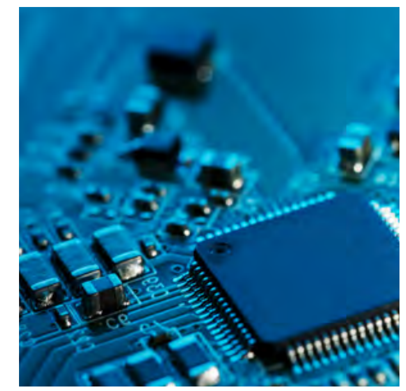
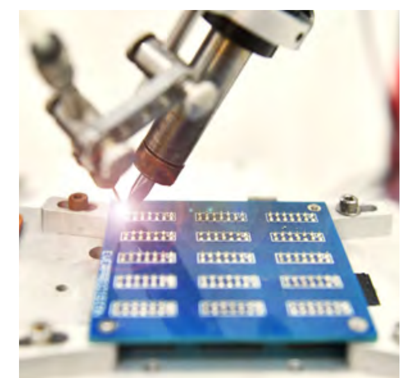
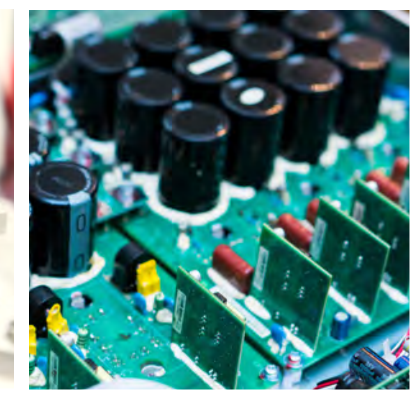
# 2019 PNE INDUSTRIES LTD
## Annual Report







PNE Industries Ltd Annual Report 2019

PNE Industries Ltd
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Website: http://www.pne.com.sg
Company registration number 199905792R

# Corporate Profile

PNE Industries Ltd has been listed on the SGX since May 2000. Its core business comprises of the following two segments:

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

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

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

# Content

# Chairman's Statement

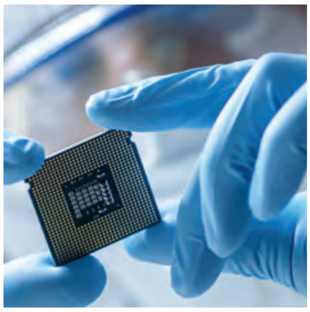
## *DEAR SHAREHOLDERS*

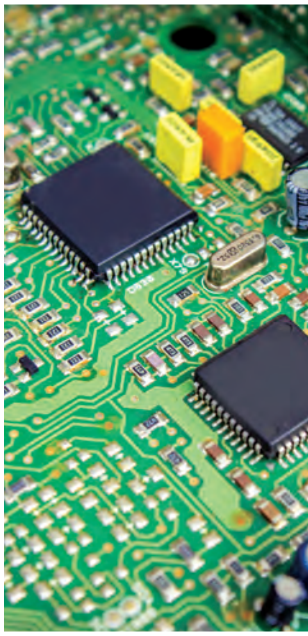
On behalf of the Board, I am pleased to present the results of the Group for the past year, and highlight our strategies moving forward.

## *A ROBUST YEAR*

For the year ended September 30, 2019 ("FY19"), the Group recorded a revenue of $102.2m, up from $79.8m in FY18. This was attributed to higher contract manufacturing sales and offset partially by lower trading sales. With higher sales and aided by $0.9m of foreign exchange gains this year, we gained a profit before tax of $10.2m, a $3.5m increase from the $6.7m profit in FY18.

Our contract manufacturing segment recorded a revenue of $93.3m in FY19, an increase of $24.1m from FY18, largely due to a customer's strategic expansion of its sales channels this year. Lower orders saw the trading segment's sales decrease by around $1.7m to $8.8m in FY19. The lower sales was due to subdued customer demand.



Buoyed by the higher sales, the Group's gross profit increased by $3.6m this year. However, gross profit percentage declined to 21.7% in FY19 from 23.3% in FY18 due to competitive pricing measures and because the Group sold relatively more products with higher material cost content this year.

Administration expenses increased by $1.0m to $11.4m due mainly to higher staff costs this year.

In FY19, other operating income of the Group increased by $1.2m as a result of a $0.9m foreign exchange gain. This was compared to a $0.1m foreign exchange loss which was recorded under other operating expenses in FY18. Other operating expenses this year is attributable mainly to higher loss allowance for trade receivables as a few of the Group's customers had run into financial difficulties.

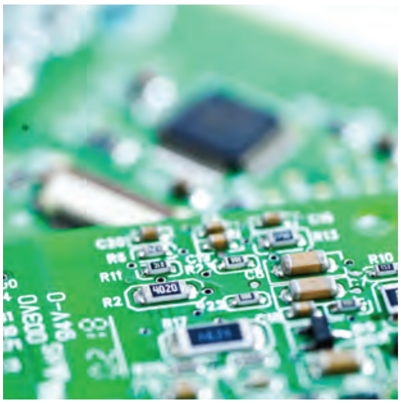
The Group's cash and bank balances saw a rise of $4.8m this year on the back of higher cash generated from operations. The bulk of the Group's cash balances are maintained with reputable banks in Singapore for better control and monitoring. Financial assets at fair value through other comprehensive income fell by $2.3m mainly due to the Group's partial divestment of its shareholding interest in PNE PCB Berhad. The shares of PNE PCB Berhad were disposed via open market trades for total proceeds of approximately $2.4m. This contributed to the increase in cash held by the Group.

## *OUR STEPS AHEAD*

The Group has made great progress over the past year and will continue to work hard to prepare to meet future challenges. In the year ahead, our markets will remain highly competitive across all of our businesses, intensified by uncertainties caused by the volatile external environment and subdued economic backdrop.

The impending Brexit has caused much uncertainty in the European economy. With a significant European customer base for the Group, demand for our products may be affected.

# Chairman's Statement



Concurrently, USA-China trade tensions may also affect the Group as China is home to one of our manufacturing facilities. Cost pressures continue to rise in Singapore, Malaysia and China where our operations are based. Adding to the impact on our margins are our customers' persistent demand for lower pricing.

As a significant part of our sales are denominated in USD, currency volatility increases the uncertainty in managing our foreign exchange risks. In the event that our revenue is not matched by costs denominated in USD, any weakening of the USD will have an adverse impact on the Group.

The Group constantly evaluates and takes appropriate steps to mitigate the risks while sustaining shareholder value creation. We strive to enhance our knowledge and understanding of our customers' needs, so as to implement solutions to meet their requirements or achieve operational excellence. We will be proactive and closely monitor the developments in the trade war and respond accordingly.

Diversifying our portfolio allows us to grow our customer base and offer value-added services ahead of our competitors so that we do not rely on cost alone as a competing factor. We will exercise stringent cost control and implement measures to improve our margins. We will scrutinise our trade receivables to minimise the risk of bad debts, and monitor our inventory levels for obsolete inventories. At the same time, we will exercise prudence in materials purchase.

## *OUR SINCERE THANKS*

In the course of the year, the Group paid interim dividends of 2 cents first interim dividend and 1 cent special interim dividend. In light of our financial performance for FY19, the Board is pleased to recommend a final dividend totalling 6 cents per share (exempt one-tier), comprising a second and final dividend of 3 cents per share and a special dividend of also 3 cents per share. This brings the total dividends paid and proposed for FY19 to 9 cents per share. The proposed dividends are subject to the approval of the shareholders at the forthcoming Annual General Meeting.

I thank our shareholders for your ongoing support. We look forward to continuing to earning and sustaining your trust in 2020. On behalf of the Board, I also would like to thank our management and employees for their dedication and hard work, as well as our customers, suppliers, and business partners for their support and trust over the years.

**Tan Kong Heng**
**Chairman**

# Corporate Information

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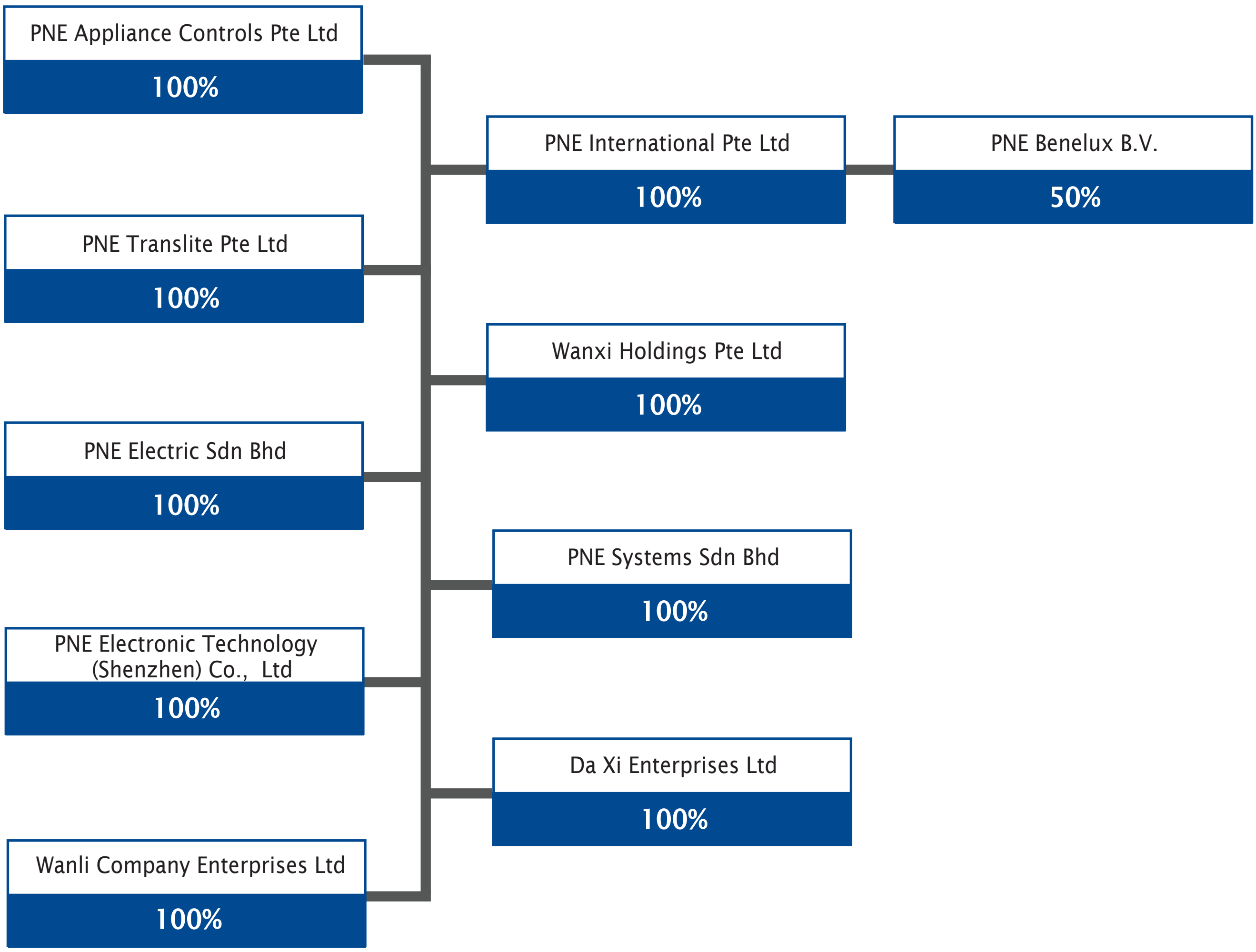
*COMPANY SECRETARY*
Tan Meng Siew

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

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

# Group Structure



# Products

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

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

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

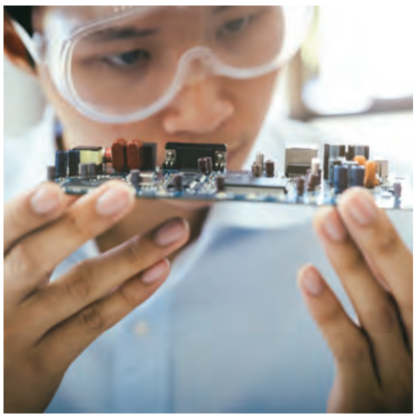
## *ELECTRONIC CONTROLLERS*

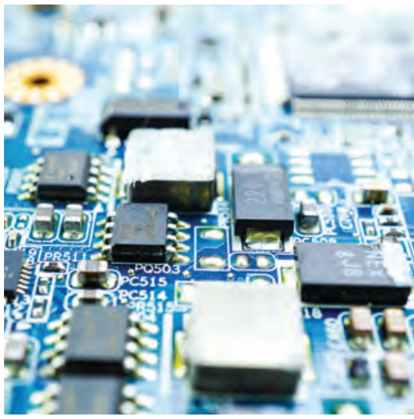
Due to the demands of increasingly sophisticated consumers, increasing number of electrical appliances are now equipped with intelligent features made possible by the use of microprocessors or by the connection to the Internet (devices incorporated with "Internet of Things" or IoT features). The Group,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

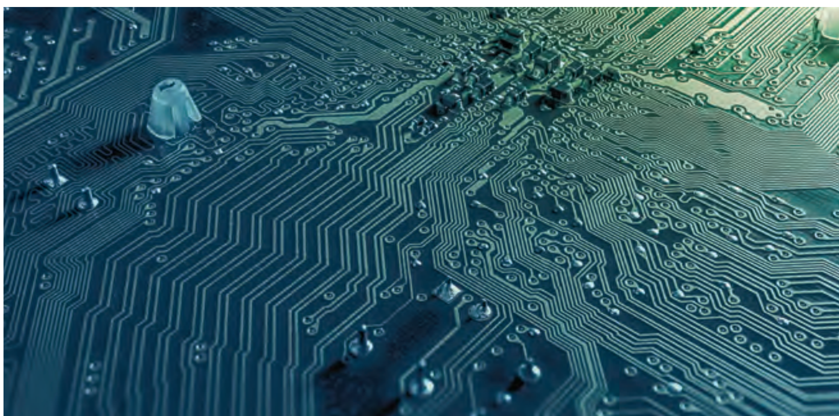
The Group's electronic controllers can be found in various domestic and industrial electrical appliances, such as coffee machines, vacuum cleaners, switchgear and valve controllers etc. The Group also manufactures full product assemblies incorporating these electronic controllers, such as smart home-lighting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

## *EMERGENCY LIGHTING EQUIPMENT*

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







# Board of Directors

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

**Mr Tan Kong Heng,** *Non-executive Chairman*
*First appointed on 25 September 1999. Last re-elected on 18 January 2017.*
Mr Tan has been with the Group since its inception, and currently acts in an advisory role with respect to the formulation of the Group's corporate strategies and expansion plans. He started his career in the electronics industry in 1970 when he joined a local printed circuit board manufacturer as a Material Manager. Having more than 30 years of experience in the electronics manufacturing industry, Mr Tan has built up strong relationships with many industry players. Previously he was the non-executive Chairman of Sen Yue Holdings Ltd, which used to be known as PNE Micron Holdings Ltd and is listed on SGX-Catalist, and was also an executive director of PNE PCB Bhd, which is listed on the Bursa Malaysia Securities Berhad in Malaysia.

**Mr Tan Koon Chwee,** *Executive Managing Director*
*First appointed on 25 September 1999. Last re-elected on 17 January 2019.*
Mr Tan serves as the Chief Executive Officer of the Group and is the brother of Mr Tan Kong Heng. He is responsible for formulating and implementing the Group's corporate and business strategies and financial matters. He also oversees the marketing function of the Group. Mr Tan holds a Honours degree in the Bachelor of Science in Electrical and Electronic Engineering from the University of Strathclyde, Glasgow, Scotland. He has also been registered as a Professional Engineer since 1985.

**Mr Tan Kong Leong,** *Executive Director*
*First appointed on 4 May 2000. Last re-elected on 18 January 2018.*
Mr Tan assists the Managing Director in the management of the Group and in the budgeting of the costs of various projects. He is also responsible for the information technology function of the Group. In addition, he also oversees the material purchases. He joined the Group as an electronic engineer in 1986. He holds a degree in the Bachelor of Engineering (Electrical) from the Nanyang Technological University and a degree in the Master of Business Administration from the National University of Singapore.

**Mr Tan Kwong Soon,** *Non-executive Director*
*First appointed on 4 May 2000. Last re-elected on 18 January 2018.*
Mr Tan is one of the founding members of the Group. As such, he has in-depth knowledge and understanding of the Group's business. He currently acts in an advisory role in the accounting and financial matters of the Group. He holds a Diploma in Accounting from the London Chamber of Commerce and Industry. Previously he was an executive director of Sen Yue Holdings Ltd, which was used to be known as PNE Micron Holdings Ltd and is listed on SGX-Catalist, and was also a non-executive director of PNE PCB Bhd, which is listed on the Bursa Malaysia Securities Berhad in Malaysia.

**Mr Tung Chee Weng,** *Independent Director*
*First appointed on 4 May 2000. Last re-elected on 18 January 2018.*
Mr Tung was previously the General Manager of Centeonyx Pte Ltd. Prior to this, he was the General Manager of Centillion Environment & Recycling (Singapore) Pte Ltd from 2004 - 2006 and was Director (Service Division) of Veolia Water Systems (S) Pte Ltd from 1998 - 2004. From 1987-1998, he was with Seagate Technology International as a Director (Strategic Planning & Industrial Engineering). Mr Tung had also worked in various other companies in the construction and engineering industries for 17 years. He holds a Bachelor of Science (Mechanical Engineering) (Second Upper Class Honours) from the University of Strathclyde, Glasgow, Scotland.

**Mr Tan Lee Khiang,** *Independent Director*
*First appointed on 4 May 2000. Last re-elected on 17 January 2019.*
Mr Tan is presently the director of TechnoMEC Resources Pte Ltd, AFS Sejahtera Pte Ltd, and Bramar Sejahtera Pte Ltd. From 1989 to 1999, he was Senior Manager at Genisys Integrated Engineers Pte Ltd. Prior to that, he worked in various engineering, manufacturing and construction firms for 10 years. He had also acquired accounting and financial expertise from over 20 years of managing his own firm. He graduated with a Bachelor of Science (First Class Honours) in Mechanical Engineering from the University of Strathclyde, Glasgow, Scotland and is a registered Professional Engineer in Singapore.

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

# Key Management

### Mr Chin Chew Khay

*Director of PNE Systems Sdn Bhd*

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

### Ms Tan Bee Foon

*Group Human Resource General Manager*

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

### Ms Tan Meng Siew

*Financial Controller and Company Secretary*

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

# Corporate Governance

PNE Industries Ltd is committed to maintaining good standards of corporate governance to protect the interests of its shareholders and maximize long-term shareholder value. This report describes the Company's corporate governance practices with specific reference to the Code of Corporate Governance issued in 2012 ("Code"). Explanations have been provided in the relevant sections for deviations from the Code. The Company is currently in the process of reviewing and preparing for compliance with the latest Code of Corporate Governance issued in 2018 ("2018 Code"), and will update its corporate governance report with specific reference to the 2018 Code in its next annual report.

## Principle 1: The Board's conduct of its affairs

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

The Board meets periodically to consider and resolve major financial and business matters of the Group. The Board meetings and the Company's Annual General Meeting ("AGM") are scheduled in advance after consultation with all the directors to enable the directors to plan their schedule ahead. The Company's Constitution allows for telephonic and video-conference meetings. In between Board meetings, major matters concerning the Group are also put to the Board for its decision by way of circulating resolution-in-writing for the directors' approval. Where necessary, informal meetings are held to deliberate on various issues. Material transactions requiring board approval include material acquisitions or disposals of assets, investments or divestments, corporate or financial restructuring, declarations of dividends and other returns to shareholders, and transactions involving a conflict of interest for a substantial shareholder or a director or interested person transactions.

All directors act in good faith and objectively in the best interests of the Group when discharging their duties. The directors continuously update themselves to familiarise on new laws and regulations as well as changing commercial risks and developments in order to keep abreast of changes in the industry and general economic environment. Attendance at external seminars and conferences are arranged for both existing and new directors at the Company's expense as and when appropriate. New directors joining the Company are also given an orientation by the Company's Executive Directors and/or senior management to familiarise them with the Group.

During the last financial year ended September 30, 2019 ("FY2019"), a total of three formal Board meetings were held. All directors as well as the company secretary attended the meetings.

## Principle 2: Board composition and balance

The Board currently comprises of the following members:

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

# Corporate Governance

* Mr Lim Meng Wee was appointed as Lead Independent Director and the Chairman of Audit Committee on October 1, 2019.

# Mr Tung Chee Weng had stepped down as Lead Independent Director and the Chairman of Audit Committee on October 1, 2019 but remains as an Independent Director and a member of the Audit Committee.

The directors are qualified and experienced in various fields including engineering, manufacturing, and accountancy. The Board has concurred with the NC's view that its current size and composition is appropriate given the scope and nature of the Group's operations. It takes into consideration the skills, experience, knowledge of the Group and the industries it operates in, and competencies of board members, regardless of gender, when reviewing the composition of the Board. The Board's practice is to be gender-neutral as greater emphasis is placed on competencies and ability to contribute by the board member, and these attributes are not dependent on gender. It will continuously review its size and composition to ensure that these remain appropriate in light of ever-changing environments.

Currently three out of the seven members of the Board are independent. The independence of the directors is reviewed annually by the NC. The NC adopts the definition in the Code as to what constitutes an independent director when conducting its review. The independent directors also confirmed that they do not have any relationship with the Company, its related corporations, its substantial shareholders, or its officers that may interfere, or may reasonably be perceived to interfere, with the exercise of their independent judgement.

Of the three independent directors, Messrs Tung Chee Weng and Tan Lee Khiang have each served as Board members for more than nine years. In its deliberation as to the independence of Messrs. Tung Chee Weng and Tan Lee Khiang, the NC had reviewed, amongst others, their length of service, past contributions, their declarations of independence, and whether there are any relationships with the Company, its related corporations, substantial shareholders or its officers, or circumstances that may affect or appear to affect their independent judgement in the best interest of the Company. Based on this, the NC is satisfied that they have exercised independent judgement and character in the best interests of the Company in discharging their duties and responsibilities. Considering their experience and expertise, it is in the interests of the Company to retain them as directors instead of requiring them to step down by virtue of their years of service. The Board has concurred with the view of the NC on the independence of the independent directors. Each of the independent directors had abstained from the deliberations and decisions on his own independence. Mr Tung Chee Weng, a director who has served as a Board member for more than nine years and is due for re-election this year, will also be seeking for approval at the forthcoming AGM for his continued appointment as an independent director via a separate resolution to be voted upon by shareholders, excluding shareholders who also serve as the directors or the chief executive officer of the company, and associates of such directors and chief executive officer, pursuant to Rule 210(5)(d)(iii) of the SGX-ST Listing Rules which will come into effect on January 1, 2022.

The Chairman of the Board and the Chief Executive Officer ("CEO") of the Company are family members (see Principle 3). Guideline 2.2 of the Code recommends that independent directors should make up at least half of the Board under such a circumstance. As such, this guideline of the Code is not met as independent directors currently make up 43% of the Board. While independent directors do not make up at least half of the Board, there had been no domination of the Board's discussions or decision-making by any individual or small group of individuals. Being fiduciaries, each Board member is required to discharge their duties and responsibilities objectively in the best interests of the Company at all times, and in the process of doing so, each Board member will exercise their own independent judgement. Thus, it is the opinion of the Board that the decision-making process of the Board had remained independent, and was not unduly influenced by any single individual or small group of individuals. In addition, considering the contributions made by each of the non-independent directors, the Board does not consider it to be in the interests of the Company to require one or more of the non-independent directors to step down, or to appoint more independent directors, just to attain a level of at least half of the Board being independent.

# Corporate Governance

## Principle 3: Chairman and Managing Director

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

Mr Lim Meng Wee ("Mr Lim"), who is the Chairman of the Board's Audit Committee, is also the Lead Independent Director. As the Lead Independent Director, Mr Lim is available to shareholders if they have concerns for which contact through the normal channels of the Chairman, the CEO, or the Financial Controller has failed to provide satisfactory resolution, or when such contact is inappropriate. The independent directors and the non-executive directors meet at least once annually without the presence of Management and provides feedback to the Chairman after such meeting.

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

## Principles 4 and 5: Board membership and performance

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

As the NC has been charged with the responsibility of reviewing the independence of each and every Independent Director annually, the NC has established a process to determine a Director's independence. Once a year, after the end of the financial year under review, the Form of Declaration of Independence will be sent to the Independent Directors for their confirmation and declaration. They will have to consider if they satisfy the criteria of independence as stipulated in the Code. The duly signed Declaration Forms will then be tabled for the NC's review. In considering whether the Independent Director is Independent, the NC will not solely base its assessment on the Declaration Form but will also consider if each of the Independent Directors has exercised and can continue to exercise independent judgment. The NC will then present its conclusion to the Board for its concurrence. The NC will convene a meeting if circumstances arise to review the independence of an Independent Director in between the annual review.

In assessing the effectiveness of the Board as a whole, the NC has to carry out a formal process annually taking into consideration both quantitative and qualitative criteria which does not change from year-to-year. Given the current size and composition of the Board, the NC is of the view that an assessment of the Board's performance as a whole is reflective of the contribution of each individual director. Thus, a formal assessment of the contribution of each individual director is currently not necessary. The last Board performance evaluation was conducted in November 2019. Based on the review, the NC was satisfied that the Board was effective as a whole and that each and every Director had demonstrated commitment and had contributed to the effective functioning of the Board and the Board Committees. The Company did not engage any external consultant to facilitate the Board performance evaluation for FY2019.

# Corporate Governance

No maximum number of listed company board representations for board members has been set as the NC and the Board are of the view that setting a maximum number of listed company board representations a Director may hold can be arbitrary. The contribution of each Director would depend on his individual circumstances, including whether or not he has a full time vocation or other responsibilities, his individual capabilities and the nature and the complexity of the organisations in which he holds appointments. The NC, with the concurrence of the Board, was satisfied that each of the Directors is able to and had adequately carried out his duties as a Director of the Company in FY2019, and had given sufficient time and attention to the affairs of the Company.

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

The NC would generally avoid recommending to the Board the appointment of alternate director as it is of the view that alternate director should only be appointed under special circumstances, for example, when a Director has a medical emergency. If the appointment of an alternate Director is deemed necessary, the NC would ensure that the alternate Director is appropriately qualified, knows the duties and responsibilities of a Director, and is familiar with the Group's business affairs. No alternate directors were appointed throughout FY2019.

Pursuant to Regulation 93, Messrs Tan Kong Heng, Tan Kong Leong, and Tung Chee Weng shall retire at the forthcoming AGM by rotation. Being eligible, Messrs Tan Kong Heng, Tan Kong Leong, and Tung Chee Weng have offered themselves for re-election. The NC, having assessed their performance and contributions to the Company, had recommended the nomination for re-election. The Board concurred with the NC's recommendation.

The NC held one meeting in FY2019. All members of the NC attended the meeting.

### Principle 6: Access to information

All members of the Board have separate and independent access to the Company's senior management and company secretary at all times. Should any of the directors require independent professional advice, such professionals will be hired at the Company's expense.

Prior to the Board meetings, all directors are provided with the agenda as well as the board papers and related materials so that the directors have complete, adequate, and timely information to enable them to be prepared for the meeting. The company secretary attends all board meetings and would ensure that board procedures and applicable requirements under the Companies' Act and Listing Manual are complied with. The company secretary also helps to facilitate good flow of information to and from Board members, and advises the Board on governance matters. The appointment and removal of the company secretary are subject to the approval of the Board as a whole.

In addition to the board papers submitted to the directors for the board meeting, monthly management reports are submitted to each director to ensure that they have adequate and timely information on the Group's operations and financial performance on an on-going basis to enable them to make informed decisions to discharge their duties and responsibilities.

# Corporate Governance

### Principle 7: Remuneration policies

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

None of the members of the RC specialize in the field of executive compensation. However, they possess general knowledge in this area, and are supported by the Group Human Resource General Manager. In addition, if required, external professional advice would be sought at the Company's expense. If external remuneration consultants are engaged, the RC would ensure that existing relationships, if any, between the Company and its remuneration consultants would not affect the independence and objectivity of the remuneration consultants. No remuneration consultant was appointed in FY2019.

The RC held one meeting in FY2019. All members of the RC attended the meeting.

### Principle 8: Level and mix of remuneration
### Principle 9: Disclosure on remuneration

The Group endeavours to set a level of remuneration that is appropriate to attract, retain and motivate all directors and staff. The remuneration generally includes a fixed as well as a variable component. The variable component is determined based on the performance of both the individual employee as well as the performance of the Group. There is no contractual provision that allows the Group to reclaim remuneration from the directors or staff in exceptional circumstances of misstatement of financial results, or misconduct resulting in financial loss to the Group, as the remuneration package is moderate and not excessive.

The Company does not have any share-based remuneration schemes for directors and employees. As most of the Group's employees are foreigners based at its overseas factories, it is not cost-efficient to set-up and maintain a share-based remuneration scheme as many of its employees may not wish to or are unable to participate in such schemes.

The remuneration of directors of the Company for the financial year ended September 30, 2019 are as follows:

| Name of director | Base/fixed salary | Variable or performance-related income/bonuses | Fees | Options granted |
|---|---|---|---|---|
| **\$500,001 to \$750,000** | | | | |
| Tan Koon Chwee | 69% | 27% | 4% | NA |
| Tan Kong Leong | 70% | 27% | 3% | NA |
| **Nil to \$250,000** | | | | |
| Tan Kong Heng | 0% | 0% | 100% | NA |
| Tan Kwong Soon | 0% | 0% | 100% | NA |
| Lim Meng Wee | 0% | 0% | 100% | NA |
| Tan Lee Khiang | 0% | 0% | 100% | NA |
| Tung Chee Weng | 0% | 0% | 100% | NA |

# Corporate Governance

Based on the current organization and reporting structure of the Group, it is more appropriate for three executives, who are not also directors of the Company, to be identified as the Group's top key executives instead of five as required under the Code. The names and profiles of these key executives of the Group are stated on page 6 of the annual report. Given the sensitive nature of employee remuneration, and the possible pressures from both within and outside the Group upon disclosing such information, the Board has decided that detailed disclosure of each director's and key executive's remuneration, as well as the remuneration of employees who are immediate family members of a director or the CEO is not in the interests of the Company.

### Principle 10: Accountability

The Board is accountable to the shareholders while the management is accountable to the Board. When presenting the announcements for the interim and full year financial results to the shareholders, the Board aims to provide a balanced and understandable assessment of the Company's performance, position and prospects. Management assists by providing the members of the Board with management accounts and reports of the Group's results on a monthly basis, as well as other information as and when necessary, to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects. For interim results announcements, the Board provides a negative assurance confirmation that nothing had come to the attention of the Board which could render the results to be false or misleading. For full year results, the Board receives assurance from the CEO and Financial Controller that the financial statements give a true and fair view of the Group's operations and finances.

Pursuant to Rule 720(1) of the Listing Manual of the SGX-ST, the Company has received undertakings from all its directors and executive officers that they would use their best endeavours to comply with the Listing Manual of the SGX-ST, and to procure that the Company should so comply too.

### Principle 11: Risk Management and Internal Controls

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance. The risk management functions are currently managed by the Audit Committee ("AC").

The review of the Group's system of internal controls is a concerted and continuing process, designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board acknowledges its responsibility for ensuring that there is a sound system of internal controls to safeguard the shareholders' investments and Company's assets.

The Board has received assurance from the CEO and the Financial Controller that, as at September 30, 2019, the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and the Group's risk management and internal control systems were adequate and effective to address key financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management and the AC, and the aforesaid assurances from the CEO and the Financial Controller, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls addressing financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at September 30, 2019. However, it should be noted that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement, human error, losses, fraud or other irregularities.

The financial risks and management policies of the Group are laid out on pages 52 to 57 of the Annual Report.

# Corporate Governance

### Principle 12: Audit Committee ("AC")

The AC currently comprises three Independent Directors and a Non-executive Director. Mr Lim Meng Wee, the lead independent director, has been appointed as the Chairman of the AC with effect from October 1, 2019 in place of Mr Tung Chee Weng, who stepped down as the Chairman of the AC but remained as a member. Of the members, Mr Tan Kwong Soon has formal accounting training and experience. He and the other members of the AC have many years of experience in senior management positions and have sufficient financial management expertise to discharge the AC's functions. None of the members are former partners or directors of the Company's existing external and internal audit firms within the previous twelve months, nor do they have any financial interest in the audit firms.

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

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

The AC has full authority to investigate any matters within its terms of reference, and has full access to the management of the Company. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC held three meetings during FY2019. All members of the AC attended the meetings. The AC meets with the external auditors at least once a year without the presence of Management.

Having reviewed the aggregate fees paid to the auditors, and a breakdown of the fees paid for audit and non-audit services provided by the auditors, the AC is of the opinion that the independence of the auditors has not been affected by the provision of the non-audit services. The external auditors had affirmed their independence in this respect. The AC is satisfied that the independence of the external auditors has not been impaired. Further, it was noted that the appointment of the external auditors for the Company and its subsidiaries are in compliance with Rules 712 and 715 of the SGX-ST Listing manual. The AC recommended that Messrs Deloitte & Touche LLP be nominated for re-appointment as the external auditors for the financial year ending September 30, 2020 at the forthcoming AGM.

The Company has a whistle-blowing policy in place for the Group to allow staff or any other persons to raise concerns about possible improprieties for such matters to be independently investigated without any fears of reprisals. Any issue raise would be investigated independently and the appropriate follow up actions carried out. In FY2019, there were no reports received through the whistle blowing mechanism.

### Principle 13: Internal audit

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

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

The AC determines the scope of audit examination and approves the internal audit plan for FY2019.

The AC has reviewed with the internal auditors their risk-based internal audit plan and their evaluation of the system of internal controls, their audit findings and the management's responses to address the findings. The Board commented that the Group's internal controls, including financial, operational, compliance and information technology controls and overall risk management system are adequate and effective for FY2019. The AC concurred with the board's comment and is satisfied that the internal auditor is independent, adequately qualified and resourced to discharge its duties effectively.

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

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

Active participation from shareholders at general meetings is welcomed by the Company. To facilitate voting by shareholders, the Company's Constitution allows shareholders who are unable to attend the general meetings to appoint up to 2 proxies to attend, participate and vote on their behalf. Corporations providing nominee and custodial services may also appoint more than 2 proxies to attend, participate and vote in general meetings on behalf of shareholders who hold shares through such corporations. Proxy forms can be sent to the Company by mail. Voting in absentia, such as by mail, email or fax, is currently not implemented due to concerns over integrity of information and authentication of shareholder identity.

During general meetings, each distinct issue is voted via separate resolutions by poll via electronic polling. Shareholders are briefed on the voting procedures prior to voting. An independent scrutineer is appointed to validate shareholders' votes at the meetings. Detailed results and the respective percentages of votes cast for and against each of the resolutions during such meetings are announced via SGXNET. For each meeting, minutes containing substantial and relevant comments or queries of shareholders, and the responses from the Board and management, are prepared and made available to shareholders upon request. All directors of the Company as well as the external auditors attend the Company's general meetings to address any queries from shareholders. The annual general meeting held on January 17, 2019 was attended by all the directors. Feedback can also be provided by shareholders via the Company's website.

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

# Corporate Governance

### Listing Rule 1207(19) – Dealing in Securities

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

## INTERESTED PERSON TRANSACTIONS

The Company has procedures to ensure that all transactions with interested persons are reported in a timely manner to the Audit Committee, and that the transactions are carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its shareholders. There were no interested person transactions with amounts of $100,000 or more during the year ended September 30, 2019. The Company does not have any shareholders' mandate for interested person transactions.

## MATERIAL CONTRACTS AND LOANS

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

## SUSTAINABILITY

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

**Stakeholder Engagement**

The Group has identified 5 groups of stakeholders, namely:

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

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

# Corporate Governance

**Material ESG Factors**

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

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

# Corporate Governance

## Additional Information on Directors Seeking Re-election

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

| | | Tan Kong Heng | Tan Kong Leong | Tung Chee Weng |
|---|---|---|---|---|
| 1 | Date of Appointment | 25 September 1999 | 4 May 2000 | 4 May 2000 |
| 2 | Date of last re-appointment (if applicable) | 18 January 2017 | 18 January 2018 | 18 January 2018 |
| 3 | Age | 78 | 58 | 64 |
| 4 | Country of principal residence | Singapore | Singapore | Singapore |
| 5 | The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The re-election of Mr Tan was recommended by the NC and approved by the Board, after taking into consideration his experience and contributions since he was appointed as a director. | The re-election of Mr Tan was recommended by the NC and approved by the Board, after taking into consideration his experience and contributions since he was appointed as a director. | The re-election of Mr Tung was recommended by the NC and approved by the Board, after taking into consideration his independence, experience and contributions since he was appointed as a director. |
| 6 | Whether appointment is executive, and if so, the area of responsibility | Non-executive | Executive. Assists the Managing Director in the overall management of the Group. Oversees material purchases, information technology. | Independent non-executive |
| 7 | Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Chairman of the Board, member of NC and RC. | Executive Director | Independent director, RC Chairman, member of AC and NC. |
| 8 | Professional qualifications | • GCE "O" Levels | • Bachelor of Engineering (Electrical) from the National Technological University.<br>• Master of Business Administration from the National University of Singapore. | • Bachelor of Science (Mechanical Engineering) (Second Upper Class Honours) from the University of Strathclyde, Glasgow, Scotland. |

# Corporate Governance

| | | Tan Kong Heng | Tan Kong Leong | Tung Chee Weng |
|---|---|---|---|---|
| 9 | Working experience and occupation(s) during the past 10 years | ● Executive Chairman of PNE PCB Bhd up to 2014.<br>● Non-executive Chairman of the Group since its inception.<br>● Non-executive Chairman of Sen Yue Holdings Ltd up to 2016. | ● Executive Director of PNE Industries Ltd.<br>● Has been with the Group since 1986. | ● Mr Tung is a director of his company for the past 3 years.<br>● He has over 20 years of working experience in various companies, primarily in the construction and engineering industries. |
| 10 | Shareholding interest in the listed issuer and its subsidiaries | 8,829,100 shares (10.52%) | 8,614,875 (10.27%) | Nil |
| 11 | Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Messrs Tan Kong Heng, Tan Koon Chwee, Tan Kong Leong, and Tan Kwong Soon, who are all directors as well as substantial shareholders of the Company, are siblings. They, together with Messrs Tan Kong Sin, Tan Kong Hock, and Tan Kwang Hua (Deceased), who are also substantial shareholders of the Company, are siblings. | Messrs Tan Kong Heng, Tan Koon Chwee, Tan Kong Leong, and Tan Kwong Soon, who are all directors as well as substantial shareholders of the Company, are siblings. They, together with Messrs Tan Kong Sin, Tan Kong Hock, and Tan Kwang Hua (Deceased), who are also substantial shareholders of the Company, are siblings. | None |
| 12 | Conflict of interest (including any competing business) | None | None | None |
| 13 | Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes | Yes |
| 14 | Other Principal Commitments including directorships – <u>Past 5 years</u> | <u>Directorships</u>:<br>● PNE Electronics (Dongguan) Co., Ltd<br>● Sen Yue Holdings Ltd*<br>● Sheng Yi Holdings Pte Ltd | <u>Directorships</u>:<br>● PNE Print Technology Co., Ltd | Nil |

# Corporate Governance

| | | Tan Kong Heng | Tan Kong Leong | Tung Chee Weng |
|---|---|---|---|---|
| 15 | Other Principal Commitments including directorships – Present | Directorships:<br>● Focal Dynamic Sdn Bhd<br>● General Leader (M) Sdn Bhd<br>● PNE Appliance Controls Pte Ltd<br>● PNE Electric Sdn Bhd<br>● PNE Translite Pte Ltd | Directorships:<br>● Focal Dynamic Sdn Bhd<br>● PNE Appliance Controls Pte Ltd<br>● PNE Electric Sdn Bhd<br>● PNE Electronic Technology (Shenzhen) Co., Ltd<br>● PNE International Pte Ltd<br>● PNE Translite Pte Ltd<br>● Wanli Company Enterprises Ltd | Directorships:<br>● My Grandfather's place @ UCC Pte Ltd |

* Mr Tan Kong Heng was previously also a director of various subsidiaries of Sen Yue Holdings Ltd, namely SYH E-Waste Management Pte. Ltd., PNE-Sino Pte Ltd, CED System Sdn Bhd, Hong Nam Industry (M) Sdn Bhd, Macore Technology (M) Sdn Bhd, PNE Marvellous Sdn Bhd, PNE Micron Engineering Sdn Bhd, PNE Micron (Kuala Lumpur) Sdn Bhd, and PNE Precision Sdn Bhd.

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

# Directors' Statement

*for the financial year ended September 30, 2019*

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended September 30, 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 28 to 80 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at September 30, 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

## 1. DIRECTORS

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

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

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

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

## 3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

The directors' interests in the shares of the Company as at October 21, 2019 were the same as at September 30, 2019.

# Directors' Statement

*for the financial year ended September 30, 2019*

## 4. SHARE OPTIONS

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

(b) *Options exercised*
During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*
At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## 5. AUDIT COMMITTEE

The Audit Committee of the Company carried out its functions in accordance with Section 201B of the Singapore Companies Act, Cap. 50, and the Singapore Exchange Listing Manual.

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

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

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

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

(c) To review the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the Board of Directors and the external auditors' report on those financial statements;

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

(e) To review interested person transactions;

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

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

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

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

The Audit Committee has full authority to investigate any matters within its terms of reference, and has full access to the management of the Company. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee held 3 meetings during the year. All members of the Audit Committee attended the meetings.

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

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

## 6. AUDITORS

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

ON BEHALF OF THE DIRECTORS

**Tan Koon Chwee**

**Tan Kong Leong**

December 12, 2019

# Independent Auditor's Report to the members of PNE Industries Ltd

*for the financial year ended September 30, 2019*

## Report on the Audit of the Financial Statements

### Opinion

We have audited the accompanying financial statements of PNE Industries Ltd (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at September 30, 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 28 to 80.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at September 30, 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

| Key audit matters | How the matter was addressed in the audit |
|---|---|
| **Calculation of loss allowance for trade receivables**<br><br>As at September 30, 2019, the Group has net trade receivables amounting to $32.1 million. The credit worthiness of customers may be impact by specific and/or macro-economic conditions, resulting in overdue trade receivables. The Group adopted SFRS(I) 9 *Financial Instruments*, effective from October 1, 2018. As a result, an expected credit loss impairment model was applied by the Group in determining the allowance against trade receivables. | We performed the following:<br><br>• Evaluated the design and implementation of relevant controls that management has in place to assess the expected recovery of the trade receivables.<br><br>• Assessed the Group's policies and procedures for measuring expected credit losses. |

### Key Audit Matters *(continued)*

| Key audit matters | How the matter was addressed in the audit |
|---|---|
| This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions. Given the significance of the trade receivables and significant judgement and estimations involved in the loss allowance assessment, we have identified the calculation of loss allowance for trade receivables as a key audit matter.<br><br>The accounting policy for calculation of loss allowance for trade receivables is disclosed in Note 2 to the financial statements and its relevant disclosure has been set out in Note 7 to the financial statements. | • Reviewed management's assessment of expected credit loss impairment model by applying historical collection data and forward-looking information.<br><br>• Reviewed management's assessment of impairment of trade receivables through analyses of ageing of receivables and assessment of material overdue individual trade receivables.<br><br>• Inquired management if there are any known disputed trade receivables.<br><br>• Reviewed the collectability of selected trade receivables by way of obtaining evidence of receipts from the customers subsequent to the end of the reporting period. For long overdue debts without subsequent collection, we reviewed their past payment trends and discussed with management if there are any disputed receivables with those customers.<br><br>We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements, regarding trade receivables and the related risks such as credit risk as disclosed in Notes 4(c)(iii), 4(c)(iv) and 7. |
| **Allowance for inventories**<br><br>As at September 30, 2019, the Group has inventories of $20.1 million, which is approximately 19.3% of its total assets.<br><br>The Group has made an allowance for inventories as at September 30, 2019 amounting to $1.7 million.<br><br>The value of the inventories and the usage are affected by market demand and technological advances. Management is required to assess at each reporting date whether there is any indication that the cost of inventories exceeds the net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.<br><br>There is judgement involved in assessing the level of inventory allowance required. | We performed the following:<br><br>• Evaluated the design and implementation of relevant controls over the valuation of inventories.<br><br>• Enquired with and challenged management on their analysis and assessment made in arriving at the allowance for inventories and assessed the reasonableness and accuracy of the allowance recognised.<br><br>• On a sample basis, assessed the net realisable value of inventories and challenged the appropriateness of the level of inventory allowance, considering the expected demand and actual selling price for selected samples.<br><br>• Assessed and evaluated the inventory aging analysis of the Group at year end, and any subsequent usage and sale of inventories after year end, taking into consideration the impact of changes in technology and customers' preference |

# Independent Auditor's Report to the members of PNE Industries Ltd

*for the financial year ended September 30, 2019*

## Key Audit Matters *(continued)*

| Key audit matters | How the matter was addressed in the audit |
|---|---|
| The relevant disclosure with respect to allowance for inventories has been set out in Note 9 to the financial statements. | and our knowledge of the Group's business and the industry in which it operates.<br><br>We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements in Note 9. |

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

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

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

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

## Responsibilities of Management and Directors for the Financial Statements

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

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

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

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

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

# Independent Auditor's Report to the members of PNE Industries Ltd

*for the financial year ended September 30, 2019*

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

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

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

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

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

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

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

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

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

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

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

# Independent Auditor's Report to the members of PNE Industries Ltd

*for the financial year ended September 30, 2019*

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

### Report on Other Legal and Regulatory Requirements

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

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

Deloitte & Touche LLP
Public Accountants and Chartered Accountants, Singapore

December 12, 2019

# Statements of Financial Position

*as at September 30, 2019*

| | | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | Note | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| **ASSETS** | | | | | | | |
| **Current assets** | | | | | | | |
| Cash and bank balances | 6 | **41,464** | 36,698 | 35,501 | **26,696** | 22,935 | 22,102 |
| Trade receivables | 7 | **32,086** | 31,730 | 34,690 | - | 31 | 91 |
| Other receivables | 8 | **1,038** | 1,905 | 1,965 | **62** | 98 | 55 |
| Inventories | 9 | **20,064** | 20,346 | 18,770 | - | - | - |
| Total current assets | | **94,652** | 90,679 | 90,926 | **26,758** | 23,064 | 22,248 |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 10 | **6,553** | 6,765 | 6,824 | - | - | - |
| Investments in subsidiaries | 11 | - | - | - | **20,064** | 19,514 | 19,514 |
| Investment in associate | 12 | **551** | 448 | 745 | - | - | - |
| Financial assets at fair value through other comprehensive income | 13 | **1,802** | - | - | **816** | - | - |
| Available-for-sale investments | 14 | - | 4,098 | 3,806 | - | 3,119 | 3,131 |
| Deferred tax assets | 15 | **188** | 254 | 354 | - | - | - |
| Total non-current assets | | **9,094** | 11,565 | 11,729 | **20,880** | 22,633 | 22,645 |
| **Total assets** | | **103,746** | 102,244 | 102,655 | **47,638** | 45,697 | 44,893 |
| **LIABILITIES AND EQUITY** | | | | | | | |
| **Current liabilities** | | | | | | | |
| Trade payables | 16 | **15,726** | 18,475 | 18,517 | **26** | 39 | 36 |
| Other payables | 17 | **3,147** | 2,547 | 3,336 | **629** | 518 | 704 |
| Income tax payable | | **1,195** | 384 | 941 | **71** | 83 | 32 |
| Total current liabilities | | **20,068** | 21,406 | 22,794 | **726** | 640 | 772 |
| **Non-current liability** | | | | | | | |
| Deferred tax liabilities | 15 | **50** | 55 | 59 | - | - | - |
| **Capital and reserves** | | | | | | | |
| Share capital | 18 | **36,991** | 36,991 | 36,991 | **36,991** | 36,991 | 36,991 |
| Currency translation reserve | | **365** | 765 | - | - | - | - |
| Capital reserve | | **501** | 303 | 303 | - | - | - |
| Investment revaluation reserve | | **(171)** | 33 | 45 | **(179)** | 33 | 45 |
| Accumulated profits | | **45,942** | 42,691 | 42,463 | **10,100** | 8,033 | 7,085 |
| Total equity | | **83,628** | 80,783 | 79,802 | **46,912** | 45,057 | 44,121 |
| **Total liabilities and equity** | | **103,746** | 102,244 | 102,655 | **47,638** | 45,697 | 44,893 |

*See accompanying notes to financial statements.*

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*for the financial year ended September 30, 2019*

| | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Revenue** | 19 | **102,183** | 79,844 |
| **Cost of sales** | | **(80,000)** | (61,249) |
| **Gross profit** | | **22,183** | 18,595 |
| Other operating income | 20a | **2,260** | 1,012 |
| Distribution costs | | **(2,574)** | (2,439) |
| Administrative expenses | | **(11,412)** | (10,460) |
| Other operating expenses | 20b | **(354)** | (134) |
| Share of results of associate | 12 | **118** | 106 |
| **Profit before tax** | | **10,221** | 6,680 |
| Income tax expense | 21 | **(2,077)** | (1,417) |
| **Profit for the year** | 22 | **8,144** | 5,263 |
| **Other comprehensive income:** | | | |
| Items that will not be reclassified subsequently to profit or loss: | | | |
| Net fair value gain on financial assets at FVTOCI | | **136** | - |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange difference arising on translation of foreign operations | | **(400)** | 765 |
| Net fair value loss on available-for-sale investments ("AFS") | 14 | **-** | (12) |
| | | **(400)** | 753 |
| Other comprehensive income for the year, net of tax | | **(264)** | 753 |
| **Total comprehensive income for the year** | | **7,880** | 6,016 |
| **Earnings per share (cents)** | | | |
| Basic and diluted | 23 | **9.7** | 6.3 |

*See accompanying notes to financial statements.*

# Statements of Changes in Equity

*for the financial year ended September 30, 2019*

| | Share capital $'000 | Currency translation reserve[1] $'000 | Capital reserve[2] $'000 | Investment revaluation reserve $'000 | Accumulated profits $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| Balance at October 1, 2017 | 36,991 | - | 303 | 45 | 42,463 | 79,802 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 5,263 | 5,263 |
| Other comprehensive income for the year | - | 765 | - | (12) | - | 753 |
| Total | - | 765 | - | (12) | 5,263 | 6,016 |
| Dividends, representing transaction with owners, recognised directly in equity (Note 26) | - | - | - | - | (5,035) | (5,035) |
| Balance at September 30, 2018 | 36,991 | 765 | 303 | 33 | 42,691 | 80,783 |
| Effects of adoption of SFRS(I) 9 | - | - | - | (829) | 829 | - |
| Balance at October 1, 2018 | 36,991 | 765 | 303 | (796) | 43,520 | 80,783 |
| Total comprehensive income for the year | | | | | | |
| Profit for the year | - | - | - | - | 8,144 | 8,144 |
| Other comprehensive income for the year | - | (400) | - | 136 | - | (264) |
| Total | - | (400) | - | 136 | 8,144 | 7,880 |
| Transactions with owners, recognised directly in equity | | | | | | |
| Dividends (Note 26) | - | - | - | - | (5,035) | (5,035) |
| Transfer to reserve fund | - | - | 198 | - | (198) | - |
| Total | - | - | 198 | - | (5,233) | (5,035) |
| Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal (Note 13) | - | - | - | 489 | (489) | - |
| Balance at September 30, 2019 | **36,991** | **365** | **501** | **(171)** | **45,942** | **83,628** |

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

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

*See accompanying notes to financial statements.*

# Statements of Changes in Equity

*for the financial year ended September 30, 2019*

| | Share capital $'000 | Investment revaluation reserve $'000 | Accumulated profits $'000 | Total $'000 |
|---|---|---|---|---|
| **Company** | | | | |
| Balance at October 1, 2017 | 36,991 | 45 | 7,085 | 44,121 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 5,983 | 5,983 |
| Other comprehensive income for the year | - | (12) | - | (12) |
| Total | - | (12) | 5,983 | 5,971 |
| Dividends, representing transaction with owners, recognised directly in equity (Note 26) | - | - | (5,035) | (5,035) |
| Balance at September 30, 2018 | 36,991 | 33 | 8,033 | 45,057 |
| Effects of adoption of SFRS(I) 9 | - | (829) | 829 | - |
| Balance at October 1, 2018 | 36,991 | (796) | 8,862 | 45,057 |
| Total comprehensive income for the year | | | | |
| Profit for the year | - | - | 6,762 | 6,762 |
| Other comprehensive income for the year | - | 128 | - | 128 |
| Total | - | 128 | 6,762 | 6,890 |
| Dividends, representing transaction with owners, recognised directly in equity (Note 26) | - | - | (5,035) | (5,035) |
| Transfer of investment revaluation reserve of equity instrument at FVTOCI upon disposal (Note 13) | - | 489 | (489) | - |
| Balance at September 30, 2019 | **36,991** | **(179)** | **10,100** | **46,912** |

*See accompanying notes to financial statements.*

# Consolidated Statement of Cash Flows

*for the financial year ended September 30, 2019*

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before tax | **10,221** | 6,680 |
| Adjustments for: | | |
| Share of results of associate | **(118)** | (106) |
| Depreciation expense | **846** | 821 |
| Loss on impairment on property, plant and equipment | **26** | 2 |
| Interest income | **(817)** | (624) |
| Gain on disposal of property, plant and equipment | **(11)** | (11) |
| Property, plant and equipment written off | **7** | 10 |
| Loss allowance recognised (reversed) on trade receivables | **321** | (79) |
| (Reversal of) Allowance for inventory obsolescence (net) | **(180)** | 82 |
| Operating cash flows before movements in working capital | **10,295** | 6,775 |
| Trade receivables | **(573)** | 3,323 |
| Other receivables | **821** | 46 |
| Inventories | **39** | (1,515) |
| Trade payables | **(2,930)** | (195) |
| Other payables | **571** | (637) |
| Cash generated from operations | **8,223** | 7,797 |
| Interest received | **817** | 624 |
| Income tax paid | **(1,203)** | (1,903) |
| Net cash from operating activities | **7,837** | 6,518 |
| **Investing activities** | | |
| Dividend received from associate | **-** | 395 |
| Proceeds from disposal of equity instruments held at FVTOCI | **2,432** | - |
| Proceeds from disposal of property, plant and equipment | **18** | 20 |
| Purchase of property, plant and equipment | **(784)** | (603) |
| Purchase of available-for-sale investment | **-** | (425) |
| Net cash from (used in) investing activities | **1,666** | (613) |

*See accompanying notes to financial statements.*

# Consolidated Statement of Cash Flows

*for the financial year ended September 30, 2019*

| | **2019** | 2018 |
|---|---|---|
| | **$'000** | $'000 |
| **Financing activities** | | |
| Fixed deposits and bank balances pledged | **-** | (7) |
| Dividends paid | **(5,035)** | (5,035) |
| Net cash used in financing activities | **(5,035)** | (5,042) |
| Net increase in cash and cash equivalents | **4,468** | 863 |
| Cash and cash equivalents at beginning of year | **36,532** | 35,342 |
| Net effect of foreign exchange rate changes | **300** | 327 |
| **Cash and cash equivalents at end of year (Note 6)** | **41,300** | 36,532 |

*See accompanying notes to financial statements.*

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 1. GENERAL

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 11.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended September 30, 2019 were authorised for issue by the Board of Directors on December 12, 2019.

For all periods up to and including the year ended September 30, 2018, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended September 30, 2019 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first time adoption of SFRS(I) are included in Note 27.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### BASIS OF ACCOUNTING

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

**BASIS OF CONSOLIDATION**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Company, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

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

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit

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

or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9, or when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

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

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

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

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

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

**FINANCIAL INSTRUMENTS**

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

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

**Financial assets (before October 1, 2018)**

Effective interest method

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

Loans and receivables

Trade and other receivables that 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 method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised in other comprehensive income with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at end of the reporting period. The change in fair value attributable to translation differences that result from a change in amortised cost of the available-for-sale monetary asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

For available-for-sale equity investments that do not have a quoted price in an active market and where fair value cannot be reliably measured, they shall be measured at cost less accumulated impairment losses.

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

Cash and cash equivalents in the statement of cash flows

Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

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

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

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve.

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

Derecognition of financial assets

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

**Financial assets (from October 1, 2018)**

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

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

Classification of financial assets

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

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

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

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

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

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

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

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

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

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

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

Amortised cost and effective interest method

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

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

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

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

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

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

Equity instruments designated as at FVTOCI

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

A financial asset is held for trading if:

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

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve.

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated profits.

The Group has designated all investments in equity instruments that are not held for trading as at FVTOCI on initial application of SFRS(I) 9 (see Note 13).

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

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

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

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

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

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

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

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

*Significant increase in credit risk*
In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from other similar

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

organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely trading and assembly of emergency lighting, electrical apparatus, light fittings and related products, manufacturing and trading of electronic and electrical products and dealers in electronic and electrical appliances.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

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

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

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

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Foreign exchange gains and losses
For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

cost of the instruments. These foreign exchange gains and losses are recognised either in the "other operating income" or "other operating expenses" line items in profit or loss for financial liabilities that are not part of a designated hedging relationship.

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

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

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

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

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

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 assets are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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

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

### PROPERTY, PLANT AND EQUIPMENT

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

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

| | | |
|---|---|---|
| Leasehold land | - | Lease term of 56 to 97 years |
| Buildings | - | 2% to 5% |
| Plant and machinery | - | 10% to 20% |
| Furniture, fittings and office equipment | - | 10% to 33.33% |
| Motor vehicles | - | 10% to 20% |

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

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

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

### IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

### ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof,

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

The requirements of SFRS(I) 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

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

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

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

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

**PROVISIONS**

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

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

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

**GOVERNMENT GRANTS**

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

Other government grants are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in the profit or loss in the period in which they become receivable.

**REVENUE RECOGNITION**

The Group recognises revenue from the sale of goods.

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

<u>Sale of goods</u>

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

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

<u>Interest income</u>

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

<u>Dividend income</u>

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

Management fee income

Management fee income is recognised when earned.

**RETIREMENT BENEFIT COSTS**

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

**EMPLOYEE LEAVE ENTITLEMENT**

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

**INCOME TAX**

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

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

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

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

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

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

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

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

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

### FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

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

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

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

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

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

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

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

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

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

***Critical judgements in applying the entity's accounting policies***

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

***Key sources of estimation uncertainty***

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

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details of the loss allowance on trade receivables are disclosed in Note 7.

Allowance for inventories

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

The carrying amount of inventories is disclosed in Note 9.

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

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

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

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| **Financial assets** | | | | | | |
| Financial assets at amortised cost | **73,838** | - | - | **26,735** | - | - |
| Loans and receivables | - | 68,765 | 70,543 | - | 23,040 | 22,199 |
| Available-for-sale financial assets | - | 4,098 | 3,806 | - | 3,119 | 3,131 |
| Financial assets at FVTOCI: | | | | | | |
| Equity instruments designated as at FVTOCI | **1,802** | - | - | **816** | - | - |
| **Financial liabilities** | | | | | | |
| Amortised cost | **18,873** | 21,022 | 21,853 | **655** | 557 | 740 |

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

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

***(c) Financial risk management policies and objectives***

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

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

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

(i) Foreign exchange risk management

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

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

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

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

| | Assets | | | Liabilities | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| **Group** | | | | | | |
| United States dollars | **76,891** | 68,203 | 72,549 | **46,156** | 38,454 | 35,409 |
| Singapore dollars | **5,717** | 4,291 | 5,485 | - | 271 | - |
| Malaysian ringgit | **3,710** | 1,817 | 1,808 | - | 1 | - |
| **Company** | | | | | | |
| United States dollars | **12,336** | 18,153 | 20,942 | - | - | - |
| Malaysian ringgit | **3,037** | 492 | 696 | - | - | - |

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

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

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

| | US dollar impact | | Singapore dollar impact | | Malaysian ringgit impact | |
|---|---|---|---|---|---|---|
| | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 |
| **Profit or loss** | | | | | | |
| Group | **3,073**(i) | 2,975(i) | **572**(i) | 402(i) | **371**(i) | 182(i) |
| Company | **1,234**(ii) | 1,815(ii) | - | - | **304**(ii) | 49(ii) |

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

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

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

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

(ii) Interest rate risk management

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Group and the Company are exposed to interest rate risk for financial instruments with a floating interest rate that is reset as market rates change. The Group manages its interest rate risk by monitoring the movements in the market interest rates closely.

No sensitivity analysis is prepared as the Group and the Company do not expect any material effect on the Group's and the Company's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

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

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. As at September 30, 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

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

The Group's current credit risk framework comprises the following categories:

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

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

| | Note | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| September 30, 2019 | | | | | | |
| Trade receivables | 7 | (i) | Lifetime ECL (simplified approach) | **32,929** | **(843)** | **32,086** |
| Other receivables | 8 | Performing | 12-month ECL | **288** | - | **288** |
| | | | | **33,217** | **(843)** | **32,374** |
| **Company** | | | | | | |
| September 30, 2019 | | | | | | |
| Other receivables | 8 | Performing | 12-month ECL | **39** | - | **39** |

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

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The Group and the Company have adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the risk of financial losses from defaults.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics except that as at September 30, 2019, the Group has 3 (September 30, 2018 : 3, October 1, 2017 : 2) major outstanding third party debtors amounting to $25,171,000 (September 30, 2018 : $22,225,000, October 1, 2017 : $23,056,000) which accounted for 76% (September 30, 2018 : 66%, October 1, 2017 : 63%) of the total gross trade receivable balance.

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

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

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

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

(v) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified at FVTOCI (2018 : available-for-sale). These equity investments are held for strategic rather than trading purposes. The Group does not actively trade such investments.

Further details of these equity investments can be found in Notes 13 and 14.

*Equity price sensitivity*

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

In respect of these equity investments, if the inputs to the valuation model had been 5% higher/lower while all other variables were held constant; the Group's investment revaluation reserve would increase/decrease by $90,000 (2018 : $205,000). 5% is the sensitivity rate used when reporting equity price risk internally to key management personnel and represents management's assessment of the reasonably possible change in equity price.

(vi) Liquidity risk management

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

The Group and the Company do not have interest-bearing financial liabilities and assets except for fixed deposits held by the Group as disclosed in Note 6.

Other than the Group's equity investments, all financial assets and financial liabilities of the Group and the Company are repayable on demand or due within 1 year from the end of the reporting period.

(vii) Fair value of financial assets and financial liabilities

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

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

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

| Financial Assets | Fair value as at ($'000) | | | Fair value hierarchy | Valuation technique and key input | Significant unobservable input(s) | Relationship of unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| | September 30, 2019 | September 30, 2018 | October 1, 2017 | | | | |
| | Assets | Assets | Assets | | | | |
| Financial assets at fair value through other comprehensive income/ Available -for-sale investments – - quoted equity shares | **816** | 3,119 | 3,131 | Level 1 | Quoted bid prices in an active market | N/A | N/A |
| Financial assets at fair value through other comprehensive income/ Available -for-sale investments – - unquoted equity shares | **986** | 979 | -(1) | Level 3 | Market approach - in this approach, the price of recent investment method is used to estimate the fair value | The price of recent investment | The higher the price of recent investment, the higher the fair value |

(1) In 2017, the investment of unquoted equity shares was measured at cost less accumulated impairment losses, as it does not have a quoted price in an active market and management had determined that its fair value cannot be reliably measured.

### *(d) Capital management policies and objectives*

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

The capital structure of the Group consists of issued capital, reserves and accumulated profits.

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

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

## 5. RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free, repayable on demand and expected to be settled in cash, unless otherwise stated.

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

| | **Group** | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| *Transactions with associate:* | | |
| Purchase of goods | **464** | 92 |
| Commission expense | **2,038** | 1,863 |

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

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

| | **Group** | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Short-term benefits | **2,284** | 2,356 |
| Post-employment benefits | **53** | 55 |
| | **2,337** | 2,411 |

## 6. CASH AND BANK BALANCES

| | **Group** | | | **Company** | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019** | September 30, 2018 | October 1, 2017 | **September 30, 2019** | September 30, 2018 | October 1, 2017 |
| | **$'000** | $'000 | $'000 | **$'000** | $'000 | $'000 |
| Fixed deposits | **29,729** | 29,542 | 25,401 | **22,580** | 21,397 | 17,788 |
| Cash and bank balances | **11,735** | 7,156 | 10,100 | **4,116** | 1,538 | 4,314 |
| Total | **41,464** | 36,698 | 35,501 | **26,696** | 22,935 | 22,102 |
| Less: Fixed deposits and bank balances pledged | **(164)** | (166) | (159) | | | |
| Cash and cash equivalents in consolidated statement of cash flows | **41,300** | 36,532 | 35,342 | | | |

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 6. CASH AND BANK BALANCES *(continued)*

Cash and bank balances comprise cash and fixed deposits held by the Group and the Company which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Fixed deposits bear interest at average interest rates ranging from 0.06% to 3.10% (September 30, 2018 : 0.05% to 3.10%, October 1, 2017 : 0.05% to 3.10%) per annum and with a tenure of three months or less. Fixed deposits of $164,000 (September 30, 2018 : $166,000, October 1, 2017 : $159,000) have been pledged for bank guarantees granted to third parties on behalf of the Group.

At September 30, 2019, the Group had cash and bank balances placed with banks in the People's Republic of China amounting to $716,000 (September 30, 2018 : $258,000, October 1, 2017 : $936,000). The repatriation of these cash into Singapore is subject to the Foreign Exchange Control Regulations in China.

## 7. TRADE RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Subsidiaries (Note 11) | - | - | - | - | 31 | 91 |
| Outside parties | **32,929** | 33,647 | 36,697 | - | - | - |
| Loss allowance – outside parties | **(843)** | (1,917) | (2,007) | - | - | - |
| | **32,086** | 31,730 | 34,690 | - | 31 | 91 |

The average credit period on sales of goods ranged from 30 days to 100 days (September 30, 2018 : 30 days to 100 days, October 1, 2017 : 30 days to 100 days). No interest is charged on outstanding trade receivables that are beyond the credit timeframe.

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

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

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

## 7. TRADE RECEIVABLES *(continued)*

The table below is an analysis of trade receivables as at the end of the reporting period:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Not past due and not impaired | **31,148** | 30,823 | 31,886 | - | 31 | 91 |
| Past due but not impaired [(i)] | **938** | 907 | 2,804 | - | - | - |
| | **32,086** | 31,730 | 34,690 | - | 31 | 91 |

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Impaired receivables – individually assessed [(ii)] | | | | | | |
| - Past due more than 12 months or poor response to repayment demands | **843** | 1,917 | 2,007 | - | - | - |
| Less: Loss allowance | **(843)** | (1,917) | (2,007) | - | - | - |
| | - | - | - | - | - | - |
| Total trade receivables, net | **32,086** | 31,730 | 34,690 | - | 31 | 91 |

[(i)] Aging of receivables that are past due but not impaired:

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Up to 3 months | **53** | 173 | 204 | - | - | - |
| 4 months to 6 months | **829** | 601 | 2,589 | - | - | - |
| 7 months to 12 months | **47** | 115 | 6 | - | - | - |
| More than 12 months | **9** | 18 | 5 | - | - | - |
| | **938** | 907 | 2,804 | - | - | - |

[(ii)] These amounts are stated before any deduction for impairment losses. These receivables are not secured by any collateral or credit enhancements.

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 7. TRADE RECEIVABLES *(continued)*

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

| | **Lifetime ECL – credit-impaired** **$'000** |
|---|---|
| Balance as at October 1, 2018 | 1,917 |
| Change in loss allowance due to new trade receivables originated | 321 |
| Amounts written off | (1,360) |
| Currency translation differences | (35) |
| Balance as at September 30, 2019 | **843** |

Previously under FRS 39 (before October 1, 2018)
Allowances made for irrecoverable amounts of trade receivables are recognised in profit or loss when there is objective evidence that the asset is impaired. Specific allowance is made for trade receivables that are unlikely to be collected.

Movements in the allowance for doubtful trade receivables are as follows:

| | **Group** $'000 |
|---|---|
| Balance as at October 1, 2017 | 2,007 |
| Reversal of allowance made during the year | (79) |
| Written off during the year | (14) |
| Currency translation differences | 3 |
| Balance as at September 30, 2018 | 1,917 |

## 8. OTHER RECEIVABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Value-added tax recoverable | **-** | 601 | 619 | **-** | - | - |
| Prepayments | **459** | 282 | 419 | **23** | 24 | 49 |
| Deposits | **219** | 219 | 212 | **-** | - | - |
| Subsidiaries (Note 11) | **-** | - | - | **-** | 27 | 6 |
| Export tax rebates recoverable | **291** | 685 | 575 | **-** | - | - |
| Others | **69** | 118 | 140 | **39** | 47 | - |
| | **1,038** | 1,905 | 1,965 | **62** | 98 | 55 |

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

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

<u>Previously under FRS 39 (before October 1, 2018)</u>
Management has considered the credit quality of other receivables at the end of the reporting period, and is of the view that these receivables are recoverable and none of the above receivables are past due or impaired.

## 9. INVENTORIES

| | Group | | |
|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Finished goods | **5,493** | 5,652 | 5,915 |
| Work in progress | **1,504** | 1,952 | 1,158 |
| Raw materials | **13,067** | 12,742 | 11,697 |
| | **20,064** | 20,346 | 18,770 |

In the previous financial year, an allowance for inventory obsolescence of $82,000 (October 1, 2017 : $54,000) was made in respect of write-down of inventory to net realisable value.

During the year, the Group recognised a reversal of $180,000, being part of an inventory write-down made in the previous financial years, as the inventories were sold above the carrying amounts in 2019.

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land<br>$'000 | Freehold land<br>$'000 | Buildings<br>$'000 | Plant and machinery<br>$'000 | Furniture, fittings and office equipment<br>$'000 | Motor vehicles<br>$'000 | Total<br>$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| Cost: | | | | | | | |
| At October 1, 2017 | 1,831 | 273 | 4,515 | 9,372 | 1,307 | 860 | 18,158 |
| Additions | - | - | 13 | 365 | 123 | 102 | 603 |
| Disposals | - | - | - | (44) | (9) | (70) | (123) |
| Write off | - | - | - | (30) | (43) | - | (73) |
| Exchange differences | 82 | 12 | 187 | 102 | (2) | 22 | 403 |
| At September 30, 2018 | 1,913 | 285 | 4,715 | 9,765 | 1,376 | 914 | 18,968 |
| Additions | - | - | 45 | 629 | 84 | 26 | 784 |
| Disposals | - | - | - | (5) | - | (28) | (33) |
| Write off | - | - | - | (83) | (6) | - | (89) |
| Exchange differences | (17) | (3) | (39) | (173) | (30) | (7) | (269) |
| At September 30, 2019 | **1,896** | **282** | **4,721** | **10,133** | **1,424** | **905** | **19,361** |
| Accumulated depreciation: | | | | | | | |
| At October 1, 2017 | 533 | - | 1,734 | 7,037 | 903 | 665 | 10,872 |
| Depreciation for the year | 32 | - | 106 | 496 | 133 | 54 | 821 |
| Eliminated on disposals | - | - | - | (35) | (9) | (70) | (114) |
| Write off | - | - | - | (26) | (37) | - | (63) |
| Exchange differences | 24 | - | 62 | 106 | (5) | 16 | 203 |
| At September 30, 2018 | 589 | - | 1,902 | 7,578 | 985 | 665 | 11,719 |
| Depreciation for the year | 32 | - | 106 | 507 | 128 | 73 | 846 |
| Eliminated on disposals | - | - | - | (5) | - | (21) | (26) |
| Write off | - | - | - | (76) | (6) | - | (82) |
| Exchange differences | (5) | - | (14) | (107) | (24) | (4) | (154) |
| At September 30, 2019 | **616** | **-** | **1,994** | **7,897** | **1,083** | **713** | **12,303** |
| Impairment: | | | | | | | |
| At October 1, 2017 | 97 | - | 365 | - | - | - | 462 |
| Impairment for the year | - | - | - | 2 | - | - | 2 |
| Exchange differences | 4 | - | 16 | - | - | - | 20 |
| At September 30, 2018 | 101 | - | 381 | 2 | - | - | 484 |
| Impairment for the year | - | - | - | 26 | - | - | 26 |
| Exchange differences | (1) | - | (3) | (1) | - | - | (5) |
| At September 30, 2019 | **100** | **-** | **378** | **27** | **-** | **-** | **505** |
| Carrying amount: | | | | | | | |
| At September 30, 2019 | **1,180** | **282** | **2,349** | **2,209** | **341** | **192** | **6,553** |
| At September 30, 2018 | 1,223 | 285 | 2,432 | 2,185 | 391 | 249 | 6,765 |
| At October 1, 2017 | 1,201 | 273 | 2,416 | 2,335 | 404 | 195 | 6,824 |

## 11. INVESTMENTS IN SUBSIDIARIES

| | Group | | |
|---|---|---|---|
| | **September 30, 2019** | September 30, 2018 | October 1, 2017 |
| | **$'000** | $'000 | $'000 |
| Unquoted equity shares, at cost | **19,514** | 19,514 | 19,514 |
| Due from subsidiary – non-trade | **550** | 544 | 510 |
| Less: Allowance for impairment loss | **-** | (544) | (510) |
| | **550** | - | - |
| Total | **20,064** | 19,514 | 19,514 |

During the year, the Group carried out a review of the recoverable amount of the investment in a subsidiary. The review led to the reversal of impairment loss of $544,000 with respect to deemed investment in this subsidiary that has been recognised in the Company's profit or loss. The recoverable amount has been determined based on its underlying net assets amount.

Details of the subsidiaries are as follows:

| Name of subsidiary | Proportion of ownership interest/ voting power held | | | Principal activities/ Country of incorporation |
|---|---|---|---|---|
| | **September 30, 2019 %** | September 30,2018 % | October 1, 2017 % | |
| Da Xi Enterprises Ltd[(3)] | **100** | 100 | 100 | Trading of electrical and electronic products/ British Virgin Islands |
| PNE Appliance Controls Controls Pte Ltd | **100** | 100 | 100 | Dealers in electronic and electrical appliances/ Singapore |
| PNE Electric Sdn Bhd[(1)] | **100** | 100 | 100 | Manufacture of electronic and electrical products/ Malaysia |
| PNE Electronic Technology (Shenzhen) Co., Ltd[(2)] | **100** | 100 | 100 | Manufacture of electronic and electrical products/ People's Republic of China |
| PNE International Pte Ltd | **100** | 100 | 100 | Investment holding/ Singapore |
| PNE Systems Sdn Bhd[(1)] | **100** | 100 | 100 | Dealers in domestic and commercial electrical appliances/ Malaysia |
| PNE Translite Pte Ltd | **100** | 100 | 100 | Trading and assembly of emergency lighting, electrical apparatus, light fittings and related products/ Singapore |
| Wanli Company Enterprises Ltd[(3)] | **100** | 100 | 100 | Trading of electrical and electronic products/ British Virgin Islands |
| Wanxi Holdings Pte Ltd | **100** | 100 | 100 | Investment holding/ Singapore |

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 11. INVESTMENTS IN SUBSIDIARIES *(continued)*

**Notes:**
Audited by Deloitte & Touche LLP, Singapore except as follows:
(1) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
(2) Audited by another firm of auditors, Shenzhen Yida Certified Public Accountants.
(3) Not required to be audited by law in the country of incorporation and not material.

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

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

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

Significant transactions with subsidiaries:

| | **Company** | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Dividend income | **5,592** | 5,498 |
| Management fee income | **1,584** | 1,704 |

## 12. INVESTMENT IN ASSOCIATE

| | **Group** | | |
|---|---|---|---|
| | **September 30, 2019** | September 30, 2018 | October 1, 2017 |
| | **$'000** | $'000 | $'000 |
| Unquoted equity shares, at cost | **155** | 155 | 155 |
| Share of post-acquisition accumulated profits, net of dividends received | **488** | 370 | 659 |
| Currency realignment | **(92)** | (77) | (69) |
| | **551** | 448 | 745 |

Details of the Group's associate are as follows:

| **Name of associate** | **Proportion of ownership interest/ voting power held** | | | **Principal activities/ Country of incorporation** |
|---|---|---|---|---|
| | **September 30, 2019** | September 30, 2018 | October 1, 2017 | |
| | **%** | % | % | |
| PNE Benelux BV (1) | **50** | 50 | 50 | Marketing and engineering services/ The Netherlands |

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

## 12. INVESTMENT IN ASSOCIATE *(continued)*

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

| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
|---|---|---|---|
| Current assets | **1,317** | 1,281 | 2,057 |
| Non-current assets | **87** | 26 | 47 |
| Total assets | **1,404** | 1,307 | 2,104 |
| Current liabilities | **(412)** | (520) | (700) |
| Net assets | **992** | 787 | 1,404 |

| | **2019 $'000** | 2018 $'000 |
|---|---|---|
| Revenue | **2,716** | 2,172 |
| Profit for the year | **236** | 212 |
| Group's share of associate's profit for the year | **118** | 106 |
| Dividends received from associate during the year | - | 395 |

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

| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
|---|---|---|---|
| Net assets of the associate | **992** | 787 | 1,404 |
| Proportion of the Group's ownership in associate | **50%** | 50% | 50% |
| Group's share of associate's net assets | **496** | 394 | 702 |
| Goodwill | **48** | 48 | 48 |
| Exchange differences | **7** | 6 | (5) |
| Carrying amount of the Group's share of associate's net assets | **551** | 448 | 745 |

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Investments in equity instruments designated at FVTOCI: | | | | | | |
| Quoted equity shares | **816** | - | - | **816** | - | - |
| Unquoted equity shares | **986** | - | - | **-** | - | - |
| Total financial assets at FVTOCI | **1,802** | - | - | **816** | - | - |

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

The Group has applied the requirements of SFRS(I) 9 *Financial Instruments* as at October 1, 2018 and has classified the equity investments as financial assets at fair value through other comprehensive income ("FVTOCI") accordingly. The equity investments were previously classified as available-for-sale in accordance with FRS 39, as disclosed in Note 14.

During the year, the Group disposed part of its quoted equity shares to maximise returns after assessing the market outlook for the investment. These disposed investments had a fair value of $2,432,000 at the date of disposal, and the cumulative loss on disposal amounted to $489,000, net of tax. The cumulative loss on disposal was reclassified from investment revaluation reserve to accumulated profits.

## 14. AVAILABLE-FOR-SALE INVESTMENTS

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Quoted equity shares [1] | **-** | 3,119 | 3,131 | **-** | 3,119 | 3,131 |
| Unquoted equity shares [2] | **-** | 979 | 675 | **-** | - | - |
| | **-** | 4,098 | 3,806 | **-** | 3,119 | 3,131 |

[1] The quoted available-for-sale equity shares represent an investment in PNE PCB Berhad. The investment offers the Group the opportunity for return through dividend income and fair value gains. In 2018, a fair value loss of $12,000 was recorded in other comprehensive income. The fair value of quoted securities was based on the quoted closing prices on the last market day of the financial year.

[2] The unquoted available-for-sale equity shares represent an investment in DSP Innovation BV, a company incorporated in Netherlands, that is engaged in system software and application activities. In 2017, the investment held was measured at cost less accumulated impairment losses, as it does not have a quoted price in an active market and management determined that its fair value cannot be reliably measured. In 2018, the available-for-sale equity investment was valued by an independent valuer by reference to the price of recent investment.

## 14. AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

The Group has adopted SFRS(I) 9 *Financial Instruments* on October 1, 2018 and has classified the equity investments as financial assets at fair value through other comprehensive income accordingly, as disclosed in Note 13.

## 15. DEFERRED TAX ASSETS (LIABILITIES)

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

| | Provisions<br>$'000 | Tax over book depreciation<br>$'000 | Total<br>$'000 |
|---|---|---|---|
| **Group** | | | |
| Balance at October 1, 2017 | 354 | (59) | 295 |
| (Charge) Credit to profit or loss for the year (Note 21) | (76) | 5 | (71) |
| Exchange differences | (24) | (1) | (25) |
| Balance at September 30, 2018 | 254 | (55) | 199 |
| (Charge) Credit to profit or loss for the year (Note 21) | (68) | 5 | (63) |
| Exchange differences | 2 | - | 2 |
| Balance at September 30, 2019 | **188** | **(50)** | **138** |

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

| | Group | | |
|---|---|---|---|
| | **September 30, 2019<br>$'000** | September 30, 2018<br>$'000 | October 1, 2017<br>$'000 |
| Deferred tax assets | **188** | 254 | 354 |
| Deferred tax liabilities | **(50)** | (55) | (59) |
| | **138** | 199 | 295 |

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised is $17,650,000 (September 30, 2018 : $16,223,000, October 1, 2017 : $15,305,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not crystallise in the foreseeable future.The Group's temporary differences associated with the undistributed profits of the associate is not significant.

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 16. TRADE PAYABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Outside parties | **15,622** | 18,309 | 18,333 | **26** | 39 | 36 |
| Related parties (Note 5) | **104** | 166 | 184 | **-** | - | - |
| | **15,726** | 18,475 | 18,517 | **26** | 39 | 36 |

The average credit period on purchases of goods is 30 to 90 days (September 30, 2018 : 30 to 90 days, October 1, 2017 : 30 to 90 days). No interest is charged on outstanding trade payable balances beyond the credit timeframe.

## 17. OTHER PAYABLES

| | Group | | | Company | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| Accruals | **3,147** | 2,547 | 3,336 | **629** | 518 | 704 |

## 18. SHARE CAPITAL

| | Group and Company | | | | | |
|---|---|---|---|---|---|---|
| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
| | Number of ordinary shares | | | | | |
| Issued and paid-up capital: | | | | | | |
| At the beginning and end of year | **83,917** | 83,917 | 83,917 | **36,991** | 36,991 | 36,991 |

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

## 19. REVENUE

The Group derives its revenue from the transfer of goods at a point in time in the following major product lines. This is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (see Note 25).

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

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| **Segment revenue** | | |
| Contract manufacturing | **93,341** | 69,273 |
| Trading | **8,842** | 10,571 |
| | **102,183** | 79,844 |

## 20a. OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Interest income from fixed deposits | **817** | 624 |
| Foreign exchange gain | **861** | - |
| Government grants | **184** | - |
| Reversal of impairment loss on trade receivables | **-** | 79 |
| Income from sale of scrap | **177** | 149 |
| Gain on disposal of property, plant and equipment | **11** | 11 |
| Other | **210** | 149 |
| | **2,260** | 1,012 |

## 20b. OTHER OPERATING EXPENSES

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Foreign exchange loss | **-** | 122 |
| Property, plant and equipment written off | **7** | 10 |
| Loss allowance recognised on trade receivables | **321** | - |
| Impairment loss on property, plant and equipment | **26** | 2 |
| | **354** | 134 |

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 21. INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Current tax: | | |
| Singapore | **603** | 529 |
| Foreign | **1,422** | 848 |
| Deferred tax | **80** | 24 |
| (Over) Under provision in prior years: | | |
| Current tax | **(11)** | (31) |
| Deferred tax | **(17)** | 47 |
| | **2,077** | 1,417 |

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2018 : 17%) to profit before tax as a result of the following differences:

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Profit before tax | **10,221** | 6,680 |
| Income tax expense at statutory rate | **1,738** | 1,136 |
| (Non-taxable) Non-deductible items | **(36)** | 152 |
| Effects of different tax rates of overseas operations | **416** | 314 |
| Exempt income | **(35)** | (156) |
| (Over) Under provision of taxes in prior years | **(28)** | 16 |
| Others | **22** | (45) |
| | **2,077** | 1,417 |

## 22. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Directors' remuneration: | | |
| Directors of the Company | **1,541** | 1,572 |
| Directors of subsidiaries | **61** | 67 |
| Employee benefits expense (including directors' remuneration) | **17,751** | 15,689 |
| Cost of defined contribution plans | | |
| (included in employee benefits expense) | **932** | 721 |
| Audit fees: | | |
| Paid to auditors of the Company | **147** | 146 |
| Paid to other auditors | **29** | 29 |
| Non-audit fees: | | |
| Paid to auditors of the Company | **25** | 12 |
| Paid to other auditors | **5** | 5 |
| Cost of inventories included in cost of sales | **80,000** | 61,249 |

## 23. EARNINGS PER SHARE

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

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| Profit for the year ($'000) | **8,144** | 5,263 |
| Number of fully paid ordinary shares in issue during the year (in '000) | **83,917** | 83,917 |

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

# Notes to Financial Statements
*for the financial year ended September 30, 2019*

## 24. OPERATING LEASE ARRANGEMENTS

| | Group | |
|---|---|---|
| | **2019** | 2018 |
| | **$'000** | $'000 |
| Minimum lease payments under non-cancellable operating leases recognised as an expense in the year | **646** | 634 |

At the end of the reporting period, outstanding commitments in respect of non-cancellable operating leases were as follows:

| | | Group | |
|---|---|---|---|
| | **September 30, 2019** | September 30, 2018 | October 1, 2017 |
| | **$'000** | $'000 | $'000 |
| Within one year | **752** | 581 | 572 |
| In the second to fifth years inclusive | **619** | 420 | 334 |
| | **1,371** | 1,001 | 906 |

Operating lease payments represent rentals payable by the Group for certain of its office premises and office equipment. Leases are negotiated for an average term of 3 to 6 years (September 30, 2018 : 3 to 6 years, October 1, 2017 : 3 to 6 years) and rentals are fixed for an average of 3 to 6 years (September 30, 2018 : 3 to 6 years, October 1, 2017 : 3 to 6 years).

## 25. SEGMENT INFORMATION

(a) **Business segment**

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

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

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

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

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

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

## 25. SEGMENT INFORMATION *(continued)*

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

(i) Segment revenue and results

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

| | Revenue | | Net Profit | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Contract manufacturing | **93,341** | 69,273 | **7,979** | 4,053 |
| Trading | **8,842** | 10,571 | **1,108** | 1,656 |
| Others | **-** | - | **199** | 241 |
| Total | **102,183** | 79,844 | **9,286** | 5,950 |
| Interest income | | | **817** | 624 |
| Share of results of associate | | | **118** | 106 |
| Profit before tax | | | **10,221** | 6,680 |
| Income tax expense | | | **(2,077)** | (1,417) |
| **Profit for the year** | | | **8,144** | 5,263 |

Revenue reported above represents revenue generated from external customers after excluding all inter-segment sales between contract manufacturing segment and trading segment during the year amounting to $7,633,000 (2018 : $9,621,000).

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

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 25. SEGMENT INFORMATION *(continued)*

(ii) Segment assets and liabilities

| | **September 30, 2019 $'000** | September 30, 2018 $'000 | October 1, 2017 $'000 |
|---|---|---|---|
| **Segment assets** | | | |
| Contract manufacturing | **55,075** | 55,236 | 57,328 |
| Trading | **4,604** | 5,439 | 4,872 |
| Others | **613** | 519 | 794 |
| Total segment assets | **60,292** | 61,194 | 62,994 |
| Unallocated | **43,454** | 41,050 | 39,661 |
| Consolidated assets | **103,746** | 102,244 | 102,655 |
| **Segment liabilities** | | | |
| Contract manufacturing | **17,436** | 19,367 | 19,826 |
| Trading | **706** | 1,104 | 1,167 |
| Others | **731** | 551 | 860 |
| Total segment liabilities | **18,873** | 21,022 | 21,853 |
| Unallocated | **1,245** | 439 | 1,000 |
| Consolidated liabilities | **20,118** | 21,461 | 22,853 |

All assets are allocated to reportable segments other than cash and bank balances (Note 6), financial assets at fair value through other comprehensive income (Note 13), available-for-sale investments (Note 14) and deferred tax assets (Note 15).

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

(iii) Other segment information

| | **Depreciation** | | **Additions to non-current assets*** | | **(Reversal) Allowance for inventories** | |
|---|---|---|---|---|---|---|
| | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 | **2019 $'000** | 2018 $'000 |
| Contract manufacturing | **788** | 761 | **780** | 597 | **(191)** | 158 |
| Trading | **58** | 60 | **4** | 6 | **11** | (76) |
| Others | **-** | - | **-** | 304 | **-** | - |
| | **846** | 821 | **784** | 907 | **(180)** | 82 |

* excluding deferred tax assets

In addition to the depreciation reported above, impairment loss of $26,000 (2018 : $2,000) attributable to the reportable segment under contract manufacturing was recognised in respect of property, plant and equipment in 2019.

## 25. SEGMENT INFORMATION *(continued)*

(b) **Geographical information**

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

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

| | **Revenue from external customers** | | **Non-current assets** | | |
|---|---|---|---|---|---|
| | | | **September 30, 2019** | September 30, 2018 | October 1, 2017 |
| | **2019** | 2018 | | | |
| | **$'000** | $'000 | **$'000** | $'000 | $'000 |
| Netherlands | **32,710** | 19,251 | **1,537** | 1,426 | 1,420 |
| Poland | **23,281** | 16,486 | - | - | - |
| Europe (excluding Netherlands and Poland) | **20,211** | 17,051 | - | - | - |
| People's Republic of China | **9,757** | 9,289 | **1,278** | 1,476 | 1,505 |
| Malaysia | **6,553** | 8,009 | **6,081** | 8,435 | 8,545 |
| Singapore | **4,075** | 4,258 | **198** | 228 | 259 |
| Others | **5,596** | 5,500 | - | - | - |
| | **102,183** | 79,844 | **9,094** | 11,565 | 11,729 |

(c) **Information about major customers**

Included in revenue arising from contract manufacturing sales to customers is revenue of $78,625,000 (2018 : $49,910,000) which arose from sales to the Group's 3 (2018 : 3) major group of customers, each of whom accounted for more than 10% of the Group's total external revenue.

## 26. DIVIDENDS

On February 15, 2019, a one-tier tax-exempt final dividend of $0.030 per share (2018 : $0.030 per share) was paid to shareholders in respect of the year ended September 30, 2018, amounting to a total dividend of $2,518,000 (2018 : $2,518,000 for the year ended September 30, 2017).

In respect of the financial year ended September 30, 2019:

(a) The Company declared and paid a one-tier tax-exempt interim dividend of $0.020 per share totaling $1,678,000 on June 21, 2019 (2018 : one-tier tax-exempt interim dividend of $0.020 per share totaling $1,678,000).

(b) The Company declared and paid a one-tier tax-exempt special interim dividend of $0.010 per share totaling $839,000 on June 21, 2019 (2018 : one-tier tax-exempt special interim dividend of $0.010 per share totaling $839,000).

(c) The directors proposed that a one-tier tax-exempt final dividend of $0.030 per share and a special final dividend of $0.030 per share, totaling $0.060 per share be paid to shareholders. This dividend is subject to the approval of the shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is $5,035,000.

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 27. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework - Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended September 30, 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (September 30, 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended September 30, 2019, an additional opening statement of financial position as at date of transition (October 1, 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are presented for equity as at date of transition (October 1, 2017) and as at end of last financial period under FRS (September 30, 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended September 30, 2018). Additional disclosures are made for specific transition adjustments if applicable.

There is no change to the Group's and the Company's previous accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 *Financial Instruments* which are effective at the same time, and the election of certain transition options available under SFRS(I) 1.

Management has elected the following transition option:

- The Group has applied the option to reset the cumulative translation differences for all foreign operations to zero at the date of transition to SFRS(I). The gain or loss on a subsequent disposal of any foreign operation shall exclude the translation differences that arose before October 1, 2017 and shall include later translation differences.

Management has elected the following transition exemption:

- The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on October 1, 2018. Accordingly, the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended September 30, 2018. The Group is also exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosure* to the extent that the disclosures required by SFRS(I) 7 relate to the items within scope of SFRS(I) 9.

  As a result, the requirements under FRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within scope of SFRS(I) 9.

Under SFRS(I) 9, the Group and the Company have made an irrevocable election, at initial recognition, to measure its investment in equity instruments at fair value through other comprehensive income.

**Reconciliations of equity**

The effects of transition to SFRS(I) and the initial application of SFRS(I) 9 are presented and explained below.

## 27. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK *(continued)*

Group

(A) Impact on the Statement of Financial Position as at October 1, 2017 (date of transition to SFRS(I))

| | As previously reported under FRS $'000 | Application of SFRS(I) 1 $'000 | Note | As adjusted under SFRS(I) $'000 |
|---|---|---|---|---|
| **Capital and reserves** | | | | |
| Share capital | 36,991 | - | | 36,991 |
| Currency translation deficit | (7,864) | 7,864 | (a) | - |
| Capital reserve | 303 | - | | 303 |
| Investment revaluation reserve | 45 | - | | 45 |
| Accumulated profits | 50,327 | (7,864) | (a) | 42,463 |
| Total equity | **79,802** | - | | **79,802** |

(B) Impact on the Statement of Financial Position as at September 30, 2018 (end of last period reported under FRS)

| | As previously reported under FRS $'000 | Application of SFRS(I) 1 $'000 | Note | As adjusted under SFRS(I) $'000 |
|---|---|---|---|---|
| **Capital and reserves** | | | | |
| Share capital | 36,991 | - | | 36,991 |
| Currency translation deficit | (7,099) | 7,864 | (a) | 765 |
| Capital reserve | 303 | - | | 303 |
| Investment revaluation reserve | 33 | - | | 33 |
| Accumulated profits | 50,555 | (7,864) | (a) | 42,691 |
| Total equity | **80,783** | - | | **80,783** |

(C) Impact on the Statement of Profit or Loss and Other Comprehensive Income for the year ended September 30, 2018 (last financial year reported under FRS)

The transition to SFRS(I) and the initial application of SFRS(I) 9 have not had a material impact on the statement of profit or loss and other comprehensive income.

(D) Impact on the Statement of Cash Flows for the year ended September 30, 2018 (last financial year reported under FRS)

The transition to SFRS(I) and the initial application of SFRS(I) 9 have not had a material impact on the statement of cash flows.

# Notes to Financial Statements

*for the financial year ended September 30, 2019*

## 27. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK *(continued)*

Classification and measurement of financial assets

For financial assets held by the Group and the Company on October 1, 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate catergories under SFRS(I) 9. The reclassifications resulting from management's assessment are disclosed below.

| | Available-for-sale investments ("AFS") $'000 | Financial assets at fair value through other comprehensive income ("FVTOCI") $'000 | Investment revaluation reserve $'000 | Accumulated profits $'000 | Note |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Balance as at September 30, 2018 – before adoption of SFRS(I) 9 | 4,098 | - | 33 | 42,691 | |
| Reclassify from AFS to FVTOCI | (4,098) | 4,098 | (829) | 829 | (b) |
| Balance as at October 1, 2018 – after adoption of SFRS(I) 9 | - | **4,098** | **(796)** | **43,520** | |

| | Available-for-sale investments ("AFS") $'000 | Financial assets at fair value through other comprehensive income ("FVTOCI") $'000 | Investment revaluation reserve $'000 | Accumulated profits $'000 | Note |
|---|---|---|---|---|---|
| **Company** | | | | | |
| Balance as at September 30, 2018 – before adoption of SFRS(I) 9 | 3,119 | - | 33 | 8,033 | |
| Reclassify from AFS to FVTOCI | (3,119) | 3,119 | (829) | 829 | (b) |
| Balance as at October 1, 2018 – after adoption of SFRS(I) 9 | - | **3,119** | **(796)** | **8,862** | |

**Notes to the reconciliations:**

(a) The Group has elected to set the cumulative translation differences for all foreign operations to zero as at the date of initial transition to SFRS(I) on October 1, 2017. As a result, a cumulative translation loss of $7,864,000 was reclassified from currency translation deficit to accumulated profits as at October 1, 2017.

(b) Equity investments reclassified from AFS to FVTOCI
The Group's and the Company's investments in equity instruments that were previously classified as available-for-sale were measured at fair value at each reporting date under FRS 39 have been designated as at fair value through other comprehensive income.

## 27. ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK *(continued)*

This change in classification of the Group's and the Company's investments in equity instruments has resulted in the reclassification of cumulative impairment loss of $829,000 from the opening accumulated profits to investment revaluation reserve of the Group and the Company.

## 28. STANDARDS ISSUED BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I)s pronouncement was issued but not effective and is expected to have an impact to the Group and the Company in the period of its initial application.

Effective for annual periods beginning on or after January 1, 2019

- SFRS(I) 16 *Leases*

**SFRS(I) 16 *Leases***

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

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

SFRS(I) 1-17 does not require the recognition of any right-of-use asset or liability for future payments for the operating leases that the Group enters into. Under SFRS(I) 16, the Group may be required to recognise a right-of-use asset and a corresponding liability in respect of all leases unless they qualify for low value or short-term leases upon the application of SFRS(I) 16. Additional disclosures may also be made with respect to leases, including any significant judgement and estimation made in distinguishing between leases and service contracts, on the basis of whether an identified asset controlled by the customer exists.

As at September 30, 2019, the Group has non-cancellable operating lease commitments as disclosed in Note 24. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon application of SFRS(I) 16. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have a significant impact on the amounts recognised in the Group's financial statements and management is currently assessing its potential impact.

# Statistics of Shareholdings

*As at December 5, 2019*

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

## Size of Shareholdings

| Size of Shareholdings | No. of Shareholders | Percentage | No. of Shares Held | Percentage |
|---|---|---|---|---|
| 1 - 99 | 28 | 2.41 | 1,204 | 0.00 |
| 100 - 1,000 | 286 | 24.68 | 141,636 | 0.17 |
| 1,001 - 10,000 | 560 | 48.32 | 2,313,226 | 2.76 |
| 10,001 - 1,000,000 | 272 | 23.47 | 17,585,629 | 20.95 |
| 1,000,001 and above | 13 | 1.12 | 63,875,062 | 76.12 |
| **Total** | **1,159** | **100.00** | **83,916,757** | **100.00** |

Based on information available to the Company as at December 5, 2019, approximately 19.18% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

## Top Twenty Shareholders As At December 5, 2019

| S/No. | Name | No. of Shares | Percentage |
|---|---|---|---|
| 1 | TAN KOON CHWEE | 9,334,875 | 11.12 |
| 2 | TAN KONG HENG | 8,829,100 | 10.52 |
| 3 | TAN KONG LEONG | 8,614,875 | 10.27 |
| 4 | TAN KONG SIN | 7,832,932 | 9.33 |
| 5 | ESTATE OF TAN KWANG HUA, DEC'D | 6,384,375 | 7.61 |
| 6 | TAN KWONG SOON | 4,709,750 | 5.61 |
| 7 | TAN KONG HOCK | 4,596,750 | 5.48 |
| 8 | LAM KUE YEN | 3,830,500 | 4.56 |
| 9 | TAN KONG BOON | 3,227,550 | 3.85 |
| 10 | TAN KONG GUAN | 2,520,000 | 3.00 |
| 11 | TAN BEE FOON | 1,823,905 | 2.17 |
| 12 | CHUA CHENG HWEE RONA (CAI JINGHUI RONA) | 1,125,500 | 1.34 |
| 13 | TAN KIAN HIE | 1,044,950 | 1.25 |
| 14 | TAN KIM KIM | 984,500 | 1.17 |
| 15 | DBS NOMINEES (PRIVATE) LIMITED | 920,625 | 1.10 |
| 16 | TAN PAI LI | 878,200 | 1.05 |
| 17 | ABN AMRO CLEARING BANK N.V. | 870,550 | 1.04 |
| 18 | TAN JIAN HUI | 741,187 | 0.88 |
| 19 | TAN TEE CHING | 622,500 | 0.74 |
| 20 | CITIBANK NOMINEES SINGAPORE PTE LTD | 562,950 | 0.67 |
| | **Total** | **69,455,574** | **82.76** |

# Statistics of Shareholdings

*As at December 5, 2019*

### Substantial Shareholders as shown in the Register of Substantial Shareholders

| S/No. | Name of Shareholders | No. of Shares Direct Interest | Deemed Interest |
|---|---|---|---|
| 1 | Tan Koon Chwee | 9,334,875 | Nil |
| 2 | Tan Kong Heng | 8,829,100 | Nil |
| 3 | Tan Kong Leong | 8,614,875 | Nil |
| 4 | Tan Kong Sin | 7,832,932 | Nil |
| 5 | Estate of Tan Kwang Hua (Deceased) | 6,384,375 | Nil |
| 6 | Tan Kwong Soon | 4,709,750 | Nil |
| 7 | Tan Kong Hock | 4,596,750 | Nil |

# Notice of Annual General Meeting

PNE INDUSTRIES LTD (Company Registration No. 199905792R)

NOTICE IS HEREBY GIVEN that the Twentieth Annual General Meeting of the Company will be held at Orchid Country Club, 1 Orchid Club Road, Sapphire 1, Orchid Lodge, Level 2, Singapore 769162 on Friday, 17 January 2020 at 9.00 a.m., to transact the following business:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Financial Statements for the year ended 30 September 2019 and the Auditors' Report thereon.

2(a). To declare a final dividend of S$0.03 (2018: S$0.03) per ordinary share for the year ended 30 September 2019.

2(b). To declare a special dividend of S$0.03 (2018: S$Nil) per ordinary share for the year ended 30 September 2019.

3. To approve the Directors' Fees of S$150,000/- (2018: S$147,500/-) for the year ended 30 September 2019.

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

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

4(c)(i). To re-elect Mr Tung Chee Weng, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution.

4(c)(ii). To approve Mr Tung Chee Weng's appointment as an Independent Director in anticipation of Rule 210(5)(d)(iii) of the SGX-ST Listing Manual that will take effect on 1 January 2022.

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

## AS SPECIAL BUSINESS

To consider and, if thought fit, pass the following Resolution No. 6 as Ordinary Resolution:

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

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

   (bb) make or grant offers, agreements or options (collectively, "Instruments") that might or would require Shares to be issued during the continuance of this authority or thereafter, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the directors may, in their absolute discretion, deem fit; and

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

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

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

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

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

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

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

(v) (unless revoked or varied by the Company in general meeting), the authority so conferred shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held whichever is the earlier."

7. To transact any other business.

By Order of the Board

**TAN MENG SIEW**
Company Secretary

Singapore
Date: 2 January 2020

# Notice of Annual General Meeting

PNE INDUSTRIES LTD (Company Registration No. 199905792R)

**Note:**

A member is entitled to appoint a proxy to attend and vote in his place. A proxy need not be a Member of the Company. Members wishing to vote by proxy at the Meeting may use the proxy form enclosed. To be valid, the completed proxy form must be lodged at the registered office of the Company at 996 Bendemeer Road #07-06, Singapore 339944 not less than 48 hours before the Meeting.

**NOTICE OF BOOK CLOSURE**

**NOTICE IS HEREBY GIVEN** that the Share Transfer Books and Register of Members of PNE Industries Ltd will be closed at 5.00 p.m. on 28 January 2020 for the preparation of dividend entitlement and shall reopen on the following working day.

Duly completed and stamped registrable transfers received by the Company's Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 28 January 2020 will be registered to determine shareholders' entitlements to the said dividend. Members whose securities accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 28 January 2020 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the members at the AGM to be held on 17 January 2020, will be made on 14 February 2020.

**EXPLANATORY NOTE TO RESOLUTION 4(a):**

Mr. Tan Kong Heng is the Non-Executive Chairman of the Company and a member of the Remuneration and Nominating Committees. He will, upon re-election, continue to serve as Non-Executive Chairman of the Company and as a member of the respective Committees. Mr. Tan Kong Heng was last-re-elected in 2017.

**EXPLANATORY NOTE TO RESOLUTION 4(b):**

Mr. Tan Kong Leong is an Executive Director of the Company. He will, upon re-election, continue to serve as an Executive Director of the Company. Mr. Tan Kong Leong was last re-elected in 2018.

**EXPLANATORY NOTE TO RESOLUTION 4(c)(i):**

Mr. Tung Chee Weng is an Independent Director of the Company. He is the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. He will, upon re-election, continue to serve as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees respectively. Mr. Tung Chee Weng was last re-elected in 2018.

**EXPLANATORY NOTE TO RESOLUTION 4(c)(ii):**

Notwithstanding that SGX-ST Listing Manual Rule 210(5)(d)(iii) has yet to take effect, Mr. Tung Chee Weng, who has been a Director for an aggregate period of more than 9 years will, subject to the passing of resolution 4(c)(i), upon the passing of this resolution, continue to serve as an Independent Director, until the earlier of his retirement or resignation, or the conclusion of the third annual general meeting following the passing of this resolution. For the purpose of this resolution, the directors and chief executive officer of the Company, and their respective associates are not allowed to vote.

**EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:**

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

**PERSONAL DATA PRIVACY:**

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

# Proxy Form

**PNE INDUSTRIES LTD**
Company registration no. 199905792R
(Incorporated in the Republic of Singapore)

**IMPORTANT**
1. For investors who have used their CPF moneys to buy shares of PNE Industries Ltd, this Annual Report 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.

I/We ______________________________ NRIC / Passport No.______________
of (address) ______________________________
being a *member/members of PNE Industries Ltd, hereby appoint

| Name | Address | NRIC/Passport Number | Proportion of Shareholdings (%) |
|---|---|---|---|
| | | | |

and/or (delete as appropriate)

| | | | |
|---|---|---|---|
| | | | |

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday, 17 January 2020 at 9.00 a.m., and at any adjournment thereof.

The proxy is required to vote as indicated with an "X" on the resolutions set out in the Notice of Meeting and summarised below. If no specific direction as to voting is given, the proxy/proxies may vote or abstain at his discretion.

| No. | Resolution | For | Against |
|---|---|---|---|
| 1. | To receive and adopt the Directors' Statement and Financial Statements for the year ended 30 September 2019. | | |
| 2(a). | To declare a final dividend of S$0.03 (2018: S$0.03) per ordinary share for the year ended 30 September 2019. | | |
| 2(b). | To declare a special dividend of S$0.03 (2018: S$Nil) per ordinary share for the year ended 30 September 2019. | | |
| 3. | To approve the Directors' Fees of S$150,000/- (2018: S$147,500/-) for the year ended 30 September 2019. | | |
| 4(a). | To re-elect Mr Tan Kong Heng, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution. | | |
| 4(b). | To re-elect Mr Tan Kong Leong, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution. | | |
| 4(c)(i). | To re-elect Mr Tung Chee Weng, the Director retiring pursuant to Regulation No. 93 of the Company's Constitution. | | |
| 4(c)(ii). | To approve Mr Tung Chee Weng's appointment as an Independent Director in anticipation of Rule 210(5)(d)(iii) of the SGX-ST Listing Manual that will take effect on 1 January 2022. | | |
| 5. | Re-appointment of Messrs Deloitte & Touche LLP as the Company's Auditors. | | |
| 6. | Approval of the ordinary resolution pursuant to Section 161 of the Companies Act, Cap. 50. | | |

Signed this ________ day of ______________ 2020.

| Total Number of Shares |
|---|
| |

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

*FOLD THIS FLAP FOR SEALING*

# Proxy Form

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

*2ND FOLD HERE*

**Notes:**

a) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion (expressed as a percentage of the whole) of his shareholding to be represented by each proxy.

b) A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy by resolution of its directors or other governing body such person as it thinks fit to vote on its behalf.

c) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at an AGM of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the Proxy Form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

"relevant intermediary" means:

(i) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

*3RD FOLD HERE*

(ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

(iii) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

d) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or if such appointor is a corporation under its common seal or under the hand of its attorney.

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

f) An instrument appointing a proxy must be deposited at the registered office of the Company, 996 Bendemeer Road #07-06, Singapore 339944 not less than 48 hours before the time appointed for holding the meeting.

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

**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.