



POWERMATIC DATA SYSTEMS LIMITED

**ANNUAL REPORT
2019**



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CORPORATE INFORMATION

BOARD OF DIRECTORSExecutive Directors

Dr Chen Mun Chairman/CEO
Ms Ang Bee Yan, Katherine

Non-Executive Directors:

Mr Yee Lat Shing, Tom Independent Director
Dr Lye Kin Mun Independent Director
Mr Tan Chao Hsiung, David Independent Director

AUDIT COMMITTEE

Mr Yee Lat Shing, Tom Chairman
Dr Lye Kin Mun
Mr Tan Chao Hsiung, David

NOMINATING COMMITTEE

Dr Lye Kin Mun Chairman
Mr Yee Lat Shing, Tom
Mr Tan Chao Hsiung, David

REMUNERATION COMMITTEE

Mr Tan Chao Hsiung, David Chairman
Mr Yee Lat Shing, Tom
Dr Lye Kin Mun

COMPANY SECRETARY

Wong Yoen Har

REGISTERED OFFICE

9 Harrison Road #05-01 Singapore 369651
Tel: +65 6288 8220
Fax: +65 6280 9947

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01 Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road, #03-08 Wilkie Edge, Singapore 228095
Tel: +65 6533 7600 Fax: +65 6594 7811

AUDIT PARTNER-IN-CHARGE

Ms See Ling Ling, Helen
Effective from financial year ended 31 March 2018

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place UOB Plaza 1
Singapore 048624



SUBSIDIARY COMPANIES

Compex Technologies Pte Ltd

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#05-01
Singapore 369651
Tel: (65) 6288 8220
Fax: (65) 6280 9947

www.powermatic.com.sg

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United States of America
Te: 1.909.217.3998
Fax: 1.909.256.0675

宝华电子(苏州)有限公司

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LouFeng North
Suzhou Industrial Park, Suzhou
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81000 Kulai, Johor, Malaysia
Tel: (65) 6288 8220
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LouFeng North
Suzhou Industrial Park, Suzhou
People's Republic of China 215122
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CHAIRMAN'S STATEMENT



We worked with customers to bring ground breaking products to their markets to meet the market windows and were able to ride on the worldwide growth of data mobility needs.



Dear shareholders, on behalf of the board of directors, it is my pleasure to present to you the annual report of Powermatic Data Systems Limited (the Company) and its subsidiaries (the Group) for financial year ended 31 March 2019 ("FY2019").

FINANCIAL AND BUSINESS REVIEW

FY2019 has been an exciting year for the Group.

Despite challenges in rising raw material costs, higher wages, increase in other operating expenses and stiff price competition, the Group is pleased to deliver yet another year of profitability.

Profit before tax for FY2019 was S\$7.73 million as compared to S\$5.31 million for FY2018, representing a 46% increase. In FY2019, the Group registered an

exchange gain of S\$0.48 million as opposed to a loss of S\$0.86 million in FY2018. Excluding the exchange gain or loss, the increase in profit before tax would have been 18% instead of 46% as stated above.

Revenue for FY2019 was S\$20.95 million as compared with FY2018 S\$16.14 million, increased by 30%.

The Group's financial position as at 31 March 2019 remained sound, net asset value stood at S\$58.68 million. The freehold investment property and the self-occupied office unit were stated at carrying value of S\$18.93 million.

Cash and cash equivalent as at 31 March 2019 was S\$35.15 million. The Group has no borrowing.

CHAIRMAN'S STATEMENT

Wireless Connectivity Products

Revenue was up 30% year-on-year. A large part of the group's income are derived from value-add services, including consultations, design services, engineering works, with a specialized backend manufacturing in the area of wireless communication. We have for the last few years identified growing segments of market such as IOT, Industrial PC, and transportation etc. which have growing needs for wireless in their applications. We worked with customers to bring ground breaking products to their markets to meet the market windows and were able to ride on the worldwide growth of data mobility needs.

Our products and services have a global reach. In terms of geographical contributions, USA accounted for 33% of the total revenue, followed by Asia 31%, Europe 22%, and other regions 14%.

In view of the global economic uncertainty, we expect business in the coming year to slow down, but the pervasive demand for mobility and wireless continues to offer opportunities for future growth. We will invest time and resources to improve manufacturing technology, research and development and operational control. We will also continue to seek new market segments looking for wireless solutions and continue to expand our market reach.

Our investment in R&D has enabled us to stay in-tune with the latest developments in technology. We are offering the latest wireless products such as 11ax or Wi-Fi 6 products. We will continue to keep up with the technology moving on to 6 Gigahertz and millimetre wave manufacturing capabilities to bring the latest and cost effective solutions to our customers.

Property

Contrary to market prediction at the onset of 2018, industry rental remained soft, especially for the older, conventional type of leasing spaces as opposed to high-tech business parks.

The Investment Property is now 91% rented out. The property income has dropped 2% year-on-year, as rental rates on fresh and renewed tenancies slide. Property expenses on the other hand, surged by 5% due mainly to higher depreciation charges and maintenance expenses.

DIVIDENDS

The Group would continue to share its success with shareholders, it is proposing a first and final dividend of 5.0 cents per share and a special dividend of 3.0 cents per share. The total dividend payable represents 40 per cent of the Group's net profit for FY2019. The dividends proposed will be subjected to shareholders' approval at the upcoming Annual General Meeting.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to extend my appreciation to our shareholders, customers, employees and business partners for their support in making FY2019 a fruitful year for us.

We will continue to work closely with our customers, business partners, management and employees to achieve a better and profitable year ahead. I look forward to your continued support.

Dr Chen Mun

Chairman/CEO

WIRELESS CONNECTIVITY SOLUTIONS BY THE GROUP

COMPANY PROFILE

Powermatic Data Systems was established in Singapore since 1 February 1989 as a private limited company. The company was listed in the Singapore Stock Exchange since 1992.

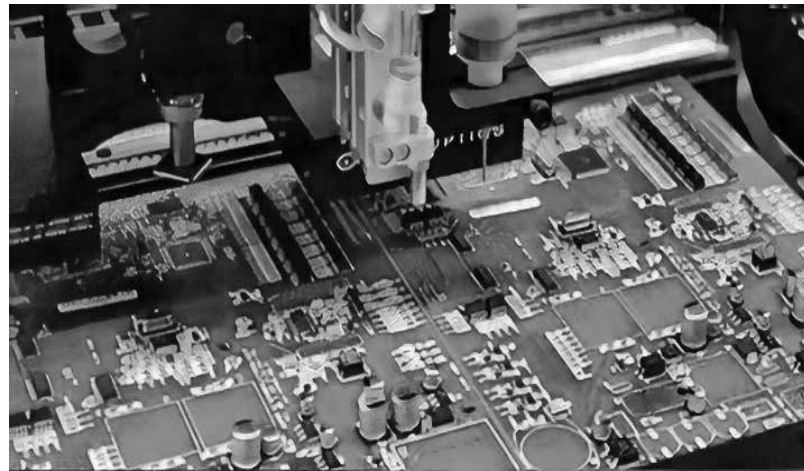
Powermatic Data Systems Ltd is an investment holding company. It has six fully owned subsidiaries, Compex Systems Pte. Ltd., Compex Technologies Pte. Ltd., Compex Technologies Sdn. Bhd., Compex Inc, Compex (Suzhou) Co. Ltd., and Compex Wireless (Suzhou) Co. Ltd.

The Group operates under two main segments:

1. Manufacturing and sale of Wireless Connectivity products and related services.
2. Lease and maintenance of Harrison Industrial Building, a freehold investment property owned by the Company.

Wireless Connectivity Products & Services

Wireless connectivity is the core business and the main profit driver of the Group. Apart from manufacturing its own designed wireless connectivity hardware and software (design capabilities to value-add upon full range



of hardware for quicker time-to-market solutions), the group also provides OEM, ODM solutions and other sales related services to customers.

Our product range includes high performance wireless radio modules, embedded boards, indoor and outdoor access points and wireless antennas. These products are used in various industries such as Industrial PC, IOT, Healthcare, Hospitality, Security surveillance and many others.

We are in a strong partnership with Qualcomm Atheros (QCA). Our subsidiary Compex Systems Pte Ltd is officially appointed as Qualcomm Authorized Design Centre in South East Asia. As a Qualcomm design center, we provide our wireless knowhow in both hardware and software services to many multinational corporations.

Our clientele includes reputable distributors of electronic and wireless device components, system integrators, wireless products design houses, and Fortune 500 corporations.

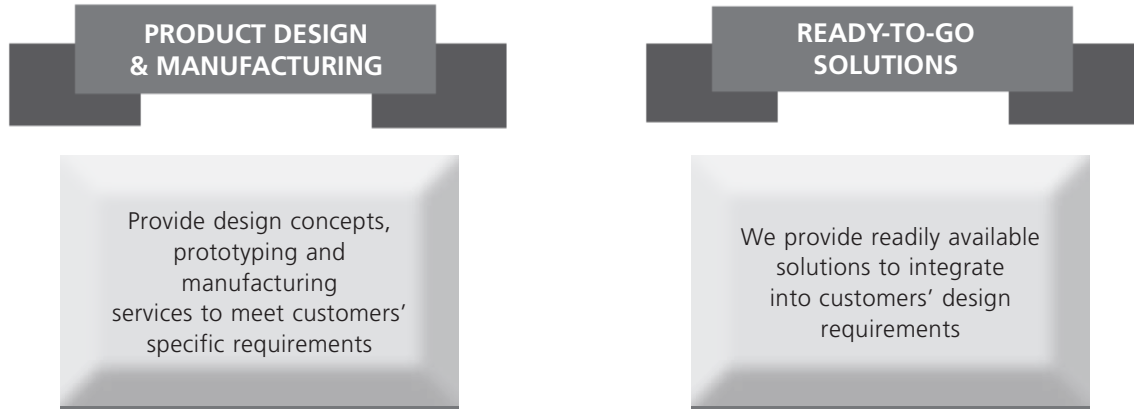
Freehold Investment Property

The Group's property business is carried out by the holding company Powermatic Data Systems itself. The freehold property is situated at 7 & 9 Harrison Road, Singapore, 369651. We house our Singapore operations in one of the units and rent out the rest.

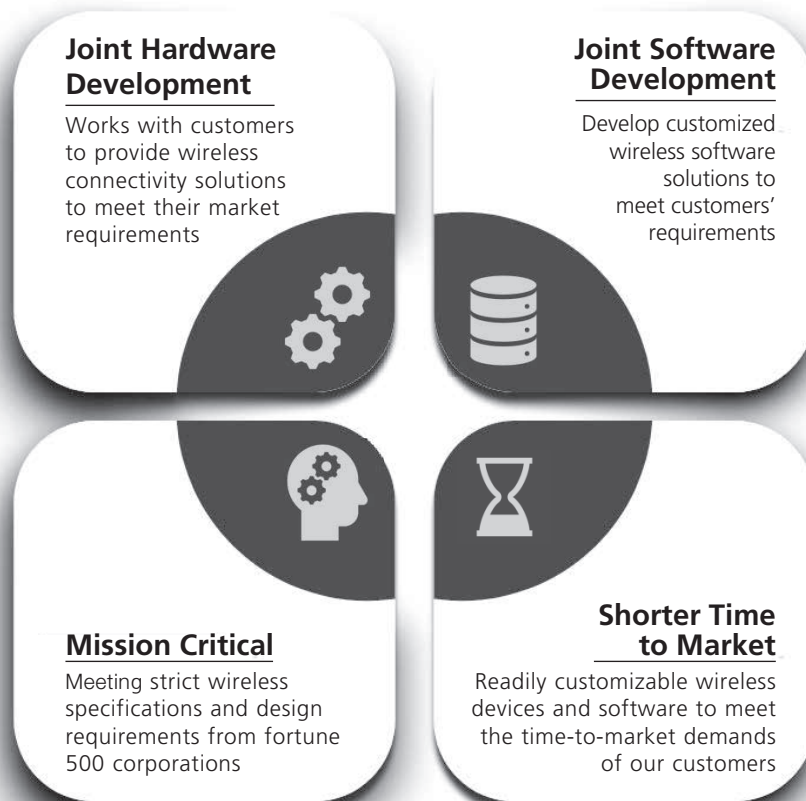


WIRELESS CONNECTIVITY SOLUTIONS BY THE GROUP

WHAT WE DO

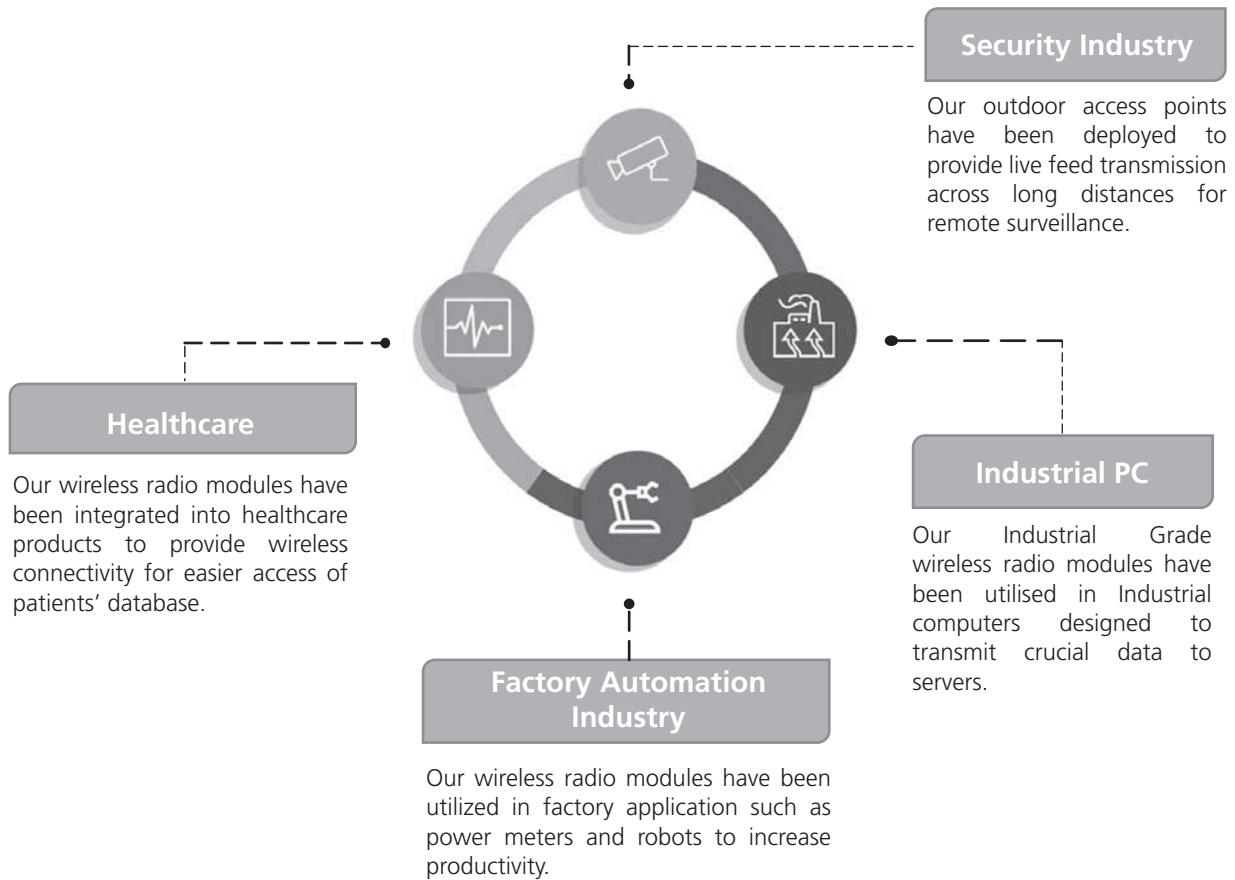


PROBLEMS WE SOLVE



WIRELESS CONNECTIVITY SOLUTIONS BY THE GROUP

PRODUCT APPLICATIONS BY CUSTOMERS

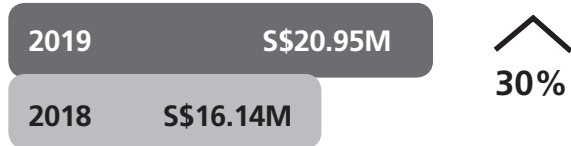


OUR MARKET PRESENCE

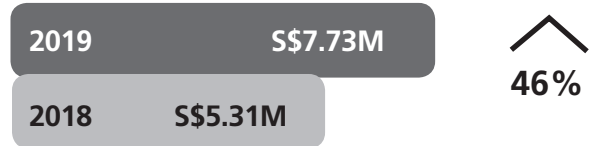


GROUP FINANCIAL HIGHLIGHTS

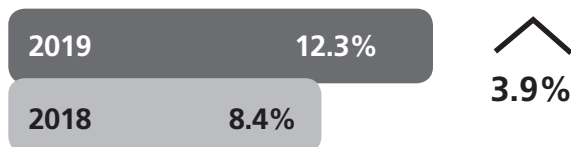
OPERATING REVENUE



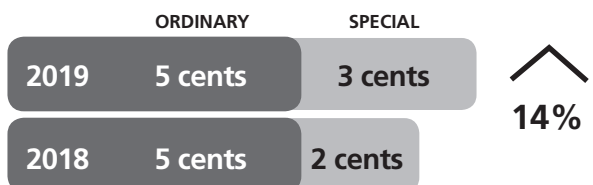
PROFIT BEFORE TAX



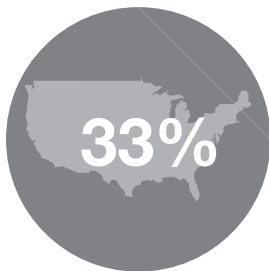
RETURN ON EQUITY



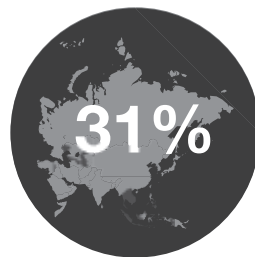
DIVIDEND PER SHARE



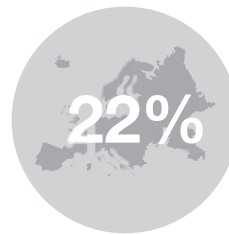
SALES BY GEOGRAPHICAL REGION FOR FY2019



USA



Asia



Europe



Others

GLANCE OVER 5 YEARS

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|--|------|------|-------|-------|-------|
| Revenue (S\$ million) | 14.3 | 15.5 | 15.4 | 16.1 | 21.0 |
| Profit before tax (S\$ million) | 3.12 | 3.21 | 4.68 | 5.31 | 7.73 |
| Earnings per share (S¢) – diluted | 7.73 | 8.10 | 11.97 | 12.94 | 20.01 |
| Dividend per share paid (S¢) | 5 | 5 | 7 | 7 | 8 |
| Dividend paid as percentage of profit, net of tax (%) | 64 | 62 | 42 | 54 | 35 |
| Net assets value per share with investment property and freehold office unit stated at carrying cost (S\$) | 1.35 | 1.36 | 1.51 | 1.57 | 1.68 |
| Net assets value per share with investment property and owner-occupied property stated at fair value (S\$) | 1.79 | 1.77 | 1.91 | 1.98 | 2.14 |
| Staff head count (In Numbers) | 78 | 79 | 74 | 76 | 88 |

PROFILE OF DIRECTORS

CHEN MUN

Chairman & CEO

Dr Chen Mun is the Chairman and Chief Executive Officer of the Group. He is also the founder of Powermatic Data Systems Limited and is responsible for spearheading the Company's Research and Development programs as well as growth strategies of the Group.

Prior to the founding of Powermatic, Dr Chen was a senior lecturer in the then University of Singapore. Dr Chen holds a bachelor's degree in engineering from the University of Singapore and received a Ph.D. in engineering from the Imperial College, University of London.

ANG BEE YAN, KATHERINE

Executive Director

Ms Ang Bee Yan, Katherine joined Compex Systems Pte Ltd, a wholly-owned subsidiary of Powermatic Data Systems Limited in 2003 as Director of Sales & Marketing and Operations. She is currently the General Manager of Compex Systems Pte Ltd. She manages both the operations in Singapore and China.

On 1 July 2011, Ms Katherine Ang is appointed as an Executive Director of Powermatic Data Systems Limited. Ms Katherine Ang has over 20 years of experience in the Sales & Marketing, Operations and Business Development. She plays an instrumental role in overseeing the Group's local and overseas projects and is responsible for the overall business development.

YEE LAT SHING, TOM

Independent Director and Chairman of Audit Committee

Mr Yee Lat Shing, Tom is a Singapore Chartered Accountant and was a partner of Ernst & Young, an international accounting firm, from 1974 to 1989. He has more than 35 years of experience in the field of accounting and auditing and extensive experience in handling major audit assignments of public listed and private companies in various industries, including insurance, manufacturing and retailing.

He is currently a consultant. Mr Yee also sits on the boards of other listed companies namely Bonvest Holdings Limited, and Pacific Century Regional Developments Limited. He is also a fellow member of the Singapore Institute of Directors.

LYE KIN MUN

Independent Director and Chairman of Nominating Committee

Dr Lye Kin Mun holds a B.Sc. with distinction from the University of Alberta, Canada, in 1974, M.Eng. from the University of Singapore in 1979 and Ph.D. from the University of Hawaii at Manoa, U.S.A. in 1984 all in electrical engineering and was a Colombo Plan Scholar from 1970-74.

He is currently Chief Risk Officer, Agency for Science, Technology and Research (A*STAR). He was Executive Director of the Institute for Infocomm Research, (A*STAR), and has been Director of the Centre for Wireless Communications, National University of Singapore from 1993 to 2002.

Dr Lye has over 40 years of experience in industry as well as teaching.

Dr Lye has also served on the Boards of Singapore Polytechnic and Ngee Ann Polytechnic. He was a Director of Cellonics Inc., a startup company he co-founded. He was a consultant to several companies in the networking and wireless communications industry and sat on many national technical committees. Dr Lye was a Member of the Board on Global Science and Technology of the National Research Foundation, U.S.A. He was also a member of the Asia-Pacific Cadence Advisory Board and Advisory Committee for Next Generation Mobile Networks Project, Communications Research Lab., Japan.

Dr Lye also serve as Chairman of the Strategic Programmes Review Panel of the Science and Engineering Research Council, A*STAR, and Expert Assessor for the Australian Research Council's Discovery Projects. In 2005, he was conferred the title "Officier dans l'ordre des Palmes Academiques" by the French government. He was also awarded the Public Administration Medal (Silver) at the National Day Awards 2013 by the President of the Republic of Singapore.

TAN CHAO HSIUNG, DAVID

Independent Director and Chairman of Remuneration Committee

Mr Tan Chao Hsiung, David has over 20 years of senior management experience in the banking and finance industry and had held positions in both local and foreign financial institutions. He is also a Non-Executive and Lead Independent Director of Mun Siong Engineering Limited.

Mr David Tan holds a Master in Commerce (specialising in Finance) from the University of New South Wales and a Bachelor of Economics from Macquarie University. He is also a Fellow of the Institute of CPA (Australia).

CORPORATE GOVERNANCE REPORT

Powermatic Data Systems Limited continues to uphold high standards of corporate governance and strives to develop procedures and policies consistent with best business practice so as to enhance corporate transparency and protect interest of shareholders.

The following report outlines the Company's corporate governance processes and structures that were in place throughout the financial year with specific reference made to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code"). Except where compelling reasons require otherwise, the Company believes it has complied with the Code.

Board of Directors

Currently, the members of the Board are:

| | |
|---------------------------|---|
| Dr Chen Mun | <i>Chairman and Chief Executive Officer</i> |
| Ms Ang Bee Yan, Katherine | <i>Executive Director</i> |
| Mr Yee Lat Shing, Tom | <i>Independent Director</i> |
| Dr Lye Kin Mun | <i>Independent Director</i> |
| Mr Tan Chao Hsiung, David | <i>Independent Director</i> |

BOARD MATTERS

The Board's Conduct of Affairs (Principle 1)

The Board oversees the overall strategy and business direction of the Group and is collectively responsible for its success.

The primary functions of the Board include:

1. Providing entrepreneurial leadership, setting key strategic objectives and ensuring necessary financial and human resources are in place for the Company to meet those objectives;
2. Establishing a framework for the oversight of prudent and effective risk management and internal controls, including financial, operational, compliance and information technology controls;
3. Reviewing management performance;
4. Approving annual budget, major investments and divestments and funding proposals; and
5. Providing oversight in the proper conduct of the Company's business and assuming responsibility for good corporate governance to protect the Company's assets and enhancing long-term value of the Company for its shareholders.

The Board functions are either carried out by the Board or delegated to the various Committees established by the Board, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

The Board ensures the decisions made by the Directors are objectively in the interest of the Company.

CORPORATE GOVERNANCE REPORT

The Board is familiar with the Group's business and governance practices. The Directors also receive updates and relevant briefings, particularly on relevant new laws, regulations and changing commercial risks, from time to time.

A formal letter of appointment is provided to all new Directors. The letter indicates the amount of time commitment required and the scope of duties. The Company has adopted a policy that welcomes the Directors to request for further explanations, briefings or informal discussions on any aspect of the Company's operations or businesses from the Management. Newly appointed Directors will be considered for appropriate training and orientation programmes to familiarize them with the operations of the Company and its major business processes.

The Board conducts regular meetings, which are scheduled in advance each year. Meetings of Board and Board Committees are supplemented by circular resolutions, which are accompanied by relevant explanations and supporting documents. The Board meets at least twice a year at regular intervals. The Company's Constitution allows Board meetings to be conducted by way of a tele-conference or any other electronic means of communication.

The number of Board and Committee meetings held during the financial year ended 31 March 2019 ("FY2019") and the attendance of each Board member at those meetings are as follows:

| Meetings of: | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|---|-------|-----------------|----------------------|------------------------|
| No. of Meetings held in FY2019 | 2 | 2 | 1 | 1 |
| <u>Name & Attendance of Director</u> | | | | |
| Dr Chen Mun | 2 | 2* | 1* | 1* |
| Ms Ang Bee Yan, Katherine | 2 | 2* | 1* | 1* |
| Mr Yee Lat Shing, Tom | 2 | 2 | 1 | 1 |
| Dr Lye Kin Mun | 2 | 2 | 1 | 1 |
| Mr Tan Chao Hsiung, David | 2 | 2 | 1 | 1 |

* *by invitation*

Board Composition And Guidance (Principle 2)

The Board comprises two Executive Directors and three Independent Non-Executive Directors. The Board's structure, size and composition are reviewed annually by the NC who is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations, to facilitate effective decision making.

The three Independent Directors currently represent more than 50% of the Board. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its officers, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

Although Mr Yee Lat Shing, Tom, Dr Lye Kin Mun and Mr Tan Chao Hsiung, David have served on the Board for more than nine years from the date of their first appointments. The NC has conducted a rigorous review of their independence and contributions to the Board to determine if they still remained independent and carry out their duties objectively.

CORPORATE GOVERNANCE REPORT

The opinion was arrived at after careful assessment and rigorous reviews by the NC and the Board (save for Mr Yee Lat Shing, Tom, Dr Lye Kin Mun and Mr Tan Chao Hsiung, David). The rigorous reviews comprised reviews of but not limited to, the following factors:-

- (a) the lengths of services of Mr Yee Lat Shing, Tom, Dr Lye Kin Mun and Mr Tan Chao Hsiung, David have not compromised the objectivities of Independent Directors and their commitments and abilities to discharge their duties as Independent Directors;
- (b) the abilities of Independent Directors to continue exercising independent judgement in the best interests of the Company, as they do not have any relationship with the Company, its related corporations, substantial shareholders or its officers which could materially impair their exercises of judgements;
- (c) the abilities of the Independent Directors to express their objectives and independent views during Board and Board Committee meetings; and
- (d) the Independent Directors, through their years of involvements with the Company, have gained valuable insights and understandings of the Group's business and together with their diverse experiences and expertises, have contributed and will continue to contribute effectively as Independent Directors by providing impartial and autonomous views at all times.

In the determination of their independence, they have abstained themselves respectively when it comes to the determination of their own independence. The strong independent element on the Board ensures that it is able to exercise objective and independent judgment on corporate affairs. The NC is satisfied that the Board comprises Directors who as a group provide core competencies such as accounting, finance, business and management experience, industry knowledge, and customer-based experience and knowledge. The NC and the Board are of the view that, given the commercial experience and academic qualifications of each of its members, its composition of Directors is well-balanced.

The NC conducts an annual review on the composition of the Board which comprises members from different backgrounds and whose core competencies, qualifications, skills and experiences are extensive. Having reviewed and considered the composition of the Board and its committees, the NC has determined that the current Board size and structure are adequate for the existing business operations of the Company.

The composition of the Board and its Committees is set out below:

| Director | Nature of Board Member | Committee Membership | | |
|---------------------------|------------------------------------|----------------------|------------|--------------|
| | | Audit | Nominating | Remuneration |
| Dr Chen Mun | Chairman & Chief Executive Officer | - | - | - |
| Ms Ang Bee Yan, Katherine | Executive | - | - | - |
| Mr Yee Lat Shing, Tom | Independent | Chairman | Member | Member |
| Dr Lye Kin Mun | Independent | Member | Chairman | Member |
| Mr Tan Chao Hsiung, David | Independent | Member | Member | Chairman |

Members of the Board are constantly in touch with the Management to provide advice and guidance on strategic issues and on matters for which their expertise will be constructive to the Group.

CORPORATE GOVERNANCE REPORT

Role Of Chairman And Chief Executive Officer (Principle 3)

Dr Chen Mun, who is both the Chairman and Chief Executive Officer (“CEO”) of the Company, leads the Board. This practice has been carried on since inception and he leads the Board meetings because of his in-depth knowledge of the Group’s operations as well as his excellent relationship with the customers, suppliers and other external parties that carry on business with the Group.

Dr Chen Mun is responsible for the proper workings of the Board which include the scheduling of meetings, setting of Board meeting agenda in consultation with the Company Secretary, exercising of control over quality and timeliness of information flow between the Management and the Board, managing the business of the Board and Board Committees, monitoring the translation of the Board’s decision and wishes into executive actions and is assisted by the three Board Committees in ensuring compliance with the Company’s guidelines on corporate governance.

The Board has a strong independent group of Directors to look after shareholders’ interests. Day-to-day running of business operations are delegated to key senior executives while the Chairman focuses on long term and strategic plans of the Company.

The Board is mindful of the desirability of separating the two functional positions. However, it believes that vulnerability of the dual roles, if any, is considerably lessened by the checks and balances energetically exercised by a board that comprises majority of independent directors. In practice, all major decisions made by the Executive Chairman are reviewed by the independent directors and reported to the Board.

The NC and the Board unanimously support Dr Chen Mun’s role as both Chairman and CEO. The Board is of the view that the current single leadership arrangement works well; in particular it does not hinder the decision-making process of the Company unnecessarily.

Board Membership (Principle 4)

Board Performance (Principle 5)

Nominating Committee

The NC comprises three members, all of whom, including the Chairman, are Independent Directors. The composition of the NC is as follows:

Dr Lye Kin Mun (Chairman)
Mr Yee Lat Shing, Tom
Mr Tan Chao Hsiung, David

The principal functions of the NC are:–

1. To review the structure, size and composition of the Board and make recommendations to the Board;
2. To identify candidates and reviews all nominations for appointment of new directors, determining whether or not such nominee has the requisite qualifications, set up a process for the selection of such appointments and recommends all appointments of directors to the board and board committees. Accordingly, in selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. In doing so, the NC will have to regard to the results of the annual appraisal of the Board’s performance. The NC may engage consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage such other independent experts as it considers necessary to carry out its duties and responsibilities;

CORPORATE GOVERNANCE REPORT

3. To re-nominate and re-elect director for re-appointment, having regard to the directors' contribution and performance;
4. To identify gaps in the mix of skills, experience and other qualities required in an effective Board;
5. To review the independence of each Director annually;
6. To decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when the Director has multiple Board representations; and
7. To review training and professional development programs for the Board

The terms of reference of the NC have been amended to be in line with the recommendation of the Code.

The NC met once in FY2019.

Key information on the Directors is set out below and on page 9 of this Annual Report.

| Name of Director | Age | Directorship (a) Date first appointed (b) Date last re-elected | Due for re-election at next AGM |
|------------------------|-----|--|--|
| Chen Mun | 71 | (a) 1 February 1989 (b) NA | Re-appointment pursuant to Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") |
| Ang Bee Yan, Katherine | 55 | (a) 1 July 2011 (b) 25 July 2017 | – |
| Yee Lat Shing, Tom | 84 | (a) 1 June 1992 (b) 25 July 2018 | – |
| Lye Kin Mun | 67 | (a) 1 February 1993 (b) 25 July 2017 | – |
| Tan Chao Hsiung, David | 57 | (a) 24 March 2008 (b) 25 July 2016 | Retiring pursuant to Article 99 and Rule 720(5) of the Listing Manual of the SGX-ST |

The NC determines the independence of Board members. It reviews at least annually, whether an existing or new director is considered independent bearing in mind the Code's definition. Mr Yee, Dr Lye and Mr Tan have served on the Board for more than nine years. The NC has conducted a rigorous review of their independence and contributions to the Board to determine if they still remained independent and carry out their duties objectively. Given their combined strength of character, wealth of business, working experience and professionalism in carrying out their duties, the NC had found Mr Yee, Dr Lye and Mr Tan suitable to continue to act as Independent Directors. In the determination of Mr Yee's, Dr Lye's and Mr Tan's independence, all of them have abstained themselves respectively when it comes to the determination of their own independence. The Board has accepted the NC's recommendation that both Mr Yee, Dr Lye and Mr Tan were considered independent.

CORPORATE GOVERNANCE REPORT

In accordance with the Constitution of the Company, new Directors must submit themselves for re-election at the next Annual General Meeting (“AGM”) of the Company and one-third of the Directors, other than the CEO, must retire by rotation at each AGM and they shall be available for re-election. The retiring Directors are eligible to offer themselves for re-election/re-appointment.

The NC has recommended the nomination of Mr Tan Chao Hsiung, David retiring under Article 99 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) for re-election at the forthcoming AGM.

Mr Tan Chao Hsiung, David will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.

The NC has recommended the nomination of Dr Chen Mun pursuant to Rule 720(5) of the Listing Manual of SGX-ST for re-appointment at the forthcoming AGM.

Dr Chen Mun will, upon re-appointment as a Director of the Company, remain as Chairman of the Board and Chief Executive Officer and will be considered non-independent.

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested. Mr Tan Chao Hsiung, David had duly abstained from making recommendation on his own nomination.

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. All Directors are required to declare their Board Representations. The NC has reviewed and is satisfied that the directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company.

Further, it sets objective performance criteria and the measurement processes to evaluate the performance of the Board once a year. A Board performance evaluation was carried out to assess and evaluate amongst other things, the Board’s composition, size and expertise, timeliness of information, accountability and processes, internal control & risk management, and standards of conduct.

Following the review, the Board is of the view that the Board and its board committees operate effectively.

Access To Information (Principle 6)

Management places a high priority on providing timely and accurate information to the Board on an on-going basis, in order for the directors to discharge their duties efficiently and effectively. Board members receive quarterly management reports pertaining to the operational and financial performance of the Company and its subsidiaries. The Board will also be updated on industry trends and developments. Board members will receive all Board papers not less than five days in advance of the meeting to enable them sufficient time to fully consider and deliberate issues to be considered at the meetings.

The Board has at all times separate and independent access to the Management and Company Secretary, and are entitled at all times to request for any additional information needed to make informed decisions. Similarly, key Management staff, the Company’s auditors or external consultants are invited to attend Board and Board Committee meetings to update and provide independent professional advice on specific issues, where necessary.

CORPORATE GOVERNANCE REPORT

The Directors have also been provided with the contact numbers and email particulars of the Company's senior management and the Company Secretary to facilitate access to any required information. The role of the Company Secretary is clearly defined and includes the responsibility of ensuring that Board procedures are followed and that rules and regulations are complied with. Further, the Company Secretary also assists in coordinating the flow of information within the Board and its Committees as well as between the Management and the Board. She also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.

The appointment and removal of the Company Secretary are subject to the Board's approval.

Should the Directors, whether as a group or individually, need independent professional advice, such advice will be sought with the Board's approval and the professional expense will be borne by the Company.

REMUNERATION MATTERS

Procedures For Developing Remuneration Policies (Principle 7)

Level And Mix Of Remuneration (Principle 8)

Disclosure On Remuneration (Principle 9)

The RC comprises three members, all of whom, including the Chairman, are Independent Directors. The composition of the RC is as follows:

Mr Tan Chao Hsiung, David (Chairman)
Mr Yee Lat Shing, Tom
Dr Lye Kin Mun

The responsibilities of RC are:

1. to ensure a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual Directors, CEO and key management. RC's recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. RC's review cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowances, bonuses, options and benefits-in-kind;
2. to review remuneration of employees related to Executive Directors and controlling shareholders of the Company and the Group and that these commensurate with their respective job scopes and responsibilities;
3. to recommend the Directors' fees of Non-Executive Directors to the Board based on their level of contribution taking into account factors such as effort, time spent and responsibilities;
4. to review the service contracts and terms of employment of the Executive Directors and key management; and
5. to administer the Company's Employees' Share Option Scheme ("ESOS"). The ESOS seeks to reward and retain Directors and employees whose services are vital to the well-being and success of the Group and also to align interests of employees with that of the shareholders. Details of the ESOS are disclosed in the Directors' Report.

The terms of reference of the RC have been amended to be in line with the recommendation of the Code.

CORPORATE GOVERNANCE REPORT

The remuneration structure of the Executive Directors and key executives consist of both fixed and variable components. The variable component is performance related and is linked to the Group's performance as well as individual's performance. Such performance-related remuneration is designed to align with the interests of shareholders.

The Executive Directors have service contracts and do not receive directors' fees. Their compensations consist of salary, bonuses, options and performance awards that are dependent on the performance of the Group. The Executive Directors' service contracts are subject to review every two or three years. The RC is of the view that the Directors' service contracts are not excessively long or with onerous removal clauses.

The Independent Directors are compensated through directors' fees. Directors' fees comprise a basic retainer fee and fees in respect of service on Board Committees. These fees are subject to shareholders' approval at the AGM.

Each member of the RC refrains from voting on any resolutions in respect of the assessment of his own remuneration and no RC member or Director is involved in deciding his own fee.

The RC met once in FY2019. The remunerations of the Executive Directors are reviewed by the RC. The RC, together with the NC, decides on the specific remuneration package for an Executive Director upon recruitment. Thereafter, the RC reviews subsequent increments, bonuses and allowances where these payments are discretionary. No Director or member of the RC is involved in deciding his own remuneration. The RC reviews what compensation commitments the Executive Directors' service contracts would entail in the event of early termination by either the Company or Executive Directors giving to the other at least two months' prior written notice.

The RC will seek expert advice on remuneration of all directors, if necessary.

DISCLOSURE OF REMUNERATION OF DIRECTORS AND KEY EXECUTIVES

A breakdown showing the level and mix of each Individual Director and key executive's remuneration in percentage terms is set out below and relates to actual payments made during the year and accordingly includes bonus paid during the year in respect of previous year's performance.

| | Fee % | Salary % | Bonus % | Other Benefits % | Total % |
|---|----------|-------------|------------|---------------------|------------|
| DIRECTORS | | | | | |
| <u>Below \$250,000</u> | | | | | |
| Chen Mun | – | 92.34 | 7.66 | – | 100 |
| Ang Bee Yan, Katherine | – | 75.85 | 24.15 | – | 100 |
| Yee Lat Shing, Tom | 100 | – | – | – | 100 |
| Lye Kin Mun | 100 | – | – | – | 100 |
| Tan Chao Hsiung, David | 100 | – | – | – | 100 |
| TOP FIVE KEY MANAGEMENT PERSONNEL (WHO ARE NOT DIRECTORS OR CEO) | | | | | |
| <u>Below \$250,000</u> | | | | | |
| Chua Geok Cheok Molly | – | 92.07 | 7.93 | – | 100 |
| Ang Lay Hoon | – | 90.68 | 9.32 | – | 100 |
| Yaw Thiam Teng | – | 91.81 | 8.19 | – | 100 |
| Alex Tiong Yui Khing | – | 100.00 | – | – | 100 |
| Liaw Wei Ming | – | 93.00 | 7.00 | – | 100 |

CORPORATE GOVERNANCE REPORT

The Board is of the opinion that the remuneration details of individual Director and key executives (who are also not Directors) are confidential and for competitive reasons only their remuneration mix is disclosed as per the table above. The annual aggregate amount of the total remuneration paid to the top five Key Management Personnel (who are not Directors or CEO) was approximately S\$1,023,000 (FY2018: S\$997,000).

The Company does not use contractual provisions to allow the Group to reclaim incentive components of remuneration from the Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

There are no termination, retirement and post-employment benefits granted to Directors, the Chairman and Group CEO or the top five Key Management Personnel in FY2019.

REMUNERATION OF EMPLOYEE WHO IS AN IMMEDIATE FAMILY OF DIRECTOR(S)

There is no immediate family member of a director, CEO or substantial shareholders in employment with the Group and whose remuneration exceeds S\$50,000 for the financial year ended 31 March 2019, except for Ms Ang Lay Hoon, Operations Manager, who is the sister of Ms Ang Bee Yan Katherine, Executive Director of the Company. Ms Ang Lay Hoon received remuneration that is between S\$50,000 – S\$100,000.

POWERMATIC DATA SYSTEMS EMPLOYEES' SHARE OPTION SCHEME 2013

The Company has adopted the Powermatic Data Systems Employees' Share Option Scheme 2013 (the "2013 Scheme"), which was approved by the shareholders at the Extraordinary General Meeting held on 25 July 2013.

The 2013 Scheme is a share incentive scheme designed to acknowledge the contributions made by the employees and to give recognition to such employees by giving them the opportunity to have a personal stake in the Company and to attract, motivate and retain talented staff for the Company's domestic and international operations.

Under the rules of the 2013 Scheme, all directors and full-time employees of the group are eligible to participate in the Scheme except for employee or director who is also a controlling shareholder or an associate of a controlling shareholder. Employees of the Company's associated companies are not eligible under the Scheme. The Company has no associated companies at 31 March 2019.

The 2013 Scheme is administered by the Remuneration Committee comprising of Mr Tan Chao Hsiung, David (Chairman) and two other independent directors of the Company, Dr Lye Kin Mun and Mr Yee Lat Shing, Tom.

Information on 2013 Scheme is set out in the Statement by Directors on pages 25 and 26.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

In presenting the annual financial statements and half-yearly result announcements to shareholders, it is the responsibility of the Board to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management provides all members of the Board with detailed management accounts of the Group's performance, cash position and prospects on a quarterly basis. The Board reviews and approves the results as well as any announcements before its release. Shareholders are provided with the half-yearly and the annual financial reports no later than 45 days and 60 days respectively from the end of the reporting periods.

In presenting the annual financial statements and half-yearly announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the company's performance, position and prospects. This responsibility is extended to regulators. Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET.

The Board reviews legislative and regulatory compliance reports from the Management to ensure that the Group complies with the relevant requirements.

In line with the Listing Rules of the SGX-ST, the Board provides a negative assurance statement to the shareholders in its half-yearly financial statements announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect.

Risk Management and Internal Controls (Principle 11)

The Management has put in place an internal control and risk management system to safeguard shareholders' investment and company's assets.

The system of internal control provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that could be reasonably foreseen in the light of current business environment and its inherent risks.

The Group, with the help of Internal Auditors, has prepared a documentation on its risk profile which summarizes the material risks faced by the Group and the countermeasures in place to manage or mitigate those risks for the review by the AC and the Board. The documentation provides an overview of the Group's key risks, how they are managed, and the various assurance mechanisms in place. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process.

On an annual basis, the internal auditors prepare the internal audit plan approved by the AC. The audit plan takes into consideration the risks identified in the risk profile document and the audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal control systems put in place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. The AC reviews these reports and ensures that appropriate and timely counter-measures are taken by Management as part of its continuous improvement efforts to further enhance its internal control systems and practices. A copy of the report is also issued to the relevant subsidiaries for their follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. In addition, the external auditors would highlight control weaknesses on financial reporting that came to their attention during the course of the statutory audit.

CORPORATE GOVERNANCE REPORT

The Company does not have a CFO. The Board has received assurance from the CEO and the Group Finance Manager that as at 31 March 2019:

- (a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 March 2019 give a true and fair view of the Group's operations and finances; and
- (b) the systems of internal controls and risk management in place were adequate and effective as at 31 March 2019, to address financial, operational, compliance and information technology controls, and risk management systems of which considered relevant and material to its operations.

Based on internal control and risk management systems established and maintained by the Group, work performed by external and internal auditors and periodic reviews (by Management, the Board and various Board Committees), the Board, with concurrence of the AC, is of the opinion that the Group's internal control and risk management systems were adequate and effective as at 31 March 2019 to address the risks relating to financial, operational, compliance and information technology controls.

Audit Committee (Principle 12)

The AC comprises three members, all of whom are independent of Management. The terms of reference of the AC were amended to be in line with the recommendation of the Code. The Board is of the view that the members of the AC have sufficient financial management expertise and experience and are qualified to discharge the AC functions. The AC is responsible for carrying out the following primary functions:

1. assisting the Board in discharging its statutory responsibilities on financial and accounting matters;
2. reviewing audit plans of the external and internal auditors and evaluating the reports issued by the external and internal auditors from their examination of the Company's internal control system;
3. reviewing the financial and operating results of the Group and the Company in compliance with accounting policies and assistance given by the Management to its auditors;
4. reviews interim and annual announcement of results of the Group and the Company before submission to the Board for approval;
5. reviewing the adequacy and effectiveness of the Company's internal control (financial, operational, compliance and information technology controls) and risk management policies and systems established by the management;
6. reviewing the financial statements of the Group and the Company before submission to the Board;
7. reviewing interested party transactions;
8. reviewing the independence of external auditors annually and consider the appointment or re-appointment of external auditors and matters relating to the resignation or removal of the auditors and approve the remuneration and terms of engagement of the external auditors;
9. nominating external auditors for re-appointment; and
10. approving the appointment of internal auditors.

CORPORATE GOVERNANCE REPORT

The Group has complied with Rule 712 and Rule 716 of the Listing Manual issued by Singapore Exchange Securities Limited.

The AC has full access to and co-operation of Management, has full discretion to invite any Director or executive officer to attend the meetings and has been given reasonable resources to enable it to discharge its functions. Minutes of the meetings are circulated to the Board for its information.

The Company has in place a Whistle Blowing Policy ("the Policy") for the Group, which provides a channel to employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy was to assist the AC in managing allegations of fraud or other misconduct which may have been made, so that investigations are carried out in an appropriate and timely manner; administrative, disciplinary and civil actions that are initiated following the completion of the investigations, are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

Apart from formal meetings, the Chairman and various members of the AC will hold informal meetings and discussions with the Management as and when necessary. Members of the AC have independent access to both external and internal auditors. The AC met with both internal and external auditors once without the presence of management in FY2019.

The AC has reviewed the audit and non-audit services provided by the external auditors, Messrs RSM Chio Lim LLP. The audit service fee incurred during the reporting year is as follows:

| | 2019 | 2018 |
|-------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| – Auditors of the company | 92 | 92 |
| – Other auditors [#] | 34 | 31 |
| Total | 126 | 123 |

[#] Includes an alliance firm of RSM Chio Lim LLP

There were no non-audit services provided by the external auditors during the reporting year.

The AC is satisfied that the independence of the external auditors is not impaired and recommends to the Board, the re-appointment of Messrs RSM Chio Lim LLP as the external auditors of the Company.

Internal Audits (Principle 13)

The Group has outsourced its internal audit function to Messrs Nexia TS. The internal auditor reports directly to the chairman of the AC on audit matters. Any non-compliance and internal control weaknesses noted during the internal audit and the recommendations thereof are reported to the AC as part of the review of the Group's internal control system. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the necessary resources to adequately perform its functions.

CORPORATE GOVERNANCE REPORT

Shareholders' Rights and Responsibilities (Principles 14, 15 & 16)

The Company does not practise selective disclosure. In line with continuous disclosure obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Any major or material developments are first disseminated via SGXNET followed by a press release, whenever necessary.

Price sensitive information is first publicly released, either before the Group meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period.

All shareholders of the Company will receive the Annual Report and Notice of AGM. The AGM of the Company provides a principal forum for dialogue and interaction with shareholders. At each AGM, the Board encourages shareholders to participate in the question-and-answer session. Committee Chairpersons, Members of the Board and the external auditors of the Company are present to answer questions raised at the AGM.

Shareholders have the opportunity to participate effectively in and to vote at general meetings of Shareholders. The Board noted that voting by poll will be compulsory in August 2015 and voting at the forthcoming AGM will be conducted by way of poll pursuant to Listing Rule 703A(2) of the Listing Manual of the SGX-ST. Announcement on the poll results will be released after the AGM via SGXNet.

The Company's Constitution provides that Shareholders of the Company are allowed to vote in person or by way of duly appointed proxies. Voting in absentia by mail, email or fax is currently not permitted to ensure proper authentication of the identity of the shareholders and their voting intentions.

The Company will review its Constitution from time to time and make amendments to the Constitution to be in line with the applicable requirements or rules and regulations governing the continuing obligations.

The Company does not have any dividend policy. However, depending upon the Group's operating results, financial conditions, other cash requirements including capital expenditure, terms of borrowing arrangements and other factors deemed relevant by the Directors, the Company does consider positively the payment of annual dividend.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and management. These are available to shareholders upon their request.

Material Contracts

There are no material contracts or loans of the Company or its subsidiaries involving the interests of the Executive Director, each Director or Controlling shareholders, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

There was no interested person transaction in FY2019.

Securities Transactions

The Company has adopted its own internal compliance code to provide guidance to its Directors and officers in relation to their dealings in the Company's securities. Its Directors and officers are advised not to deal in the Company's shares during the period commencing six weeks before the announcement of the Company's half-year and full-year results and ending on the day after the public release of such results. The Company emphasizes that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares.

Directors and officers are also advised against dealing in the securities when they are in possession of any unpublished material price-sensitive information of the Group and Company and on consideration of a short-term nature. The Board is satisfied with the Group's commitment in compliance with its own internal compliance code and Rule 1207(19) of the Listing Manual of SGX-ST.

Directors and officers are also encouraged not to deal in the Company's securities on short-term considerations.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 March 2019.

1. OPINION OF THE DIRECTORS

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. DIRECTORS

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

Dr Chen Mun
Ang Bee Yan, Katherine
Yee Lat Shing, Tom
Dr Lye Kin Mun
Tan Chao Hsiung, David

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the company holding office at the end of the reporting year had no interest in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

| Name of directors and companies in which interests are held | Direct interest | |
|---|---|------------------------------|
| | At beginning of the reporting year | At end of the reporting year |
| Powermatic Data Systems Limited | Number of shares of no par value | |
| Dr Chen Mun | 19,427,932 | 19,427,932 |
| Ang Bee Yan, Katherine | 2,874,800 | 2,874,800 |
| Yee Lat Shing, Tom | 40,000 | 40,000 |
| Tan Chao Hsiung, David | 40,000 | 40,000 |

STATEMENT BY DIRECTORS

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

By virtue of section 7 of the Act, Dr Chen Mun is deemed to have an interest in all related body corporates of the company.

The directors' interests as at 21 April 2019 were the same as those at the end of the reporting year.

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

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the company or any other body corporate except as mentioned below.

5. OPTIONS

The "Powermatic Data Systems Employees' Share Option Scheme 2013" (the "2013 Scheme") was approved by shareholders of the company at an Extraordinary General Meeting held on 25 July 2013. The 2013 Scheme is a share incentive scheme designed to acknowledge the contributions made by the directors and employees and to give recognition to such directors and employees by giving them the opportunity to have a personal stake in the company and to attract, motivate and retain talented staff for the company's domestic and international operations.

Under the rules of the 2013 Scheme, all directors and full-time employees of the group are eligible to participate in the scheme except for employee or director who is also a controlling shareholder or an associate of a controlling shareholder. Employees of the company's associated companies are not eligible under the 2013 Scheme. The company has no associated companies at 31 March 2019.

The aggregate number of shares over which options may be granted shall not exceed 15% of the issued share capital of the company on the day immediately preceding the offer date of the option.

The offer price shall be equal to the average of the last dealt price for a share for the three consecutive trading days immediately preceding the offer date.

The 2013 Scheme is administered by the Remuneration Committee comprising Tan Chao Hsiung, David (Chairman) and two other independent directors of the company, namely, Dr Lye Kin Mun and Yee Lat Shing, Tom.

During the reporting year, 54,000 options were exercised and there was no options granted.

STATEMENT BY DIRECTORS

5. OPTIONS (CONT'D)

The number of options granted and outstanding at the end of the reporting year was:

| <u>Offer date</u> | <u>Balance at 1.4.2018</u> | <u>Exercised</u> | <u>Expired</u> | <u>Balance at 31.3.2019</u> | <u>Offer price per share</u> | <u>Exercisable period</u> |
|-------------------|----------------------------|------------------|----------------|-----------------------------|------------------------------|----------------------------|
| 20.02.2014 | 54,000 | (54,000) | – | – | 71 cents | 20.02.2015 – 20.02.2024 |

Particulars of directors of the company who received options under the 2013 Scheme are as follows:

| <u>Name of directors</u> | <u>Options granted during reporting year 2014</u> | | | <u>Aggregate options granted since commencement of scheme to 31.3.2019</u> | <u>Aggregate options exercised since commencement of scheme to 31.3.2019</u> | <u>Aggregate options outstanding as at 31.3.2019</u> |
|--------------------------|---|----------------------------------|----------------------------|--|--|--|
| | <u>Number of options</u> | <u>Exercised price per share</u> | <u>Exercisable period</u> | | | |
| Ang Bee Yan, Katherine | 100,000 | 71 cents | 20.02.2015 – 20.02.2024 | 100,000 | (100,000) | – |
| Yee Lat Shing, Tom | 40,000 | 71 cents | 20.02.2015 – 20.02.2019 | 40,000 | (40,000) | – |
| Tan Chao Hsiung, David | 40,000 | 71 cents | 20.02.2015 – 20.02.2019 | 40,000 | (40,000) | – |
| | | | | <u>180,000</u> | <u>(180,000)</u> | <u>–</u> |

Particulars of employees of the company who received 5% or more of the total options under the 2013 Scheme are as follows:

| <u>Name of employees</u> | <u>Aggregate options granted since commencement of scheme to 31.3.2019</u> | <u>Aggregate options exercised since commencement of scheme to 31.3.2019</u> | <u>Aggregate options outstanding as at 31.3.2019</u> |
|--------------------------|--|--|--|
| Yaw Thiam Teng | 100,000 | (100,000) | – |
| Chang Qiang | 100,000 | (100,000) | – |
| Wu Tian Yee | 100,000 | (100,000) | – |
| Ang Lay Hoon | 90,000 | (90,000) | – |
| Molly Chua | 90,000 | (90,000) | – |
| | <u>480,000</u> | <u>(480,000)</u> | <u>–</u> |

Except as disclosed above, there were no shares of the company or other body corporate in the group issued by virtue of the exercise of an option to take up unissued shares during the reporting year and there were no unissued shares under option at the end of the reporting year.

STATEMENT BY DIRECTORS

6. INDEPENDENT AUDITOR

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. REPORT OF AUDIT COMMITTEE

The members of the audit committee at the date of this report are as follows:

| | |
|------------------------|---|
| Yee Lat Shing, Tom | (Chairman of audit committee, independent and non-executive director) |
| Dr Lye Kin Mun | (Independent and non-executive director) |
| Tan Chao Hsiung, David | (Independent and non-executive director) |

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor.
- Reviewed the financial statements of the group and of the company prior to their submission to the directors of the company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The audit committee has recommended to the board of directors that RSM Chio Lim LLP be nominated for re-appointment as the independent external auditor at the next annual general meeting of the company.

8. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROL

Based on the internal controls and risk management systems established and maintained by the company, periodic reviews performed by management, other committees of the board and the board, and work performed by the independent internal and external auditors, the board with concurrence of the audit committee, is of the opinion that the company's internal control and risk management systems were adequate as at 31 March 2019 to address the risks relating to financial, operational, compliance and information technology controls.

STATEMENT BY DIRECTORS

9. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the group's and company's preliminary financial statements, as announced on 24 May 2019, which would materially affect the group's and company's operating and financial performance as of the date of this report.

On behalf of the directors

.....
Dr Chen Mun
Director

.....
Ang Bee Yan, Katherine
Director

26 June 2019

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POWERMATIC DATA SYSTEMS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Powermatic Data Systems Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS (I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 March 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting 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 company 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 reporting 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.

We have assessed and determined that there are no key audit matters to communicate in our report.

OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the statement by directors and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERMATIC DATA SYSTEMS LIMITED

OTHER INFORMATION (CONT'D)

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 the financial reporting standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF POWERMATIC DATA SYSTEMS LIMITED

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

- (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 or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF POWERMATIC DATA SYSTEMS LIMITED

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 See Ling Ling Helen.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

26 June 2019

Engagement partner – effective from reporting year ended 31 March 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 MARCH 2019

| | Notes | 2019 \$'000 | 2018 \$'000 |
|---|-------|-----------------|----------------|
| Revenue | 5 | 20,954 | 16,136 |
| Cost of sales | | (11,154) | (8,004) |
| Gross profit | | 9,800 | 8,132 |
| Property income | 6 | 1,222 | 1,243 |
| Property expenses | 7 | (735) | (703) |
| Net gain from property | | 487 | 540 |
| Other income and gains | 8 | 1,389 | 961 |
| Marketing and distribution costs | | (1,556) | (1,406) |
| Administrative expenses | | (2,300) | (2,058) |
| Other operating expenses | | (14) | (6) |
| Other losses | 8 | (78) | (858) |
| Profit before tax | | 7,728 | 5,305 |
| Income tax expense | 10 | (733) | (789) |
| Profit, net of tax | | 6,995 | 4,516 |
| Other comprehensive income: | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Fair value changes on equity instruments at FVTOCI, net of tax | 17 | (590) | 25 |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations, net of tax | | (75) | 51 |
| Total other comprehensive (loss)/income, net of tax | | (665) | 76 |
| Total comprehensive income | | 6,330 | 4,592 |
| Profit attributable to owners of the parent, net of tax | | 6,995 | 4,516 |
| Total comprehensive income attributable to owners of the parent | | 6,330 | 4,592 |
| Earnings per share | | | |
| Earnings per share currency unit | | Cents | Cents |
| Basic | 11 | 20.01 | 12.95 |
| Diluted | 11 | 20.01 | 12.94 |

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2019

| | Notes | 31.03.2019 \$'000 | Group 31.03.2018 \$'000 | 01.04.2017 \$'000 |
|---|-------|----------------------|-------------------------------|----------------------|
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 13 | 2,929 | 2,901 | 2,939 |
| Investment property | 14 | 17,073 | 17,260 | 17,479 |
| Intangible assets | 15 | 58 | 77 | 67 |
| Other financial assets | 17 | 6,369 | 8,210 | 8,273 |
| Other non-financial assets | 18 | 307 | 10 | 10 |
| Deferred tax assets | 10 | 365 | 210 | 116 |
| Total non-current assets | | 27,101 | 28,668 | 28,884 |
| <u>Current assets</u> | | | | |
| Inventories | 19 | 3,039 | 1,570 | 1,312 |
| Trade and other receivables | 20 | 856 | 1,028 | 818 |
| Other financial assets | 21 | 217 | 295 | 533 |
| Other non-financial assets | 22 | 110 | 88 | 103 |
| Cash and cash equivalents | 23 | 35,151 | 27,346 | 25,948 |
| Total current assets | | 39,373 | 30,327 | 28,714 |
| Total assets | | 66,474 | 58,995 | 57,598 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity attributable to owners of the parent</u> | | | | |
| Share capital | 24 | 34,559 | 34,521 | 34,466 |
| Retained earnings | | 19,840 | 14,149 | 12,076 |
| Other reserves | 26 | 4,281 | 6,089 | 6,013 |
| Total equity | | 58,680 | 54,759 | 52,555 |
| <u>Current liabilities</u> | | | | |
| Income tax payable | | 999 | 921 | 746 |
| Trade and other payables | 27 | 2,826 | 1,804 | 2,170 |
| Other non-financial liabilities | 28 | 3,969 | 1,511 | 2,127 |
| Total current liabilities | | 7,794 | 4,236 | 5,043 |
| Total equity and liabilities | | 66,474 | 58,995 | 57,598 |

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 MARCH 2019

| | Notes | 31.03.2019 \$'000 | Company 31.03.2018 \$'000 | 01.04.2017 \$'000 |
|---|-------|----------------------|---------------------------------|----------------------|
| ASSETS | | | | |
| <u>Non-current assets</u> | | | | |
| Property, plant and equipment | 13 | 1,998 | 2,081 | 2,091 |
| Investment property | 14 | 17,073 | 17,260 | 17,479 |
| Investments in subsidiaries | 16 | 8,415 | 5,398 | 5,398 |
| Other financial assets | 17 | 6,369 | 8,210 | 8,273 |
| Other non-financial assets | 18 | 10 | 10 | 10 |
| Total non-current assets | | 33,865 | 32,959 | 33,251 |
| <u>Current assets</u> | | | | |
| Trade and other receivables | 20 | 452 | 2,638 | 1,590 |
| Other financial assets | 21 | 217 | 295 | 289 |
| Other non-financial assets | 22 | 39 | 36 | 38 |
| Cash and cash equivalents | 23 | 12,762 | 9,060 | 9,285 |
| Total current assets | | 13,470 | 12,029 | 11,202 |
| Total assets | | 47,335 | 44,988 | 44,453 |
| EQUITY AND LIABILITIES | | | | |
| <u>Equity attributable to owners of the parent</u> | | | | |
| Share capital | 24 | 34,559 | 34,521 | 34,466 |
| Retained earnings | | 6,965 | 2,951 | 2,518 |
| Other reserves | 26 | 5,208 | 6,941 | 6,916 |
| Total equity | | 46,732 | 44,413 | 43,900 |
| <u>Current liabilities</u> | | | | |
| Income tax payable | | 35 | 56 | 68 |
| Trade payables | 27 | 253 | 232 | 217 |
| Other non-financial liabilities | 28 | 315 | 287 | 268 |
| Total current liabilities | | 603 | 575 | 553 |
| Total equity and liabilities | | 47,335 | 44,988 | 44,453 |

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2019

| Group | Total equity \$'000 | Share capital \$'000 | Treasury shares \$'000 | Retained earnings \$'000 | Other reserves \$'000 |
|--|---------------------------|----------------------------|------------------------------|--------------------------------|-----------------------------|
| Current year: | | | | | |
| Opening balance at 1 April 2018 | 54,759 | 35,311 | (790) | 14,149 | 6,089 |
| Changes in equity: | | | | | |
| Issue of share capital (Note 24) | 38 | 38 | – | – | – |
| Total comprehensive income/(loss) for the year | 6,330 | – | – | 6,995 | (665) |
| Transfer of fair value reserve of equity instruments at FVTOCI upon disposal (Note 17) | – | – | – | 1,037 | (1,037) |
| Expiry of share options (Note 26) | – | – | – | 106 | (106) |
| Dividends paid (Note 12) | (2,447) | – | – | (2,447) | – |
| Closing balance at 31 March 2019 | <u>58,680</u> | <u>35,349</u> | <u>(790)</u> | <u>19,840</u> | <u>4,281</u> |
| Previous year: | | | | | |
| Opening balance at 1 April 2017 | 52,555 | 35,252 | (786) | 12,076 | 6,013 |
| Changes in equity: | | | | | |
| Issue of share capital (Note 24) | 59 | 59 | – | – | – |
| Purchase of treasury shares (Note 24) | (4) | – | (4) | – | – |
| Total comprehensive income for the year | 4,592 | – | – | 4,516 | 76 |
| Dividends paid (Note 12) | (2,443) | – | – | (2,443) | – |
| Closing balance at 31 March 2018 | <u>54,759</u> | <u>35,311</u> | <u>(790)</u> | <u>14,149</u> | <u>6,089</u> |

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 MARCH 2019

| Company | Total equity \$'000 | Share capital \$'000 | Treasury shares \$'000 | Retained earnings \$'000 | Other reserves \$'000 |
|--|---------------------------|----------------------------|------------------------------|--------------------------------|-----------------------------|
| Current year: | | | | | |
| Opening balance at 1 April 2018 | 44,413 | 35,311 | (790) | 2,951 | 6,941 |
| Changes in equity: | | | | | |
| Issue of share capital (Note 24) | 38 | 38 | – | – | – |
| Total comprehensive income/(loss) for the year | 4,728 | – | – | 5,318 | (590) |
| Transfer of fair value reserve of equity instruments at FVTOCI upon disposal (Note 17) | – | – | – | 1,037 | (1,037) |
| Expiry of share options (Note 26) | – | – | – | 106 | (106) |
| Dividends paid (Note 12) | (2,447) | – | – | (2,447) | – |
| Closing balance at 31 March 2019 | <u>46,732</u> | <u>35,349</u> | <u>(790)</u> | <u>6,965</u> | <u>5,208</u> |
| Previous year: | | | | | |
| Opening balance at 1 April 2017 | 43,900 | 35,252 | (786) | 2,518 | 6,916 |
| Changes in equity: | | | | | |
| Issue of share capital (Note 24) | 59 | 59 | – | – | – |
| Purchase of treasury shares (Note 24) | (4) | – | (4) | – | – |
| Total comprehensive income for the year | 2,901 | – | – | 2,876 | 25 |
| Dividends paid (Note 12) | (2,443) | – | – | (2,443) | – |
| Closing balance at 31 March 2018 | <u>44,413</u> | <u>35,311</u> | <u>(790)</u> | <u>2,951</u> | <u>6,941</u> |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 MARCH 2019

| | 2019 \$'000 | 2018 \$'000 |
|---|----------------|----------------|
| Cash flows from operating activities | | |
| Profit before tax | 7,728 | 5,305 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 324 | 341 |
| Depreciation of investment property | 220 | 219 |
| Amortisation of intangible assets | 41 | 42 |
| Gain on de-consolidation of subsidiary | – | (12) |
| Gain on disposal of property, plant and equipment | – | (3) |
| Fair value loss/(gain) on financial instruments at FVTPL | 78 | (6) |
| Dividend income | (416) | (356) |
| Interest income | (489) | (280) |
| Unrealised foreign exchange adjustment (gains)/losses, net | (79) | 67 |
| Operating cash flows before changes in working capital | 7,407 | 5,317 |
| Inventories | (1,417) | (300) |
| Trade and other receivables | 173 | (225) |
| Other non-financial assets | (308) | (11) |
| Trade and other payables | 990 | (332) |
| Other non-financial liabilities | 2,440 | (575) |
| Net cash flows from operations | 9,285 | 3,874 |
| Income taxes paid | (780) | (654) |
| Net cash flows from operating activities | 8,505 | 3,220 |
| Cash flows from investing activities | | |
| Payments for intangible assets | (22) | (52) |
| Purchase of property, plant and equipment | (385) | (303) |
| Purchase of non-current available for sale financial assets | – | (912) |
| Disposal of other financial assets | 1,251 | 1,244 |
| Disposal of plant and equipment | 6 | 23 |
| Improvement on investment property | (33) | – |
| Increase of cash restricted in use over 3 months | 3,882 | (1,002) |
| Interest income received | 461 | 227 |
| Dividend income received | 416 | 356 |
| Net cash flows from/(used in) investing activities | 5,576 | (419) |
| Cash flows from financing activities | | |
| Proceeds from exercise of share options | 38 | 59 |
| Purchase of treasury shares | – | (4) |
| Dividends paid to equity owners | (2,447) | (2,443) |
| Net cash flows used in financing activities | (2,409) | (2,388) |
| Net increase in cash and cash equivalents | 11,672 | 413 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | 15 | (17) |
| Cash and cash equivalents, beginning balance | 12,751 | 12,355 |
| Cash and cash equivalents, ending balance (Note 23A) | 24,438 | 12,751 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

1. GENERAL

Powermatic Data Systems Limited (the “company”) is incorporated in Singapore with limited liability. It is listed on the Singapore Exchange Securities Trading Limited. The financial statements are presented in Singapore Dollar and they cover the company and its subsidiaries (the “group”).

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The company is an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 16 below.

The registered office and principal place of business of the company is located at No 9 Harrison Road, #05-01, Singapore 369651.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I) (“SFRS (I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards issued by the International Accounting Standards Board.

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2C below, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

1. GENERAL (CONT'D)

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income and statement of cash flows are not presented.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, trade discounts, volume rebates and changes to the transaction price arising from modifications), net of any related sales taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Revenue recognition (cont'd)

Revenue from sale of goods is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Revenue from rendering of services is recognised when the entity satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Other income

Interest income is recognised using the effective interest method. Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount of the dividend can be measured reliably. This is usually ex-dividend date for quoted shares.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Pursuant to relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute to a certain percentage to the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the group.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Share-based compensation

For the equity-settled share-based compensation transactions, the fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed on a straight-line basis over the vesting period is measured by reference to the fair value of the options granted ignoring the effect of non-market conditions such as profitability and sales growth targets. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. The fair value is measured using a relevant option pricing model. The expected lives used in the model are adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. At each end of the reporting year, a revision is made of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in profit or loss with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Operating leases

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss. The presentation currency is the functional currency.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and joint arrangements except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

| | | |
|-----------------------------------|---|------------|
| Renovations | – | 20% |
| Furniture, fittings and equipment | – | 10% to 33% |
| Freehold office unit | – | 2.63% |

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Investment property

Investment property is property (land or a building or part of a building or both) owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held-for-sale is carried at the lower of carrying amount and fair value. For disclosure purposes only the fair values are measured periodically on a systematic basis at least once yearly by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Investment property (cont'd)

Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values, if any, over their estimated useful lives. The annual rates of depreciation are as follows:

| | | |
|----------------------|---|-----------------|
| Building improvement | – | 3.15% |
| Freehold building | – | 2.63% |
| Freehold land | – | Not depreciated |

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use as follows:

| | | |
|--------------------|---|---------|
| Certification fees | – | 3 years |
|--------------------|---|---------|

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Inventories

Inventories are measured at the lower of cost (first-in-first-out method) and 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. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) 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. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): On initial recognition of an equity investment that is not held for trading, an irrevocably election may be made to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Fair value changes are recognised in OCI but dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. The gain or loss that is presented in OCI includes any related foreign exchange component arising on non-monetary investments (eg, equity instruments). On disposal, the cumulative fair value changes are not recycled to profit or loss but remain in reserves within equity. The weighted average or specific identification method is used when determining the cost basis of equities being disposed of.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd):

4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction, if any.

Fair value measurement

The 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. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset/liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur. Warranty provisions are measured using probability models based on past experience.

Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2B. Other explanatory information (cont'd)

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Income tax amounts:

Entities in the group recognise tax liabilities and assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition, management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) transactions with its related parties; and (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Dr Chen Mun, a director and controlling shareholder of the company.

3A. Key management compensation

| | Group | |
|---|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Salaries and other short-term employee benefits | 1,023 | 997 |

The above amount is included under employee benefits expense. Included in the above amount are the following items:

| | Group | |
|--|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Remuneration of directors of the company | 547 | 529 |
| Fees to directors of the company | 52 | 52 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)**3A. Key management compensation (cont'd)**

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel include the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly.

3B. Other receivables from related parties

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

| | Company | |
|--|----------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| <u>Other receivables from subsidiaries:</u> | | |
| Balance at beginning of the year | 2,545 | 1,532 |
| Amounts paid in and settlement of liabilities on behalf of the company | (4,733) | (1,703) |
| Amounts paid out and settlement of liabilities on behalf of the subsidiaries | 311 | 6 |
| Inter-company recharges | 215 | 216 |
| Allowance for impairment | (7) | (6) |
| Dividend income | 2,000 | 2,500 |
| Balance at end of the year (Note 20) | <u>331</u> | <u>2,545</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the reporting entity is organised into three major strategic operating segments: (1) wireless connectivity products, (2) property and (3) corporate holding and others. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- Wireless connectivity products segment comprises manufacturing, sales, marketing and distribution of wireless connectivity products.
- Property segment comprises managing the investment properties.
- Corporate holding and others is involved in group-level corporate services.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results is the gross profit.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4B. Primary analysis by business segment

| <u>Group:</u> | Wireless connectivity products \$'000 | Property \$'000 | Corporate holding and others \$'000 | Total \$'000 |
|---|--|----------------------------|--|-------------------------|
| 2019 | | | | |
| Revenue by segment | 20,891 | – | 63 | 20,954 |
| Cost of sales | (11,096) | – | (58) | (11,154) |
| Gross profit | 9,795 | – | 5 | 9,800 |
| <u>Other items of income</u> | | | | |
| Property income | – | 1,222 | – | 1,222 |
| Property expense | – | (735) | – | (735) |
| Net gain from property | – | 487 | – | 487 |
| Other income and gains | 814 | – | 575 | 1,389 |
| <u>Other items of expenses</u> | | | | |
| Marketing and distribution cost | (1,518) | – | (38) | (1,556) |
| Administration expenses | (1,598) | – | (702) | (2,300) |
| Other operating expenses | (14) | – | – | (14) |
| Other losses | – | – | (78) | (78) |
| Profit/(loss) before tax | 7,479 | 487 | (238) | 7,728 |
| Income tax expense | (733) | – | – | (733) |
| Profit/(loss), net of tax | 6,746 | 487 | (238) | 6,995 |
| Segment assets | 27,877 | 17,087 | 21,510 | 66,474 |
| Segment liabilities | (7,192) | (250) | (352) | (7,794) |
| Other segment information: | | | | |
| Capital expenditure | 403 | 33 | 4 | 440 |
| Depreciation of property, plant and equipment | (237) | – | (87) | (324) |
| Depreciation of investment property | – | (220) | – | (220) |
| Amortisation of intangible assets | (40) | – | (1) | (41) |
| Service and sundry income | (504) | – | – | (504) |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4B. Primary analysis by business segment (cont'd)

| <u>Group:</u> | <u>Wireless connectivity products \$'000</u> | <u>Property \$'000</u> | <u>Corporate holding and others \$'000</u> | <u>Total \$'000</u> |
|--|--|----------------------------|--|-------------------------|
| 2018 | | | | |
| Revenue by segment | 15,986 | – | 150 | 16,136 |
| Cost of sales | (7,891) | – | (113) | (8,004) |
| Gross profit | 8,095 | – | 37 | 8,132 |
| <u>Other items of income</u> | | | | |
| Property income | – | 1,243 | – | 1,243 |
| Property expense | – | (703) | – | (703) |
| Net gain from property | – | 540 | – | 540 |
| Other income and gains | 477 | – | 484 | 961 |
| <u>Other items of expenses</u> | | | | |
| Marketing and distribution cost | (1,364) | – | (42) | (1,406) |
| Administration expenses | (1,367) | – | (691) | (2,058) |
| Other operating expenses | (6) | – | – | (6) |
| Other losses | (825) | – | (33) | (858) |
| Profit/(loss) before tax | 5,010 | 540 | (245) | 5,305 |
| Income tax expense | (789) | – | – | (789) |
| Profit/(loss), net of tax | 4,221 | 540 | (245) | 4,516 |
| Segment assets | 20,439 | 17,274 | 21,282 | 58,995 |
| Segment liabilities | (3,398) | (265) | (573) | (4,236) |
| <u>Other segment information:</u> | | | | |
| Reversal of allowance for impairment on trade receivables | 250 | – | – | 250 |
| Capital expenditure | 281 | – | 74 | 355 |
| Depreciation of property, plant and equipment | (257) | – | (84) | (341) |
| Depreciation of investment property | – | (219) | – | (219) |
| Amortisation of intangible assets | (42) | – | – | (42) |
| Service and sundry income | 697 | – | – | 697 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

4C. Geographical information

The following table provides an analysis of the revenue by geographical location or customers, irrespective of the origin of the goods/services:

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Revenue: | | |
| Singapore | 340 | 90 |
| Europe | 4,658 | 5,146 |
| Asia (except Singapore) | 6,200 | 5,838 |
| United States of America | 6,808 | 4,218 |
| Others (including Canada, Brazil) | 2,948 | 844 |
| | 20,954 | 16,136 |

The property income is from property in Singapore.

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, intangible assets and investment property analysed by the geographical area in which the assets are located:

| | Group | |
|--------------------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Segment assets: | | |
| Singapore | 60,289 | 55,763 |
| Asia (except Singapore) | 6,177 | 3,227 |
| United States of America | 8 | 5 |
| | 66,474 | 58,995 |
| Capital expenditure: | | |
| Singapore | 62 | 139 |
| Asia (except Singapore) | 378 | 216 |
| | 440 | 355 |

4D. INFORMATION ABOUT MAJOR CUSTOMERS

There are no customers with revenue transactions of over 10 % of the group revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

5. REVENUE

| | Group | |
|---------------------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Sale of goods | 20,450 | 15,439 |
| Service and sundry income | 504 | 697 |
| | <u>20,954</u> | <u>16,136</u> |

All the contracts are less than 12 months.

The revenue from sale of goods is recognised based on point in time. The customers are retailers and wholesalers. A large portion of the goods is exported.

The revenue from services is recognised based on point in time. A large portion is for customers overseas.

6. PROPERTY INCOME

| | Group | |
|---|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Rental and services income from investment property | <u>1,222</u> | <u>1,243</u> |

7. PROPERTY EXPENSES

| | Group | |
|------------------------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Building maintenance expense | 427 | 403 |
| Depreciation expense | 220 | 219 |
| Utilities and other expenses | 88 | 81 |
| | <u>735</u> | <u>703</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

8. OTHER INCOME AND GAINS AND (OTHER LOSSES)

| | Group | |
|---|---------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Foreign exchange translation gains/(losses), net | 476 | (858) |
| Fair value (losses)/gains on financial instruments at FVTPL | (78) | 6 |
| Gain on de-consolidation of subsidiary | – | 12 |
| Gains on disposal of property, plant and equipment, net | – | 3 |
| Government grant income | 4 | 9 |
| Dividend income | 416 | 356 |
| Interest income | 489 | 280 |
| Allowance for impairment on trade receivables – reversal | – | 250 |
| Sundry income | 4 | 45 |
| Net | 1,311 | 103 |
| Presented in profit or loss as: | | |
| Other income and gains | 1,389 | 961 |
| Other losses | (78) | (858) |
| | 1,311 | 103 |

9. EMPLOYEE BENEFITS EXPENSE

| | Group | |
|---|---------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Short term employee benefits expense | 2,729 | 2,424 |
| Contributions to defined contribution plan | 278 | 294 |
| Total employee benefits expense | 3,007 | 2,718 |
| Included in marketing, distribution and administrative expenses | 2,875 | 2,581 |
| Included in cost of sales | 132 | 137 |
| | 3,007 | 2,718 |

NOTES TO THE FINANCIAL STATEMENTS

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10. INCOME TAX

10A. Components of tax expense recognised in profit or loss

| | Group | |
|---|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| <u>Current tax expense:</u> | | |
| Current tax expense | 982 | 883 |
| Over adjustments to tax in respect of prior periods | (94) | – |
| Subtotal | 888 | 883 |
| <u>Deferred tax income:</u> | | |
| Deferred tax income | (155) | (94) |
| Total income tax expense | 733 | 789 |

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the company is situated. The income tax in profit or loss varied from the amount determined by applying the Singapore corporate tax rate of 17% (2018: 17%) to profit or loss before income tax as a result of the following differences:

| | Group | |
|--|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Profit before tax | 7,728 | 5,305 |
| Income tax expense at the above rate | 1,314 | 902 |
| Effect of different tax rates in different countries | 90 | 84 |
| Income not subject to tax | (143) | – |
| Not deductible items for tax purposes | 77 | 55 |
| Stepped income exemption | (35) | (48) |
| Corporate tax rebate | (13) | (14) |
| Previously unrecognised deferred tax assets recognised this year | (493) | (229) |
| Over adjustments to tax in respect of prior periods | (94) | – |
| Others | 30 | 39 |
| Total income tax expense | 733 | 789 |

There are no income tax consequences of dividends to owners of the company.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

10. INCOME TAX (CONT'D)

10B. Deferred tax income recognised in profit or loss

| | Group | |
|--|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Tax losses carryforwards | (336) | (105) |
| Capital allowance carryforwards | (2) | (30) |
| Previously unrecognised deferred tax assets recognised this year | 493 | 229 |
| Total deferred tax income recognised in profit or loss | <u>155</u> | <u>94</u> |

10C. Deferred tax balance in the statement of financial position

| | Group | | | |
|----------------------------------|---------------------------|-------------------------|---------------------------|-------------------------|
| | 2019 | | 2018 | |
| | Gross amount \$'000 | Tax effect \$'000 | Gross amount \$'000 | Tax effect \$'000 |
| Unused tax losses | 3,622 | 616 | 5,602 | 952 |
| Unused capital allowance | 52 | 13 | 64 | 15 |
| Unrecognised deferred tax assets | (1,524) | (264) | (4,431) | (757) |
| Net deferred tax assets | <u>2,150</u> | <u>365</u> | <u>1,235</u> | <u>210</u> |

Deferred tax asset for the tax losses has been recognised to the extent of the future profit streams that are probable against which the deductible temporary difference can be utilised.

For Singapore companies, the realisation of the future income tax benefits from these tax loss carryforwards is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

For the People's Republic of China companies, temporary difference from capital allowances amounting to \$52,000 (2018: \$52,000) can be carried forward for 5 years.

Temporary differences arising in connection with interests in subsidiaries are insignificant.

NOTES TO THE FINANCIAL STATEMENTS

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11. EARNINGS PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share of no par value:

| | Group | |
|--|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Numerators: earnings attributable to equity: | | |
| A. Continuing operations: attributable to equity holders | 6,995 | 4,516 |
| B. Total basic earnings | 6,995 | 4,516 |
| C. Diluted earnings | 6,995 | 4,516 |
| | '000 | '000 |
| Denominators: weighted average number of equity shares | | |
| D. Basic | 34,953 | 34,874 |
| E. Diluted | 34,953 | 34,901 |

The weighted average number of equity shares refers to shares in circulation during the reporting period.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. It is after the neutralisation by the treasury shares.

The dilutive effect derives from share options (Note 25). The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year.

The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the reporting year and (2) shares of ordinary share issuable upon assumed exercise of share options which (if any) would have a dilutive effect.

12. DIVIDENDS ON EQUITY SHARES

| | Rate per share | | | |
|--|----------------|---------------|----------------|----------------|
| | 2019 cents | 2018 cents | 2019 \$'000 | 2018 \$'000 |
| Group and company | | | | |
| Final tax exempt (1-tier) ordinary dividend paid | 5 | 5 | 1,748 | 1,745 |
| Final tax exempt (1-tier) special dividend paid | 2 | 2 | 699 | 698 |
| | 7 | 7 | 2,447 | 2,443 |

NOTES TO THE FINANCIAL STATEMENTS

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12. DIVIDENDS ON EQUITY SHARES (CONT'D)

In respect of the current reporting year, the directors propose that a final dividend of 5 cents (2018: 5 cents) per share and a special dividend of 3 cents (2018: 2 cents) per share to be paid to shareholders of the company after the annual general meeting. These dividends are subject to approval by shareholders of the company at the forthcoming annual general meeting and have not been included as liabilities in these financial statements. The proposed dividends are payable in respect of all ordinary shares in issue at the end of the reporting year, including any new qualifying shares issued but excluding treasury shares, up to the date the dividend becomes payable. There are no income tax consequences of the dividends to shareholders.

13. PROPERTY, PLANT AND EQUIPMENT

| <u>Group</u> | <u>Renovations</u> <u>\$'000</u> | <u>Furniture, fittings and equipment</u> <u>\$'000</u> | <u>Freehold office unit</u> <u>\$'000</u> | <u>Total</u> <u>\$'000</u> |
|----------------------------------|-------------------------------------|---|--|-------------------------------|
| <u>Cost:</u> | | | | |
| At 1 April 2017 | 198 | 3,790 | 2,082 | 6,070 |
| Foreign exchange adjustments | – | 106 | – | 106 |
| Additions | 74 | 229 | – | 303 |
| Disposal | – | (87) | – | (87) |
| At 31 March 2018 | 272 | 4,038 | 2,082 | 6,392 |
| Foreign exchange adjustments | – | (123) | – | (123) |
| Additions | – | 385 | – | 385 |
| Disposal | – | (11) | – | (11) |
| At 31 March 2019 | 272 | 4,289 | 2,082 | 6,643 |
| <u>Accumulated depreciation:</u> | | | | |
| At 1 April 2017 | 46 | 2,910 | 175 | 3,131 |
| Foreign exchange adjustments | – | 86 | – | 86 |
| Depreciation for the year | 52 | 266 | 23 | 341 |
| Disposal | – | (67) | – | (67) |
| At 31 March 2018 | 98 | 3,195 | 198 | 3,491 |
| Foreign exchange adjustments | – | (96) | – | (96) |
| Depreciation for the year | 54 | 247 | 23 | 324 |
| Disposal | – | (5) | – | (5) |
| At 31 March 2019 | 152 | 3,341 | 221 | 3,714 |
| <u>Carrying value:</u> | | | | |
| At 1 April 2017 | 152 | 880 | 1,907 | 2,939 |
| At 31 March 2018 | 174 | 843 | 1,884 | 2,901 |
| At 31 March 2019 | 120 | 948 | 1,861 | 2,929 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

13. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

| <u>Company</u> | <u>Renovations</u> <u>\$'000</u> | <u>Furniture, fittings and equipment</u> <u>\$'000</u> | <u>Freehold office unit</u> <u>\$'000</u> | <u>Total</u> <u>\$'000</u> |
|----------------------------------|-------------------------------------|---|--|-------------------------------|
| <u>Cost:</u> | | | | |
| At 1 April 2017 | 198 | 108 | 2,082 | 2,388 |
| Disposal | 74 | – | – | 74 |
| At 31 March 2018 | 272 | 108 | 2,082 | 2,462 |
| Addition | – | 4 | – | 4 |
| At 31 March 2019 | 272 | 112 | 2,082 | 2,466 |
| <u>Accumulated depreciation:</u> | | | | |
| At 1 April 2017 | 46 | 76 | 175 | 297 |
| Depreciation for the year | 51 | 9 | 24 | 84 |
| At 31 March 2018 | 97 | 85 | 199 | 381 |
| Depreciation for the year | 54 | 10 | 23 | 87 |
| At 31 March 2019 | 151 | 95 | 222 | 468 |
| <u>Carrying value:</u> | | | | |
| At 1 April 2017 | 152 | 32 | 1,907 | 2,091 |
| At 31 March 2018 | 175 | 23 | 1,883 | 2,081 |
| At 31 March 2019 | 121 | 17 | 1,860 | 1,998 |

Allocation of the depreciation expense:

| | Group | | Company | |
|-------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2019 \$'000 | 2018 \$'000 | 2019 \$'000 | 2018 \$'000 |
| Cost of sales | 192 | 212 | – | – |
| Administrative expenses | 132 | 129 | 87 | 84 |
| | <u>324</u> | <u>341</u> | <u>87</u> | <u>84</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

14. INVESTMENT PROPERTY

| <u>Group and Company</u> | <u>Freehold land \$'000</u> | <u>Freehold building \$'000</u> | <u>Building improvements \$'000</u> | <u>Total \$'000</u> |
|---|---------------------------------|---|---|-------------------------|
| <u>Cost:</u> | | | | |
| At 1 April 2017 and 31 March 2018 | 10,804 | 6,612 | 1,397 | 18,813 |
| Addition | – | – | 33 | 33 |
| At 31 March 2019 | 10,804 | 6,612 | 1,430 | 18,846 |
| <u>Accumulated depreciation:</u> | | | | |
| At 1 April 2017 | – | 1,284 | 50 | 1,334 |
| Depreciation for the year | – | 175 | 44 | 219 |
| At 31 March 2018 | – | 1,459 | 94 | 1,553 |
| Depreciation for the year | – | 175 | 45 | 220 |
| At 31 March 2019 | – | 1,634 | 139 | 1,773 |
| <u>Carrying value:</u> | | | | |
| At 1 April 2017 | 10,804 | 5,328 | 1,347 | 17,479 |
| At 31 March 2018 | 10,804 | 5,153 | 1,303 | 17,260 |
| At 31 March 2019 | 10,804 | 4,978 | 1,291 | 17,073 |
| | | | Group and Company | |
| | | | 31.03.2019 | 31.03.2018 |
| | | | \$'000 | \$'000 |
| | | | 31,514 | 30,298 |
| Fair values for disclosure purposes only: | | | | 01.04.2017 |
| Fair value at end of the year | | | | \$'000 |
| | | | | 30,163 |
| Rental and service income from investment property | | 1,222 | 1,243 | 1,344 |
| Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the reporting year | | (735) | (703) | (699) |

The depreciation expense is charged under property expenses.

The investment property is two-adjointing six-storey semi-detached industrial buildings located at Nos. 7 and 9 Harrison Road, Singapore 369650/1. Other than an office unit in one of the buildings which is used by the group as its corporate head office and classified under property, plant and equipment in Note 13, the remaining units in the two buildings are leased out under operating leases. Also see Note 31 on operating lease income commitments.

The fair value of investment property was measured in March 2019 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by Colliers International Consultancy and Valuation (Singapore) Pte Ltd, a firm of independent professional valuers. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the reporting year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

14. INVESTMENT PROPERTY (CONT'D)

A description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

| | |
|---|---|
| Asset: | Nos. 7 and 9 Harrison Road, Singapore 369650/1 (excluding #05-01 which is classified under property, plant and equipment) |
| Fair value: | \$31,514,000 (2018: \$30,298,000) |
| Fair value hierarchy: | Level 2 (2018: Level 2) |
| Valuation technique for recurring fair value measurements: | Comparison with market evidence of recent transaction prices for similar properties |
| Significant observable inputs and range (weighted average): | Price per square foot: \$1,086 (2018: \$1,027) |
| Relationship of unobservable inputs to fair value: | NA. |
| Sensitivity on management's estimate – 10% variation from estimate: | Impact – lower by \$3,151,000; higher by \$3,151,000 |

15. INTANGIBLE ASSETS

| <u>Group</u> | Certification fees \$'000 |
|----------------------------------|--------------------------------------|
| <u>Cost:</u> | |
| At 1 April 2017 | 291 |
| Additions | 52 |
| At 31 March 2018 | 343 |
| Additions | 22 |
| At 31 March 2019 | 365 |
| <u>Accumulated amortisation:</u> | |
| At 1 April 2017 | 224 |
| Amortisation for the year | 42 |
| At 31 March 2018 | 266 |
| Amortisation for the year | 41 |
| At 31 March 2019 | 307 |
| <u>Carrying value:</u> | |
| At 1 April 2017 | 67 |
| At 31 March 2018 | 77 |
| At 31 March 2019 | 58 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

16. INVESTMENTS IN SUBSIDIARIES

| | 31.03.2019 | Company 31.03.2018 | 01.04.2017 |
|---|-------------------|-------------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Unquoted equity shares at cost | 22,553 | 22,553 | 22,555 |
| Less: Allowance for impairment | (14,138) | (17,155) | (17,157) |
| Net carrying amount | <u>8,415</u> | <u>5,398</u> | <u>5,398</u> |
| Analysis of above amounts denominated in non-functional currency: | | | |
| United States Dollar | 12,155 | 12,155 | 12,155 |
| Chinese Renminbi | 3,829 | 3,829 | 3,829 |
| Others | – | – | 2 |
| | <u>–</u> | <u>–</u> | <u>2</u> |
| | | 2019 | 2018 |
| | | \$'000 | \$'000 |
| Movements in allowance for impairment: | | | |
| Balance at beginning of the year | | 17,155 | 17,157 |
| Impairment loss reversed to profit or loss | | (3,017) | (2) |
| Balance at end of the year | | <u>14,138</u> | <u>17,155</u> |

The increasing performance of a subsidiary was considered sufficient evidence to reverse the impairment loss. It has better performance from an increase in customers. This resulted in a reversal of the impairment loss of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The listing of and information of the subsidiaries are given below:

| Name of subsidiaries, country of incorporation, place of operations and principal activities | Cost in books of the company | | | Effective equity held by the company | | |
|---|---------------------------------|---------------|---------------|---|------------|------------|
| | 31.03.2019 | 31.03.2018 | 01.04.2017 | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | \$'000 | \$'000 | \$'000 | % | % | % |
| Compex Systems Pte Ltd ^(a) Singapore Trader of own made wireless connectivity products/ solutions | 1,569 | 1,569 | 1,569 | 100 | 100 | 100 |
| Compex Technologies Pte Ltd ^(a) Singapore Trader of own made wireless connectivity products/ solutions/computers related peripherals | 5,000 | 5,000 | 5,000 | 100 | 100 | 100 |
| Compex (Suzhou) Co., Ltd ^(b) People's Republic of China Manufacturer of wireless connectivity products | 3,714 | 3,714 | 3,714 | 100 | 100 | 100 |
| Compex Wireless (Suzhou) Co., Ltd ^(b) People's Republic of China Trader of own made wireless connectivity products/ solutions | 115 | 115 | 115 | 100 | 100 | 100 |
| Powermatic Data Systems (HK) Ltd ^(c) Hong Kong Dormant | – | – | 2 | – | – | 99.9 |
| Compex Technologies Sdn Bhd ^(d) Malaysia Manufacturer of wireless connectivity products | – | – | – | 100 | – | – |
| Compex Inc ^(e) United States of America Dormant | 12,155 | 12,155 | 12,155 | 100 | 100 | 100 |
| | <u>22,553</u> | <u>22,553</u> | <u>22,555</u> | | | |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

16. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (a) Audited by RSM Chio Lim LLP, a member firm of RSM International.
- (b) Audited by SBA Stone Forest CPA Co., Ltd, an affiliated firm of RSM Chio Lim LLP in Singapore for consolidation purpose only.
- (c) Application for de-registration was submitted on 29 January 2018. Accordingly, the investment was written off.
- (d) Incorporated on 7 December 2018 and Operations has not yet commenced as at 31 March 2019. The cost of investment is less than \$1,000.
- (e) Not required to be audited under the law of its country of incorporation and it is not material.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditor for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

17. OTHER FINANCIAL ASSETS

| | Group and Company | | |
|---|-------------------|--------------|--------------|
| | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | \$'000 | \$'000 | \$'000 |
| Investments in equity shares at FVTOCI (Note 17A) | 6,364 | 8,205 | 7,268 |
| Unquoted equity shares at cost through OCI (Note 17B) | 5 | 5 | 5 |
| Investments in debt instruments at amortised cost | – | – | 1,000 |
| | <u>6,369</u> | <u>8,210</u> | <u>8,273</u> |

17A. INVESTMENTS IN EQUITY SHARES AT FVTOCI

| | Group and Company | |
|--|-------------------|--------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| Fair value at beginning of the year | 8,205 | 7,268 |
| Additions | – | 912 |
| Disposals | (214) | – |
| (Gain)/loss on disposal transferred to retained earnings | (1,037) | – |
| (Decrease)/Increase in fair value through other comprehensive income | (590) | 25 |
| Fair value at end of the year | <u>6,364</u> | <u>8,205</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

17. OTHER FINANCIAL ASSETS (CONT'D)

17A. INVESTMENTS IN EQUITY SHARES AT FVTOCI (CONT'D)

The gain or loss on remeasuring investments in equity shares at FVTOCI to fair value (other than those relating to hedges) presented in OCI includes any related foreign exchange component arising on non-monetary investments (eg, equity instruments). On disposal, the cumulative fair value changes are not recycled to profit or loss but remain in reserves within equity.

During the reporting year certain investments in equity instruments measured at FVTOCI were derecognised to realise the gains. The fair value of the investments at the date of derecognition was \$1,627,000. The cumulative gain on disposal of \$1,037,000 was transferred to retained earnings. The dividend income from investments derecognised during the reporting year is disclosed in Note 8.

The information below gives a summary of the significant sector concentrations within the investment portfolio:

| | Level | Group and Company | | |
|--------------------------------------|-------|----------------------|----------------------|----------------------|
| | | 31.03.2019 \$'000 | 31.03.2018 \$'000 | 01.04.2017 \$'000 |
| Quoted equity shares in corporations | | | | |
| – Technology, Thailand | 1 | 6,364 | 8,205 | 7,268 |

17B. UNQUOTED EQUITY SHARES AT COST THROUGH OCI

| | Group and Company | | |
|----------------------------------|----------------------|----------------------|----------------------|
| | 31.03.2019 \$'000 | 31.03.2018 \$'000 | 01.04.2017 \$'000 |
| At beginning and end of the year | 5 | 5 | 5 |

The financial reporting standard on financial instruments require that all investments in unquoted equity shares and contracts on those instruments must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value. That may be the case if insufficient more recent information is available to measure fair value, or if there is a wide range of possible fair value measurements and cost represents the best estimate of fair value within that range.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

17. OTHER FINANCIAL ASSETS (CONT'D)

17B. UNQUOTED EQUITY SHARES AT COST THROUGH OCI (CONT'D)

When information about the performance and operations of the investee becomes available after the date of initial recognition and that relevant factors exist, they may indicate that cost might not be representative of fair value. In such cases, the unquoted equity shares have to be measured fair value.

Management has not identified a market for these unquoted equity instruments and it has not made a decision on how and when it intends to dispose of them in the foreseeable future.

The information below gives a summary of the significant sector concentrations within the investment portfolio:

| | | Group and Company | | |
|--|-------|-------------------|------------|------------|
| | | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | | \$'000 | \$'000 | \$'000 |
| | Level | | | |
| Unquoted equity shares in corporation | | | | |
| – Technology, United States of America | 3 | 5 | 5 | 5 |

18. OTHER NON-FINANCIAL ASSETS, NON-CURRENT

| | | Group | | |
|--|--|------------|------------|------------|
| | | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | | \$'000 | \$'000 | \$'000 |
| Club membership | | 10 | 10 | 10 |
| Deposit for acquisition of factory (Note 33) | | 297 | – | – |
| | | 307 | 10 | 10 |

| | | Company | | |
|-----------------|--|------------|------------|------------|
| | | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | | \$'000 | \$'000 | \$'000 |
| Club membership | | 10 | 10 | 10 |

NOTES TO THE FINANCIAL STATEMENTS

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19. INVENTORIES

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|--|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Finished goods and goods for resale | 739 | 228 | 435 |
| Work-in-progress | 765 | 333 | 542 |
| Raw material, consumables and supplies | 1,535 | 1,009 | 335 |
| | <u>3,039</u> | <u>1,570</u> | <u>1,312</u> |
| | | 2019 | 2018 |
| | | \$'000 | \$'000 |
| Inventories are stated after allowance as follows: | | | |
| At beginning of the year | | 238 | 560 |
| Charged/(reversed) to profit or loss included in cost of sales | | 368 | (322) |
| Used | | – | – |
| At end of the year | | <u>606</u> | <u>238</u> |
| Changes in inventories of finished goods and work-in-progress | | 943 | (416) |
| The amount of inventories included in cost of sales | | <u>9,878</u> | <u>6,803</u> |

There are no inventories pledged as security for liabilities.

20. TRADE AND OTHER RECEIVABLES

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|---|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| <u>Trade receivables:</u> | | | |
| Outside parties | 411 | 808 | 759 |
| Less: Allowance for impairment | (3) | (3) | (257) |
| Net trade receivables – subtotal | <u>408</u> | <u>805</u> | <u>502</u> |
| <u>Other receivables:</u> | | | |
| Outside parties | 448 | 223 | 316 |
| Net other receivables – subtotal | <u>448</u> | <u>223</u> | <u>316</u> |
| Total trade and other receivables | <u>856</u> | <u>1,028</u> | <u>818</u> |
| | | 2019 | 2018 |
| | | \$'000 | \$'000 |
| Movements in above allowances: | | | |
| At beginning of the year | | 3 | 257 |
| (Reversed)/charged of trade receivables to profit or loss included in other income and gains/(other losses) | | – | (250) |
| Bad debts written-off | | – | – |
| Foreign currency adjustments | | – | (4) |
| At end of the year | | <u>3</u> | <u>3</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

20. TRADE AND OTHER RECEIVABLES (CONT'D)

| | 31.03.2019 \$'000 | Company 31.03.2018 \$'000 | 01.04.2017 \$'000 |
|--|----------------------|---------------------------------|------------------------------|
| <u>Trade receivables:</u> | | | |
| Outside parties | 45 | 34 | 14 |
| Less: Allowance for impairment | (3) | (3) | (3) |
| Net trade receivables – subtotal | <u>42</u> | <u>31</u> | <u>11</u> |
| <u>Other receivables:</u> | | | |
| Outside parties | 79 | 62 | 47 |
| Subsidiaries (Note 3) | 4,473 | 6,678 | 5,713 |
| Less: Allowance for impairment | (4,142) | (4,133) | (4,181) |
| | <u>331</u> | <u>2,545</u> | <u>1,532</u> |
| Net other receivables – subtotal | <u>410</u> | <u>2,607</u> | <u>1,579</u> |
| Total trade and other receivables | <u>452</u> | <u>2,638</u> | <u>1,590</u> |
| | | 2019 \$'000 | 2018 \$'000 |
| Movements in above allowances: | | | |
| At beginning of the year | | 4,136 | 4,184 |
| Charge of trade receivables to profit or loss included in other losses | | – | – |
| Bad debts written-off | | – | (54) |
| Charge for subsidiaries other receivables to profit or loss included in other losses | | 3 | 6 |
| At end of the year | | <u>4,145</u> | <u>4,136</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

20. TRADE AND OTHER RECEIVABLES (CONT'D)

To determine whether a financial instrument has low credit risk, management uses its internal credit risk ratings (such as external rating of "investment grade" of a financial instrument) or other methodologies that are consistent with a globally understood definition of low credit risk (such as market participant perspective taking into account all of the terms and conditions of the financial instrument).

There was no allowance matrix for the previous reporting year.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is from 30-90 days (2018: 30-90 days). But some customers take a longer period to settle the amounts.

Concentration of trade receivables customers as at the end of reporting year:

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|-----------------|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Top 1 customer | 123 | 215 | 400 |
| Top 2 customers | 149 | 383 | 457 |
| Top 3 customers | 162 | 521 | 509 |

Other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

Other receivables are normally with no fixed terms and therefore there is no maturity. Related company other receivables are regarded as of low credit risk if they are guaranteed by the parent or a related company with the ability to settle the amount.

NOTES TO THE FINANCIAL STATEMENTS

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21. OTHER FINANCIAL ASSETS

| | 31.03.2019 | Group | 01.04.2017 |
|--|-------------------|-------------------|-------------------|
| | \$'000 | 31.03.2018 | \$'000 |
| | | \$'000 | \$'000 |
| Quoted equity shares in corporations (Level 1) | 217 | 295 | 289 |
| Fixed income fund (Level 1) ^{#a} | – | – | 244 |
| | <u>217</u> | <u>295</u> | <u>533</u> |
| | | 2019 | 2018 |
| | | \$'000 | \$'000 |
| Movements during the year: | | | |
| Balance at beginning of the year | | 295 | 533 |
| Additions | | – | – |
| Disposals | | – | (244) |
| Fair value (loss)/gain included in profit or loss included in (other losses)/other income and gains | | (78) | 6 |
| Balance at end of the year | | <u>217</u> | <u>295</u> |

#a The fixed income fund was an investment managed by a bank in the People's Republic of China, with a withdrawal lead period of 14 to 20 days. There were no restrictions on the withdrawal of funds and it was designated as available-for-sale financial asset measured at fair value. As at 1 April 2017, the financial asset bore an effective interest rate of 2.5% per annum. The fund had been withdrawn in the reporting year 2018.

| | 31.03.2019 | Company | 01.04.2017 |
|--|-------------------|-------------------|-------------------|
| | \$'000 | 31.03.2018 | \$'000 |
| | | \$'000 | \$'000 |
| Quoted equity shares in corporations (Level 1) | <u>217</u> | <u>295</u> | <u>289</u> |
| | | 2019 | 2018 |
| | | \$'000 | \$'000 |
| Movements during the year: | | | |
| Balance at beginning of the year | | 295 | 289 |
| Fair value (loss)/gain included in profit or loss included in (other losses)/other income and gains | | (78) | 6 |
| Balance at end of the year | | <u>217</u> | <u>295</u> |

NOTES TO THE FINANCIAL STATEMENTS

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22. OTHER NON-FINANCIAL ASSETS, CURRENT

| | 31.03.2019 | Group | 01.04.2017 |
|-----------------------------|-------------------|-------------------|-------------------|
| | \$'000 | 31.03.2018 | \$'000 |
| | | \$'000 | \$'000 |
| Prepayments | 96 | 74 | 88 |
| Deposits to secure services | 14 | 14 | 15 |
| | <u>110</u> | <u>88</u> | <u>103</u> |
| | | Company | |
| | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | \$'000 | \$'000 | \$'000 |
| Prepayments | 25 | 22 | 23 |
| Deposits to secure services | 14 | 14 | 15 |
| | <u>39</u> | <u>36</u> | <u>38</u> |

23. CASH AND CASH EQUIVALENTS

| | 31.03.2019 | Group | 01.04.2017 |
|--|-------------------|-------------------|-------------------|
| | \$'000 | 31.03.2018 | \$'000 |
| | | \$'000 | \$'000 |
| Fixed deposits | 17,211 | 7,495 | 1,650 |
| Fixed deposits (maturity of over 3 months) | 10,713 | 14,595 | 13,593 |
| Cash and bank balances | 7,227 | 5,256 | 10,705 |
| | <u>35,151</u> | <u>27,346</u> | <u>25,948</u> |
| Interest earning balances | <u>33,369</u> | <u>22,324</u> | <u>16,455</u> |
| | | Company | |
| | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | \$'000 | \$'000 | \$'000 |
| Fixed deposits | 3,700 | 600 | 1,650 |
| Fixed deposits (maturity of over 3 months) | 6,800 | 8,000 | 5,650 |
| Cash and bank balances | 2,262 | 460 | 1,985 |
| | <u>12,762</u> | <u>9,060</u> | <u>9,285</u> |
| Interest earning balances | <u>12,761</u> | <u>8,696</u> | <u>7,435</u> |

The rates of interest for the cash on interest earning balances ranged between 0.05% and 3.01% (2018: 0.05% and 2.46%) per year.

NOTES TO THE FINANCIAL STATEMENTS

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23. CASH AND CASH EQUIVALENTS (CONT'D)

23A. CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|---|---------------|---------------------|---------------|
| | \$'000 | \$'000 | \$'000 |
| Amount as shown above | 35,151 | 27,346 | 25,948 |
| Less: Cash restricted in use over 3 months | (10,713) | (14,595) | (13,593) |
| Cash and cash equivalents in consolidated statement of cash flows | <u>24,438</u> | <u>12,751</u> | <u>12,355</u> |

24. SHARE CAPITAL

| <u>Group and Company</u> | Number of shares issued '000 | Share capital \$'000 | Treasury shares \$'000 | Total \$'000 |
|-------------------------------------|------------------------------------|----------------------------|------------------------------|-----------------|
| Ordinary shares of no par value: | | | | |
| Balance at 1 April 2017 | 34,819 | 35,252 | (786) | 34,466 |
| Treasury shares purchased | (3) | – | (4) | (4) |
| Exercise of share options (Note 25) | 83 | 59 | – | 59 |
| Balance as at 31 March 2018 | 34,899 | 35,311 | (790) | 34,521 |
| Exercise of share options (Note 25) | 54 | 38 | – | 38 |
| Balance as at 31 March 2019 | <u>34,953</u> | <u>35,349</u> | <u>(790)</u> | <u>34,559</u> |

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

| | Number of treasury shares 2019 | 2018 |
|----------------------------------|-----------------------------------|------------|
| | '000 | '000 |
| Balance at beginning of the year | 850 | 847 |
| Treasury shares purchased | – | 3 |
| Balance at end of the year | <u>850</u> | <u>850</u> |

NOTES TO THE FINANCIAL STATEMENTS

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24. SHARE CAPITAL (CONT'D)

| | Fair value | |
|----------------------------------|----------------|----------------|
| | 2019 \$'000 | 2018 \$'000 |
| Balance at beginning of the year | 790 | 786 |
| Treasury shares purchased | – | 4 |
| Balance at end of the year | 790 | 790 |

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

There are no external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

25. SHARE-BASED PAYMENTS

25A. SHARE OPTIONS – THE SCHEME

The company has an employee share option scheme known as the "Powermatic Data Systems Employees' Share Option Scheme 2013" (the "2013 Scheme"). The 2013 Scheme is a share incentive scheme designed to acknowledge the contributions made by the directors and employees and to give recognition to such directors and employees by giving them the opportunity to have a personal stake in the company and to attract, motivate and retain talented staff for the company's domestic and international operations.

Under the rules of the 2013 Scheme, all directors and full-time employees of the group are eligible to participate in the scheme except for employee or director who is also a controlling shareholder or an associate of a controlling shareholder. Employees of the company's associated companies are not eligible under the 2013 Scheme. The company has no associated companies as at 31 March 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

25. SHARE BASED PAYMENTS (CONT'D)

25A. SHARE OPTIONS – THE SCHEME (CONT'D)

The aggregate number of shares over which options may be granted shall not exceed 15% of the issued share capital (excluding treasury shares) of the company on the day immediately preceding the offer date of the option.

The 2013 Scheme is administered by the Remuneration Committee comprising Tan Chao Hsiung, David (Chairman) and two other independent directors of the company, Dr. Lye Kin Mun and Yee Lat Shing, Tom.

25B. ACTIVITIES UNDER THE SHARE OPTIONS SCHEME

The number of options granted and outstanding at the end of the reporting year was:

| Offer date | Balance at 1.4.2018 | Exercised | Balance at 31.3.2019 | Offer price per share | Period exercisable |
|------------|------------------------|-----------|-------------------------|--------------------------|----------------------------|
| 20.02.2014 | 54,000 | (54,000) | – | 71 cents | 20.02.2015 – 20.02.2024 |

During the reporting year, no option (2018: Nil) was granted.

26. OTHER RESERVES

| | 31.03.2019 \$'000 | Group 31.03.2018 \$'000 | 01.04.2017 \$'000 |
|---|----------------------|-------------------------------|----------------------|
| Fair value reserve (Note 26A) | 5,208 | 6,835 | 6,810 |
| Share option reserve (Note 26B) | – | 106 | 106 |
| Reserve on consolidation (Note 26C) | 88 | 88 | 88 |
| Foreign currency translation reserve (Note 26D) | (1,015) | (940) | (991) |
| | <u>4,281</u> | <u>6,089</u> | <u>6,013</u> |
| | | Company | |
| | 31.03.2019 \$'000 | 31.03.2018 \$'000 | 01.04.2017 \$'000 |
| Fair value reserve (Note 26A) | 5,208 | 6,835 | 6,810 |
| Share option reserve (Note 26B) | – | 106 | 106 |
| | <u>5,208</u> | <u>6,941</u> | <u>6,916</u> |

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

26. OTHER RESERVES (CONT'D)**26A. FAIR VALUE RESERVE**

| | Group and Company | |
|---|--------------------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At beginning of the year | 6,835 | 6,810 |
| Gains on fair value changes on equity shares at FVTOCI | (1,037) | 25 |
| Decrease in fair value through other comprehensive income | (590) | – |
| At end of the year | <u>5,208</u> | <u>6,835</u> |

Fair value reserve represents the cumulative fair value changes of equity investments designated as FVTOCI (31.3.2018 and 1.4.2017: available-for-sale investments) until the investments are derecognised.

26B. SHARE OPTION RESERVE

| | Group and Company | |
|--------------------------|--------------------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At beginning of the year | 106 | 106 |
| Expiry of share options | (106) | – |
| At end of the year | <u>–</u> | <u>106</u> |

26C. RESERVE ON CONSOLIDATION

| | Group | |
|----------------------------------|---------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At beginning and end of the year | <u>88</u> | <u>88</u> |

26D. FOREIGN CURRENCY TRANSLATION RESERVE

| | Group | |
|--|----------------|---------------|
| | 2019 | 2018 |
| | \$'000 | \$'000 |
| At beginning of the year | (940) | (991) |
| Exchange differences on translating foreign operations | (75) | 51 |
| At end of the year | <u>(1,015)</u> | <u>(940)</u> |

The translation reserve represents exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from presentation currency of the group.

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

27. TRADE AND OTHER PAYABLES

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|---|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| <u>Trade payables:</u> | | | |
| Outside parties and accrued liabilities | 2,710 | 1,725 | 2,030 |
| <u>Other payables:</u> | | | |
| Outside parties | 116 | 79 | 140 |
| Total trade and other payables | <u>2,826</u> | <u>1,804</u> | <u>2,170</u> |
| | | Company | |
| | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | \$'000 | \$'000 | \$'000 |
| <u>Trade payables:</u> | | | |
| Outside parties and accrued liabilities | <u>253</u> | <u>232</u> | <u>217</u> |

28. OTHER NON-FINANCIAL LIABILITIES

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|---|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Advance rental received | 65 | 21 | 14 |
| Deferred revenue | 43 | 102 | 186 |
| Deposits received | 3,772 | 1,329 | 1,812 |
| Provision for warranty costs | 89 | 59 | 115 |
| | <u>3,969</u> | <u>1,511</u> | <u>2,127</u> |
| | 2019 | 2018 | |
| | \$'000 | \$'000 | |
| Movements in provisions for warranty cost: | | | |
| At beginning of the year | 59 | 115 | |
| Charged to profit or loss included in cost of sales | 50 | (40) | |
| Used | (20) | (16) | |
| At end of the year | <u>89</u> | <u>59</u> | |
| | | Company | |
| | 31.03.2019 | 31.03.2018 | 01.04.2017 |
| | \$'000 | \$'000 | \$'000 |
| Advance rental received | 65 | 21 | 14 |
| Deposits received | 250 | 266 | 254 |
| | <u>315</u> | <u>287</u> | <u>268</u> |

NOTES TO THE FINANCIAL STATEMENTS

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29. CAPITAL COMMITMENTS

Estimated amounts committed at the end of the reporting year for future capital expenditure but not recognised in the financial statements are as follows:

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|--|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Commitments to purchase of property, plant and equipment | <u>1,610</u> | <u>–</u> | <u>–</u> |

30. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year the total of future minimum lease payment commitments under non-cancellable operating leases are as follows:

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|---|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Not later than one year | 166 | 117 | 64 |
| Later than one year and not later than five years | <u>327</u> | <u>–</u> | <u>215</u> |
| Rental expense for the year | <u>181</u> | <u>165</u> | <u>159</u> |

Operating lease payments are for rentals payable for factory and office premises. The lease from the owner is for 3 years from 1 December 2018.

31. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

At the end of the reporting year the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

| | 31.03.2019 | Group 31.03.2018 | 01.04.2017 |
|---|-------------------|-----------------------------|-------------------|
| | \$'000 | \$'000 | \$'000 |
| Not later than one year | 861 | 955 | 1,032 |
| Later than one year and not later than five years | <u>685</u> | <u>524</u> | <u>712</u> |
| Rental income for the year | <u>1,222</u> | <u>1,243</u> | <u>1,344</u> |

Operating lease income commitments are for the investment properties. The lease rental income terms are negotiated for an average term of two years at an agreed monthly rental.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

32A. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

| | Group | |
|---|-------------------|-------------------|
| | 31.03.2019 | 31.03.2018 |
| | \$'000 | \$'000 |
| <u>Financial assets:</u> | | |
| Financial assets at amortised cost | 36,007 | 28,374 |
| Financial assets at fair value through profit or loss (FVTPL) | 217 | 295 |
| Financial assets that is an equity investment at fair value through other comprehensive income (FVTOCI) | 6,369 | 8,210 |
| | <u>42,593</u> | <u>36,879</u> |
| <u>Financial liabilities:</u> | | |
| Financial liabilities at amortised cost | <u>2,826</u> | <u>1,804</u> |
| | | |
| | Company | |
| | 31.03.2019 | 31.03.2018 |
| | \$'000 | \$'000 |
| <u>Financial assets:</u> | | |
| Financial assets at amortised cost | 13,214 | 11,698 |
| Financial assets at fair value through profit or loss (FVTPL) | 217 | 295 |
| Financial assets that is an equity investment at fair value through other comprehensive income (FVTOCI) | 6,369 | 8,210 |
| | <u>19,800</u> | <u>20,203</u> |
| <u>Financial liabilities:</u> | | |
| Financial liabilities at amortised cost | <u>253</u> | <u>232</u> |

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32B. FINANCIAL RISK MANAGEMENT

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks.

The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

- (i) Minimise interest rate, currency, credit and market risk for all kinds of transactions.
- (ii) Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
- (iii) All financial risk management activities are carried out and monitored by senior management staff.
- (iv) All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposure to risk, the objectives, policies and processes for managing the risk and the methods used to measure the risk.

32C. FAIR VALUES OF FINANCIAL INSTRUMENTS

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32D. CREDIT RISK ON FINANCIAL ASSETS

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 23 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

32E. LIQUIDITY RISK – FINANCIAL LIABILITIES MATURITY ANALYSIS

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. There are no liabilities contracted to fall due after 12 months at the end of the reporting year. The average credit period taken to settle trade payables is about 90 days (2017: 90 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

NOTES TO THE FINANCIAL STATEMENTS

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32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32F. INTEREST RATE RISK

The interest rate risk exposure is from changes in fixed interest rates and floating interest rates and it mainly concerns financial assets.

The following table analyses the breakdown of the significant financial instruments by type of interest rate:

| | Group | |
|---------------------------------|----------------------|----------------------|
| | 31.03.2019 \$'000 | 31.03.2018 \$'000 |
| Financial assets with interest: | | |
| Fixed rates | 33,369 | 22,324 |

The interest rates are disclosed in the respective notes.

Sensitivity analysis: The impact on pre-tax profit is insignificant.

32G. FOREIGN CURRENCY RISKS

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, ie in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

Analysis of amounts of financial assets and financial liabilities denominated in non-functional currency at the end of the reporting year:

| Group | Thai Baht \$'000 | United States Dollar \$'000 | Total \$'000 |
|---|---------------------|--------------------------------------|-----------------|
| <u>2019:</u> | | | |
| <u>Financial assets:</u> | | | |
| Cash and cash equivalent | – | 14,050 | 14,050 |
| Loans and receivables | – | 366 | 366 |
| Other financial assets | 6,364 | – | 6,364 |
| Total financial assets | 6,364 | 14,416 | 20,780 |
| <u>Financial liabilities:</u> | | | |
| Trade and other payables | – | (193) | (193) |
| Net financial assets at end of the year | 6,364 | 14,223 | 20,587 |
| <u>2018:</u> | | | |
| <u>Financial assets:</u> | | | |
| Cash and cash equivalent | – | 13,306 | 13,306 |
| Loans and receivables | – | 558 | 558 |
| Other financial assets | 8,205 | – | 8,205 |
| Total financial assets | 8,205 | 13,864 | 22,069 |
| <u>Financial liabilities:</u> | | | |
| Trade and other payables | – | (266) | (266) |
| Net financial assets at end of the year | 8,205 | 13,598 | 21,803 |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

32. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

32G. FOREIGN CURRENCY RISKS (CONT'D)

There is exposure to foreign currency risk as part of the group's normal business.

Sensitivity analysis:

| | 2019 | 2018 |
|--|---------------|---------------|
| | \$'000 | \$'000 |
| A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have an adverse effect on pre-tax profit of | (1,293) | (1,236) |
| A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the Thai baht with all other variables held constant would have an adverse effect on other comprehensive income of | <u>(579)</u> | <u>(746)</u> |

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at the end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

32H. EQUITY PRICE RISK

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the equity shares. The fair values of these equity shares are disclosed in notes 17 and 21.

33. EVENTS AFTER THE END OF THE REPORTING YEAR

Subsequent to the end of the reporting year, the group completed its purchase of a freehold factory in Malaysia for a cash consideration of RM5,372,000 (of approximately \$1,907,000). The deposit for this freehold factory of \$297,000 was paid before the reporting year end and is disclosed under note 18.

NOTES TO THE FINANCIAL STATEMENTS

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34. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

| <u>SFRS (I) No.</u> | <u>Title</u> |
|---------------------|---|
| SFRS(I) 1-40 | Amendments to, Transfer of Investment Property |
| SFRS(I) 1 | First-time Adoption of Singapore Financial Reporting Standards (International) |
| SFRS(I) 9 | Financial Instruments |
| SFRS(I) 15 | Revenue from Contracts with Customers. Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers |
| SFRS(I) INT 22 | Foreign Currency Transactions and Advance Consideration |

The following reclassification was made on adoption of SFRS(I) 9:

| | Reclassification | | |
|---|-------------------------|--------------------------|------------------------------|
| | After \$'000 | Before \$'000 | Difference \$'000 |
| <u>2018 Statement of comprehensive income:</u> | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Fair value changes on equity instruments at FVTOCI, net of tax | 25 | – | 25 |
| Items that will be reclassified subsequently to profit or loss: | | | |
| Available-for-sale financial assets, net of tax | – | 25 | (25) |

NOTES TO THE FINANCIAL STATEMENTS

31 March 2019

35. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards will have on the entity's financial statements in the period of initial application.

| <u>SFRS (I) No.</u> | <u>Title</u> | <u>Effective date for periods beginning on or after</u> |
|---------------------|---|---|
| SFRS(I) 16 | Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards) | 1 January 2019 |
| SFRS(I) INT 23 | Uncertainty over Income Tax Treatments | 1 January 2019 |
| SFRS(I) 1-12 | Improvements (2017) – Amendments: Income Taxes | 1 January 2019 |

SFRS(I) 16, Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments as at 31 March 2019 shown in note 30, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under the new reporting standard on leases. Thus, the entity will have to 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) which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed.

STATISTICS OF SHAREHOLDINGS

AS AT 13 JUNE 2019

| | |
|---|--------------------|
| Issued and full paid-up capital (excluding treasury share): | S\$34,558,722.82 |
| Number of ordinary shares in issue (including treasury shares): | 35,802,796 |
| Class of Share: | Ordinary Shares |
| Number of ordinary shares (excluding treasury shares): | 34,953,156 |
| Voting Rights: | One Vote per share |

As at 13 June 2019, the total number of treasury shares held was 849,640. The treasury shares as a percentage of the total number of issued shares excluding treasury shares is 2.43%.

The Company does not have any subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|-----------------------|---------------------|---------------|-------------------|---------------|
| 1 – 99 | 114 | 4.63 | 6,673 | 0.02 |
| 100 – 1,000 | 1,225 | 49.73 | 710,368 | 2.03 |
| 1,001 – 10,000 | 993 | 40.32 | 3,083,706 | 8.82 |
| 10,001 – 1,000,000 | 128 | 5.20 | 7,508,957 | 21.48 |
| 1,000,001 AND ABOVE | 3 | 0.12 | 23,643,452 | 67.65 |
| TOTAL | 2,463 | 100.00 | 34,953,156 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|-----|---|-------------------|--------------|
| 1 | CHEN MUN | 19,427,932 | 55.58 |
| 2 | ANG BEE YAN | 2,874,800 | 8.22 |
| 3 | DBS NOMINEES (PRIVATE) LIMITED | 1,340,720 | 3.84 |
| 4 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 741,880 | 2.12 |
| 5 | LIM POH KENG (LIN BAOQING) | 663,300 | 1.90 |
| 6 | TAN KIAN CHUAN (CHEN JIANZHUAN) | 420,000 | 1.20 |
| 7 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 369,900 | 1.06 |
| 8 | HO SOON TECK | 338,200 | 0.97 |
| 9 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 316,074 | 0.90 |
| 10 | HIROMI INAYOSHI | 264,400 | 0.76 |
| 11 | TAN KOK CHING | 263,000 | 0.75 |
| 12 | ANG LAY HOON | 180,000 | 0.51 |
| 13 | AH HOT GERARD ANDRE | 175,000 | 0.50 |
| 14 | HUANG PING K'NAR | 153,500 | 0.44 |
| 15 | SIM WEE MING | 139,100 | 0.40 |
| 16 | SEAH CHYE ANN (XIE CAI'AN) | 130,000 | 0.37 |
| 17 | LIM HUI MEI OR EDWIN GOMEZ | 125,200 | 0.36 |
| 18 | LUO FENG | 124,200 | 0.36 |
| 19 | RAFFLES NOMINEES (PTE.) LIMITED | 114,494 | 0.33 |
| 20 | CHIN KHAN HEE @CHIN KIAN HEE | 108,800 | 0.31 |
| | TOTAL | 28,270,500 | 80.88 |

STATISTICS OF SHAREHOLDINGS

AS AT 13 JUNE 2019

Substantial Shareholders (As recorded in the Register of Substantial Shareholders)

| <u>Name of Shareholders</u> | <u>Direct Interest</u> | <u>%</u> | <u>Deemed Interest</u> | <u>%</u> |
|-----------------------------|------------------------|----------|------------------------|----------|
| Dr Chen Mun | 19,427,932 | 55.58 | 0 | 0.00 |
| Ang Bee Yan | 2,874,800 | 8.22 | 0 | 0.00 |

Percentage of Shareholdings in Public Hands

35.47% of the Company's shares are in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

POWERMATIC DATA SYSTEMS LIMITED

(Company Registration Number: 198900414E)
(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Thirtieth Annual General Meeting of Powermatic Data Systems Limited (the "Company") will be held at 8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095 on Thursday, 25 July 2019 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and Audited Financial Statements of the Company for the financial year ended 31 March 2019 together with the Independent Auditor's Report thereon. **(Resolution 1)**
2. To declare a first and final one-tier tax exempt dividend of Singapore 5 cents per ordinary share for the financial year ended 31 March 2019. (FY2018: First and final one-tier tax exempt dividend of Singapore 5 cents per ordinary share). **(Resolution 2)**
3. To declare a special one-tier tax exempt dividend of Singapore 3 cents per ordinary share for the financial year ended 31 March 2019. (FY2018: Special one-tier tax exempt dividend of Singapore 2 cents per ordinary share). **(Resolution 3)**
4. To re-elect Mr Tan Chao Hsiung, David as Director of the Company retiring pursuant to Article 99 of the Constitution of the Company and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). **(Resolution 4)**

Mr Tan Chao Hsiung, David will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee and will be considered independent.
5. To re-appoint Dr Chen Mun as Director of the Company pursuant to Rule 720(5) of the Listing Manual of the SGX-ST. **(Resolution 5)**

Dr Chen Mun will, upon re-election as Director of the Company, remain as Chairman of the Board and Chief Executive Officer and will be considered non-independent.
6. To approve the payment of Directors' Fees of S\$52,000 for the financial year ended 31 March 2019. (FY2018: S\$52,000). **(Resolution 6)**
7. To re-appoint Messrs RSM Chio Lim LLP as the Independent Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**
8. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

9. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;

NOTICE OF THIRTIETH ANNUAL GENERAL MEETING

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority 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 earlier.

See Explanatory Note

(Resolution 8)

By Order of the Board

Wong Yoen Har
Secretary
Singapore, 10 July 2019

Explanatory Note:

The Ordinary Resolution 8 in item 9 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes

- (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

(b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.
- A proxy need not be a member of the Company.
- The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at No. 9, Harrison Road, #05-01, Singapore 369651 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING FOR RE-ELECTION AND/RE-APPOINTMENT AT THE THIRTIETH ANNUAL GENERAL MEETING

| Name | | Dr Chen Mun | Mr Tan Chao Hsiung, David |
|--|---|--|---|
| Date Of Appointment | : | 1 February 1989 | 24 March 2008 |
| Age | : | 71 | 58 |
| Country Of Principal Residence | : | Singapore | Singapore |
| Date of last re-appointment (if applicable) | : | Not Applicable | 25 July 2016 |
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | : | The Board, having considered the recommendation of the Nominating Committee, is of the view that Dr Chen Mun has the requisite knowledge, experiences and leaderships in the Group to assume the responsibilities as Executive Director of the Company | The Board, having considered the recommendation of the Nominating Committee, is of the view that Mr Tan Chao Hsiung David has the requisite knowledge and experiences to assume the responsibilities as the Independent Director of the Company |
| Whether appointment is executive, and if so, the area of responsibility | : | Executive | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | : | Chairman and Chief Executive Officer | Independent Non-Executive Director, Chairman of RC and members of AC and NC |
| Professional qualifications | : | Ph.D in Engineering, Imperial College, University of London | Fellow member of CPA (Australia) Master of commerce, University of New South Wales Bachelor of Economics, Macquarie University |
| 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 | : | None | None |
| Conflict of interest (including any competing business) | : | No | No |
| Working experience and occupation(s) during the past 10 years | : | 1992 – Present: Powermatic Data Systems Limited – Chairman/Chief Executive Officer | 2012 to date – non executive independent director of Mun Siong Engineering Ltd 2002 to 2012 – executive director of Omega Capital Limited (members voluntary winding up) |
| Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Rule 720(1)) | : | Yes | Yes |

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING FOR RE-ELECTION AND/RE-APPOINTMENT AT THE THIRTIETH ANNUAL GENERAL MEETING

| Name | | Dr Chen Mun | Mr Tan Chao Hsiung, David |
|---|---|---|---|
| Shareholding interest in the listed issuer and its subsidiaries | : | Yes | Yes |
| Shareholding Details | : | Refer to Directors' Statement on page 24 of this Annual Report | Refer to Directors' Statement on page 24 of this Annual Report |
| Other Principal Commitments Including Directorships | | | |
| Past (for the last 5 years) | : | <u>Past (for the last 5 years)</u> Directorships: Nil Principle Commitments: Nil | <u>Past (for the last 5 years)</u> Directorships: Nil Principle Commitments: Nil |
| Present | : | <u>Present</u> Directorships <u>Non-listed companies</u> Complex Systems Pte Ltd Complex Technologies Pte Ltd Complex Technologies Sdn Bhd. Complex (Suzhou) Co. Ltd Complex Wireless (Suzhou) Co. Ltd <u>Principle Commitments</u> Chief Executive Officer – Powermatic Data Systems Ltd | <u>Present</u> Directorship <u>Listed company</u> Mun Siong Engineering Ltd – Non Executive Independent Director <u>Principle Commitments</u> Nil |
| Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | : | No | No |

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING FOR RE-ELECTION AND/RE-APPOINTMENT AT THE THIRTIETH ANNUAL GENERAL MEETING

| Name | | Dr Chen Mun | Mr Tan Chao Hsiung, David |
|---|---|-------------|---------------------------|
| Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | : | No | No |
| Whether there is any unsatisfied judgment against him? | : | No | No |
| Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | : | No | No |
| Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | : | No | No |

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING FOR RE-ELECTION AND/RE-APPOINTMENT AT THE THIRTIETH ANNUAL GENERAL MEETING

| Name | | Dr Chen Mun | Mr Tan Chao Hsiung, David |
|--|---|-------------|---------------------------|
| Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | : | No | No |
| Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | : | No | No |
| Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | : | No | No |
| Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | : | No | No |

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING FOR RE-ELECTION AND/RE-APPOINTMENT AT THE THIRTIETH ANNUAL GENERAL MEETING

| Name | Dr Chen Mun | Mr Tan Chao Hsiung, David |
|--|-------------|---------------------------|
| Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– | | |
| i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | : | No |
| ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | : | No |
| iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | : | No |
| iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | : | No |
| Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | : | No |

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING FOR RE-ELECTION AND/RE-APPOINTMENT AT THE THIRTIETH ANNUAL GENERAL MEETING

| Name | Dr Chen Mun | Mr Tan Chao Hsiung, David |
|--|--------------------------------|---------------------------|
| Disclosure applicable to the appointment of Director only | | |
| <p>Any prior experience as a director of an listed issuer listed on the Exchange?</p> <p>If No, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)</p> | <p>:</p> <p>Not Applicable</p> | <p>Not Applicable</p> |

POWERMATIC DATA SYSTEMS LIMITED

Company Registration No. 198900414E

(Incorporated In the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
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. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We,

of

being a member/members of Powermatic Data Systems Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Thirtieth Annual General Meeting (the "Meeting") of the Company to be held at 8 Wilkie Road #03-08, Wilkie Edge, Singapore 228095 on Thursday, 25 July 2019 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

| No. | Resolutions relating to: | Number of Votes For ⁽¹⁾ | Number of Votes Against ⁽¹⁾ |
|-----|--|------------------------------------|--|
| 1 | Statement by Directors and Audited Financial Statements for the financial year ended 31 March 2019 | | |
| 2 | Payment of proposed first & final one-tier tax exempt dividend | | |
| 3 | Payment of proposed special one-tier tax exempt dividend | | |
| 4 | Re-election of Mr Tan Chao Hsiung, David as Director of the Company | | |
| 5 | Re-appointment of Dr Chen Mun as Director of the Company | | |
| 6 | Approval of Directors' Fees amounting to S\$52,000 for the financial year ended 31 March 2019 | | |
| 7 | Re-appointment of Messrs RSM Chio Lim LLP as Independent Auditor | | |
| 8 | Authority to issue shares | | |

(1) If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2019

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

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



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, 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 two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Chapter 19) 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;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), 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 Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No. 9, Harrison Road, #05-01, Singapore 369651 not less than forty-eight (48) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 July 2019.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged 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.

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Co. Reg.No.: 198900414E

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