



**NAM LEE PRESSED METAL
INDUSTRIES LIMITED**

**ANNUAL
REPORT
2019**

Strengthening
**Our Market
Leadership**



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CORPORATE PROFILE

Nam Lee Pressed Metal Industries Limited was incorporated on 10 March 1975 by the Yong family, which has been in the metal fabrication business since the 1950s. The family business was started by their father, the late Mr Yong Kwong Fae, who founded Chop Nam Lee, a sole proprietorship, to fabricate galvanised household products such as buckets and bath tubs.

The Group commenced the design and manufacture of metal products for buildings in 1991 when it entered the HDB market and is a HDB-approved supplier. Today the Group remains the only worldwide third-party manufacturer of aluminium frames for container refrigeration units in the world for a major customer. Over the years, the Group has developed into a one-stop specialist for building and infrastructure metal products, aluminium frames for container refrigeration units and a wide range of aluminium, UPVC and steel products.

With the many years of experience in the business, its vertically-integrated production structure, well equipped facilities and skilled staff, Nam Lee Pressed Metal is able to offer the market complete service from design right through to installation, including the manufacture of tooling, jigs and

fixtures, metal fabrication, surface coatings and treatments, assembly and the installation of the final products. Headquartered in Singapore, the Group has subsidiaries in Singapore and Malaysia serving customers through its workforce across the region.

Quality is never compromised at Nam Lee Pressed Metal and their efforts have been recognised when they were awarded the ISO 9002 certificate by the PSB in 1995. Another testament to its quality products was the HDB Quality Award for Supplier 1999 awarded to it by the HDB. Its philosophy and management practice of ensuring quality at every stage of production plus the forward-looking management ensures that Nam Lee Pressed Metal continues to progress and remain a competitive player in the metal building and infrastructure products and related market sectors.



INTEGRITY
QUALITY

**CUSTOMER
SATISFACTION
INNOVATION**

are the pillars on which the success of Nam Lee Pressed Metal is built and they sum up the corporate values embraced by the Board, Management and Staff of Nam Lee Pressed Metal. I am confident that so long as we adhere to these core values, Nam Lee Pressed Metal will make its mark as the preferred supplier for metal and aluminium products.

Mr Yong Koon Chin
Chairman

CHAIRMAN'S STATEMENT



A MESSAGE TO SHAREHOLDERS

“ ON BEHALF OF THE BOARD OF DIRECTORS, I HEREBY PRESENT THE RESULTS OF NAM LEE PRESSED METAL INDUSTRIES LIMITED AND ITS SUBSIDIARIES (“THE GROUP”) FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2019 (“FY2019”). ”

A REVIEW OF FY2019

In the Group's Annual Report for the previous financial year ended 30 September 2018 (“FY2018”), we had shared a forward-looking outlook that the Group was bracing for the anticipated geopolitical trade-related developments and the ensuing uncertainties to affect its core aluminium industrial product business.

Subsequent interim results announcements through FY2019 continued to reflect the Group's cautious stance. Global markets remained uneasy over the growing tensions in the trade relationship between the two largest economies of the United States and China.

Against a backdrop of such difficult external operating conditions in FY2019 that were beyond the control of the Group or its customers, the Group has posted credible results on the back of enduring support from key customers and supply chain partners.

Earnings per share on a fully diluted basis decreased from 4.95 Singapore cents for FY2018 to 4.04 Singapore cents for FY2019. Net asset backing per ordinary share based on existing issued share capital improved from 58.38 Singapore cents as at 30 September 2018, to 59.37 Singapore cents as at 30 September 2019.

The Group's cash position as at 30 September 2019 represented 38.8% of its market capitalisation.

Income Statement

Group revenue decreased by S\$13.1 million or 8.4% from S\$156.8 million for FY2018 to S\$143.7 million for FY2019. This year-on-year comparative decrease in the Group's topline was in line with our moderated expectations for FY2019 – bearing in mind that our industrial aluminium segment in FY2018 had benefitted from a surge in demand.

Gross profit duly decreased from S\$29.3 million in FY2018 to S\$24.1 million in FY2019. Gross profit margin decreased from 18.7% in FY2018 to 16.8% in FY2019, mainly due to a corresponding change in product and sales revenue mix incorporating more products that accorded lower margins.

Distribution costs decreased from S\$2.6 million in FY2018 to S\$2.3 million in FY2019, in tandem with the lower revenue in FY2019. Administrative costs decreased from S\$11.0 million in FY2018 to S\$10.4 million in FY2019, on lower accrued personnel expenses.

Other Operating Costs increased from S\$2.2 million in FY2018 to S\$3.5 million in FY2019, which was mainly attributed to higher net loss from Derivatives in FY2019.

Derivatives transactions included raw material hedging that are tied to the main product contracts with the intention to more effectively hedge against underlying exposure to price fluctuations in raw materials.

The Group also recorded a lower Net Gain in foreign currency exchange, from S\$1.5 million in FY2018 to S\$0.5 million in FY2019.

Therefore, Profit from operating activities decreased from S\$13.6 million in FY2018 to S\$7.9 million in FY2019.

Other Income rose from S\$1.6 million in FY2018 to S\$3.3 million in FY2019, which was attributed to the Group's Building Products business. After reviewing a building products project that was completed and provided for in prior year, the final costing was lower

than our initial forward provision, and this has led to a "Reversal of a Replacement Cost" adjustment of S\$2.5 million in FY2019 for the overprovision in prior year.

Accordingly, Group Profit before tax decreased from S\$15.7 million in FY2018 to S\$11.6 million in FY2019.

Effective tax rate was 23.2% for FY2018 compared to 15.4% for FY2019. The lower effective tax rate was mainly due to timing differences for the subject qualifying expenses for income tax purposes.

At the bottom-line, Group Profit after tax decreased from S\$12.0 million in FY2018 to S\$9.8 million in FY2019.

Statement of Financial Position

Effective 1 October 2018 (1QFY2019), the Group duly adopted a new financial reporting framework, Singapore Financial Reporting Standards (International) SFRS (I). Accordingly, the Group's Held-to-maturity Investments were duly reclassified as Quoted Securities.

In FY2015, the Group restructured its main plant in high-cost Singapore and relocated more production operations to Johor, Malaysia. As the Group's long-established plant in Pekan, Johor was already operating at capacity, several small rented facilities located nearby were added-on for an interim period.

In FY2018, the Group commenced rolling out its plan to streamline all rented production operations in Malaysia, which is envisaged to eventually boost overall manufacturing efficiency and cost effectiveness after the initial transitioning period.

A Malaysian subsidiary purchased a piece of land in FY2018 to build a new factory to consolidate operations from these existing small rented facilities.

Property, plant and equipment increased from S\$40.9 million as at 30 September 2018 to S\$45.8 million as at 30 September 2019.

The increase in capital expenditures included a further investment towards establishing a factory building at

CHAIRMAN'S STATEMENT

the new site and setting up a new production line at the existing factory in Tampoi, Johor to enable the capacity to take on new contracts from customers.

Inventories increased from S\$38.9 million as at 30 September 2018 to S\$40.5 million as at 30 September 2019, mainly due to the cyclical building up of inventories for on-going projects.

Trade receivables decreased from S\$35.6 million as at 30 September 2018 to S\$34.1 million as at 30 September 2019, which corresponded with the comparatively lower sales recorded for the fourth quarter ended 30 September 2019.

Trade payables, other payables and accruals decreased from S\$24.7 million as at 30 September 2018 to S\$20.0 million as at 30 September 2019, after offsetting for lower accrued costs.

Cash and fixed deposits decreased from S\$45.3 million as at 30 September 2018 to S\$35.3 million as at 30 September 2019.

These balances reflect the net impact after the disbursement of higher dividends for FY2018 on 11 February 2019 and interim dividends for FY2019 on 31 May 2019 to the ordinary shareholders. Total dividends paid in FY2019 was S\$7.3 million compared to S\$4.9 million in FY2018.

OPERATIONAL HIGHLIGHTS

Aluminium

The Group's product categories of custom-engineered and fabricated aluminium parts for the industrial sector as well as aluminium building products for infrastructure & construction projects, remained the Group's mainstay in FY2019.

This segment continued to account for 87.6% of Group revenue and 99.4% of Group profit before tax.

Segment sales revenue was lower - down from S\$144.2 million in FY2018 that was buoyed by a surge in demand, to S\$125.8 million in FY2019.

Accordingly, segment results decreased from S\$17.1 million in FY2018 to S\$11.5 million in FY2019, reflecting the change in sales mix to more lower margin products.

The Group is now positioned to tap growth momentum from upcoming new products over the medium term. The recent upgrade to its existing factory in Tampoi, Johor has enabled new capabilities to produce new products.

Mild Steel

Segment revenue from building projects were higher, up from S\$12.0 million in FY2018 to S\$15.9 million in FY2019. As a result of the timing difference on progressive delivery for projects on top of soft demand, segment results however showed increased losses from S\$2.1 million in FY2018 to S\$2.7 million in FY2019.

Stainless Steel

Segment revenue remained relatively stable at around S\$0.6 million. Consistent with prevailing soft demand, segment profits have decreased from S\$28,000 in FY2018 to S\$5,000 in FY2019.

OUTLOOK

The Group's senior management and Board committees periodically review the changing dynamics of the Group's operating environment and market feedback from customers, supply chain partners and bankers.

With escalating undercurrents in the US-China trade relationship – both sides wielding tit-for-tat actions on new tariffs; the Group expects its core aluminium industrial product business to continue to be affected by more uncertainties impacting global market sentiments in 2020. As for the Group's building product business, the Group expects competitive pressures in the medium term against the backdrop of slower economic growth in the immediate region and will focus on streamlining its Malaysian production operations.

Barring further unforeseen events in its external environments, the Group expects its strong

fundamentals and a judicious management strategy to facilitate continued profitability over the next 12 months.

DIVIDEND

The Board of Directors has cautiously reviewed the Group's FY2019 results, outlook and consistent operating cash flows. A total dividend of 2.0 Singapore cents per share for FY2019 has been proposed and this includes the interim dividend of 0.5 Singapore cent per share that was already paid to shareholders on 31 May 2019. The remaining proposed final dividend of 1.0 Singapore cent per share plus a special dividend of 0.5 Singapore cent per share, will be subject to shareholders' approval at the coming Annual General Meeting in January 2020.

Sincerely,

Yong Koon Chin

Chairman



BOARD OF DIRECTORS

Date of Appointment

10 March 1975

Date of Last Re-appointment

26 January 2018

Country of Principal Residence

Singapore

Board's Comments on The Appointment

Not applicable, Mr Yong Koon Chin is not subjected to re-election.

Board Committee Membership

Nil

Professional Qualification

Not applicable

Working Experience, Occupations and Principal Commitments Including Directorships**(a) Directorships**

Present

Non-Listed Company

Nam Lee Industries Pte Ltd

Nam Lee Holdings Pte Ltd

Nam Lee Pressed Metal Pte Ltd

NL Metals Sdn Bhd

NL Mechanical Engineering Sdn Bhd

Nam Lee Pressed Metal Sdn Bhd

Nam Lee Industries Sdn Bhd

P.T. Nam Lee Metal Industries

Past (for the last 5 years)

Non-Listed Company

Creative Holdings (HK) Limited

Swan Investment Pte Ltd

Nam Lee Containers Pte Ltd

Foshan Nanhai Creative Glass and Metal Limited

(b) Principal Commitments (other than Directorships)

Present

Nam Lee Pressed Metal Industries Limited
(Executive Chairman)

Past (for the last 5 years)

Nil

Family Relationships

Mr Yong Koon Chin and Mr Yong Poon Miew are siblings. Both of them are uncles to Mr Yong Han Keong Eric, the Managing Director of the Company.

Conflict of Interest (including any competing business)

Nil



Mr Yong Koon Chin, Age 82
Chairman, Executive Director

Date of Appointment

16 December 2019

Date of Last Re-appointment

Not applicable

Country of Principal Residence

Singapore

Board's Comments on The Appointment

The re-election of Mr Eric Yong as Managing Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Eric Yong's qualifications, expertise and past experiences.

Board Committee Membership

Member of Nominating Committee

Professional Qualification

Bachelor of Mechanical Engineering, Curtin University, Western Australia



Mr Yong Han Keong Eric,
Age 46
Managing Director

Working Experience, Occupations and Principal Commitments including Directorships

(a) Directorships
Present and Past
Nil

(b) Principal Commitments (other than Directorships)
Present
Nam Lee Pressed Metal Industries Limited (Managing Director)

Past (for the last 5 years)
Nil

Family Relationships

Mr Eric Yong is the son of Mr Yong Kin Sen, who is a substantial shareholder of the Company.

He is also the nephew of both Mr Yong Koon Chin and Mr Yong Poon Miew, who are the Executive Chairman and an Executive Director of the Company respectively. Both Mr Yong Koon Chin and Mr Yong Poon Miew are also substantial shareholders of the Company.

He is also a cousin of both Ms Joanna Yong Li Yuen and Mr Adrian Yong Han Lim, who are a Commercial Manager and a Business Development/Project Management Executive of the Group respectively.

Conflict of Interest (including any competing business)

Nil

BOARD OF DIRECTORS

Date of Appointment

10 March 1975

Date of Last Re-appointment

18 January 2019

Country of Principal Residence

Singapore

Board's Comments on The Appointment

Not applicable, Mr Yong Poon Miew is not subjected to re-election.

Board Committee Membership

Member of Nominating Committee

Professional Qualification

Not applicable

Working Experience, Occupations and Principal Commitments including Directorships**(a) Directorships**

Present

Non-Listed Company

Nam Lee Industries Pte Ltd

Nam Lee Holdings Pte Ltd

Nam Lee Pressed Metal Pte Ltd

NL Metals Sdn Bhd

NL Mechanical Engineering Sdn Bhd

Nam Lee Pressed Metal Sdn Bhd

Nam Lee Industries Sdn Bhd

P.T. Nam Lee Metal Industries

Past (for the last 5 years)

Non-Listed Company

Creative Holdings (HK) Limited

Swan Investment Pte Ltd

Nam Lee Containers Pte Ltd

Foshan Nanhai Creative Glass and Metal Limited

(b) Principal Commitments (other than Directorships)

Present and Past

Nil

Family Relationships

Mr Yong Koon Chin and Mr Yong Poon Miew are siblings. Both of them are uncles to Mr Yong Han Keong Eric, the Managing Director of the Company.

Conflict of Interest (including any competing business)

Nil



Mr Yong Poon Miew, Age 73
Executive Director

Date of Appointment

1 March 2005

Date of Last Re-appointment

18 January 2019

Country of Principal Residence

Singapore

Board's Comments on The Appointment

Not applicable, Mr Chidambaram Chandrasegar is not subjected to re-election.

Board Committee Membership

Chairman of Nominating Committee
Member of Remuneration Committee and Audit Committee

Professional Qualification

Advocate and Solicitor, Supreme Court of Singapore
Notary Public and Commissioner of Oaths
Solicitor, England and Wales
Legal Practitioner, New South Wales



Mr Chidambaram Chandrasegar, Age 65
Non-Executive and Lead Independent Director

Working Experience, Occupations and Principal Commitments including Directorships

(a) Directorships

Present

Non-Listed Company

Observer-Telenav Pte Ltd
Khatib & Alami Partners Pte Ltd
Khatib & Alami Global Holdings Pte Ltd
Truman Investment Pte Ltd
Batam Logistics Pte Ltd
K&A International Pte Ltd
K&A Projects Pte Ltd
K&A Asia Pte Ltd

Past (for the last 5 years)

Non-Listed Company

Tan Peng Chin LLC
Eastern Chemical & Commodities Pte Ltd
Gavan Law Practice LLC

Advanced Technologies Pte Ltd
Bein Asia Pacific Pte Ltd
Deal Mart Pte Ltd
Equity Asset Capital Global Pte Ltd
Bein Sports Asia Pte Ltd
Meridian Mining Pte Ltd

(b) Principal Commitments (other than Directorships)

Present

Practising lawyer
Gavan Law Practice LLC
(Senior Director)

Past (for the last 5 years)

Nil

Family Relationships

None

Conflict of Interest (including any competing business)

Nil

BOARD OF DIRECTORS

Date of Appointment

9 September 1999

Date of Last Re-appointment

26 January 2017

Country of Principal Residence

Singapore

Board's Comments on The Appointment

Mr Khoo is subjected to re-election at the forthcoming Annual General Meeting however he will not be seeking re-election.

Board Committee Membership

Chairman of Audit Committee
Member of Remuneration Committee and Nominating Committee

Professional Qualification

Life Fellow Member of CPA Australia
Lifetime Member of the Institute of Singapore Chartered Accountants



Mr Khoo Ho Tong, Age 79
Non-Executive and Independent Director

Working Experience, Occupations and Principal Commitments including Directorships**(a) Directorships**

Present

Listed Company

Transit-mixed Concrete Ltd

Non-Listed Company

Singapore Institute of Accredited Tax Professionals Limited

Past (for the last 5 years)

Non-Listed Company

Aztech Group Ltd

SAA Global Education Centre Pte Ltd

Viz Branz Holdings Pte Ltd

(b) Principal Commitments (other than Directorships)

Present

Practicing public accountant
H.T. Khoo & Company (Partner)

Past (for the last 5 years)

PKF-CAP LLP (Partner)

ACPA-H.T.Khoo & Co (Partner)

Family Relationships

None

Conflict of Interest (including any competing business)

Nil

Date of Appointment

17 October 2019

Date of Last Re-appointment

Not applicable

Country of Principal Residence

Singapore

Board's Comments on The Appointment

The re-election of Mr Yeoh as an Independent Non-Executive Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Yeoh's qualifications, expertise and past experiences.

Board Committee Membership

Chairman of Remuneration Committee
Member of Nominating Committee and Audit Committee

Professional Qualification

Barrister At Law (England & Wales)
LLB (Hons), University of London
Member of Gray's Inn (London)
Advocate and Solicitor (Singapore)
Commissioner for Oaths



Mr Yeoh Lam Hock, Age 57
Non-Executive and Independent Director

Working Experience, Occupations and Principal Commitments including Directorships

(a) Directorships

Present

Non-Listed Company

Cheo Yeoh & Associates LLC

Past (for the last 5 years)

Non-Listed Company

Jobs Capital Pte Ltd

(b) Principal Commitments (other than Directorships)

Present

Cheo Yeoh & Associates LLC
(Managing Director)

Past (for the last 5 years)

Nil

Family Relationships

None

Conflict of Interest (including any competing business)

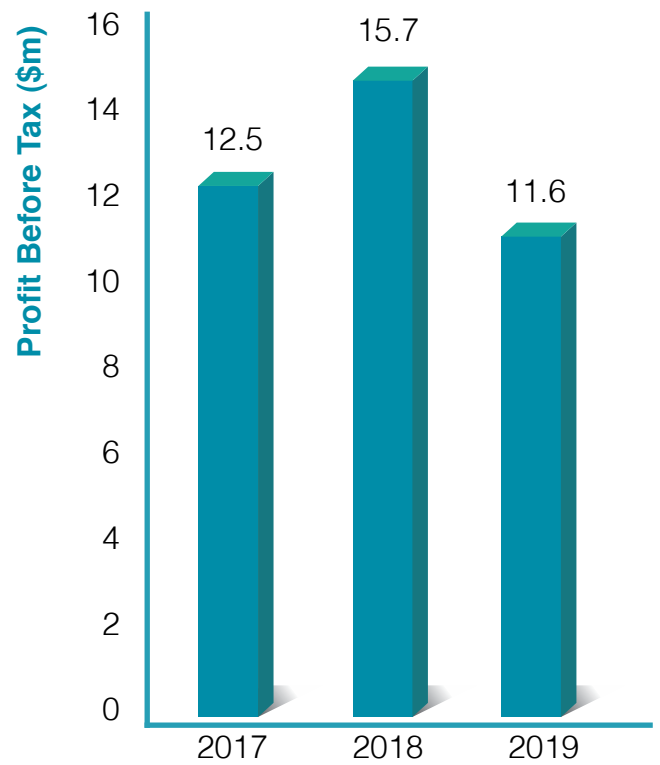
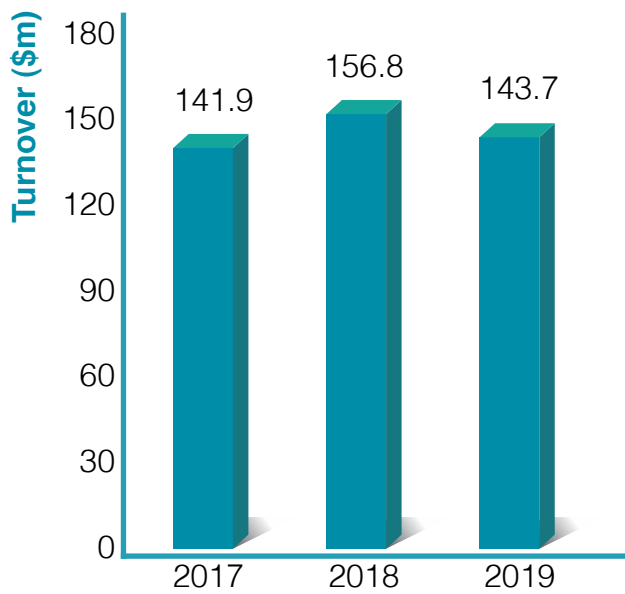
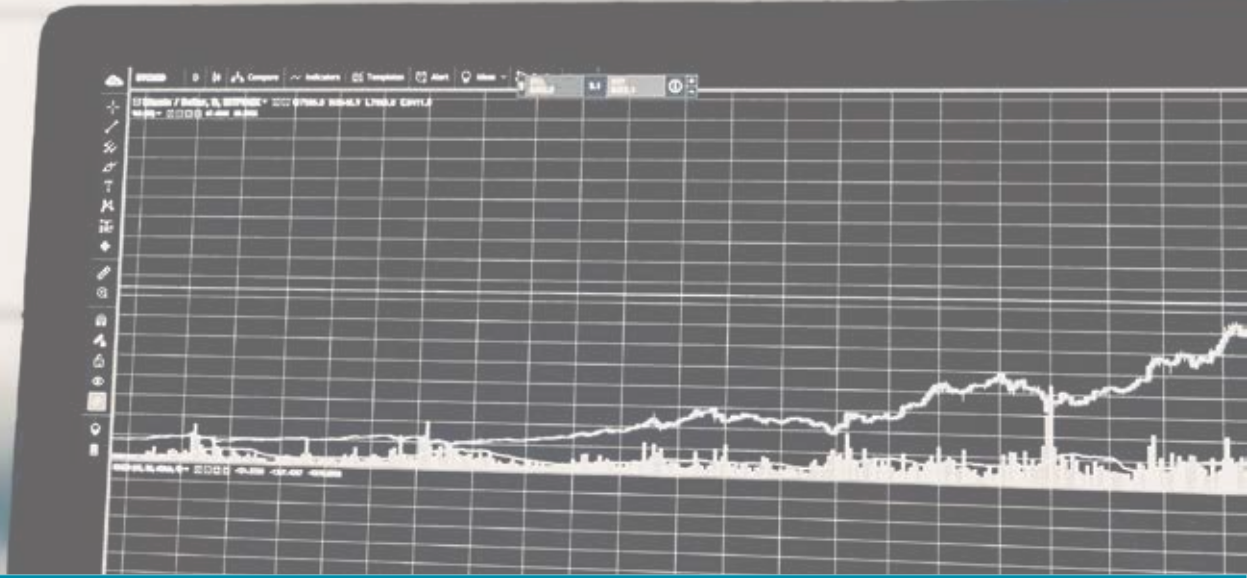
Nil

The shareholding interest of the Directors are set out in the section "Directors' Statement" of this Annual Report.

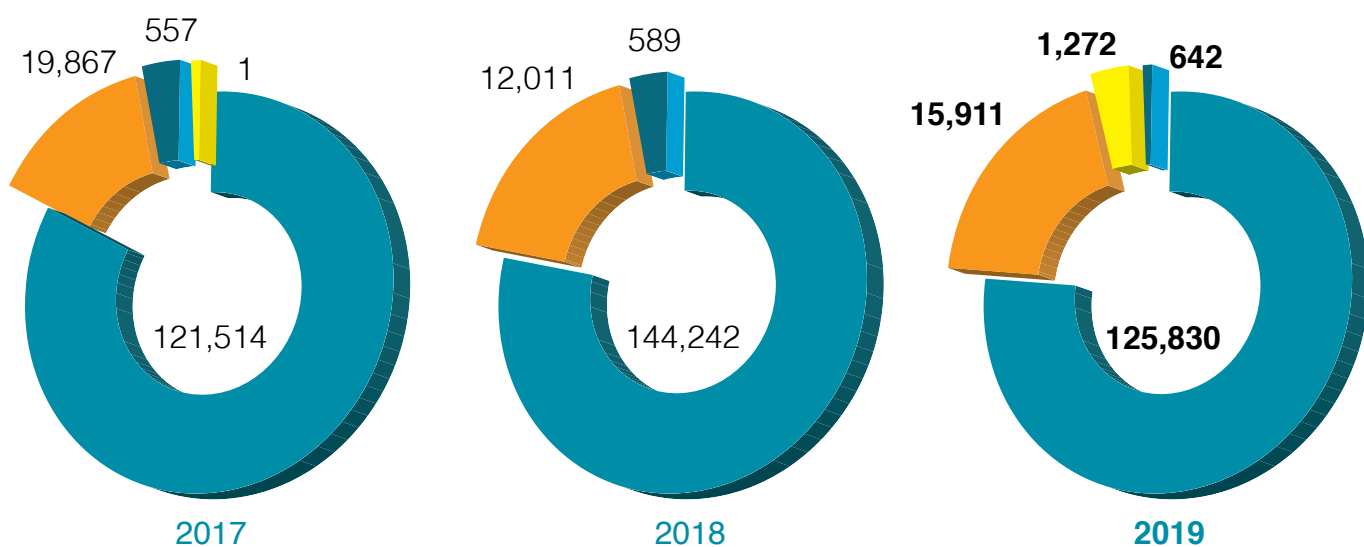
The Group had procured the undertaking in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual (the "Listing Manual") of Singapore Exchange Securities Trading Limited ("SGX-ST") of the Directors.

All the Directors had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual.

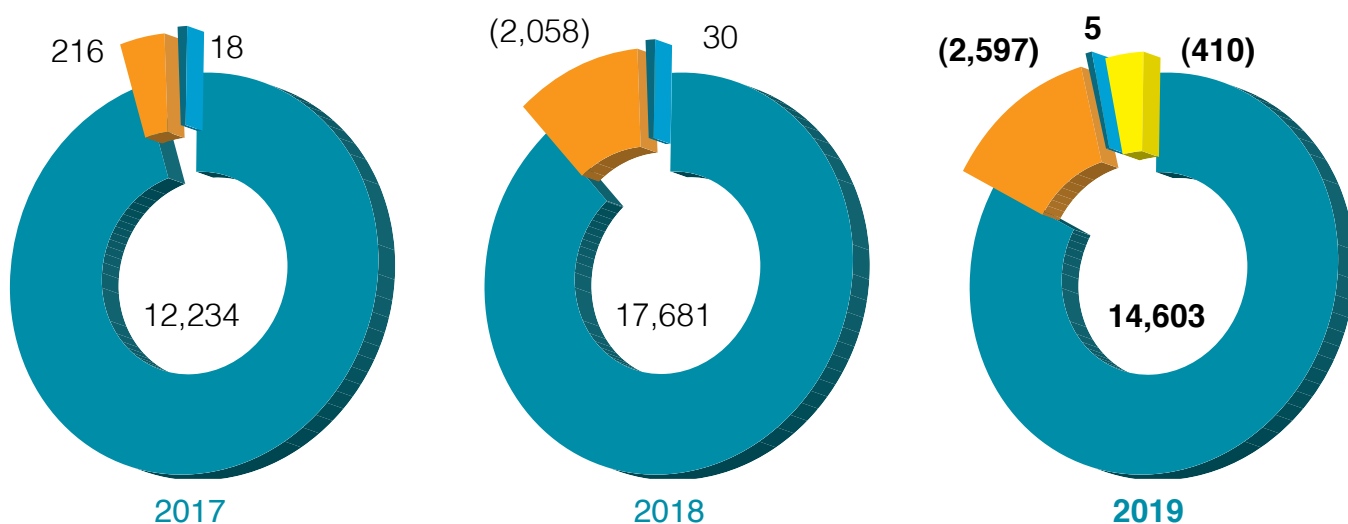
FINANCIAL HIGHLIGHTS



Turnover by Activities (\$'000)



Profit Before Tax by Activities (\$'000)



● Aluminium ● Mild Steel ● Stainless Steel ● Others

CORPORATE INFORMATION

Directors

Yong Koon Chin	Chairman
Yong Han Keong Eric	Managing Director
Yong Poon Miew	Executive Director
Chidambaram Chandrasegar	Lead Independent Director
Khoo Ho Tong	Independent Director
Yeoh Lam Hock	Independent Director

Secretaries

Yong Kin Sen
Ngiam May Ling

Registered Office

21 Sungei Kadut Street 4
Singapore 729048

Auditor

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Philip Ng Weng Kwai
(since financial year ended 30 September 2017)

Principal Bankers

United Overseas Bank Limited
DBS Bank Ltd

Share Registrar

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

CORPORATE GOVERNANCE

The Board of Directors (“Board”) and Management are committed to good standards of corporate governance by implementing the measures and practices recommended by the Code of Corporate Governance 2012 (the “Code”) and the Listing Manual (the “Listing Manual”) of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). For effective corporate governance, the Company has put in place various self-regulatory and monitoring mechanisms. This report outlines the Company’s corporate governance practices and activities for the financial year ended 30 September 2019 (“FY2019”) in relation to each of the principles contained in the Code as well as the relevant rules in the Listing Manual.

The Company seeks to comply with the best practices as outlined in the Code where applicable, feasible and practical to the Company, and material deviations are explained. The Company has also complied with the Listing Manual, where applicable.

BOARD MATTERS

The Board’s Conduct of Affairs (Principle 1): *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.*

The Board’s primary role is to protect and enhance long-term value for shareholders. By carrying out this role, the Board has overall responsibility for the corporate governance of the Company. The principal functions of the Board are to:

- provide entrepreneurial leadership, set guidance on the overall strategic directions and supervise the management of the business and affairs of the Group, and ensure that the necessary resources are in place for the Group to meet its objectives;
- oversee processes for evaluating the adequacy and effectiveness of risk management and internal controls framework to safeguard shareholders’ interests and the Group’s assets;
- review the performance of Management;
- identify the key stakeholder groups and recognise their perceptions which may affect the Group’s reputation;
- set the Group’s values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues such as environmental and social factors as part of its strategic formulation.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company.

The Board reviews and approves major investments and funding decisions, reviews the financial performance of the Group, share issuances and dividend distributions. The Board also appoints the key management personnel, approves the policies and guidelines for the Board, key management personnel and senior Management executives’ remuneration and approves the appointment of Directors.

The Board has adopted a set of internal controls which sets out the authorisation and approval limits governing treasury, operating and capital expenditure and investments and divestments. The Board relies on the integrity and due diligence of the Board, key management personnel and senior Management executives, external auditors, internal auditors and advisors to oversee the Group’s overall performance, objectives and key operational initiatives.

CORPORATE GOVERNANCE

Each Director is required to declare any conflict of interest in a transaction, expected to be \$100,000 or more, with the Company to the Board as soon as practicable after the relevant facts have come to his knowledge. On an annual basis, each Director is also required to declare details of his associates who work in the Company for the purpose of monitoring interested persons transactions.

To assist the Board in the discharge of its functions, various Board Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), have been constituted with clear written terms of reference. All the Board Committees are engaged and play an important role in ensuring good corporate governance in the Company.

The Directors bring with them considerable experience in the fields of engineering, finance, law and business. They have separate and independent access to Management and the Company Secretary, whose role includes assisting the Board on procedures and that applicable rules and regulations are complied with.

The Board meets at least four times a year and convenes additional meetings when circumstances demand. Management provides the Board with reports of the Group's performance, financial position and prospects, which are reviewed by the Board at each Board meeting. The Constitution of the Company allows board meetings to be conducted by means of a conference telephone or similar communications equipment.

The Directors' attendances at meetings of the Board and the respective Board Committees for the period from 1 October 2018 to 30 September 2019 are disclosed below:

Types of Meetings	Board	AC	NC	RC
No. of Meetings Held	5	5	1	3
Names of Directors	No. of Meetings Attended			
Yong Koon Chin	5	N/A	N/A	N/A
Yong Kin Sen ⁽¹⁾	5	N/A	1	N/A
Yong Poon Miew	5	N/A	1	N/A
Khoo Ho Tong	5	5	1	3
Chidambaram Chandrasegar	5	4	1	3
Tan Soo Kiat ⁽²⁾	5	5	1	3

Notes:

- (1) Mr Yong Kin Sen retired as Executive Director and Managing Director ("MD") and member of the NC with effect from 16 December 2019.
- (2) Mr Tan Soo Kiat resigned as an Independent Non-Executive Director, the Chairman of the RC and a member of both the AC and NC with effect from 15 October 2019.

A newly-appointed Director will receive a letter of appointment explaining his duties and obligations as a member of the Board and other correspondences such as the Company's Constitution and the terms of reference of each Board Committees. The newly-appointed Director is also given an orientation briefing on the Group's business, operations, financial, governance practices, risk management policies, strategic direction and operation of the Group and is invited to visit the Group's operations and facilities. The Directors receive updates from time to time, particularly on relevant laws and regulations, changing commercial risks and business conditions from the Company's relevant professional advisors. The Directors are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. The Directors may take independent professional advice and receive training at the Company's expense.

CORPORATE GOVERNANCE

Mr Yeoh Lam Hock was appointed as an Independent Non-Executive Director, the Chairman of the RC and a member of both the AC and NC on 17 October 2019.

Mr Yong Han Keong Eric ("Mr Eric Yong") was appointed as Executive Director and MD and a member of the NC of the Company on 16 December 2019.

As Mr Yeoh Lam Hock and Mr Eric Yong do not have any prior experience as a director of an issuer listed on the SGX-ST, the Company will arrange for them to attend the requisite training organised by the Singapore Institute of Directors on the roles and responsibilities of a director of an issuer listed on the SGX-ST to meet the mandatory training requirements under Listing Rule 210(5).

Board Composition and Guidance (Principle 2): *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision-making.*

As at 30 September 2019, the Board of Directors, which comprised six Directors, was made up of three Executive Directors (including the Executive Chairman and MD) and three Non-Executive and Independent Directors, with the Independent Directors making up half of the Board. The size and composition of the Board are reviewed from time to time by the NC. The NC seeks to ensure that the size of the Board is conducive to effective discussion and decision-making, and that the Board has an appropriate number of Independent Directors. The NC also aims to maintain a diversity of expertise, knowledge and experience in the fields of engineering, finance, law and business and attributes among the Directors. Any potential conflict of interest is taken into consideration. The NC is satisfied that the Company complies with the guideline of the Code which provides that at least half of the Board would have to be made up of Independent Directors as the Executive Chairman is part of Management and is not an Independent Director, and he and the MD are immediate family members.

Non-Executive and Independent Directors of the Board do not exercise any management functions. The role of the Non-Executive and Independent Directors is to constructively challenge and help develop proposals on strategies by taking into account the interests of the stakeholders. The Non-Executive and Independent Directors review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Non-Executive and Independent Directors will meet without the presence of Management.

The NC reviews annually the size of the Board, balance and diversity of skills, knowledge and experience required by the Board. The Board comprises Directors who possess the core competencies, knowledge and experience in the fields of engineering, financial, law and business. The Directors bring to the Board independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC assesses the independence of each Director annually bearing in mind the Code's definition of an "Independent Director" is one who has no relationship with the Company, its related corporations, its shareholders who hold 10% or more of the voting shares of the Company or its officers that could interfere, or be reasonably perceived to interfere with the exercise of their independent business judgment. Each Independent Director is required to complete a Director's independence declaration drawn up based on the guidelines provided in the Code. The independence declaration further requires each Independent Director to assess whether he considers himself independent despite not being involved in any of the relationships identified in the Code. Thereafter, the NC reviews the completed independence declaration and assesses the independence of the Independent Directors by taking into account examples of relationships as set out in the Code. The NC then recommends its assessment to the Board. The NC has reviewed and is satisfied as to the independence of the respective Independent Directors.

The NC had conducted a rigorous review on the independence of the Non-Executive and Independent Directors, namely Mr Khoo Ho Tong and Mr Chidambaram Chandrasegar, who have each served on the Board beyond nine years from the date of their respective first appointment.

CORPORATE GOVERNANCE

The rigorous review and the factors taken into consideration by the NC and the Board to assess and determine the independence of Mr Khoo Ho Tong and Mr Chidambaram Chandrasegar include:

- (a) their contribution in terms of professionalism, integrity, objectivity and ability to exercise independence of judgement in their deliberation in the interest of the Company;
- (b) they and their immediate family members have not accepted any compensation from the Company or any of its subsidiaries other than fees determined by RC and approved at AGM for acting as a Director of the Company for the current or immediate past financial year; and
- (c) they and their immediate family members have no relationship with the Company's related corporations, its 10% shareholders, officers and Management that could impair their fair judgment.

Mr Khoo Ho Tong and Mr Chidambaram Chandrasegar have each demonstrated the ability and preparedness to make independent judgment and / or decisions on matters with the best interests of the Company in mind without undue reliance, influence or consideration of the Company's interested parties such as the Executive Chairman and MD, other Non-Independent Directors, controlling shareholders and / or their associates and Management.

The NC has assessed the independence of Mr Khoo Ho Tong and Mr Chidambaram Chandrasegar, and is satisfied that there is no relationship or other factors such as financial assistance, past association, business dealings, representative of shareholder, financial dependence and relationship with the Group or the Group's management, which would impair their independent judgement.

Therefore, the Board is of the view that Mr Khoo Ho Tong and Mr Chidambaram Chandrasegar remain independent, notwithstanding that each of them has served on the Board beyond nine years.

The Company announced the resignation of Mr Tan Soo Kiat as an Independent Non-Executive Director and the appointment of Mr Yeoh Lam Hock as an Independent Non-Executive Director on 15 October 2019 and 17 October 2019 respectively.

The Company also announced the retirement of Mr Yong Kin Sen as Executive Director and MD and his appointment as an Advisor and the appointment of Mr Eric Yong as Executive Director and MD in his place on 16 December 2019.

The Board is of the view that the current board size of six Directors is appropriate and effective, taking into account the nature and scope of the Group's operations, and that the current Board comprises persons who as a group provide core competencies necessary to meet the Group objectives. Also, no single individual or a group dominates the Board.

The Board, through the NC, examines on an on-going basis the size and the composition of the Board to evaluate whether the Board is effective in carrying out its duties.

Chairman and Chief Executive Officer (Principle 3): *There should be a clear division responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

As recommended by the Code, the Chairman and Chief Executive Officer are separate persons.

For FY2019, Mr Yong Koon Chin was the Executive Chairman while Mr Yong Kin Sen was the MD. Both are Executive Directors and are siblings. The MD has the executive responsibility for the overall direction and day-to-day operations of the Group. With effect from 16 December 2019, Mr Eric Yong became the MD and he is the nephew of Mr Yong Koon Chin.

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The Executive Chairman's responsibilities include reviewing board papers before they are presented to the Board and ensuring that the board members are provided with complete, adequate and timely information. He also assists in ensuring compliance with Company's guidelines on corporate governance.

The Executive Chairman ensures that board meetings are held when necessary and sets the board meeting agenda with the assistance of Management and the Company Secretary. Board papers are sent to Board members in advance in order for the Directors to be adequately prepared for board meetings.

As the Executive Chairman is part of Management and is not an independent director, and he and the MD are immediate family members the Company had, on 13 February 2014, appointed Mr Chidambaram Chandrasegar as the Lead Independent Director to act as an additional channel available to shareholders.

Board Membership (Principle 4): *There should be a formal and transparent process for the appointment and re-appointment of Directors to the Board.*

Board Performance (Principle 5): *There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board Committees and contribution by each Director to the effectiveness of the Board.*

Nominating Committee

The Company has established a NC to make recommendations to the Board on all board appointments and oversee the Board and senior Management's succession and leadership development plans.

The NC comprises five members, the majority of whom, including the Chairman, are independent. In addition, the NC Chairman is not, and not directly associated with, any substantial shareholder of the Company.

The composition of the NC is as follows:

Chairman

Mr Chidambaram Chandrasegar – Independent Director

Members

Mr Khoo Ho Tong – Independent Director

Mr Yeoh Lam Hock⁽¹⁾ – Independent Director

Mr Yong Poon Miew – Executive Director

Mr Eric Yong⁽²⁾ – Executive Director

Notes:

(1) Mr Yeoh Lam Hock was appointed as an Independent Non-Executive Director, the Chairman of RC and a member of both the AC and NC with effect from 17 October 2019.

(2) Mr Eric Yong was appointed as Executive Director and MD and a member of the NC on 16 December 2019.

Based on the written terms of reference approved by the Board, the principal functions of the NC are to:

- (i) Review, assess and recommend to the Board the appointment and retirement by rotation of Directors in accordance with the Constitution of the Company. Every Director, including the MD, is subject to re-election once in every three years. Also, all newly-appointed Directors during the year will hold office until the next AGM and will be eligible for re-election. Such Directors are not taken into account in determining the number of Directors who are to retire by rotation.

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- (ii) Review and assess candidates for directorship before making recommendation to Board, taking into consideration the balance and diversity of the skills, knowledge and experience required and the current size and composition of the Board which would facilitate decision-making.
- (iii) Determine the independence / non-independence of Directors and review annually the independence of each Director.
- (iv) Review and decide if a Director who serves multiple boards is able to and has adequately carried out his duties as Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.
- (v) Evaluate the effectiveness of the Board as a whole and propose objective performance criteria to assess effectiveness of the Board.
- (vi) Review of training and development programmes for the Board.
- (vii) Review of board succession plans for the Directors, in particular, the Executive Chairman and MD.

The Board has adopted internal guidelines addressing competing time commitments faced by Directors who serve on multiple Boards and, as a guide, the Directors should not have more than six listed company board representations. The Board meetings for each year are scheduled in advance in the preceding year to facilitate Directors' individual administrative arrangements in respect of competing commitments.

The NC evaluates the Board to assess the effectiveness of the Board. The NC, in the re-nomination of Directors, would take into consideration the Directors' attendance at the meeting held during the year and the contribution made by the Directors. In respect of FY2019, taking into consideration the total time commitment required at the Board and Board Committee levels and other directorships and Board Committees' duties of all its Board members, the Board was of the view that each Director's directorships was in line with the Company's internal guideline of a maximum of six listed company board representations. Each Director has given sufficient time to the affairs of the Company and has been able to discharge his duties as Director effectively.

Directors receive updates from time to time, particularly on relevant laws and regulations, changing commercial risks and business conditions from the Company's relevant professional advisors. Directors are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. Directors may take independent professional advice and receive training at the Company's expense.

The NC does not encourage the appointment of alternate Directors. No alternate director was appointed during the year as the Directors were engaged and committed to their roles.

The NC reviews succession plans for the Directors, in particular, the Executive Chairman and MD. The NC also reviews annually the balance and diversity of skills, knowledge and experience of the Board and the size of the Board which would facilitate decision-making. All appointments to the Board are made on merit and measured against objective criteria. In identifying and evaluating nominees for appointment as Directors, the NC will evaluate the skills, knowledge and experience on the Board and attributes of the potential candidates required to position the Board, and in consultation with management, determine the role and the desirable competencies for a particular appointment. Recommendations from Directors, Management and external search consultants are the source for potential candidates. The NC will conduct interviews with the short-listed candidates to assess their suitability and to verify that the candidates are aware of the expectations and level of commitment required. Finally, the NC will make a recommendation on the appointment to the Board for approval.

The NC is responsible for reviewing the re-nomination and retirement of Directors who retire by rotation. The NC considers a Director's contribution and performance such as attendance, preparedness, participation and ability to think independently for recommendation to the Board. Pursuant to the Company's Constitution, one-third of the

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Directors or, if their number is not a multiple of three, the number nearest to one-third, shall retire from office by rotation and subject to re-election at the Company's AGM.

At the forthcoming AGM, Mr Khoo Ho Tong will retire under Article 94 of the Company's Constitution. In line with the Board's renewal process, Mr Khoo has expressed his views that having served for more than 9 years, he will not be seeking re-election. Co-terminus with his forthcoming retirement, Mr Khoo's appointments on all the board committees shall also cease. In addition, Mr Yeoh Lam Hock and Mr Eric Yong, who were newly appointed on 17 October 2019 and 16 December 2019 respectively, will retire under Article 100 of the Company's Constitution. They have signified their consents to continue in office and offered themselves for re-election, and the NC has recommended their re-elections to the Board.

Following Mr Khoo Ho Tong's decision to retire, Management and the Board have commenced the search for suitable candidates for the NC's review and consideration. If need be, the NC may also engage external search consultants to search for candidates at the Company's expense. The NC will, amongst others, review the candidate's credentials, and assess the candidate's competency, suitability and ability to devote sufficient time for the Company. The NC will thereafter provide its recommendations to the Board for approval.

Key information regarding the Directors is set out in the section "Board of Directors" of this Annual Report. Information on the Directors' shareholdings in the Company and its related corporations is set out in the section "Report of Directors' Statement" of this Annual Report.

The Company has established a review process to evaluate the performance of the Board as a whole annually. As part of the process, each Director is required to complete a set of Board performance evaluation forms, designed to seek their view on the various aspects of Board performance so as to assess the overall effectiveness of the Board and performance. The evaluation form included assessment criteria such as the size and composition of the Board, the degree of independence of the Board, information flow from Management, and the adequacy of the Board and Board Committees' meetings held to enable proper consideration of issues. The evaluation forms are to be submitted to the Company Secretary for collation and the consolidated responses will be presented in the form of a report to the NC. The NC discusses the report and concludes the performance results during the NC meeting. In consultation with the NC, the Chairman of the NC would act on the results of the performance evaluation with a view to strengthening the Board with new members and / or seeking resignation of Directors where appropriate in order to enhance the effectiveness of the Board as a whole. Although the Directors are not evaluated individually, the factors taken into consideration for the re-nomination of the Directors at the AGM are based on the Directors' attendance at meetings held during the financial year, preparedness for meetings, analytical skills and the contribution made by the Directors at the meetings.

Access to Information (Principle 6): *In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

The Company recognises that the Board should be provided with complete and adequate information timely. Prior to each meeting, Management provides to the Board reports and information specific to the agendas for that meeting. In addition, as matters arise outside of scheduled meetings, the Board is provided with updates on the Group's major operational and financial activities and key issues. Financial highlights of the Group's performance and key developments are presented on a quarterly basis at Board meetings. Management is present at the Board and Board Committee meetings to provide insight into matters under discussion and address any queries that Directors may have. The Directors are also entitled to request additional information as needed to make informed decisions. The Board papers will be provided to the Board members before the Board and Board Committee meetings.

The Board has separate, independent and regular access to the MD, Management, Company Secretary and internal and external auditors at all times, should it need to request for additional information, through e-mail, telephone and face-to-face meetings.

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The Company Secretary assists the Executive Chairman and Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees' meetings. She administers, attends all meetings of the Board and Board Committees, minutes proceedings arising therefrom, and assists the Executive Chairman to ensure that Board procedures (including but not limited to ensuring timely and good information flow within the Board and its Board Committees) are followed so as to ensure the effective functioning of the Board. The Company Secretary also assists the Executive Chairman and the Board in implementing and strengthening corporate governance practices and processes with a view to enhancing long-term value for shareholders and that the legislations and regulations, including requirements of the Companies Act (Chapter 50), Securities and Futures Act (Chapter 289), and the Listing Manual, are complied with.

The appointment and removal of the Company Secretary is a matter for the Board as a whole. As needed, the Board and Board Committees are free to seek external advice at the Company's cost to ensure they have ready access to all resources needed to make informed decisions.

REMUNERATION MATTERS

Procedure for Developing Remuneration Policies (Principle 7): *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

Level and Mix of Remuneration (Principle 8): *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

Remuneration Committee

The RC comprises three members. To minimise the risk of any potential conflict of interest, all RC members are non-executive and independent and they are:

Chairman

Mr Yeoh Lam Hock⁽¹⁾ – Independent Director

Members

Mr Khoo Ho Tong - Independent Director

Mr Chidambaram Chandrasegar - Independent Director

Note:

- (1) Mr Yeoh Lam Hock was appointed as an Independent Non-Executive Director, the Chairman of RC and a member of both the AC and NC with effect from 17 October 2019.

Based on the written terms of reference approved by the Board, the principal functions of the RC are to:

- (i) Review and recommend a framework of remuneration for the Executive Directors (cover all aspects of remuneration, including but not limited to salaries, performance-based remuneration and benefits in kind) for the Board's approval in consultation with the Executive Chairman of the Board. The review of remuneration of the senior Management was delegated by RC to the Executive Directors. Any recommendation of adjustments would then be given to the RC for review and reference. Unless objection is raised, the recommendation will be implemented.

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- (ii) Review and recommend to the Board the setting up of share option schemes or long-term incentive schemes.
- (iii) Review the Non-Executive and Independent Directors' remuneration in the form of Directors' fees, having regard to the level of contribution, effort and time spent, and responsibilities of the directors. Non-Executive and Independent Directors' fees are fixed and subject to shareholders' approval at the AGM.
- (iv) Review the Company's obligation arising in the event of termination of the Executive Directors' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

There are no termination or retirement benefits that are granted to the Directors and key management personnel of the Group. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements or misconduct resulting in financial loss to the Company.

The Company advocates a performance-based remuneration which is flexible and responsive to the market, Company's, business unit's and individual employee's performance. During the year, no long-term incentive and reclaim incentive was paid to the Directors and senior Management. The RC ensures that the Directors' compensations are adequately but not excessively remunerated. While none of the members of the RC specialises in the area of executive compensation, all members of the RC are knowledgeable in executive compensation matters gained through their industry experience. The RC may seek independent professional advice on remuneration of Directors and key management personnel, if necessary.

The members of the RC do not participate in any decisions concerning their own remuneration.

Disclosure on Remuneration (Principle 9): *Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

- A. The Executive Directors have service contracts renewed for a term of one year on the terms and conditions contained therein. Upon his retirement as the MD and appointment as an Advisor on 16 December 2019, Mr Yong Kin Sen entered into a service contract to provide services as an Advisor.

Mr Eric Yong has entered into a service contract that is renewable after a term of one year on terms and conditions contained therein.

Other than the remuneration package disclosed in the table below, the Executive Directors do not enjoy any other incentives.

Non-Executive and Independent Directors have no service contracts and their durations of office are specified in the Constitution of the Company. They are paid fixed Directors' fees in consideration of their contribution, effort and time spent, and responsibilities.

- B. The Company's success depends to a significant extent upon the Directors and Management. The loss of service of one or more of these key employees, most of whom are not bound by formal long-term service agreements, could have a material adverse effect on the Company. The remuneration packages of Executive Directors are covered in their service contracts. In view of these, to the best interests of the Company, the Company is not disclosing the exact remuneration of the Directors and the link between remuneration paid to the Executive Directors and key management personnel, and performance.

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The Board is also of the view that the information disclosed is sufficient for shareholders to have adequate understanding of the remuneration for Executive Directors and key management personnel.

Non-Executive and Independent Directors' fees are tabled for shareholders' approval at the AGM.

- C. During the year, there were no termination, retirement and post-employment benefit and share options being granted to all employees. The following table shows a breakdown (in percentage terms) of the average remuneration of the Directors and key management personnel during the year, which falls within broad bands for FY2019. The total remuneration of the Directors and key management personnel in FY2019 were S\$1,747,000 and S\$1,560,000 respectively.

Remuneration Bands	Salary	Profit Sharing	Bonus	Directors' Fees	Others	Total Compensation
	%	%	%	%	%	%
Executive Directors						
S\$500,000 - S\$1,000,000						
Mr Yong Kin Sen ⁽¹⁾	47	53	–	–	–	100
S\$250,000 - S\$499,000						
Mr Yong Koon Chin	56	44	–	–	–	100
Mr Yong Poon Miew	56	44	–	–	–	100
Independent Non-Executive Directors						
Below S\$250,000						
Mr Khoo Ho Tong	–	–	–	100	–	100
Mr Chidambaram Chandrasegar	–	–	–	100	–	100
Mr Tan Soo Kiat ⁽²⁾	–	–	–	100	–	100
Key Management Personnel						
S\$500,000 - S\$1,000,000						
Mr Lim Hock Leong	46	54	–	–	–	100
Below S\$250,000						
Ms Christine Phua	60	–	40	–	–	100
Mr Tan Bee Kin	75	–	25	–	–	100
Mr Bennett Jude Bennit	89	–	11	–	–	100
Ms Hong Pay Leng	71	–	29	–	–	100

Notes:

- (1) Mr Yong Kin Sen retired as Executive Director and MD and was appointed as an Advisor on 16 December 2019.
 (2) Mr Tan Soo Kiat resigned as an Independent Non-Executive Director on 15 October 2019.

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- D. During the financial year under review, employees in the Group who are immediate family members of a Director, and whose remuneration exceeds S\$50,000 are shown as below:

Remuneration Bands	Relationship to Directors
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S\$150,000 - S\$200,000

Ms Yong Li Yuen, Joanna	Daughter of Mr Yong Koon Chin
Mr Yong Han Keong, Eric ⁽¹⁾	Son of Mr Yong Kin Sen
Mr Yong Han Lim, Adrian	Son of Mr Yong Poon Miew

Note:

- (1) Mr Eric Yong was appointed as Executive Director and MD with effect from 16 December 2019.

ACCOUNTABILITY AND AUDIT

Accountability and Audit (Principle 10): *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board presents the Group's operating performance and financial results through the timely release of its quarterly and full year financial results via SGXNET. In presenting the quarterly and full year financial statements to shareholders, the Board aims to provide a balanced and understandable assessment of the Group's performance, position and prospects including interim and other price-sensitive public reports, and reports to regulators, if required.

The Group has procured undertakings from all its Directors and executive officers under Rule 720(1) of the Listing Manual.

Management provides the Board with financial reports and other information on a timely basis to enable the Board to effectively discharge its duties. Management highlights key issues that are relevant to the Group's performance from time to time in order for the Board to make a balanced and informed assessment of the Company's performance, position and prospect.

Risk Management and Internal Controls (Principle 11): *The Board is responsible for the governance of risk management and internal controls to safeguard management and internal controls to safeguard shareholders' interest and the company's assets, and should determine the nature and extent of significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. The Board and Management are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interest and the Group's assets.

The Board also determines the Company's level of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

As a board risk committee has not been separately established, the AC assists the Board in overseeing the Company's risk management framework and policies.

The AC appointed RSM Risk Advisory Pte Ltd ("RSM"), a chartered accounting firm to assist with the internal audit function and assume oversight of the Company's risk management practices. The directors, together with Management facilitate and review the risk management reporting framework for the Company annually. RSM has adopted the Standards of Professional Practice of Internal Auditing set by the Institute on Internal Auditors in performing their audits. RSM meets the professional standards set out in the Code and they report directly to the

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AC. They periodically review the adequacy of and compliance with group policies, procedures, internal controls and risk management system which are designed to manage risk and safeguard the Group's assets. The audit plan is subject to approval by the AC. The internal auditors report their findings and any recommendations for improvement to the AC. The relevant department would follow up and ensure implementation for any proposed improvement. The Group's external auditors, Ernst & Young LLP, also contribute an independent perspective on the selected internal controls tested in connection with the external audit and report material findings to the AC, where applicable. The Board and AC have separate, independent and regular access to the internal and external auditors at all times.

The Company seeks to improve internal controls and risk management on an ongoing basis to ensure that they remain sound and relevant. The internal control systems and risk management of the Company are designed to provide reasonable, but not absolute, assurance that the Company will not be adversely affected by events that can be reasonably foreseen as it strives to achieve certain internal control standards while allowing the Company to appropriately manage risk at varying levels while pursuing its business objectives.

The current year risk management reporting framework and the risk assessment report were updated by Management and reported to the Board. The Board, with assistance from the AC and audits performed and reports from the internal and external auditors, reviews annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

The Board has received assurance from the MD and CFO that, as at 30 September 2019, the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations, finances and that the Company's risk management and internal control systems are effective in all material aspects.

Based on the Group's risk management and internal control policies, the regular monitoring and reviews, the audits performed and professional advice from the internal and external auditors, reviews performed by Management, as well as assurance from the MD and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Group are adequate and effective as at 30 September 2019 to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

For the financial year under review, both the Board and the AC have not identified any material weaknesses in the internal controls of the Group.

The Board, with the assistance of the AC, continually reviews the Group's internal control processes and risk management practices. The system of internal control maintained by Management and that was in place throughout the financial year under review provides reasonable, but not absolute, assurance against material financial misstatements or loss. Key areas of internal control include the safeguarding of assets, maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk. The Board notes that no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Audit Committee (Principle 12): *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and rules.*

The AC comprises the following three members, all of whom are non-executive and independent:

Chairman

Mr Khoo Ho Tong – Independent Director

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Members

Mr Yeoh Lam Hock⁽¹⁾ – Independent Director

Mr Chidambaram Chandrasegar – Independent Director

Note:

- (1) Mr Yeoh Lam Hock was appointed as an Independent Non-Executive Director, the Chairman of the RC and a member of both the AC and the NC with effect from 17 October 2019.

Two AC Members have financial management expertise and experience. One of the AC Members is a qualified chartered accountant. The Board is of the opinion that the members of the AC have sufficient expertise and experience to discharge their duties.

None of the AC members is a former partner or Director of the Company's existing auditing firm, Ernst & Young LLP, within the past twelve months or has financial interest in the firm.

The AC has full discretion to investigate any matter within its terms of reference and may commission any investigation into matters involving suspected fraud or irregularity of internal controls or infringement of law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position. The AC has full access to internal and external auditors and co-operation by Management, full discretion to invite any Director or senior Management executive to attend its meetings and reasonable resources (including access to external consultants) to enable it to discharge its functions properly. The Company's internal and external auditors report their findings and recommendations to the AC independently.

Based on the written terms of reference approved by the Board, the principal functions of the AC are to:

- (i) Review with the external auditors, their audit plans, scope and results of the external audit, and the independence and objectivity of the external auditors.
- (ii) Review with the internal auditors, their audit plans, scope and evaluation of the adequacy and effectiveness of the internal controls including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties) and report to the Board annually.
- (iii) Evaluate the steps taken by the Company and its subsidiaries to minimise any significant risks or exposures.
- (iv) Review the quarterly and full year financial statements including announcements to shareholders and the SGX-ST prior to submission to the Board.
- (v) Recommend to the Board of Directors the external auditors to be nominated and approve the compensation of the external auditors.
- (vi) Review interested person transactions in accordance with the requirements of the Listing Manual.
- (vii) Review the assistance given by Management to the Company's internal and external auditors.
- (viii) Review the policy by which staff may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up actions.

The Company has appointed a suitable auditing firm which is registered with the Accounting and Corporate Regulatory Authority to meet its audit obligations. The same auditing firm was engaged to audit the financial statements of the Company's Singapore-incorporated subsidiary, and suitable auditing firms have been appointed for the Company's foreign-incorporated subsidiaries.

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The Board and the AC are satisfied that the appointments of different auditors for the Group's foreign-incorporated subsidiaries would not compromise the standard and effectiveness of the Group's audit.

The Company has complied with Rules 712 and 715 of the Listing Manual in relation to its external auditors.

The AC, having reviewed the volume of non-audit services provided to the Company by the external auditors, is satisfied that the nature and extent of such services will not impair the independence and objectivity of the external auditors. The aggregate amount of audit fees paid to the external auditors and a breakdown of the fees paid in total for audit and non-audit services are disclosed in the Notes to the Financial Statements of this Annual Report.

During the financial year under review, the AC met with the external and internal auditors at least once without the presence of Management. The AC has full access to and co-operation of Management and the internal auditors and has full discretion to invite any Director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC also meets with Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues. The AC is kept abreast by Management and the external auditors of changes to accounting standards, Listing Manual and other regulations which could have an impact on the Group's business and financial statements.

The AC has recommended to the Board of Directors that the auditors, Ernst & Young LLP, be nominated for re-appointment as auditors at the forthcoming AGM.

On a quarterly basis, the Directors report any interested person transactions to the AC. There was no interested person transaction during the financial year under review.

The AC has adopted a whistle-blowing policy which provides well-defined and accessible channels in the Group through which employees may raise concerns about possible improprieties in manners of financial reporting, fraudulent acts and other matters and ensures that arrangements are in place for independent investigations of such matters and appropriate follow-up actions. The AC did not receive any complaint during the financial year under review.

Where relevant, the AC makes reference to the best practices and guidance in (among others) the Guidebook for Audit Committees in Singapore, the Risk Governance Guidance for Listed Boards, practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore ("ACRA") and the Guidance to Audit Committee on ACRA's Audit Quality Indicators Disclosure Framework. The AC had discussed and noted the best practices and guidance set out in the Guidebook (among others). Where appropriate, the AC will use the best practices as a reference in discharging its duties and responsibilities.

The AC members take measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements through attendance at trainings and updates by professionals and the external auditors.

The Company has, to the best of its knowledge, complied with the Code in relation to the roles and responsibilities of the AC.

Internal Audit (Principle 13): *The Company should establish an effective internal audit function that is adequately resourced and independent of the activities that it audits.*

The Board is responsible for ensuring that Management maintains a system of internal controls to safeguard shareholders' investments and the Group's assets. The Board believes that the existing system of internal controls put in place is adequate in meeting the needs of the Group's operations.

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The internal audit function is outsourced to RSM. The internal auditors have adopted the Standards of Professional Practice of Internal Auditing set by the Institute of Internal Auditors and is independent and adequately resourced when performing their audits. The internal auditors periodically review the adequacy of and compliance with group policies, procedures and internal controls which are designed to manage risk and safeguard the Group's assets. The internal auditors have unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.

The internal auditors are primarily reporting to the AC Chairman. The internal audit plan is approved by the AC. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

The Group's external auditors, Ernst & Young LLP, also contribute an independent perspective on the selected internal controls tested in connection with the external audit and report material findings to the AC, where applicable.

The AC reviews the adequacy and effectiveness of the internal audit function annually and for FY2019, the AC has reviewed the same with assistance from the internal and external auditors and is satisfied that the internal audit function is independent, effective and adequately resourced.

The Board has separate, independent and regular access to the MD, Management, Company Secretaries and internal and external auditors at all times, should it need to request additional information, through email, telephone and face-to-face meetings.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights (Principle 14): *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

The Company treats all shareholders fairly and equitably and keeps all its shareholders informed of changes in the Company or its business as required by law and prevailing SGX-ST rules and regulations.

The Company communicates major developments in its business operations via SGXNET and press releases. The Company also encourages shareholder participation and voting at general meetings of shareholders. Shareholders would be informed of the rules and the voting procedures at the commencement of the general meetings either by the Company or scrutineers.

Shareholders such as nominee companies which provide custodial services for securities, are able to appoint more than two proxies to attend, speak and vote at general meetings notwithstanding the Company's Constitution does not differentiate between the number of proxies which may be appointed by individual shareholders and by nominee companies.

Communication with Shareholders (Principle 15): *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

The Company endeavours to maintain timely and effective communication with shareholders through timely and comprehensive announcements. The Company does not make selective disclosure to only certain groups of persons. It has adopted a policy of making all necessary disclosures in public announcements via SGXNET, the corporate website, press release, circulars for Extraordinary General Meetings and annual reports. The annual reports and circulars are sent to all shareholders and the notices of general meetings are advertised in the newspapers and announced via SGXNET.

CORPORATE GOVERNANCE

In order to facilitate the communication between shareholders and the Company, shareholders may contact the Company by sending e-mails via the Company's website www.namlee.com.sg. Shareholders may also access the latest Company's quarterly and full year financial results announcements and annual reports on the Company's website after they are announced via SGXNET.

The Company aims to balance cash return to shareholders and investment, while aiming for an efficient capital structure. The Company strives to provide consistent ordinary dividend payments to its shareholders on an annual basis, taking into consideration the Group's earnings, profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate.

Conduct of Shareholder Meetings (Principle 16): *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Company encourages shareholder participation at general meetings of shareholders. Information on general meetings is disseminated through notices in the annual reports or circulars sent to all shareholders. The notices are also released via SGXNET and published in local newspapers. All registered shareholders are invited to participate in the Company's general meetings. Any registered shareholder who cannot attend may appoint up to two proxies, as provided by the Company's Constitution, to attend and vote on his behalf. At each AGM, the Executive Chairman delivers a short briefing to shareholders to update them on the performance of the business. At general meetings, every matter requiring approval is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The Board, including the Executive Chairman and MD and senior Management will be in attendance to field questions and concerns of shareholders. The Company's external auditors will also be present to assist the Board as needed.

Pursuant to the Listing Manual, the Company conducts poll voting for shareholders / proxies present at its general meetings for all the resolutions proposed at the general meetings, to allow shareholders present or represented at the meetings to vote on a one share, one vote basis. An independent scrutineer is also appointed to count and validate the votes cast at the meeting. Votes cast, for or against and the respective percentages, on each resolution will be tallied and announced to shareholders at the AGM. The total number of votes cast for or against the resolutions and the respective percentages are also announced after the AGM via SGXNET and on the Company's website. Shareholders are informed of the rules, including voting procedures, governing such meetings. The Company Secretary prepares minutes of shareholders' meetings, and keeps a record of the minutes in the Company's minute book.

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity of the information and authentication of the identity of shareholders through the web are not compromised and other pertinent issues are satisfactorily resolved.

Dealing in Securities

The Company has adopted and implemented an internal code of conduct on dealings in the securities of the Company by the Directors and officers in the Group.

In compliance with the internal code of conduct, the Company issues a quarterly memo to all Directors and officers informing them that they are not permitted to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, or if they are in possession of unpublished price-sensitive information of the Company.

The Directors and employees are discouraged from dealing in the Company's securities on short-term considerations.

CORPORATE GOVERNANCE

Interested Person Transactions

As a company listed on the Mainboard of the SGX-ST, the Company is required to comply with Chapter 9 of the Listing Manual on interested person transactions. To ensure compliance with Chapter 9 of the Listing Manual, the AC, as well as the Board, reviews every quarterly whether interested person transactions the Company has entered into fall under Chapter 9 of the Listing Manual. The Group does not have a general mandate from shareholders on interested person transactions. There were no interested person transactions during the financial year under review.

Every Director is required to declare any conflict of interest in a transaction, expected to be \$100,000 or more, with the Company to the Board as soon as practicable after the relevant facts have come to his knowledge. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction is carried out based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders.

Material Contracts

There were no material contracts between the Company and its subsidiaries involving the interests of the MD, any Director and any controlling shareholder during the financial year under review.

Risk Management

(i) Dependence on public housing projects

The Group is engaged in the design, fabrication, supply and installation of a wide range of steel, aluminium and unplasticised polyvinyl chloride (uPVC) products, comprising building products for HDB housing projects and aluminium frames for container refrigeration units. Its metal building products cater to housing projects relating to new HDB flats and the Group's business is dependent on the demand for new HDB flats.

The Group manages the risk on demand for HDB flats by focusing on HDB upgrading, private properties, industrial and commercial buildings, infrastructure and other public and private projects.

(ii) Fluctuation in raw material prices

The Group's key raw materials, namely mild steel, stainless steel and aluminium, are subject to price fluctuations. Any significant increase in the prices of mild steel, stainless steel and aluminium will adversely affect the Group's operating results.

The Group manages the risk in fluctuation by buying the raw materials pegged to contracts requirements only and constantly sourcing for alternative sources of supply.

(iii) Delays in project completion

The Group is exposed to the risk of being liable for liquidated damages, which are pre-determined sums payable, in the event that it is unable to complete a project within the stipulated period of time due to factors attributable to the Group.

The Group manages this risk by closely monitoring its projects by its qualified and experienced personnel.

(iv) Dependence on foreign workers

The Group, like many companies in Singapore, is dependent on foreign workers due to the shortage of Singaporean labour. Therefore, the Group is vulnerable to the shortage of foreign workers and any increase in foreign worker levies, which will result in an increase in the Group's operating costs and adversely affect the Group's operating results.

CORPORATE GOVERNANCE

The Group manages the risk of shortage of foreign workers by relocating labour-intensive operations to its Malaysian plants.

- (v) Financial risk management objectives and policies

Please refer to Note 36 of the Notes to Financial Statements.

- (vi) Dependence on relationship with a major customer

A major customer accounts for a substantial portion of our revenue. We are therefore dependent, to certain extent, on this major customer, as any cancellation of its sales and purchases would have an impact on our operations. Although we have long-term contract with our major customer, it may alter its present arrangements with us to our disadvantage, which would in turn have an impact on our operating income, business and financial position and consequently, our operating profits may, to a material extent, be adversely affected.

- (vii) We will be affected by competition from competitors and new entrants

The aluminium and steel products industry is competitive and such competition may increase due to the entry of new players in our aluminium and steel products business. In the event our competitors are able to provide comparable products at lower prices or respond to changes in market conditions more swiftly or effectively than we do, our business, results of operations and financial performance will be adversely affected. There is no assurance that we will be able to compete effectively with our existing and future competitors and adapt quickly to changing market conditions and trends. Any failure by us to remain competitive will adversely affect the demand for our business, our results of operations and financial performance.

- (viii) Our success depends on our ability to attract and retain key personnel

The Group's success depends to a significant extent upon a number of key employees and senior Management. The loss of service of one or more of these key employees, most of whom are not bound by formal long-term employment agreements, could have a material adverse effect on the Group. The Group believes that its future success will also depend in large part upon its ability to attract and retain highly skilled managerial personnel. Competition for such personnel is intense. The Group may not be successful in attracting and retaining the personnel it requires.

- (ix) Dependence on demand for marine refrigerated containers

The Group is engaged in the production of aluminium frames for container refrigeration units for the shipping industry. Thus the Group's business is dependent on the international shipping industry's demand for new refrigerated containers and any significant downturn in the demand for new refrigerated containers will have an adverse impact on the Group's operating results.

Information on Key Executives

Mr Lim Hock Leong

Mr Lim is the General Manager and is responsible for the management of the daily operations of the Group, which include sales and marketing, investments and corporate finance. Mr Lim has over 30 years of working experience in the metal engineering and fabrication business since 1988. He joined the Company in 1988 as its Financial Controller after accumulating more than nine years of experience in accounting and finance functions of three companies listed in Singapore. He was promoted to General Manager of the Company in 1996. He holds a Bachelor in Commerce (Accountancy) degree from the then Nanyang University.

CORPORATE GOVERNANCE

Mr Tan Bee Kin

Mr Tan is the Project Director of the Company. He is responsible for product design and project management. Mr Tan joined the Company as Engineering Manager in 2001. Prior to joining the Company, Mr Tan had 20 years of experience in management and design in Automation and Surface Treatment system. Mr Tan holds a Bachelor of Science (Engineering) degree from University of Aberdeen, UK.

Mr Bennett Jude Bennit

Mr Bennit is the Senior Project Manager of the Company and is responsible for the Group's site management. Mr Bennit joined the Company as a senior project engineer in 1992. He was promoted to the current position of Project Manager in 1998. Prior to joining the Company, Mr Bennit was an R & D Test Engineer of a container manufacturing company where he had worked for four years. Mr Bennit holds a Bachelor of Technology degree from the Regional Engineering College, Warangal, India.

Ms Christine Phua

Ms Phua is the Material Procurement Manager of the Company. She is responsible for the Group's material planning and procurement and inventory management. Ms Phua joined Nam Lee Industries in 1974 and was promoted to the position of Material Procurement Manager in 1981. She has since acquired more than 40 years of experience in this area.

Ms Hong Pay Leng

Ms Hong is the Chief Financial Officer of the Company. She is responsible for the financial and accounting functions for the Group. She joined the Company in 2008 as Assistant Financial Controller. Prior to joining the Company, she had more than 10 years of experience in accounting and finance. She is a Fellow Chartered Accountant, a fellow member of the Association of Chartered Certified Accountants and holds a Master in Business Administration from the University of South Australia.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Nam Lee Pressed Metal Industries Limited (the "Company") and its subsidiaries (collectively, the Group) and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 September 2019.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Yong Koon Chin
Yong Han Keong Eric (Appointed on 16 December 2019)
Yong Poon Miew
Khoo Ho Tong
Chidambaram Chandrasegar
Yeoh Lam Hock (Appointed on 17 October 2019)

3. Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

Name of director	Held in name of directors			Deemed interest		
	At 01.10.18	At 30.9.19	At 21.10.19	At 1.10.18	At 30.9.19	At 21.10.19
Ordinary shares of the Company						
Yong Kin Sen (Resigned on 16 December 2019)	48,204,412	48,204,412	48,204,412	9,582	9,582	9,582
Yong Koon Chin	47,081,502	47,081,502	47,081,502	–	–	–
Yong Poon Miew	47,373,181	47,373,181	47,373,181	–	–	–
Khoo Ho Tong	400,000	400,000	400,000	–	–	–
Chidambaram Chandrasegar	200,000	200,000	200,000	–	–	–
Tan Soo Kiat (Resigned on 15 October 2019)	–	–	–	200,000	200,000	200,000
Yeoh Lam Hock	–	–	–	–	–	–
Yong Han Keong Eric	170	170	170	–	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 October 2019.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

5. Options

At the Extraordinary General Meeting held on 20 November 2007, shareholders approved the Nam Lee Employee Share Option Scheme ("the Scheme") for the granting of options for the subscription of shares to selected employees and non-executive directors. The subscription price for each share in respect of which a discounted option is exercisable shall be market price subject to such discount, as may be determined by Committee in its absolute discretion. The Scheme is administered by the Remuneration Committee, comprising three directors, Mr Tan Soo Kiat (Chairman), Mr Khoo Ho Tong and Mr Chidambaram Chandrasegar.

During the financial year ended 30 September 2010, the Company granted 800,000 options to non-executive directors of the Company and 7,400,000 options to employees of the Group.

Details of all the options to subscribe for ordinary shares of the Company pursuant to the Scheme as at 30 September 2019 are as follows:

Date of grant	Balance as at 1.10.18	Exercised	Forfeited	Balance outstanding at 30.9.19	Exercisable at 30.9.19	Exercise price	Exercise period
22.2.10	1,300,000	–	(100,000)	1,200,000	1,200,000	\$0.258	22.2.11 - 22.2.21
Total	1,300,000	–	(100,000)	1,200,000	1,200,000		

DIRECTORS' STATEMENT

5. Options (cont'd)

Details of the options to subscribe for ordinary shares of the Company granted to directors of the Company pursuant to the Scheme are as follows:

Name of director	Options granted during financial year	Aggregate options granted since commencement of plan to end of financial year	Aggregate options exercised since commencement of plan to end of financial year	Aggregate options outstanding as at end of financial year
Khoo Ho Tong	–	400,000	(400,000)	–
Chidambaram Chandrasegar	–	200,000	(200,000)	–
Tan Soo Kiat	–	200,000	(200,000)	–
Total	–	800,000	(800,000)	–

In the financial year ended 30 September 2013, the above directors exercised their options for 800,000 ordinary shares of the Company at a price of \$0.258 each, with a total cash consideration of \$206,400 paid to the Company.

Since the commencement of the Scheme till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates.
- No participant has received 5% or more of the total options available under the Scheme.
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted.
- The options granted under the Scheme were granted without any discount.

6. Audit Committee

The audit committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance. The audit committee comprises three members, all independent directors. The members of the audit committee are:

Khoo Ho Tong	Chairman
Chidambaram Chandrasegar	Member
Yeoh Lam Hock	Member

DIRECTORS' STATEMENT

7. Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Yong Koon Chin
Director

Yong Han Keong Eric
Director

Singapore
19 December 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2019

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nam Lee Pressed Metal Industries Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 September 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the 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 30 September 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's responsibility for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2019

Expected credit losses for trade receivables

Trade receivables amounting to \$28.6 million from external parties were significant to the Group as they represent 17.1% of total assets. Impairment loss for trade receivables is determined based on the expected credit loss model under SFRS(I) 9.

As trade receivables contribute a significant part of the Group's working capital, management assesses the collectability and impairment of trade debtors on an ongoing basis. The impairment assessment is based on its historical credit loss experience, adjusted for current and forward-looking information specific to the debtors or group of debtors and economic environment. In addition, the Group determines impairment of trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. Significant management judgement is required in the assessment on recoverability of the Group's outstanding receivables particularly in determining the credit impaired amount. In forming judgement, management takes into consideration historical payment trends, age of the outstanding balances, existence of disputes and other available information concerning trade debtors' creditworthiness. As significant management judgement is involved, we determined this to be a key audit matter.

Our audit procedures included, but are not limited to, the following procedures. We obtained an understanding of management's processes and controls relating to the monitoring of trade receivables, including the process in determining whether a debtor is credit-impaired. We reviewed the aging of receivables and historical settlement trends to identify potential collectability issues and requested trade receivables confirmations. Where applicable, we reviewed management's reconciliations of confirmation replies and obtained evidence of receipts from selected trade debtors subsequent to financial year end. We performed inquiry of management to obtain understanding of any dispute between the Group and debtors.

We also assessed the adequacy of the Group's disclosures of trade receivables and the related liquidity and credit risks in Notes 36(a) and 36(c) to the financial statements.

Other information

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2019

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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:

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2019

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Philip Ng Weng Kwai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
19 December 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 September 2019

	Note	30.9.19 \$'000	30.9.18 \$'000
Revenue	4	143,655	156,842
Cost of sales		(119,603)	(127,546)
Gross profit		24,052	29,296
Distribution costs		(2,295)	(2,574)
Administrative costs		(10,375)	(10,972)
Other operating costs		(3,531)	(2,171)
Profit from operating activities	5	7,851	13,579
Interest income	7	460	503
Finance costs	7	(43)	(78)
Other income	8	3,333	1,649
Profit before tax		11,601	15,653
Income tax expense	9	(1,787)	(3,630)
Profit for the year		9,814	12,023
Attributable to:			
Owners of the Company		9,814	12,017
Non-controlling interests		-	6
		9,814	12,023
Earnings per share (cents per share)			
- Basic	10	4.05	4.96
- Diluted	10	4.04	4.95

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2019

	Note	30.9.19 \$'000	30.9.18 \$'000
Profit for the year		9,814	12,023
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Foreign currency translation		(172)	1
- Fair value adjustment on quoted securities		(1)	–
Other comprehensive income for the year, net of tax		(173)	1
Total comprehensive income for the year		9,641	12,024
Attributable to:			
Owners of the Company		9,643	12,679
Non-controlling interests		(2)	(655)
		9,641	12,024

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 30 September 2019

	Note	30.9.19 \$'000	Group 30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	Company 30.9.18 \$'000	1.10.17 \$'000
Non-current assets							
Property, plant and equipment	11	45,806	40,948	36,542	6,280	7,035	6,908
Available-for-sale investments	12	-	5	5	-	5	5
Held-to-maturity investments	13	-	6,047	6,067	-	6,047	6,067
Quoted securities	13	6,031	-	-	6,031	-	-
Investment in subsidiaries	14	-	-	-	14,749	15,226	15,226
Deferred tax assets	25	310	788	755	-	-	-
		52,147	47,788	43,369	27,060	28,313	28,206
Current assets							
Inventories	15	40,452	38,896	33,192	5,007	6,362	5,915
Trade receivables	16	28,629	30,864	32,680	19,999	25,900	21,634
Contract assets	4	5,485	4,770	5,030	-	-	-
Other receivables and deposits	17	1,418	3,201	3,107	120	188	198
Prepayments		1,759	1,223	577	385	211	153
Amounts due from subsidiaries (non-trade)	18	-	-	-	51,781	26,547	17,853
Derivatives	19	-	-	421	-	-	421
Tax recoverable		2,312	543	476	-	-	-
Cash and fixed deposits	35	35,293	45,287	43,600	27,223	38,668	37,964
		115,348	124,784	119,083	104,515	97,876	84,138
Total assets		167,495	172,572	162,452	131,575	126,189	112,344
Current liabilities							
Trade payables	20	8,090	7,473	7,279	4,966	3,111	6,077
Other payables and accruals	21	11,951	17,197	14,048	6,903	8,731	7,417
Provision for warranty	22	676	625	615	-	-	-
Term loans	23	417	1,000	1,000	417	1,000	1,000
Derivatives	19	346	731	-	346	731	-
Obligations under hire purchase contracts	24	128	198	190	128	198	170
Income tax payables		745	1,886	2,201	585	1,572	1,353
		22,353	29,110	25,333	13,345	15,343	16,017
Net current assets		92,995	95,674	93,750	91,170	82,533	68,121
Non-current liabilities							
Term loans	23	-	417	1,417	-	417	1,417
Obligations under hire purchase contracts	24	112	240	237	112	240	235
Deferred tax liabilities	25	1,025	987	949	218	184	65
		1,137	1,644	2,603	330	841	1,717
Total liabilities		23,490	30,754	27,936	13,675	16,184	17,734
Net assets		144,005	141,818	134,516	117,900	110,005	94,610
Equity attributable to owners of the Company							
Share capital	26	57,184	57,184	57,018	57,184	57,184	57,018
Retained earnings		94,949	92,404	85,238	60,629	52,726	37,460
Capital reserve	27	104	104	104	-	-	-
Foreign currency translation reserve	28	(8,319)	(8,184)	(8,846)	-	-	-
Asset revaluation reserve	32	-	-	-	-	-	-
Fair value adjustment reserve	29	(2)	(1)	(1)	(2)	(1)	(1)
Share option reserve	30	89	96	133	89	96	133
		144,005	141,603	133,646	117,900	110,005	94,610
Non-controlling interests		-	215	870	-	-	-
Total equity		144,005	141,818	134,516	117,900	110,005	94,610

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2019

Attributable to owners of the Company										
Note	Share capital	Retained earnings	Capital reserve	Foreign currency translation reserve	Asset revaluation reserve	Fair value adjustment reserve	Share option reserve	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2019										
Group										
At 1 October 2018 (FRS framework)	57,184	89,969	104	(8,184)	1,867	(1)	96	141,035	215	141,250
Effect of adopting SFRS (I)	-	2,435	-	-	(1,867)	-	-	568	-	568
Balance as at 1 October 2018 (SFRS(I) framework)	57,184	92,404	104	(8,184)	-	(1)	96	141,603	215	141,818
Profit for the year	-	9,814	-	-	-	-	-	9,814	-	9,814
Other comprehensive income:										
- Fair value adjustment	-	-	-	-	-	(1)	-	(1)	-	(1)
- Foreign currency translation	-	-	-	(170)	-	-	-	(170)	(2)	(172)
Total comprehensive income for the year, net of tax	-	9,814	-	(170)	-	(1)	-	9,643	(2)	9,641
Deregistration of a subsidiary	-	-	-	35	-	-	-	35	(213)	(178)
Forfeiture of employee share options	-	7	-	-	-	-	(7)	-	-	-
Distributions to owners:										
- Dividends on ordinary shares	31	(7,276)	-	-	-	-	-	(7,276)	-	(7,276)
At 30 September 2019	57,184	94,949	104	(8,319)	-	(2)	89	144,005	-	144,005

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2019

		Attributable to owners of the Company							Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Note	Share capital	Retained earnings	Capital reserve	Foreign currency translation reserve	Asset revaluation reserve	Fair value adjustment reserve	Share option reserve	\$'000	\$'000	\$'000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
2018											
Group											
At 1 October 2017 (FRS framework)	57,018	82,803	104	(8,846)	1,867	(1)	133	133,078	870	133,948	
Effect of adopting SFRS (I)	-	2,435	-	-	(1,867)	-	-	568	-	568	
Balance as at 1 October 2017 (SFRS(I) framework)	57,018	85,238	104	(8,846)	-	(1)	133	133,646	870	134,516	
Profit for the year	-	12,017	-	-	-	-	-	12,017	6	12,023	
Other comprehensive income:											
- Foreign currency translation	-	-	-	662	-	-	-	662	(661)	1	
Total comprehensive income for the year, net of tax	-	12,017	-	662	-	-	-	12,679	(655)	12,024	
Exercise of employee share options	166	-	-	-	-	-	(37)	129	-	129	
Distributions to owners:											
- Dividends on ordinary shares	31	(4,851)	-	-	-	-	-	(4,851)	-	(4,851)	
At 30 September 2018	57,184	92,404	104	(8,184)	-	(1)	96	141,603	215	141,818	

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2019

Note	Share capital \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Fair value adjustment reserve \$'000	Share option reserve \$'000	Total equity \$'000
2019						
Company						
At 1 October 2018 (FRS framework)	57,184	52,493	194	(1)	96	109,966
Effect of adopting SFRS (I)	–	233	(194)	–	–	39
Balance as at 1 October 2018 (SFRS(I) framework)	57,184	52,726	–	(1)	96	110,005
Profit for the year	–	15,172	–	–	–	15,172
Other comprehensive income:						
- Fair value adjustment	–	–	–	(1)	–	(1)
Total comprehensive income for the year, net of tax	–	15,172	–	(1)	–	15,171
Forfeiture of employee share options	–	7	–	–	(7)	–
Distributions to owners:						
- Dividends on ordinary shares	–	(7,276)	–	–	–	(7,276)
At 30 September 2019	57,184	60,629	–	(2)	89	117,900

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2019

Note	Share capital \$'000	Retained earnings \$'000	Asset revaluation reserve \$'000	Fair value adjustment reserve \$'000	Share option reserve \$'000	Total equity \$'000
2018						
Company						
At 1 October 2017 (FRS framework)	57,018	37,227	194	(1)	133	94,571
Effect of adopting SFRS (I)	-	233	(194)	-	-	39
Balance as at 1 October 2017 (SFRS(I) framework)	57,018	37,460	-	(1)	133	94,610
Profit for the year	-	20,117	-	-	-	20,117
Total comprehensive income for the year, net of tax	-	20,117	-	-	-	20,117
Exercise of employee share options	166	-	-	-	(37)	129
Distributions to owners:						
- Dividends on ordinary shares	31	(4,851)	-	-	-	(4,851)
At 30 September 2018	57,184	52,726	-	(1)	96	110,005

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2019

	Note	30.9.19 \$'000	30.9.18 \$'000
Operating activities			
Profit before tax		11,601	15,653
Adjustments for:			
Depreciation of property, plant and equipment	5,11	3,561	3,576
(Gain)/loss on disposal of property, plant and equipment, net	5	(37)	14
Deregistration of a subsidiary		(22)	–
Reversal for a replacement cost		(2,468)	–
Property, plant and equipment written off	5	44	56
Fair value (gain)/loss on derivatives		(385)	1,152
Finance costs	7	43	78
Interest income from fixed deposits	7	(278)	(321)
Interest income from held-to-maturity investments	7	–	(182)
Interest income from quoted securities	7	(182)	–
Provision for warranty, net	22	51	10
Amortisation of bond premium		21	20
Foreign currency translation adjustment		(173)	(829)
Operating cash flows before changes in working capital		11,776	19,227
Increase in inventories		(1,556)	(5,704)
Decrease in receivables and contract assets		828	1,336
(Decrease)/increase in payables		(2,147)	3,342
Cash flows generated from operations		8,901	18,201
Income taxes paid		(2,413)	(4,017)
Interest received		278	321
Interest paid		(43)	(78)
Net cash flows generated from operating activities		6,723	14,427
Investing activities			
Purchase of property, plant and equipment	11	(8,895)	(7,294)
Proceeds from disposal of property, plant and equipment		378	172
Interest income from held-to-maturity investments		–	182
Interest income from quoted securities		182	–
Net cash flows used in investing activities		(8,335)	(6,940)
Financing activities			
Increase in fixed deposit - pledged		–	(4)
Repayment of finance lease obligations		(198)	(222)
Repayment of term loan drawdown		(1,000)	(1,000)
Proceeds from exercise of employee share options		–	129
Dividends paid on ordinary shares	31	(7,276)	(4,851)
Net cash flows used in financing activities		(8,474)	(5,948)
Net (decrease) /increase in cash and cash equivalents		(10,086)	1,539
Cash and cash equivalents at 1 October		45,122	43,439
Effect of exchange rate changes on cash and cash equivalents		92	144
Cash and cash equivalents at 30 September	35	35,128	45,122

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

1. Corporate information

Nam Lee Pressed Metal Industries Limited (the “Company”) is a limited liability company, which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 21 Sungei Kadut Street 4, Singapore 729048.

The principal activities of the Company include the design, fabrication, supply and installation of steel and aluminium products such as gates, door frames, railings, laundry racks, letter boxes, sliding windows, sliding doors, curtain wall and cladding system for building and infrastructure projects and the supply of aluminium industrial products for container refrigeration units.

The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

There have been no significant changes in the nature of these activities during the year.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the year ended 30 September 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 30 September 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“SGD” or “\$”) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 30 September 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 September 2019, together with the comparative period data for the year ended 30 September 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group’s and the Company’s opening balance sheets were prepared as at 1 October 2017, the Group and the Company’s date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 October 2018 are disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- SFRS(I) 3 *Business Combinations* has not been applied to either acquisitions of subsidiaries that are considered businesses under SFRS(I), or acquisitions of interests in associates and joint ventures that occurred before 1 October 2017. The carrying amounts of assets and liabilities at the date of transition to SFRS(I) is the same as previously reported under FRS.
- SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I). Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree. Therefore, those assets and liabilities are already expressed in the functional currency of the parent or are non-monetary foreign currency items and no further translation differences occur.
- The comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.
- On transition, the Group elects the option to recognise leasehold properties at deemed cost as at 1 October 2017, and accordingly recognised depreciation over the remaining useful lives of the leasehold properties.

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 October 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 October 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement.

Debt instruments that meet the SPPI requirements that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 October 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 October 2018.

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

The Group has assessed which business model apply to the financial assets held by the Group at 1 October 2018 and has classified its financial instruments into the appropriate categories in accordance with SFRS(I) 9. The effects, before tax impact are as follows:

Financial assets

Measurement category	FRS 39 carrying amount on	Re-classifications	SFRS(I) 9 carrying amount on
	30.09.18		1.10.18
	\$'000	\$'000	\$'000
FVOCI	5	–	5
FVPL	6,047	–	6,047
FVOCI and FVPL balances at 1 October 2018	6,052	–	6,052

Upon adoption of SFRS(I) 9, the Group and Company reclassified \$5,000 of available-for-sale investments and \$6,026,000 of held-to-maturity investments to quoted securities for the year ended 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 October 2017.
- For the comparative year ended 30 September 2018, the Group has not disclosed the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the corresponding revenue is expected to be recognised.

The Group is in the business of supply and installation of steel and aluminium products and the supply of aluminium industrial products for container refrigeration units. The key impact of adopting SFRS(I) 15 is detailed as follows:

(i) Timing of revenue recognition

The Group previously recognised revenue from the supply and installation of steel and aluminium products under construction when the products are delivered, and installation have been accepted and certified by professional engineers appointed by the main contractors. While for the supply of aluminium industrial products for container refrigeration units, revenue is recognised when the products are delivered and accepted by the customers. Under SFRS(I) 15, for most of its projects, performance obligations for the supply and installation of products are satisfied over time and has an enforceable right to payment for performance certified completed to date. For sales of other products, performance obligations is deemed to have been completed and revenue recognised at the point in time when the delivery of the goods have been accepted.

The Group has determined that for projects and sales where supply and installations were completed, the Group has concluded that it has an enforceable right to payment for performance completed to date. Therefore, revenue is recognised over time and at the point in time when control of the goods has passed to the customer, under SFRS(I) 15.

As a result, the gross amount due from customers for work-in-progress of \$5,030,000 as at 1 October 2017 were reclassified to contract assets accordingly.

The Group's balance sheet as at 30 September 2018 was restated, resulting in the recognition of contract assets from reclassification of gross amount due from customer for work-in-progress of \$4,770,000.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 October 2017 to the balance sheet of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

	Group			
	1.10.17 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	SFRS(I) 15 adjustments \$'000	
Non-current assets				
Property, plant and equipment	36,542	–	–	36,542
Available-for-sale investments	5	–	–	5
Held-to-maturity investments	6,067	–	–	6,067
Quoted securities	–	–	–	–
Investment in subsidiaries	–	–	–	–
Deferred tax assets	755	–	–	755
	43,369	–	–	43,369
Current assets				
Inventories	33,192	–	–	33,192
Trade receivables	37,710	–	(5,030)	32,680
Contract assets	–	–	5,030	5,030
Other receivables and deposits	3,107	–	–	3,107
Prepayments	577	–	–	577
Amounts due from subsidiaries (non-trade)	–	–	–	–
Derivatives	421	–	–	421
Tax recoverable	476	–	–	476
Cash and fixed deposits	43,600	–	–	43,600
	119,083	–	–	119,083
Total assets	162,452	–	–	162,452
Current liabilities				
Trade payables	7,279	–	–	7,279
Other payables and accruals	14,048	–	–	14,048
Provision for warranty	615	–	–	615
Term loans	1,000	–	–	1,000
Derivatives	–	–	–	–
Obligations under hire purchase contracts	190	–	–	190
Income tax payables	2,201	–	–	2,201
	25,333	–	–	25,333
Net current assets	93,750	–	–	93,750
Non-current liabilities				
Term loans	1,417	–	–	1,417
Obligations under hire purchase contracts	237	–	–	237
Deferred tax liabilities	1,517	(568)	–	949
	3,171	(568)	–	2,603
Total liabilities	28,504	(568)	–	27,936
Net assets	133,948	568	–	134,516

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

	Group			
	1.10.17 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	SFRS(I) 15 adjustments \$'000	1.10.17 (SFRS(I)) \$'000
Equity attributable to owners of the Company				
Share capital	57,018	–	–	57,018
Retained earnings	82,803	2,435	–	85,238
Capital reserve	104	–	–	104
Foreign currency translation reserve	(8,846)	–	–	(8,846)
Asset revaluation reserve	1,867	(1,867)	–	–
Fair value adjustment reserve	(1)	–	–	(1)
Share option reserve	133	–	–	133
	133,078	568	–	133,646
Non-controlling interests	870	–	–	870
Total equity	133,948	568	–	134,516

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 30 September 2018 and 1 October 2018 to the balance sheet of the Group.

	Group					
	30.9.18 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	SFRS(I) 15 adjustments \$'000	30.9.18 (SFRS(I)) \$'000	SFRS(I) 9 adjustments \$'000	1.10.18 (SFRS(I)) \$'000
Non-current assets						
Property, plant and equipment	40,948	–	–	40,948	–	40,948
Available-for-sale investments	5	–	–	5	(5)	–
Held-to-maturity investments	6,047	–	–	6,047	(6,047)	–
Quoted securities	–	–	–	–	6,052	6,052
Investment in subsidiaries	–	–	–	–	–	–
Deferred tax assets	788	–	–	788	–	788
	47,788	–	–	47,788	–	47,788
Current assets						
Inventories	38,896	–	–	38,896	–	38,896
Trade receivables	35,634	–	(4,770)	30,864	–	30,864
Contract assets	–	–	4,770	4,770	–	4,770
Other receivables and deposits	3,201	–	–	3,201	–	3,201
Prepayments	1,223	–	–	1,223	–	1,223
Amounts due from subsidiaries (non-trade)	–	–	–	–	–	–
Derivatives	–	–	–	–	–	–
Tax recoverable	543	–	–	543	–	543
Cash and fixed deposits	45,287	–	–	45,287	–	45,287
	124,784	–	–	124,784	–	124,784
Total assets	172,572	–	–	172,572	–	172,572

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

	Group					
	30.9.18 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	SFRS(I) 15 adjustments \$'000	30.9.18 (SFRS(I)) \$'000	SFRS(I) 9 adjustments \$'000	1.10.18 (SFRS(I)) \$'000
Current liabilities						
Trade payables	7,473	–	–	7,473	–	7,473
Other payables and accruals	17,197	–	–	17,197	–	17,197
Provision for warranty	625	–	–	625	–	625
Term loans	1,000	–	–	1,000	–	1,000
Derivatives	731	–	–	731	–	731
Obligations under hire purchase contracts	198	–	–	198	–	198
Income tax payables	1,886	–	–	1,886	–	1,886
	29,110	–	–	29,110	–	29,110
Net current assets	95,674	–	–	95,674	–	95,674
Non-current liabilities						
Term loans	417	–	–	417	–	417
Obligations under hire purchase contracts	240	–	–	240	–	240
Deferred tax liabilities	1,555	(568)	–	987	–	987
	2,212	(568)	–	1,644	–	1,644
Total liabilities	31,322	(568)	–	30,754	–	30,754
Net assets	141,250	568	–	141,818	–	141,818
Equity attributable to owners of the Company						
Share capital	57,184	–	–	57,184	–	57,184
Retained earnings	89,969	2,435	–	92,404	–	92,404
Capital reserve	104	–	–	104	–	104
Foreign currency translation reserve	(8,184)	–	–	(8,184)	–	(8,184)
Asset revaluation reserve	1,867	(1,867)	–	–	–	–
Fair value adjustment reserve	(1)	–	–	(1)	–	(1)
Share option reserve	96	–	–	96	–	96
	141,035	568	–	141,603	–	141,603
Non-controlling interests	215	–	–	215	–	215
Total equity	141,250	568	–	141,818	–	141,818

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I), including application of new standards on 30 September 2018 to the balance sheet of the Company. The adoption of SFRS(I) 15 does not have any impact to the balance sheet of the Company as at 1 October 2017.

	30.9.18 (FRS)		Company 30.9.18 (SFRS(I))		1.10.18 (SFRS(I))
	\$'000	SFRS(I) 1 adjustments	\$'000	SFRS(I) 9 adjustments	\$'000
Non-current assets					
Property, plant and equipment	7,035	–	7,035	–	7,035
Available-for-sale investments	5	–	5	(5)	–
Held-to-maturity investments	6,047	–	6,047	(6,047)	–
Quoted securities	–	–	–	6,052	6,052
Investment in subsidiaries	15,226	–	15,226	–	15,226
Deferred tax assets	–	–	–	–	–
	28,313	–	28,313	–	28,313
Current assets					
Inventories	6,362	–	6,362	–	6,362
Trade receivables	25,900	–	25,900	–	25,900
Contract assets	–	–	–	–	–
Other receivables and deposits	188	–	188	–	188
Prepayments	211	–	211	–	211
Amounts due from subsidiaries (non-trade)	26,547	–	26,547	–	26,547
Derivatives	–	–	–	–	–
Tax recoverable	–	–	–	–	–
Cash and fixed deposits	38,668	–	38,668	–	38,668
	97,876	–	97,876	–	97,876
Total assets	126,189	–	126,189	–	126,189
Current liabilities					
Trade payables	3,111	–	3,111	–	3,111
Other payables and accruals	8,731	–	8,731	–	8,731
Provision for warranty	–	–	–	–	–
Term loans	1,000	–	1,000	–	1,000
Derivatives	731	–	731	–	731
Obligations under hire purchase contracts	198	–	198	–	198
Income tax payables	1,572	–	1,572	–	1,572
	15,343	–	15,343	–	15,343
Net current assets	82,533	–	82,533	–	82,533
Non-current liabilities					
Term loans	417	–	417	–	417
Obligations under hire purchase contracts	240	–	240	–	240
Deferred tax liabilities	223	(39)	184	–	184
	880	(39)	841	–	841
Total liabilities	16,223	(39)	16,184	–	16,184
Net assets	109,966	39	110,005	–	110,005

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)

	Company				
	30.9.18 (FRS) \$'000	SFRS(I) 1 adjustments \$'000	30.9.18 (SFRS(I)) \$'000	SFRS(I) 9 adjustments \$'000	1.10.18 (SFRS(I)) \$'000
Equity attributable to owners of the Company					
Share capital	57,184	–	57,184	–	57,184
Retained earnings	52,493	233	52,726	–	52,726
Capital reserve	–	–	–	–	–
Foreign currency translation reserve	–	–	–	–	–
Asset revaluation reserve	194	(194)	–	–	–
Fair value adjustment reserve	(1)	–	(1)	–	(1)
Share option reserve	96	–	96	–	96
	109,966	39	110,005	–	110,005
Non-controlling interests					
	–	–	–	–	–
Total equity	109,966	39	110,005	–	110,005

There are no impact to the comprehensive income of the Group, arising from first-time adoption of SFRS(I) and application of the new accounting standards, for the year ended 30 September 2018.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of “low value” assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expenses on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 October 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 October 2019.

In addition, the Group plans to elect the following practical expedients:

- Not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases
- To apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 October 2019
- To apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Company adopts SFRS(I) 16 in 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The cost includes the cost of replacing part of the property, plant and equipment.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

On transition to SFRS(I), the Group has elected to recognise leasehold properties, previously valued at fair value, at deemed cost as at 1 October 2017 and accordingly recognised depreciation over the remaining useful lives of the leasehold properties. On adoption, the Group's unutilised deferred tax liabilities of \$568,000 and asset revaluation reserve of \$1,867,000 was adjusted to the Group's retained earnings, resulting in an increase in retained earnings of \$2,435,000. The Company's unutilised deferred tax liabilities of \$39,000 and asset revaluation reserve of \$194,000 was adjusted to Company's retained earnings, resulting in an increase of \$233,000 in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.7 *Property, plant and equipment (cont'd)*

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	–	Over the remaining period of lease
Buildings on freehold land	–	50 years
Buildings on leasehold land	–	Lower of 50 years and over the remaining period of lease
Buildings improvements	–	10 years
Furniture and fittings	–	10 years
Motor vehicles	–	5 to 10 years
Office equipment	–	10 years
Plant and machinery	–	5 to 10 years
Tools	–	10 years

Assets under construction included in plant and machinery are not depreciated as these assets are not available for use. Freehold land has an infinite useful life and therefore is not depreciated.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.8 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(ii) Fair value through other comprehensive income (FVOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

(iii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand as well as fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials determined on a first-in-first-out basis and in the case of finished products and work-in-progress, includes direct materials, direct labour and attributable production overheads based on normal levels of activity. These costs are assigned on a first-in-first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.14 Provisions

General

Provisions are recognised when the Group has 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 the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as finance costs.

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is reviewed annually.

2.15 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme ("CPF") and the Group's companies in Malaysia make contribution to the Employee Provident Fund scheme ("EPF"). Contributions to national pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The liability for leave expected to be settled beyond twelve months from the end of the reporting period is determined using the projected unit credit method. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

(c) *Employee share option plans*

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.15 **Employee benefits (cont'd)**

(c) *Employee share option plans (cont'd)*

The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefit expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market condition or non-vesting conditions, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share option. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date. This is then capitalised or expensed as appropriate.

2.16 **Leases**

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.17 Revenue

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sale of goods*

Revenue from products supplied for the construction of flats and houses under construction is recognised when the products delivered and installation have been accepted and certified by the main contractors.

Revenue from the sales of goods for aluminium industrial products and other miscellaneous sales is recognised upon the transfer of significant risk and rewards of ownership to the customer which generally coincide with their delivery and acceptance.

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established.

2.18 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.18 Taxes (cont'd)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

2. Summary of significant accounting policies (cont'd)

2.19 **Segment reporting**

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 39, including the factors used to identify the reportable segments and the measurement basis of segmental information.

2.20 **Share capital and share issuance expense**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.21 **Contingencies**

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair value can be reliably determined.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

3. Significant accounting judgments and estimates (cont'd)

(a) *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

(b) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Provision for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 36(c).

The carrying amount of trade receivables as at 30 September 2019 was \$28,629,000 (30 September 2018: \$30,864,000, 1 October 2017: \$32,680,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

4. Revenue from contracts with customers

4.1 Disaggregated revenue information

Segments	For the year ended 30 September 2019				
	Aluminium \$'000	Mild steel \$'000	Stainless steel \$'000	Others \$'000	Total \$'000
Geographical markets					
Singapore	122,259	15,902	623	1,270	140,054
Malaysia	3,571	9	19	2	3,601
	125,830	15,911	642	1,272	143,655
Timing of revenue recognition					
At a point in time	104,292	9	19	2	104,322
Over time	21,538	15,902	623	1,270	39,333
	125,830	15,911	642	1,272	143,655

Segments	For the year ended 30 September 2018				
	Aluminium \$'000	Mild steel \$'000	Stainless steel \$'000	Others \$'000	Total \$'000
Geographical markets					
Singapore	139,636	11,984	563	–	152,183
Malaysia	4,523	27	26	–	4,576
Hong Kong	83	–	–	–	83
	144,242	12,011	589	–	156,842
Timing of revenue recognition					
At a point in time	129,891	27	26	–	129,944
Over time	14,351	11,984	563	–	26,898
	144,242	12,011	589	–	156,842

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

4. Revenue from contracts with customers (cont'd)

4.1 Disaggregated revenue information (cont'd)

Set out below, is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information:

	For the year ended 30 September 2019				Total \$'000
	Aluminium \$'000	Mild steel \$'000	Stainless steel \$'000	Others \$'000	
Revenue					
Total revenue from contracts with customers	125,830	15,911	642	1,272	143,655

	For the year ended 30 September 2018				Total \$'000
	Aluminium \$'000	Mild steel \$'000	Stainless steel \$'000	Others \$'000	
Revenue					
Total revenue from contracts with customers	144,242	12,011	589	–	156,842

4.2 Contract balances

Information about receivables and contract assets from contracts with customers is disclosed as follows:

	30 September		1 October
	2019 \$'000	2018 \$'000	2017 \$'000
Trade receivables	28,629	30,864	32,680
Contract assets	5,485	4,770	5,030

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for supply and installation of steel and aluminium products. Contract assets are transferred to receivables when the rights become unconditional.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

5. Profit from operating activities

The following items have been included in arriving at profit from operating activities:

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Cost of sales:		
Salaries and bonuses (excluding directors' emoluments)	(21,039)	(19,704)
Contribution to defined contribution plans	(3,007)	(2,514)
Depreciation of property, plant and equipment*	(2,861)	(2,883)
Operating lease expense	(458)	(363)
Professional fee	(459)	(358)
Distribution costs:		
Salaries and bonuses (excluding directors' emoluments)	(295)	(268)
Contribution to defined contribution plans	(24)	(21)
Depreciation of property, plant and equipment*	(183)	(190)
Transportation expenses	(1,324)	(1,552)
Administrative costs:		
Audit fees paid to:		
- Auditor of the Company	(180)	(220)
- Other auditors	(26)	(86)
Non-audit fees paid to:		
- Auditor of the Company	(43)	(60)
- Other auditors	-	(3)
Salaries and bonuses (excluding directors' emoluments)	(4,472)	(4,186)
Contribution to defined contribution plans	(384)	(400)
Directors of the Company:		
- Fees	(150)	(135)
- Remuneration	(1,581)	(1,848)
- Contribution to defined contribution plans	(16)	(16)
Directors of subsidiaries:		
- Fees	(11)	(11)
- Remuneration	(31)	(34)
Depreciation of property, plant and equipment*	(517)	(503)
Accommodation expenses	(1,172)	(1,226)
Other operating costs:		
Property, plant and equipment written off	(44)	(56)
Legal and professional fee	(281)	(295)
Gain/(loss) on disposal of property, plant and equipment, net	37	(14)

* Depreciation charge for the Group is \$3,561,000 (2018: \$3,576,000) (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

6. Share option scheme

Under the Nam Lee Employee Share Option Scheme (the "Scheme"), share options are granted to eligible employees and non-executive directors of the Company and subsidiaries. The Scheme is administered by the Remuneration Committee, who shall determine at its discretion, the number of shares over which the options are to be offered, taking into account criteria such as the rank, seniority, length of service, performance and potential for future contributions of the grantee and performance of the Group. Options granted to employees will have a life span of ten years whereas options granted to non-executive directors will have a life span of five years. The exercise price of the options shall be equal to the average of the last dealt prices for the Company's shares for the three consecutive trading days immediately preceding the relevant date of grant.

There has been no cancellation or modification to the Scheme during the financial year.

Movement of share options during the financial year

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	30.9.19		30.9.18	
	No.	WAEP (\$)	No.	WAEP (\$)
Outstanding at 1 October	1,300,000	0.258	1,800,000	0.258
- Exercised	-	0.258	(500,000)	0.258
- Forfeited	(100,000)	0.258	-	0.258
Outstanding at 30 September	<u>1,200,000</u>	0.258	<u>1,300,000</u>	0.258
Exercisable at 30 September	<u>1,200,000</u>	0.258	<u>1,300,000</u>	0.258

The weighted average share price at the date of the exercise of the options exercised during the financial year was \$0.38 (2018: \$0.38).

The weighted average remaining contractual life for the options outstanding at the end of the year is 1.4 years (2018: 2.4 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

6. Share option scheme (cont'd)

Fair value of share options granted

The fair value of share options is estimated at the grant date using the Black-Scholes model, taking into account the terms and conditions upon which the share options were granted. The inputs to the financial model used for the options granted are shown below:

Vesting date	22 February 2012
Expected volatility (%)	27.00
Risk-free interest rate (%)	0.35
Expected life of option (years)	4.25
Exercise price (\$)	0.258
Share price (\$)	0.27

The expected life of the share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

7. Interest income/Finance costs

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Interest income from:		
- Fixed deposits	278	321
- Quoted securities	182	182
	460	503
Finance costs on:		
- term loans	(27)	(55)
- obligations under hire purchase contracts	(16)	(23)
	(43)	(78)

8. Other income

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Government grant income	70	132
Gain on foreign exchange, net	517	1,510
Reversal of a replacement cost	2,468	-
Settlement of legal case	200	-
Others	78	7
	3,333	1,649

Government grant income relates mainly to Special Employment Credit ("SEC") grants and Wage Credit Scheme ("WCS").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

9. Income tax expense

The major components of income tax expense for the years ended 30 September are:

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Consolidated income statement:		
Current income tax		
- Current year	(1,755)	(3,539)
- Over/ (under) provision in respect of prior years	484	(86)
	<u>(1,271)</u>	<u>(3,625)</u>
Deferred income tax		
- Origination and reversal of temporary differences	39	(38)
- (Under)/ over provision in respect of prior years	(555)	33
	<u>(516)</u>	<u>(5)</u>
Income tax expense recognised in profit or loss	<u><u>(1,787)</u></u>	<u><u>(3,630)</u></u>

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 September are as follows:

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Profit before tax	<u>11,601</u>	15,653
Tax at statutory tax rate of 17% (2018: 17%)	(1,972)	(2,661)
Adjustments:		
Effect of differences in statutory tax rate	(305)	(599)
Expenses not deductible for tax purposes	(449)	(520)
Tax incentives	17	10
Under provision in respect of prior years, net	(71)	(53)
Income not subject to tax	948	327
Partial tax exemption	-	26
Deferred tax assets not recognised	-	(138)
Others	45	(22)
Income tax expense recognised in profit or loss	<u><u>(1,787)</u></u>	<u><u>(3,630)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

10. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares under the Share Option Scheme into ordinary shares.

The following tables reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 30 September:

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Profit for the year, net of tax, attributable to owners of the Company	9,814	12,017
	No. of Shares	No. of Shares
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	242,544	242,469
Effect of dilutive share options	388	444
Weighted average number of ordinary shares for diluted earnings per share computation	242,932	242,913
	Cents	Cents
Basic earnings per share	4.05	4.96
Diluted earnings per share	4.04	4.95

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

11. Property, plant and equipment

Group	Freehold land \$'000	Leasehold land \$'000	Buildings		Buildings improvements \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Plant and machinery \$'000	Tools \$'000	Total \$'000
			on freehold land \$'000	on leasehold land \$'000							
Cost:											
At 1 October 2018	11,270	634	10,168	6,260	6,401	808	5,911	2,991	35,686	5,426	85,555
Additions	-	-	14	-	35	6	507	80	8,097	156	8,895
Disposals/written off	-	-	-	-	-	(1)	(176)	(17)	(543)	(2)	(739)
Reclassification	-	-	604	-	20	-	-	3	(627)	-	-
Exchange differences	(30)	(1)	(35)	(2)	(5)	(2)	(5)	(3)	(79)	(1)	(163)
At 30 September 2019	11,240	633	10,751	6,258	6,451	811	6,237	3,054	42,534	5,579	93,548

Accumulated depreciation:

At 1 October 2018	-	135	2,203	2,886	3,009	729	3,692	2,123	26,880	2,950	44,607
Depreciation charge for the year	-	9	249	413	248	26	479	197	1,850	90	3,561
Disposals/written off	-	-	-	-	-	(1)	(162)	(7)	(184)	-	(354)
Exchange differences	-	-	(7)	(1)	(4)	(1)	(4)	(2)	(52)	(1)	(72)
At 30 September 2019	-	144	2,445	3,298	3,253	753	4,005	2,311	28,494	3,039	47,742

Net carrying amount:

At 30 September 2019	11,240	489	8,306	2,960	3,198	58	2,232	743	14,040	2,540	45,806
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Group	Freehold land \$'000	Leasehold land \$'000	Buildings		Buildings improvements \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Plant and machinery \$'000	Tools \$'000	Total \$'000
			on freehold land \$'000	on leasehold land \$'000							
Cost:											
At 1 October 2017	7,226	623	7,647	6,240	6,306	796	5,820	2,848	34,922	6,424	78,852
Additions	3,894	-	55	-	62	4	549	123	1,663	1,177	7,527
Disposals/written off	-	-	-	-	(23)	(4)	(498)	(5)	(1,494)	(15)	(2,039)
Reclassification	-	-	2,229	-	14	-	-	-	(13)	(2,230)	-
Exchange differences	150	11	237	20	42	12	40	25	608	70	1,215
At 30 September 2018	11,270	634	10,168	6,260	6,401	808	5,911	2,991	35,686	5,426	85,555

Accumulated depreciation:

At 1 October 2017	-	123	1,913	2,468	2,739	685	3,537	1,911	26,064	2,870	42,310
Depreciation charge for the year	-	9	242	413	268	38	468	201	1,862	75	3,576
Disposals/written off	-	-	-	-	(24)	(4)	(344)	(4)	(1,421)	-	(1,797)
Exchange differences	-	3	48	5	26	10	31	15	375	5	518
At 30 September 2018	-	135	2,203	2,886	3,009	729	3,692	2,123	26,880	2,950	44,607

Net carrying amount:

At 1 October 2017	7,226	500	5,734	3,772	3,567	111	2,283	937	8,858	3,554	36,542
At 30 September 2018	11,270	499	7,965	3,374	3,392	79	2,219	868	8,806	2,476	40,948

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

11. Property, plant and equipment (cont'd)

Company	Buildings improvements \$'000	Building on leasehold land \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Plant and machinery \$'000	Tools \$'000	Total \$'000
Cost:								
At 1 October 2018	1,348	5,477	332	3,532	1,603	7,501	2,307	22,100
Additions	5	–	–	–	32	367	4	408
Disposals/written off	–	–	–	(176)	(13)	(93)	–	(282)
At 30 September 2019	1,353	5,477	332	3,356	1,622	7,775	2,311	22,226
Accumulated depreciation:								
At 1 October 2018	621	2,630	295	1,672	1,135	6,423	2,289	15,065
Depreciation charge for the year	102	397	8	264	110	188	3	1,072
Disposals/written off	–	–	–	(162)	(4)	(25)	–	(191)
At 30 September 2019	723	3,027	303	1,774	1,241	6,586	2,292	15,946
Net carrying amount:								
At 30 September 2019	630	2,450	29	1,582	381	1,189	19	6,280

Company	Buildings improvements \$'000	Building on leasehold land \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Plant and machinery \$'000	Tools \$'000	Total \$'000
Cost:								
At 1 October 2017	1,348	5,477	332	3,386	1,577	7,602	2,291	22,013
Additions	–	–	–	505	30	846	28	1,409
Disposals/written off	–	–	–	(359)	(4)	(947)	(12)	(1,322)
At 30 September 2018	1,348	5,477	332	3,532	1,603	7,501	2,307	22,100
Accumulated depreciation:								
At 1 October 2017	519	2,233	287	1,608	1,022	7,149	2,287	15,105
Depreciation charge for the year	102	397	8	270	116	166	2	1,061
Disposals/written off	–	–	–	(206)	(3)	(892)	–	(1,101)
At 30 September 2018	621	2,630	295	1,672	1,135	6,423	2,289	15,065
Net carrying amount:								
At 1 October 2017	829	3,244	45	1,778	555	453	4	6,908
At 30 September 2018	727	2,847	37	1,860	468	1,078	18	7,035

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

11. Property, plant and equipment (cont'd)

The Group's properties as at 30 September 2019 are:

Name of building/location	Description	Tenure of land
No. 2 & 2A Jalan Tampoi 7, Kawasan Perusahaan Tampoi, 81200 Johor Bahru, Johor, Malaysia	Factory and office premises	Freehold
No. 50 Jalan Industri 2, Taman Perindustrian Pekan Nenas, 81500 Pekan Nenas, Johor Darul Takzim, Malaysia	Factory and office premises	Freehold
No. 3, Jalan Lengkok NIP 1/1, Taman Perindustrian Nusajaya 1, 81550 Gelang Patah, Johor Darul Takzim, Malaysia	Factory and office premises	Freehold
No. 8, Jalan Hasil, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Malaysia	Factory and office premises	Freehold
PTD 182036, Jalan SILC 2/1, Kawasan Perindustrian SILC, Iskandar Puteri, Mukim Pulau, Daerah Johor Bahru, Johor Darul Takzim	Land	Freehold
PLO 101, Jalan Cyber 5, Kawasan Perindustrian Senai III, 81400 Senai, Johor, Malaysia	Factory and office premises	61-year lease commencing from 24 September 2003
21 Sungei Kadut Street 4, Singapore 729048	Factory and office premises	146-month lease commencing from 16 October 2013

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

11. Property, plant and equipment (cont'd)

Assets under construction

The Group's plant and equipment included assets under construction amounting to \$6,568,000 (2018: \$1,437,000, 2017: \$2,597,000).

Assets held under finance lease

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Additions during the year	8,895	7,527
Less: Assets held under finance lease:		
- Motor vehicles	-	(233)
	<hr/>	<hr/>
Purchase of property, plant and equipment as per consolidated statement of cash flows	<u>8,895</u>	<u>7,294</u>

The net carrying amounts of plant and machinery and motor vehicles held under finance leases as at 30 September 2019 was \$NIL (30 September 2018: \$NIL, 1 October 2017: \$465,000) and \$819,000 (30 September 2018: \$1,256,000, 1 October 2017: \$1,290,000), respectively for the Group.

12. Available-for-sale investments

	Group and Company		
	30.9.19	30.9.18	1.10.17
	\$'000	\$'000	\$'000
Quoted equity investments	<hr/> -	5	5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13. Held-to-maturity investments/Quoted securities

	Group and Company		
	30.9.19	30.9.18	1.10.17
	\$'000	\$'000	\$'000
Quoted securities			
Quoted bond investments	6,026	-	-
Quoted equity investments	5	-	-
	<hr/> 6,031	<hr/> -	<hr/> -
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Held-to-maturity investments			
Quoted bond investments	<hr/> -	6,047	6,067
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Quoted investments in corporate bonds were made for varying coupon rates ranging from 3.1% to 4.3% (30 September 2018: 3.1% to 4.3%, 1 October 2017: 3.1% to 4.3%) per annum, with maturity dates ranging from 31 August 2020 to 29 August 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

14. Investment in subsidiaries

	Company		
	30.9.19	30.9.18	1.10.17
	\$'000	\$'000	\$'000
Unquoted equity shares, at cost	15,703	15,703	15,703
Less: Accumulated impairment losses	(477)	(477)	(477)
Deregistration of a subsidiary	(477)	–	–
Carrying amount of investment in subsidiaries	14,749	15,226	15,226

During the financial year, management performed impairment tests for the investment in subsidiaries. No impairment loss was recognised during the financial year.

	Name (Country of incorporation)	Principal activities (Place of business)	Cost of investment			Proportion of ownership interest		
			30.9.19	30.9.18	1.10.17	30.9.19	30.9.18	1.10.17
			\$'000	\$'000	\$'000	%	%	%
<i>Held by the Company</i>								
*	NL Metals Sdn Bhd (Malaysia)	Manufacture of aluminium industrial products, aluminium sliding windows, grilles, gates and other related metal products (Malaysia)	1,957	1,957	1,957	100	100	100
*	NL Mechanical Engineering Sdn Bhd (Malaysia)	Manufacture of grilles, gates, drying racks, hopper, other metal and steel-based products (Malaysia)	562	562	562	100	100	100
*	Nam Lee Pressed Metal Sdn Bhd (Malaysia)	Manufacture of metal fabricated products (Malaysia)	1,322	1,322	1,322	100	100	100
*	Nam Lee Industries Sdn Bhd (Malaysia)	Manufacture of metal fabricated products (Malaysia)	1,078	1,078	1,078	100	100	100
#	P.T. Nam Lee Metal Industries (Indonesia)	Manufacturing of building metal products (Indonesia)	307	307	307	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

14. Investment in subsidiaries (cont'd)

	Name (Country of incorporation)	Principal activities (Place of business)	Cost of investment			Proportion of ownership interest		
			30.9.19	30.9.18	1.10.17	30.9.19	30.9.18	1.10.17
			\$'000	\$'000	\$'000	%	%	%
Held by the Company								
@	Creative Holdings (HK) Limited (Hong Kong)	Investment holding and sale of decoration materials (Hong Kong)	-	477	477	-	59	59
##	Nam Lee Pressed Metal Pte Ltd (Singapore)	Fabrication, installation and supply of building materials and products (Singapore)	10,000	10,000	10,000	100	100	100
Held through subsidiaries								
*	Swan Metal Products Sdn Bhd (Malaysia)	Manufacture of metal fabricated products (Malaysia)	-	-	-	100	100	100

* Audited by Ernst & Young, Malaysia

Not required to be audited by laws of country of incorporation

@ The subsidiary was de-registered during the financial year.

Audited by Ernst & Young LLP, Singapore

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

15. Inventories

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
Finished goods	6,255	7,361	6,251	11	11	12
Work-in-progress	2,335	3,721	3,701	3	13	4
Raw materials	25,997	21,089	16,952	53	118	60
Raw materials - Stock-in-transit	5,865	6,725	6,288	4,940	6,220	5,839
Total inventories at lower of cost and net realisable value	40,452	38,896	33,192	5,007	6,362	5,915

Included in the consolidated income statement are inventories recognised as an expense in cost of sales amounting to \$75,595,000 (30 September 2018: \$85,982,000).

16. Trade receivables

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
Total trade receivables	28,629	30,864	32,680	19,999	25,900	21,634

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currency at 30 September are as follows:

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
United States Dollars	19,549	25,920	21,103	19,410	25,223	21,103

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For the financial year ended 30 September 2019

16. Trade receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$4,875,000 as at 30 September 2018 and \$1,566,000 as at 1 October 2017 that are past due at the end of reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of reporting period is as follows:

	Group	
	30.9.18 \$'000	1.10.17 \$'000
Trade receivables past due but not impaired:		
Lesser than 30 days	2,244	975
30 - 60 days	262	213
61 - 90 days	1,674	366
91 - 120 days	–	–
More than 120 days	695	12
	4,875	1,566

As at 30 September 2018 and 1 October 2017, there were no trade receivables of the Group and Company that were impaired. There were no adjustments upon initial adoption of SFRS(I) 9 as the impact was not material.

Expected credit losses

Upon adoption of SFRS(I) 9, there were no adjustments to expected credit losses of the Group and Company as at 30 September 2019 as the impact was not material.

Receivables subject to offsetting arrangements

The Company's trade receivables and trade payables from/to subsidiaries that are subject to offsetting arrangements are as follows:

Description	Note	Gross carrying amounts \$'000	Gross amounts offset in the balance sheet \$'000	Net amounts in the balance sheet \$'000
30 September 2019				
Trade receivables from subsidiaries		544,420	(544,420)	–
Trade payables to subsidiaries	20	546,056	(544,420)	1,636
30 September 2018				
Trade receivables from subsidiaries		555,175	(554,990)	185
Trade payables to subsidiaries	20	554,990	(554,990)	–
1 October 2017				
Trade receivables from subsidiaries		446,488	(446,488)	–
Trade payables to subsidiaries	20	448,626	(446,488)	2,138

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For the financial year ended 30 September 2019

17. Other receivables and deposits

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
Deposits	1,289	1,160	1,557	32	97	107
Other receivables	129	2,041	1,550	69	82	84
Other recoverables	-	-	-	19	9	7
	1,418	3,201	3,107	120	188	198

18. Amounts due from subsidiaries (non-trade)

The amounts due from subsidiaries are non-trade related, non-interest bearing and are repayable on demand. These amounts are unsecured and are to be settled in cash.

Receivables subject to offsetting arrangements

The Company's amounts due from/to subsidiaries that are subject to offsetting arrangements are as follows:

Description	Gross carrying amounts \$'000	Gross amounts offset in the balance sheet \$'000	Net amounts in the balance sheet \$'000
30 September 2019			
Amounts due from subsidiaries	56,501	(4,720)	51,781
Amounts due to subsidiaries	4,720	(4,720)	-
30 September 2018			
Amounts due from subsidiaries	46,909	(20,362)	26,547
Amounts due to subsidiaries	20,362	(20,362)	-
1 October 2017			
Amounts due from subsidiaries	41,205	(23,352)	17,853
Amounts due to subsidiaries	23,352	(23,352)	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

19. Derivatives

	Group and Company					
	30.9.19		30.9.18		1.10.17	
	Contract notional amount \$'000	Liabilities \$'000	Contract notional amount \$'000	Liabilities \$'000	Contract notional amount \$'000	Assets \$'000
Commodity swap	8,700	(346)	18,280	(731)	8,466	421
Total financial assets at fair value through profit or loss	8,700	(346)	18,280	(731)	8,466	421

The commodity swap agreements are intended to hedge against the volatility of commodity purchases for periods between 1 to 6 months (30 September 2018: 1 to 9 months, 1 October 2017: 1 to 7 months) based on existing sales agreements. These contracts are entered for future committed sales.

20. Trade payables

	Note	Group			Company		
		30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
External parties		8,090	7,473	7,279	3,330	3,111	3,939
Subsidiaries	16	–	–	–	1,636	–	2,138
		8,090	7,473	7,279	4,966	3,111	6,077

External parties

Trade payables are non-interest bearing and are normally settled on 60 days' term.

Trade payables denominated in major foreign currencies at 30 September are as follows:

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
United States Dollars	3,201	4,009	3,258	2,661	2,227	2,658

Subsidiaries

Trade payables to subsidiaries are subject to offsetting arrangements as disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

21. Other payables and accruals

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
Sundry creditors	857	1,383	182	1	365	1
Accrued operating expenses	11,054	15,774	13,826	6,862	8,326	7,376
Deposits from customers	40	40	40	40	40	40
	11,951	17,197	14,048	6,903	8,731	7,417

Other payables and accruals are non-interest bearing and have an average term of 2 months.

22. Provision for warranty

A provision is recognised for expected warranty claims on installation and construction projects, based on past experience of the level of repairs and returns. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about claims and/or expected claims.

Based on actual historical warranty claims experience, management assessed that the Group's provision for warranties exceeded the amount necessary to cover outstanding warranty claims on products sold. Accordingly, \$35,000 (30 September 2018: \$49,000) of the warranty provision has been reversed in the current year.

Movements in provision for warranty are as follows:

	Group	
	30.9.19 \$'000	30.9.18 \$'000
At 1 October	625	615
Provision made	86	59
Reversal	(35)	(49)
At 30 September	676	625

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For the financial year ended 30 September 2019

23. Term loans

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
Current:						
Obligations under finance leases (Note 24)	128	198	190	128	198	170
Term loan	417	1,000	1,000	417	1,000	1,000
	545	1,198	1,190	545	1,198	1,170
Non-current:						
Obligations under finance leases (Note 24)	112	240	237	112	240	235
Term loan	-	417	1,417	-	417	1,417
	112	657	1,654	112	657	1,652

The term loan is denominated in Singapore dollar ("SGD") and has a maturity period of 1 year (30 September 2018: 2 years, 1 October 2017: 3 years). The loan is unsecured and bears an interest rate of 2.77% (30 September 2018: 2.77%, 1 October 2017: 2.77%) per annum.

A reconciliation of liabilities arising from financing activities is as follows:

Group	2018	Cash flows	Non-cash changes		2019
	\$'000	\$'000	Acquisition	Other	\$'000
Term loan					
- Current	1,000	(1,000)	-	417	417
- Non-current	417	-	-	(417)	-
Obligations under finance leases					
- Current	198	(198)	-	128	128
- Non-current	240	-	-	(128)	112
Total	1,855	(1,198)	-	-	657

The 'other' column relates to the reclassification of non-current portion of term loans.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

24. Obligations under hire purchase contracts

The Group leases certain plant and machinery and motor vehicles under hire purchase arrangements that are non-cancellable. These contracts are classified as finance leases and expire within the next 1 to 4 years (30 September 2018: 1 to 5 years). These leases have purchase options but with no renewal option or escalation clauses.

Discount rates implicit in the leases ranged from 4.01% to 6.00% (30 September 2018: 4.01% to 6.00%, 1 October 2017: 3.33% to 6.17%) per annum. Future minimum lease payments under the hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	30.9.19	30.9.19	30.9.18	30.9.18	1.10.17	1.10.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Not later than one year	136	128	214	198	205	190
Later than one year but not later than five years	117	112	253	240	246	237
Total minimum lease payments	253	240	467	438	451	427
Less: Amounts representing finance charges	(13)	-	(29)	-	(24)	-
Present value of minimum lease payments	240	240	438	438	427	427
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	30.9.19	30.9.19	30.9.18	30.9.18	1.10.17	1.10.17
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company						
Not later than one year	136	128	214	198	184	170
Later than one year but not later than five years	117	112	253	240	245	235
Total minimum lease payments	253	240	467	438	429	405
Less: Amounts representing finance charges	(13)	-	(29)	-	(24)	-
Present value of minimum lease payments	240	240	438	438	405	405

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

25. Deferred tax

Deferred tax as at 30 September relates to the following:

	Group			Company		
	2019 \$'000	2018 \$'000	2017 \$'000	2019 \$'000	2018 \$'000	2017 \$'000
Deferred tax liabilities:						
Differences in depreciation for tax purpose	1,025	987	949	218	184	65
Deferred tax assets:						
Provisions	310	788	755	-	-	-

Movement of deferred tax is as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 October	199	194	184	65
Provided during the year	513	28	34	119
Exchange differences	3	(23)	-	-
At 30 September	715	199	218	184

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (30 September 2018: Nil, 1 October 2017: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries as there are no tax effect on the undistributed earnings of the foreign subsidiaries.

Tax consequences of proposed dividends

There are no income tax consequences (30 September 2018: Nil, 1 October 2017: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

26. Share capital

	Note	Group and Company			
		30.9.19		30.9.18	
		No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares:					
At 1 October		242,544	57,184	242,044	57,018
Exercise of employee share options	6	-	-	500	166
At 30 September		242,544	57,184	242,544	57,184

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

27. Capital reserve

Capital reserve represents discount on acquisition of a subsidiary in prior years amounting to \$104,000 (30 September 2018: \$104,000, 1 October 2017: \$104,000) at the end of the reporting period.

28. Foreign currency translation reserve

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

29. Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes of quoted securities until they are derecognised or impaired.

	Group and Company		
	30.9.19	30.9.18	1.10.17
	\$'000	\$'000	\$'000
At 1 October 2017, 30 September 2018, 1 October 2018 and 30 September 2019	(2)	(1)	(1)

30. Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 6). The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

31. Dividends

	Group and Company	
	30.9.19	30.9.18
	\$'000	\$'000
Declared and paid during the financial year:		
Dividend on ordinary shares		
- Interim exempt (one-tier) dividend for 2019: 0.5 cent per share (2018: NIL, 2017: NIL)	1,212	-
- Final exempt (one-tier) dividend for 2018: 2.0 cent per share (2017: 1.0 cent, 2016: 1.0 cent)	4,852	2,426
- Special (one-tier) dividend for 2018: 0.5 cent per share (2017: 1.0 cent, 2016: 1.0 cent)	1,212	2,425
Total dividends	7,276	4,851

Proposed but not recognised as liability as at 30 September

Dividend on ordinary shares, subject to shareholders' approval at AGM

- Final and special (one-tier) dividend for 2019: 1.5 cents per share (2018: 2.5 cents, 2017: 2.0 cents)	3,638	6,064
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A final dividend in respect of year ended 30 September 2019 of 1.0 cent (30 September 2018: 2.0 cent) per share and special dividend of 0.5 cent (30 September 2018: 0.5 cent, 1 October 2017: 1.0 cent) per share under tax exempt one-tier system amounting to \$4,852,000 (30 September 2018: \$6,064,000) was proposed by the Board subsequent to the financial year end. The dividend proposed is not accounted for until it has been approved by the shareholders at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the financial year ending 30 September 2020.

32. Asset revaluation reserve

The asset revaluation reserve represents increases in the fair value of the properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

Upon transition to SFRS(I), the Group and Company had elected to recognise properties, previously measured at fair value, at deemed cost as at 1 October 2018. Upon adjustment, the Group's asset revaluation reserve of \$1,867,000 as at 1 October 2018 was transferred to retained earnings resulting in an increase of \$2,435,000 and decrease in deferred taxes of \$568,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

33. Related party transactions

(a) *Transactions with subsidiaries*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Company	
	30.9.19	30.9.18
	\$'000	\$'000
Sales to subsidiaries	58,029	76,909
Purchases from subsidiaries	(77,322)	(97,615)
Rental and utilities recharge to a subsidiary	162	162
Staff related costs recharged by a subsidiary	(436)	(2,454)

(b) *Compensation of key management personnel*

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Salaries, bonus and other related expenses	3,232	3,448
Contributions to defined contribution plans	75	73
Total compensation paid to key management personnel	3,307	3,521
Comprise amounts paid to:		
- Directors of the Company	1,747	1,999
- Other key management personnel	1,560	1,522
	3,307	3,521

(c) *Compensation of close members of key management personnel*

Remuneration paid to close members of key management personnel	565	490
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

34. Commitments and contingencies

Operating lease commitments

The Group has entered into leases on certain properties that are non-cancellable within a year. These leases have average tenure of between 1 to 7 years. The Group is restricted from subleasing the leased properties to third parties.

Future minimum lease payments under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		Company	
	30.9.19 \$'000	30.9.18 \$'000	30.9.19 \$'000	30.9.18 \$'000
Not later than one year	1,407	1,123	248	258
Later than one year but not later than five years	1,573	933	984	917
Later than five years	286	506	286	506
	3,266	2,562	1,518	1,681

Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	30.9.19 \$'000	30.9.18 \$'000
Capital commitments in respect of property, plant and equipment	1,023	2,694

35. Cash and fixed deposits

	Group			Company		
	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000	30.9.19 \$'000	30.9.18 \$'000	1.10.17 \$'000
Fixed deposits	12,649	20,579	23,539	12,467	20,403	23,372
Cash at bank and on hand	22,644	24,708	20,061	14,756	18,265	14,592
	35,293	45,287	43,600	27,223	38,668	37,964
Less: fixed deposit pledged	(165)	(165)	(161)	-	-	-
Total cash and cash equivalents	35,128	45,122	43,439	27,223	38,668	37,964

Cash and fixed deposits denominated in major foreign currency at 30 September are as follows:

United States Dollars	8,482	12,023	8,045	8,476	11,747	7,733
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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Cash and fixed deposits (cont'd)

Fixed deposits are made for varying periods from 3 months and 12 months (30 September 2018: 2 months to 12 months, 1 October 2017: 3 months and 6 months) depending on the immediate cash requirements of the Group and earn interest at the respective fixed deposit rates. The weighted average effective interest rate as at 30 September for the Group is 1.78% (30 September 2018: 1.56%, 1 October 2017: 1.26%) per annum. Fixed deposits can be readily convertible into known amount of cash and subject to insignificant risk of change in value.

Included in deposits of the Group are \$165,000 (30 September 2018: \$165,000, 1 October 2017: \$161,000) pledged to a licensed bank for bank guarantee facilities.

36. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, foreign currency risk, credit risk and market price risk. The board approves, authorises and agrees policies for managing each of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process. It is and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The Group's and Company's principal financial instruments, other than derivative financial instruments, comprise term loans and cash and cash equivalents. The main purpose of these financial instruments is to ensure adequate funds for its operations. The Group and Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group and Company also enters into derivative transactions such as commodity swap. The purpose is to manage the purchase price volatility arising from its operations.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group actively manages its debt maturity profile, operating cash flows and availability of committed credit facilities to ensure that all refinancing, repayment and funding needs are met. The Group strives to maintain a sufficient level of banking facilities to meet its funding requirements and utilise trust receipts, loans and hire purchase contracts for this purpose.

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36. Financial risk management objectives and policies (cont'd)

(a) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

30 September 2019	One year or less \$'000	One to five years \$'000	Total \$'000
Group			
Financial assets:			
Trade receivables	28,629	–	28,629
Other receivables and deposits	1,418	–	1,418
Cash and fixed deposits	35,293	–	35,293
Quoted securities	–	6,005	6,005
	65,340	6,005	71,345
Less: Goods and services tax receivables	(822)	–	(822)
Total undiscounted financial assets	64,518	6,005	70,523
Financial liabilities:			
Trade payables	8,090	–	8,090
Other payables and accruals	11,951	–	11,951
Obligations under hire purchase contracts	136	117	253
Term loans	428	–	428
Derivatives	346	–	346
Total undiscounted financial liabilities	20,951	117	21,068
Total net undiscounted financial assets	43,567	5,888	49,455
30 September 2018			
Group			
Financial assets:			
Trade receivables	30,864	–	30,864
Other receivables and deposits	3,201	–	3,201
Cash and fixed deposits	45,287	–	45,287
Available-for-sale investments	–	5	5
Held-to-maturity investments	–	6,000	6,000
	79,352	6,005	85,357
Less: Goods and services tax receivables	(874)	–	(874)
Total undiscounted financial assets	78,478	6,005	84,483
Financial liabilities:			
Trade payables	7,473	–	7,473
Other payables and accruals	17,197	–	17,197
Obligations under hire purchase contracts	214	253	467
Term loans	1,028	422	1,450
Derivatives	731	–	731
Total undiscounted financial liabilities	26,643	675	27,318
Total net undiscounted financial assets	51,835	5,330	57,165

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

36. Financial risk management objectives and policies (cont'd)

(a) *Liquidity risk (cont'd)*

1 October 2017	One year or less	One to five years	Total
	\$'000	\$'000	\$'000
Group			
Financial assets:			
Trade receivables	32,680	–	32,680
Other receivables and deposits	3,107	–	3,107
Cash and fixed deposits	43,600	–	43,600
Available-for-sale investments	–	5	5
Held-to-maturity investments	–	6,000	6,000
Derivatives	421	–	421
	79,808	6,005	85,813
Less: Goods and services tax receivables	(745)	–	(745)
Total undiscounted financial assets	79,063	6,005	85,068
Financial liabilities:			
Trade payables	7,279	–	7,279
Other payables and accruals	14,048	–	14,048
Obligations under hire purchase contracts	205	246	451
Term loans	1,028	1,472	2,500
Total undiscounted financial liabilities	22,560	1,718	24,278
Less: Goods and services tax payables	(184)	–	(184)
Total undiscounted financial liabilities	22,376	1,718	24,094
Total net undiscounted financial assets	56,687	4,287	60,974

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36. Financial risk management objectives and policies (cont'd)

(a) Liquidity risk (cont'd)

30 September 2019	One year or less \$'000	One to five years \$'000	Total \$'000
Company			
Financial assets:			
Trade receivables	19,999	–	19,999
Other receivables and deposits	120	–	120
Amounts due from subsidiaries (non-trade)	51,781	–	51,781
Cash and fixed deposits	27,223	–	27,223
Quoted securities	–	6,005	6,005
	99,123	6,005	105,128
Less: Goods and services tax receivables	(523)	–	(523)
Total undiscounted financial assets	98,600	6,005	104,605
Financial liabilities:			
Trade payables	4,966	–	4,966
Other payables and accruals	6,903	–	6,903
Obligations under hire purchase contracts	136	117	253
Term loans	428	–	428
Derivatives	346	–	346
Total undiscounted financial liabilities	12,779	117	12,896
Total net undiscounted financial assets	85,821	5,888	91,709
30 September 2018			
	One year or less \$'000	One to five years \$'000	Total \$'000
Company			
Financial assets:			
Trade receivables	25,900	–	25,900
Other receivables and deposits	188	–	188
Amounts due from subsidiaries (non-trade)	26,547	–	26,547
Cash and fixed deposits	38,668	–	38,668
Available-for-sale investments	–	5	5
Held-to-maturity investments	–	6,000	6,000
	91,303	6,005	97,308
Less: Goods and services tax receivables	(495)	–	(495)
Total undiscounted financial assets	90,808	6,005	96,813
Financial liabilities:			
Trade payables	3,111	–	3,111
Other payables and accruals	8,731	–	8,731
Obligations under hire purchase contracts	214	253	467
Term loans	1,028	422	1,450
Derivatives	731	–	731
Total undiscounted financial liabilities	13,815	675	14,490
Total net undiscounted financial assets	76,993	5,330	82,323

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For the financial year ended 30 September 2019

36. Financial risk management objectives and policies (cont'd)

(a) *Liquidity risk (cont'd)*

1 October 2017	One year or less \$'000	One to five years \$'000	Total \$'000
Company			
Financial assets:			
Trade receivables	21,634	–	21,634
Other receivables and deposits	198	–	198
Amounts due from subsidiaries (non-trade)	17,853	–	17,853
Cash and fixed deposits	37,964	–	37,964
Available-for-sale investments	–	5	5
Held-to-maturity investments	–	6,000	6,000
Derivatives	421	–	421
	78,070	6,005	84,075
Less: Goods and services tax receivables	(495)	–	(495)
Total undiscounted financial assets	77,575	6,005	83,580
Financial liabilities:			
Trade payables	6,077	–	6,077
Other payables and accruals	7,417	–	7,417
Obligations under hire purchase contracts	184	245	429
Term loans	1,028	1,472	2,500
Total undiscounted financial liabilities	14,706	1,717	16,423
Total net undiscounted financial assets	62,869	4,288	67,157

(b) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Malaysian Ringgit ("MYR"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"). Approximately 71% (30 September 2018: 80%) of the Group's sales are denominated in currencies other than functional currencies of the Group entities whilst almost 55% (30 September 2018: 59%) of costs are denominated in foreign currencies.

Certain sales transactions of the Company are billed in USD. However, the pricing decisions for these sales transactions are made in the functional currency of the Company.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 35.

As disclosed in Note 2.6, exchange differences on the Group's net investments in the foreign subsidiaries are dealt with through the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

36. Financial risk management objectives and policies (cont'd)

(b) Foreign currency risk (cont'd)

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in USD against SGD, with all other variables held constant.

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
USD/SGD		
- strengthened 3% (2018: 3%)	778	845
- weakened 3% (2018: 3%)	(778)	(845)

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and Company's exposure to credit risk arises primarily from trade receivables. The Group and Company trades only with recognised and creditworthy third parties. It is the Group's policy to monitor receivable balances on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets, which comprise cash and cash equivalents, other receivables and deposits, quoted securities and amounts due from subsidiaries, the Group and Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Company and changes in the operating results of the borrower.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

36. Financial risk management objectives and policies (cont'd)

(c) **Credit risk (cont'd)**

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring trade receivables by product-type on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	30.9.19		30.9.18	
	\$'000	% of total	\$'000	% of total
By product types:				
Aluminium	24,075	84.1	29,620	96.0
Mild Steel	3,990	13.9	1,240	4.0
Stainless Steel	4	–	4	–
Others	560	2.0	–	–
	28,629	100.0	30,864	100.0

At the end of the reporting period, there is no significant concentration of credit risk apart for the amounts due from a major customer amounting to approximately 57.1% (2018: 71%) of total trade receivables. However, the good credit history of this customer reduces the risk to the Group to an acceptable level. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The expected credit losses also incorporate forward looking information such as forecast of economic conditions for the industry.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

36. Financial risk management objectives and policies (cont'd)

(d) **Market price risk**

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to market price risk arising from its purchase of key raw materials, namely mild steel, stainless steel and aluminium. Any significant increase in the prices of key raw materials will adversely affect the Group's operating results.

The Group manages the risk in fluctuation by buying the raw materials pegged to contracts requirements only and constantly sourcing for alternative sources of supply. The commodity swap agreements are intended to hedge against the volatility of commodity purchase based on existing sales agreements.

At the end of the reporting period, the derivatives balances are disclosed in Note 19.

37. Fair value of financial instruments

(a) **Fair value hierarchy**

The Group categories fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Significant unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

37. Fair value of financial instrument (cont'd)

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

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

2019	Note	Group and Company		
		Quoted prices in active markets for identical instruments	Significant other observable inputs	Total
		Level 1 \$'000	Level 2 \$'000	\$'000
<u>Recurring fair value measurements</u>				
Financial assets:				
Quoted securities	13	6,031	-	-
Financial liabilities:				
Derivatives				
- Commodity swap	19	-	346	346
<u>Recurring fair value measurements</u>				
Financial assets:				
Available-for-sale investments	12	5	-	5
Held-to-maturity investments	13	6,047	-	6,047
		6,052	-	6,052
Financial liabilities:				
Derivatives				
- Commodity swap	19	-	731	731

2018	Note	Group and Company		
		Quoted prices in active markets for identical instruments	Significant other observable inputs	Total
		Level 1 \$'000	Level 2 \$'000	\$'000
<u>Recurring fair value measurements</u>				
Financial assets:				
Available-for-sale investments	12	5	-	5
Held-to-maturity investments	13	6,047	-	6,047
		6,052	-	6,052
Financial liabilities:				
Derivatives				
- Commodity swap	19	-	731	731

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

37. Fair value of financial instrument (cont'd)

(c) **Determination of fair value**

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities:

Level 1 fair value measurement

Quoted instruments (Notes 12 and 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Level 2 fair value measurement

Derivatives (Note 19): Commodity swap agreements are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including commodity spot and forward rates.

(i) Valuation policies and procedures

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

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

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

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

(d) **Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The management has determined that the carrying amounts of cash and cash equivalents, trade receivables, other receivables and deposits, trade payables, other payables and accruals, term loans and amounts due from subsidiaries, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently within a year.

The fair values of the obligations under hire purchase contracts are not materially different from their carrying values as at 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

37. Fair value of financial instrument (cont'd)

(e) Classification of financial instruments

Set out below is a comparison by category of carrying amounts of all the financial instruments that are carried in the financial statements:

	Amortised cost \$'000	Fair value through other comprehensive income \$'000	Fair value through profit or loss \$'000	Total \$'000
Group				
Assets				
30 September 2019				
Quoted securities	–	5	6,026	6,031
Trade receivables	28,629	–	–	28,629
Other receivables and deposits	1,418	–	–	1,418
Cash and fixed deposits	35,293	–	–	35,293
Less: Goods and services tax receivables	(822)	–	–	(822)
	64,518	5	6,026	70,549
30 September 2018				
Available-for-sale investments	–	5	–	5
Held-to-maturity investments	–	–	6,047	6,047
Trade receivables	30,864	–	–	30,864
Other receivables and deposits	3,201	–	–	3,201
Cash and fixed deposits	45,287	–	–	45,287
Less: Goods and services tax receivables	(874)	–	–	(874)
	78,478	5	6,047	84,530
1 October 2017				
Available-for-sale investments	–	5	–	5
Held-to-maturity investments	–	–	6,067	6,067
Derivatives	–	–	421	421
Trade receivables	32,680	–	–	32,680
Other receivables and deposits	3,107	–	–	3,107
Cash and fixed deposits	43,600	–	–	43,600
Less: Goods and services tax receivables	(745)	–	–	(745)
	78,642	5	6,488	85,135

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

37. Fair value of financial instrument (cont'd)

(e) Classification of financial instruments (cont'd)

	Amortised cost \$'000	Fair value through profit or loss \$'000	Total \$'000
Group			
Liabilities			
30 September 2019			
Trade payables	8,090	–	8,090
Other payables and accruals	11,951	–	11,951
Term loans	417	–	417
Derivatives	–	346	346
Obligations under hire purchase contracts	240	–	240
	20,698	346	21,044
30 September 2018			
Trade payables	7,473	–	7,473
Other payables and accruals	17,197	–	17,197
Term loans	1,417	–	1,417
Derivatives	–	731	731
Obligations under hire purchase contracts	438	–	438
	26,525	731	27,256
1 October 2017			
Trade payables	7,279	–	7,279
Other payables and accruals	14,048	–	14,048
Term loans	2,417	–	2,417
Obligations under hire purchase contracts	427	–	427
Less: Goods and services tax payables	(184)	–	(184)
	23,987	–	23,987

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

37. Fair value of financial instrument (cont'd)

(e) Classification of financial instruments (cont'd)

	Amortised cost \$'000	Fair value through other comprehensive income \$'000	Fair value through profit or loss \$'000	Total \$'000
Company				
Assets				
30 September 2019				
Quoted securities	–	5	6,026	6,031
Trade receivables	19,999	–	–	19,999
Other receivables and deposits	120	–	–	120
Amounts due from subsidiaries (non-trade)	51,781	–	–	51,781
Cash and fixed deposits	27,223	–	–	27,223
Less: Goods and services tax receivables	(523)	–	–	(523)
	98,600	5	6,026	104,631
30 September 2018				
Available-for-sale investments	–	5	–	5
Held-to-maturity investments	–	–	6,047	6,047
Trade receivables	25,900	–	–	25,900
Other receivables and deposits	188	–	–	188
Amounts due from subsidiaries (non-trade)	26,547	–	–	26,547
Cash and fixed deposits	38,668	–	–	38,668
Less: Goods and services tax receivables	(495)	–	–	(495)
	90,808	5	6,047	96,860
1 October 2017				
Available-for-sale investments	–	5	–	5
Held-to-maturity investments	–	–	6,067	6,067
Trade receivables	21,634	–	–	21,634
Other receivables and deposits	198	–	–	198
Amounts due from subsidiaries (non-trade)	17,853	–	–	17,853
Derivatives	–	–	421	421
Cash and fixed deposits	37,964	–	–	37,964
Less: Goods and services tax receivables	(495)	–	–	(495)
	77,154	5	6,488	83,647

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

37. Fair value of financial instrument (cont'd)

(e) Classification of financial instruments (cont'd)

	Amortised cost \$'000	Fair value through profit or loss \$'000	Total \$'000
Company			
Liabilities			
30 September 2019			
Trade payables	4,966	–	4,966
Other payables and accruals	6,903	–	6,903
Term loans	417	–	417
Derivatives	–	346	346
Obligations under hire purchase contracts	240	–	240
	12,526	346	12,872
30 September 2018			
Trade payables	3,111	–	3,111
Other payables and accruals	8,731	–	8,731
Term loans	1,417	–	1,417
Derivatives	–	731	731
Obligations under hire purchase contracts	438	–	438
	13,697	731	14,428
1 October 2017			
Trade payables	6,077	–	6,077
Other payables and accruals	7,417	–	7,417
Term loans	2,417	–	2,417
Obligations under hire purchase contracts	405	–	405
	16,316	–	16,316

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

38. Capital management

The primary objective of the Group's capital management is to ensure that it maintains an appropriate capital structure in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase borrowings or adjust the dividend payment to shareholders as and when appropriate. No changes were made in the objectives, policies or processes during the years ended 30 September 2019 and 30 September 2018.

The Group is currently in net cash position. The Group will continue to be guided by prudent financial policies of which gross debt equity is an important aspect.

	Note	Group	
		30.9.19 \$'000	30.9.18 \$'000
Obligations under hire purchase contracts	24	240	438
Term loans	23	417	1,417
Total gross debt		657	1,855
Equity attributable to owners of the Company		144,005	141,603
Gross debt equity ratio		0.5%	1.3%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

39. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has four reportable operating segments as follows:

(a) The aluminium segment

Aluminum products on building construction and other industrial uses, such as curtain walls, cladding windows and container refrigeration units.

(b) The mild steel segment

Mild steel products on door frame and entrance gate for building construction projects.

(c) The stainless steel segment

This segment comprises of stainless steel products, such as drying rack and hoppers use for building construction projects.

(d) Others

Others include UPVC products, glasses and shower screens for building construction projects.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

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

Transfer pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

39. Segment information (cont'd)

Business segments

	Aluminium		Mild steel		Stainless steel		Others		Adjustments		Consolidated	
	30.9.19	30.9.18	30.9.19	30.9.18	30.9.19	30.9.18	30.9.19	30.9.18	30.9.19	30.9.18	30.9.19	30.9.18
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue:												
Sales to external customers	125,830	144,242	15,911	12,011	642	589	1,272	-	-	-	143,655	156,842
Results:												
Depreciation	(3,033)	(3,054)	(406)	(463)	(54)	(59)	(68)	-	-	-	(3,561)	(3,576)
Reversal of a replacement cost	2,468	-	-	-	-	-	-	-	-	-	2,468	-
Segment results	11,534	17,163	(2,739)	(2,101)	5	28	(432)	- (A)	3,233	563	11,601	15,653
Balance sheet:												
Additions to non-current assets	6,289	3,376	1,704	4,140	507	8	395	3	-	-	8,895	7,527
Segment assets	129,134	154,715	28,358	14,178	4,480	2,886	5,213	5 (B)	310	788	167,495	172,572
Segment liabilities	16,452	23,032	1,254	1,591	627	1,279	2,730	124 (C)	2,427	4,728	23,490	30,754

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

39. Segment information (cont'd)

Reconciliation to arrive at amounts reported in the consolidated financial statements.

Note A

The following items are added to/(deducted from) segment results to arrive at "Profit before tax" presented in the consolidated income statement:

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Interest income	460	503
Finance costs	(43)	(78)
Unallocated income	2,816	138
	<u>3,233</u>	<u>563</u>

Note B

The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Deferred tax assets	310	788

Note C

The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group	
	30.9.19	30.9.18
	\$'000	\$'000
Deferred tax liabilities	1,025	987
Income tax payables	745	1,886
Term loans	417	1,417
Obligations under hire purchase contracts	240	438
	<u>2,427</u>	<u>4,728</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

39. Segment information (cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue from external customers		Non-current assets	
	30.9.19 \$'000	30.9.18 \$'000	30.9.19 \$'000	30.9.18 \$'000
Singapore	140,054	152,183	7,847	8,240
Malaysia	3,601	4,576	37,959	32,708
Hong Kong	–	83	–	–
	143,655	156,842	45,806	40,948

Non-current assets information presented above consist of property, plant and equipment, as presented in the consolidated balance sheet.

Information about major customers

In the current financial year, revenue from two major customers amounted to \$101 million (2018: \$125 million) arising from sales by the aluminium segment and \$2 million (2018: \$4 million) arising from sales by the mild steel segment.

40. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2019 were authorised for issue in accordance with a resolution of the directors on 19 December 2019.

STATISTICS OF SHAREHOLDINGS

As at 13 December 2019

Issued and fully paid-up capital	:	\$57,184,000
Number of shares	:	242,544,082
Class of shares	:	Ordinary share fully paid with equal voting rights
Voting rights	:	One vote per share

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	24	0.90	1,002	0.00
100 - 1,000	728	27.41	519,329	0.21
1,001 - 10,000	1,049	39.50	3,851,002	1.59
10,001 - 1,000,000	837	31.51	54,248,351	22.37
1,000,001 AND ABOVE	18	0.68	183,924,398	75.83
TOTAL	2,656	100.00	242,544,082	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Yong Koon Chin	47,081,502	19.41	–	–
Yong Kin Sen	48,204,412	19.87	9,582 ⁽¹⁾	n.m. ⁽²⁾
Yong Poon Miew	47,373,181	19.53	–	–

Notes:

(1) Mr Yong Kin Sen is deemed interested in the shares held by his spouse.

(2) n.m. = not meaningful

STATISTICS OF SHAREHOLDINGS

As at 13 December 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	YONG KIN SEN	48,204,412	19.87
2	YONG POON MIEW	47,373,181	19.53
3	YONG KOON CHIN	47,081,502	19.41
4	DB NOMINEES (SINGAPORE) PTE LTD	10,150,000	4.18
5	DBS NOMINEES (PRIVATE) LIMITED	7,632,553	3.15
6	KWA CHING TZE	3,750,250	1.55
7	ABN AMRO CLEARING BANK N.V.	2,972,400	1.23
8	ZEN PROPERTY MANAGEMENT PTE LTD	2,148,000	0.89
9	WANG JUNG HSIN	2,000,000	0.82
10	ANG JUI KHOON	1,845,500	0.76
11	RAFFLES NOMINEES (PTE.) LIMITED	1,579,243	0.65
12	YEO SENG CHONG	1,525,000	0.63
13	NG KWONG CHONG OR LIU OI FUI IVY	1,426,586	0.59
14	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,418,671	0.58
15	LIU WENYING	1,300,000	0.54
16	GOH TEOW HEE	1,235,000	0.51
17	PHILLIP SECURITIES PTE LTD	1,188,300	0.49
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,093,800	0.45
19	LIE TJOEI TJOE	1,000,000	0.41
20	HSBC (SINGAPORE) NOMINEES PTE LTD	958,500	0.40
TOTAL		185,882,898	76.64

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

40.69% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nam Lee Pressed Metal Industries Limited (“the Company”) will be held at Orchid Country Club, Sapphire Suite, Social Clubhouse, No. 1 Orchid Club Road, Singapore 769162 on Monday, 20 January 2020 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 30 September 2019 together with the Auditors’ Report. **(Resolution 1)**
2. To declare a one-tier tax-exempt final dividend of 1.0 Singapore cent per share for the financial year ended 30 September 2019 (2018: One-tier tax-exempt first and final dividend of 2.0 Singapore cents per share). **(Resolution 2)**
[See Explanatory Note (i)]
3. To declare a one-tier tax-exempt special dividend of 0.5 Singapore cent per share for the financial year ended 30 September 2019 (2018: One-tier tax-exempt special dividend of 0.5 Singapore cent per share). **(Resolution 3)**
[See Explanatory Note (i)]
4. To note that Mr Khoo Ho Tong, will be retiring pursuant to Article 94 of the Constitution of the Company and he will not be seeking re-election at this Annual General Meeting.
[See Explanatory Note (ii)]
5. To re-elect the following Directors of the Company retiring pursuant to Article 100 of the Constitution of the Company:

Mr Yeoh Lam Hock	(Resolution 4)
Mr Eric Yong Han Keong	(Resolution 5)

[See Explanatory Note (iii)]
Mr Yeoh Lam Hock will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered independent.
Mr Eric Yong Han Keong will, upon re-election as Director of the Company, remain as Executive Director and Managing Director of the Company and a member of the Nominating Committee and will be considered non-independent.
6. To approve the payment of Directors’ fees of S\$155,000 for the financial year ending 30 September 2020, payable quarterly in arrears (2019: S\$150,000). **(Resolution 6)**
7. To re-appoint Ernst & Young LLP as the Auditors 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 ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

9. **Authority to issue shares under the General Mandate**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “Companies Act”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), 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 SGX-ST) 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 (excluding treasury shares and subsidiary holdings) 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;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (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.

(Resolution 8)

[See Explanatory Note (iv)]

10. Authority to issue shares under the Nam Lee Employee Share Option Scheme

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant options under the prevailing Nam Lee Employee Share Option Scheme (the "Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 9)

[See Explanatory Note (v)]

11. Renewal of Share Buyback Mandate

That:

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

- (i) an on-market share acquisition ("On-Market Purchase") transacted on the SGX-ST trading system, through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or
- (ii) off-market share acquisition ("Off-Market Purchase") pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise be in accordance with all other laws, the listing manual of the SGX-ST and other regulations and rules of the SGX-ST,

(the "Mandate");

- (b) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Mandate may be exercised by the Directors of the Company at any time and from time to time, on and from the date of passing of this Resolution up to during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held; or
- (ii) the date on which the authority conferred by the Mandate is revoked or varied by the Company in a general meeting, or

NOTICE OF ANNUAL GENERAL MEETING

- (iii) the date on which the Share buy backs are carried out to the full extent of the Mandate; and
- (c) the Directors of the Company and/or any of them be and is hereby authorised to do such acts and things (including, without limitation, enter into all transactions, arrangements and agreements and executing such documents) as they and/or he may consider necessary or expedient to give effect to this resolution.

In this resolution:

“Maximum Limit” means that number of Shares representing 10% of the issued ordinary share capital of the Company as at the date of the passing of this Resolution (excluding any treasury shares and subsidiary holdings at that date);

“Maximum Price” in relation to a Share to be purchased or acquired, means the price paid per Share which does not exceed 5% above the average of the closing market prices of the Shares over the last 5 market days, on which transactions in the Shares were recorded, before the day on which the purchases are made and deemed to be adjusted for any corporate action which occurs after the relevant 5-day period; and

The Maximum Price shall apply to both On-Market Purchases and Off-Market Purchases and shall exclude brokerage fees, commission, stamp duties payable, applicable goods and services tax, clearance fees and other related expenses.” **(Resolution 10)**

[See Explanatory Note (vi)]

By Order of the Board

Eric Yong Han Keong
Managing Director
Singapore, 3 January 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) For the financial year ended 30 September 2018, the Company paid a one-tier tax-exempt first and final dividend of 2.0 Singapore cents per share and a one-tier tax-exempt special dividend of 0.5 Singapore cent per share. For the financial year ended 30 September 2019, the Company has paid an interim dividend of 0.5 Singapore cent per share and will be paying an additional final dividend of 1.0 Singapore cent per share and a special dividend of 0.5 Singapore cent per share, if approved by the members at this Annual General Meeting.
- (ii) Upon the retirement of Mr Khoo Ho Tong as an Independent Director of the Company at the conclusion of this Annual General Meeting, Mr Khoo will concurrently cease to be the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.
- (iii) The Ordinary Resolutions 4 and 5 above are for the re-election of Mr Yeoh Lam Hock and Mr Eric Yong Han Keong, Directors of the Company who retire by rotation at this Annual General Meeting. For more information on the Directors, please refer to pages 8 to 13 in this Annual Report.
- (iv) The Ordinary Resolution 8 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.

- (v) The Ordinary Resolution 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 in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company from time to time.
- (vi) The Ordinary Resolution 10 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, whichever is the earlier, to repurchase ordinary shares of the Company by way of market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Mandate on the audited consolidated financial statements of the Group for the financial year ended 30 September 2019 are set out in greater detail in the Letter to Shareholders dated 3 January 2020 attached.

Notes:

- 1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“**Relevant intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act.

- 2. A proxy need not be a member of the Company.
- 3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 21 Sungei Kadut Street 4, Singapore 729048 not less than seventy-two (72) hours before the time appointed for holding the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

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

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NAM LEE PRESSED METAL INDUSTRIES LIMITED

Company Registration No. 197500362M
(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 2 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's share, this Annual Report is forward to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. 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.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

being a member/members of Nam Lee Pressed Metal Industries 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 Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Orchid Country Club, Sapphire Suite, Social Clubhouse, No. 1 Orchid Club Road, Singapore 769162 on Monday, 20 January 2020 at 9.30 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.

No.	Resolutions relating to:	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 30 September 2019		
2	Payment of proposed one-tier tax-exempt final dividend of 1.0 Singapore cent per share for the financial year ended 30 September 2019		
3	Payment of proposed one-tier tax-exempt special dividend of 0.5 Singapore cent per share for the financial year ended 30 September 2019		
4	Re-election of Mr Yeoh Lam Hock as a Director of the Company		
5	Re-election of Mr Eric Yong Han Keong as a Director of the Company		
6	Approval of the payment of Directors' fees amounting to S\$155,000 for the financial year ending 30 September 2020, payable quarterly in arrears		
7	Re-appointment of Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration		
8	Authority to issue shares under the General Mandate		
9	Authority to issue shares under the Nam Lee Employee Share Option Scheme		
10	Renewal of Share Buyback Mandate		

⁽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 _____ 2020

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

*Delete where inapplicable



Notes:

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members, he should insert the aggregate number of shares entered against his name in the Depository Register and registered in his 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 the member.
2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

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

"Relevant intermediary" has the meaning ascribed to it in Section 181 of Companies Act, Chapter 50 of Singapore (the "Companies Act").

3. A proxy need not be a member of the Company.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 21 Sungei Kadut Street 4, Singapore 729048 not less than 72 hours before the time appointed for the Meeting.
6. 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.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act.

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 Meeting dated 3 January 2020.

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 seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



We
offer
no

**compromises
on
quality**



NAM LEE PRESSED METAL INDUSTRIES LIMITED
(Company Registration No. 197500362M)

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