution 8, if passed, will empower the Directors of the Company from the date of the AGM until the next annual general meeting, to allot and issue Shares and/or convertible securities (whether by way of rights, bonus or otherwise) at any time. The number of Shares and/or convertible securities that the Directors of the Company may allot and issue under this Resolution must not exceed one hundred per cent. (100%) of the total number of issued Shares (excluding treasury shares) of which the aggregate number of Shares and/or convertible securities issued other than on a pro rata basis to existing shareholders of the Company must not be more than fifty per cent. (50%) of the total number of issued Shares (excluding treasury shares) at the time this Resolution is passed.

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company (or its agents) in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## NEW WAVE HOLDINGS LTD.

(Incorporated in the Republic of Singapore)
Company Reg. No. 199906870Z

## PROXY FORM

Annual General Meeting

***IMPORTANT:***

1. *For Investors who have used their CPF monies to buy shares of New Wave Holdings Ltd., the Annual Report 2015 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.*
2. *This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.*
3. *CPF Investors who wish to vote should contact their CPF Approved Nominees.*

**PERSONAL DATA PRIVACY**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 July 2015.

I/We, ______________________________________________ (Name)

NRIC/Passport No./Company Registration No. ______________________________

of ______________________________________________ (Address)

being a member/members of New Wave Holdings Ltd. (the "Company"), hereby appoint:–

| Name | Address | NRIC/ Passport No. | Proportion of Shareholdings (%) |
|---|---|---|---|
| (a) | | | |
| and/or (delete as appropriate) | | | |
| (b) | | | |

Or failing in person, or either or both of the persons, referred to above, the Chairman of the annual general meeting of the Company as my/our proxy/proxies to attend and to vote for me/us and on my/our behalf and, if necessary, to demand a poll, at the Sixteenth Annual General Meeting ("AGM") of the Company to be held at 8 First Lok Yang Road, Singapore 629731 on Thursday, 30 July 2015 at 11.00 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the Resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions as to voting, the proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they will on any other matter arising at the AGM).

| No | Resolutions relating to: | For | Against |
|---|---|---|---|
| | **As Ordinary Business** | | |
| 1 | Audited Financial Statements for the financial year ended 31 March 2015 together with Directors' Report and Independent Auditor's Report thereon | | |
| 2 | Re-election of Mr Lee Teong Sang as a Director of the Company | | |
| 3 | Re-election of Mr Tan Bon Tan as a Director of the Company | | |
| 4 | Re-election of Mr Chea Chia Chan as a Director of the Company | | |
| 5 | Re-appointment of Mr Lee Seng Chan as a Director of the Company | | |
| 6 | Approval of Directors' fees for the financial year ended 31 March 2015 | | |
| 7 | Re-appointment of BDO LLP as Independent Auditor of the Company and to authorize the Directors to fix their remuneration | | |
| | **As Special Business** | | |
| 8 | Authority for Directors to allot and issue shares | | |

Dated this ________ day of ______________ 2015

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

______________________________
Signature of Member(s)/
Common Seal of Corporate Member

**Notes:**

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A 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. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney and affixed with its common seal thereto.

3. This instrument appointing a proxy [together with the power of attorney (if any) under which it is signed or a certified copy thereof], must be deposited at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 48 hours before the time fixed for holding the AGM.

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50, of Singapore), 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.

5. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have shares entered against his name in the Depository Register 48 hours before the time fixed for holding the AGM as certified by CDP to the Company.

*fold along this line (1)*

Please
affix
postage
stamp

**New Wave Holdings Ltd.**
c/o Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

*fold along this line (2)*

**NEW WAVE HOLDINGS LTD.**
Registration No 199906870Z

101 Kitchener Road #02-17
Jalan Besar Plaza
Singapore 208511

Tel: (65) 6268 3377
Fax: (65) 6261 9961