BIGL

BROADWAY INDUSTRIAL GROUP LIMITED

ADAPT, DIVERSIFY & PROGRESS

ANNUAL REPORT 2019

CORPORATE **PROFILE**

Broadway Industrial Group Limited is a manufacturer of precision-machined components offering an excellent mix of cost-efficient manufacturing facilities, state-of-the-art technologies, experienced management teams and innovative solutions to a global customer base.

Listed on the Singapore Exchange Main Board in 1994, Broadway Industrial Group Limited ("Broadway" or the "Company") is one of the leaders in the manufacture of precision components and assemblies. Through its wholly-owned subsidiary BIGL Asia Pte. Ltd. and its subsidiaries (collectively the "Group" or "BIGL"), the Group is a key provider of actuator arms, assemblies and other related parts mainly for the global hard disk drive ("HDD") industry. BIGL is a trusted partner and has grown with our customers, who are recognized leaders in the HDD industry, for the past 25 years.

With the rapid adoption of cloud computing and the exponential expansion of the world data storage market, the Group is leveraging on its expertise in the field of high precision machining, sub-assembly processes in cleanroom environment, automation, lean manufacturing and Six Sigma to continue supporting the development and provision of reliable and cost-efficient high capacity HDDs to the global enterprise and consumer markets.

BIGL is also expanding into the manufacture of precision components for electronics and other industries. Headquartered in Singapore, the Group has 4 manufacturing facilities in China and Thailand and employs about 3,500 people.

In early 2020, the Group expressed their intention to acquire 55% equity stake in Beijing Ant Brothers Technology Co., Ltd. ("Ant Brothers") registered in Zhongguancun Science and Technology Park of Mentougou outer suburban district of Beijing. Ant Brothers develops light weight, low-power consumption and high-efficiency Cleaning Robots for large glass facades on building exterior.

Ant Brothers will leverage on BIGL's chain and manufacturing competencies; to enhance the robot design and efficiencies for the cleaning service industry, encompassing office and commercial buildings facades, other architectural glass curtain wall and solar panels. It will expand the future application of big data technology in robot service processes, utilizing Artificial Intelligence (AI) to optimize the potential of AI robot cleaning.

BEIJING, CHINA
(ROBOTICS R&D AND OPERATIONS)

WUXI, CHINA
(ASSEMBLY OPERATIONS)

CHONGQING, CHINA
(COIL OPERATIONS)

SHENZHEN, CHINA
(MACHINING OPERATIONS)

AYUTTHAYA, THAILAND
(MACHINING AND ASSEMBLY OPERATIONS)

SINGAPORE
(HEADQUARTER)

TABLE OF CONTENTS

01 TABLE OF CONTENTS

02 CHAIRMAN'S STATEMENT AND EXECUTIVE REVIEW

05 BOARD OF DIRECTORS & CEO

07 FINANCIAL HIGHLIGHTS

08 CORPORATE INFORMATION

09 FINANCIAL CONTENTS

10 CORPORATE GOVERNANCE REPORT

25 SUSTAINABILITY REPORT

48 STATEMENT BY DIRECTORS

54 INDEPENDENT AUDITOR'S REPORT

59 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

60 STATEMENTS OF FINANCIAL POSITION

61 STATEMENTS OF CHANGES IN EQUITY

63 CONSOLIDATED STATEMENT OF CASH FLOWS

64 NOTES TO THE FINANCIAL STATEMENTS

119 STATISTICS OF SHAREHOLDINGS

CHAIRMAN'S STATEMENT **AND EXECUTIVE REVIEW**

As part of the Group's process to streamline strategy and focus on quality and improvement of production yield, new experienced talents were brought into the Group. These efforts have regained the confidence level of our major customer and provided stability and the continuity to our supply chain.

DEAR SHAREHOLDERS,

GENERAL REVIEW

The financial year ended 31 December 2019 ("FY2019") was another difficult year for the Hard Disk Drive ("HDD") industry. As reported by Trend Focus, the total HDD shipment volume for full year 2019 fell by 15.6% from 376 million units in 2018 to 317 million units. With the increasing demand of digital storage as a result of big data analytics and advancing information technology, the industry is expecting the HDD usage in Exabyte to grow at an average rate of 22.8% annually with the Nearline Enterprise HDD shipment growing at an average rate of 6.2% for the next 5 years. However, this growth in Exabyte capacity does not translate directly to additional overall shipment units due to the improvement in data storage capacity per unit. Therefore, the shipment unit is expected to drop at an average rate of 5.1% annually for the next 5 years. To meet the challenges of the gradually declining volumes, the Group had continued with its restructuring and consolidation of the HDD operations. As part of the Group's process to streamline strategy and focus on quality and improvement of production yield, new experienced talents were brought into the Group. These efforts have regained the confidence level of our major customer and provided stability and the continuity to our supply chain.

FINANCIAL REVIEW

The Group's revenue declined 20.4% from $384.2 million in FY2018 to $305.7 million in FY2019. Gross margin decreased 1.8 percentage points from 5.2% in FY2018 to 3.4% in FY2019 mainly because of lower revenue and product mix in FY2019. The Group recorded $15.0 million loss from continuing operations in FY2019 as compared to a profit of $1.7 million in FY2018.

The earnings before interest, tax, depreciation and amortisation ("EBITDA") for the HDD business came in at $5.6 million compared to $21.7 million in the previous year. Excluding net foreign exchange loss of $4.7 million (FY2018: $0.8 million net foreign exchange gain), redundancy costs of $0.9 million (FY2018: $2.8 million), inventories written off and allowance for inventory obsolescence of $2.6 million and costs associated with product quality of $0.8 million, Core EBITDA was $14.6 million compared to $23.7 million in FY2018.

In terms of cash flows, the Group generated $18.0 million net cash from operating activities in FY2019 compared to net cash used in operating activities of $15.7 million in FY2018. This was mainly due to changes in working capital. During the year, $6.6 million was used in investing activities mainly for capital expenditure. Net cash used in financing activities was $16.0 million in FY2019 compared to net cash from financing activities of $24.8 million in FY2018, mainly due to repayment of loans in FY2019.

The Group recorded a negative working capital of $26.2 million as at 31 December 2019 as compared to a positive working capital of $6.6 million as at 31 December 2018. The negative working capital was mainly due to the reclassification of $19.4 million of asset held-for-sale to non-current property, plant and equipment ("PPE") and higher utilisation of trade receivable financing.

Notwithstanding the negative working capital position, after taking into account the Group's positive cash flows generated from its operating activities, together with the credit facilities available to the Group and existing cash and cash equivalents, the management is of the opinion that the working capital available as at 31 December 2019 is sufficient to meet the ongoing operating requirements of the Group.

The Net Asset Value per share of the Group decreased to 13.21 cents as at 31 December 2019 from 17.87 cents as at 31 December 2018.

OUTLOOK AND FUTURE PROSPECTS

When we first entered 2020, the world economy looked promising, with the USA and China signing Phase I of the trade agreement. In a space of less than 3 months, the COVID-19 pandemic has caused lockdowns in regions of China and other countries severely affected by the virus, causing major disruptions to the global supply chains. The economic situation has been exacerbated by the recent conflict between OPEC and Russia, causing a massive drop in oil prices amid the sudden supply glut. The US Federal Reserve Bank has dropped interest rates by half a percentage point in order to boost the economy, and many other governments elsewhere have launched budget stimuli to help ease the pain of both businesses and workers. How these events will eventually pan out is still uncertain. As a result, China's GDP is projected to hit a historical low of 5.6% this year. Thailand's economy seems to be less affected by these major events thus far, but its GDP is still projected to decline to a lower range of 1.5%-2.5%.

CHAIRMAN'S STATEMENT **AND EXECUTIVE REVIEW**

This investment will leverage on BIGL's supply chain and manufacturing competencies to enhance the robot design and efficiencies for the cleaning service industry, encompassing office and commercial buildings facades, other architectural glass curtain wall and solar panels. It will eventually expand the application of big data technology in robot service processes and utilize Artificial Intelligence ("AI") to optimize the potential of AI robot cleaning.

CHAIRMAN'S STATEMENT AND EXECUTIVE REVIEW

The Group will continue to improve the utilization of all its assets, divest assets that are not critical to our operations and outsource non-core operations and/or processes that will help us to be more profitable.

As for the outlook for the HDD industry, as stated above and according to Trendfocus, the long-term downward trend in shipment units is expected to continue at a compounded annual growth rate of negative 5.1%. The projected total unit shipments in 2020 is around 298 million units as the PC market for both mobile (notebook) and desktop is expected to continue to weaken due to the increasing market share of the SSD. However, Trendfocus believes that the market situation for the nearline products would have a positive compound annual growth rate of 13% with a higher Average Selling Price ("ASP"), which could benefit some of the component suppliers. Overall, with this outlook and forecast, we expect the HDD business to remain challenging.

CHALLENGES FOR THE GROUP

The gradually declining HDD market demand outlook, competitive price pressures from our customers and rising operating costs in the markets we operate in, especially in China, remain key challenges for the Group. The on-going COVID 19 pandemic has added a new challenge for the Group, slowing the recovery of operations and impacting revenue. The management will continue to focus on cost optimization and right-sizing across all sites, refining its processes to improve productivity and efficiency, work more closely with customers and suppliers to improve the efficiency of the supply chain and optimize working capital. The Group will continue to improve the utilization of all its assets, divest assets that are not critical to our operations and outsource non-core operations and/or processes that will help us to be more profitable.

To help mitigate business risk through diversification, the Group has entered into an equity investment agreement with Beijing Brothers Co., Ltd ("Ant Brothers"). In early 2020, the Group expressed their intention to acquire 55% equity stake in Ant Brothers registered in Zhongguancun Science and Technology Park of Mentougou outer suburban district of Beijing. Ant Brothers develops light weight, low-power consumption and high-efficiency Cleaning Robots for large glass facades on building exterior.

This investment will leverage on BIGL's supply chain and manufacturing competencies to enhance the robot design and efficiencies for the cleaning service industry, encompassing office and commercial buildings facades, other architectural glass curtain wall and solar panels. It will eventually expand the application of big data technology in robot service processes and utilize Artificial Intelligence ("AI") to optimize the potential of AI robot cleaning.

We are hoping this diversification effort will help change the profile of the Group's business and bring value to shareholders.

APPRECIATION

In these unforeseen bewildering times, our survival and success are dependent on the support of our customers, suppliers and other business partners, whom we sincerely thank. We would also like to thank our management staff and employees in all our factories in both Thailand and China for their hard work and dedication. We are equally grateful to our Board members for their support and guidance during a trying year. We take this opportunity to welcome Mr Basil Chan who joined our Board in December 2019 and look forward to working with him. We would also like to express our sincere appreciation to Mr Ng Ah Hoy who retired as an Executive Director at the end of December 2019 after a long and distinguished career with the Group. However, he remains on the Board as a Non-Executive Director. Finally, we also thank our bankers and shareholders for staying with us through these challenging times.

LEW SYN PAU
Chairman

TAN CHOON HOONG
Chief Executive Officer

BOARD OF DIRECTORS & CEO

MR LEW SYN PAU
Non-Independent Board Chairman and Non-Executive Director, 66

Mr Lew was appointed as an Independent Director on 2 November 2011 and was last re-elected on 26 April 2019. With the introduction of the 2018 Code of Corporate Governance, Mr Lew was re-designated as a Non-Executive Director and Non-Independent Board Chairman on 1 January 2019. He is also the Non-Executive Chairman of SUTL Enterprise Limited and sits on the boards of listed companies – Food Empire Holdings Limited, Golden Agri-Resources Limited, Golden Energy and Resources Ltd and Sinarmas Land Limited. His prior work experience included being General Manager and Senior Country Officer of Banque Indosuez, Singapore Branch, Executive Director of NTUC Fairprice Co-operative Limited, Managing Director of NTUC Comfort Co-operative Limited and Assistant Secretary-General of NTUC. A Singapore Government Scholar, Mr Lew began his career with the Singapore Government Administrative Service. He holds a Masters in Engineering from Cambridge University, UK, and a Masters in Business Administration from Stanford University, USA. He was a Member of Parliament from 1988 to 2001.

MR LEE CHOW SOON
Lead Independent Director, 80

Mr Lee joined the Board on 24 October 1994 and was appointed as Lead Independent Director with effect from 1 January 2019. Mr Lee has been practicing as an Advocate and Solicitor and is currently a senior partner of Messrs Tan Lee & Partners, a firm of advocates and solicitors. He holds a Degree in Law from the University of London and an Honours Degree in Law from the University of Singapore. Mr Lee served as a Justice of the Peace from 2003 to 2018 and was awarded PBM in 1998 and BBM in 2006. He was last re-elected on 26 April 2019.

MR EU YEE MING RICHARD
Independent Director, 72

Mr Eu joined the Board on 15 September 2005 and was last re-elected on 27 April 2018. He is currently the Chairman of Eu Yan Sang International Ltd. Mr Eu sits on the boards of private sector companies as well as non-profit organizations such as the Singapore University of Social Sciences and Thye Hwa Kuan Moral Charities. He graduated with a Bachelor Degree in Law from the University of London.

MR BASIL CHAN
Independent Director, 69

Mr Chan was appointed an Independent Director on 1 December 2019. He is the Founder and Managing Director of MBE Corporate Advisory Pte Ltd. He currently is an independent non-executive director of AEM Holdings Ltd, Grand Banks Yachts Ltd, Global Invacom Group Ltd, Memories Group Ltd and Nera Telecommunications Ltd. He was a former Council Member and Board Director of the Singapore Institute of Directors (“SID”), where he served for 12 years and was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code of Corporate Governance. He is also currently the Deputy Chairman of the Corporate Governance Committee of the Institute of Singapore Chartered Accountants (“ISCA”) and was previously a member of the Accounting Standards Committee and Auditing & Assurance Standards Committee in ISCA. Mr Chan has more than 35 years of audit, financial and general management experience having held senior financial positions in both private and public companies. He holds a BSc Econ (Hons) degree majoring in Business Administration from the University of Wales Institute of Science and Technology and is a fellow member of the Institute of Chartered Accountants in England and Wales as well as a Fellow Chartered Accountant of ISCA. He is also a Fellow of the SID.

BOARD OF **DIRECTORS & CEO**

MS WONG YI JIA
Non-Executive Director, 36

Ms Wong Yi Jia was appointed as a Non-Executive Director on 30 March 2015 and was last re-elected on 27 April 2018. Ms Wong was the Corporate Legal Counsel of the Group from July 2012 to March 2015 and was also the Joint Company Secretary of the Company. She is currently a partner at Allen & Gledhill LLP. Ms Wong graduated from King's College London with a Bachelor of Laws degree and holds a Master of Laws degree from University College London.

MR NG AH HOY
Non-Executive Director, 69

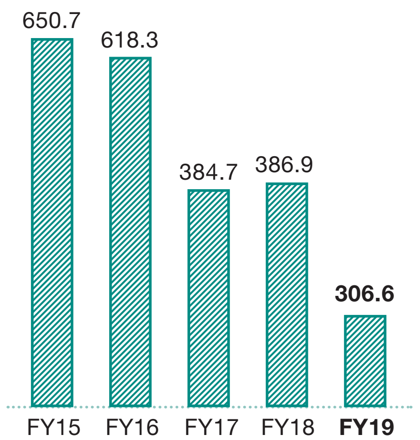
Mr Ng, appointed as an Executive Director since 24 October 1994, has more than 30 years of management experience in the electronics and manufacturing industry. He joined the Group in 1990 and was instrumental in the successful expansion of the Group's Foam Plastics Solutions ("FPS") operations to Southeast Asia and China. He relinquished his duties as Senior Managing Director of the Group's FPS operations in 2015 and was then appointed as Executive Director of the Company responsible for planning and administration of the Group's strategic direction and activities. After 3 decades of dedicated service, Mr Ng retired from executive duties on 31 December 2019 and was re-designated as Non-Executive Director of the Company. Mr Ng graduated from the University of Singapore with a Bachelor of Engineering Degree in Mechanical Engineering. He was last re-elected on 30 April 2017 and will not be seeking re-election, thereby retiring as Non-Executive Director of the Company, at the forthcoming Annual General Meeting.

MR TAN CHOON HOONG
Chief Executive Officer, 57

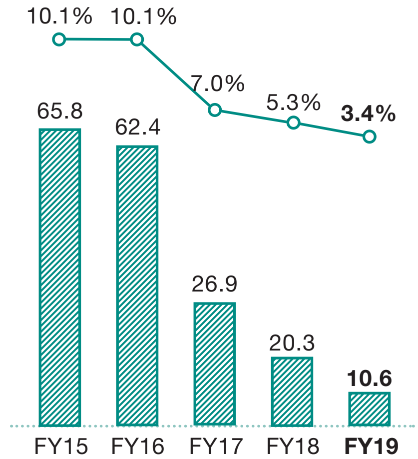
Mr Tan, appointed Chief Executive Officer on 5 August 2019, is responsible for providing leadership in the development of strategic plans to advance the Group's mission and objectives. He is also accountable for achieving the revenue, profitability and growth targets of the Group, ensuring production efficiency, quality, service and cost effective management of resources. Mr Tan started his career in Seagate Technology and has since amassed more than 3 decades of experience in the Hard Disk Drive industry covering a wide scope including operations setup and management, sales, marketing and business development activities and strategic planning and management. He has also managed HDD component manufacturing operations in Singapore, Thailand and China. Mr Tan holds a Master of Business Administration from Preston University, Diploma in Marketing Management from the Singapore Management Institute and Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

FINANCIAL HIGHLIGHTS

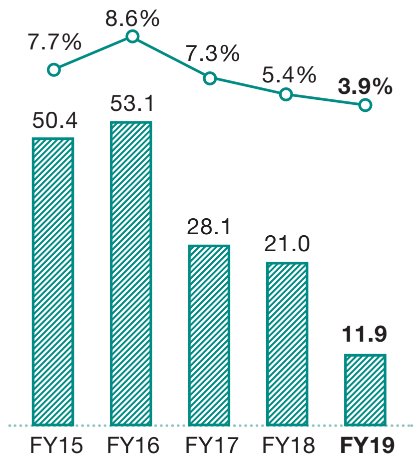
TURNOVER ($' MIL)



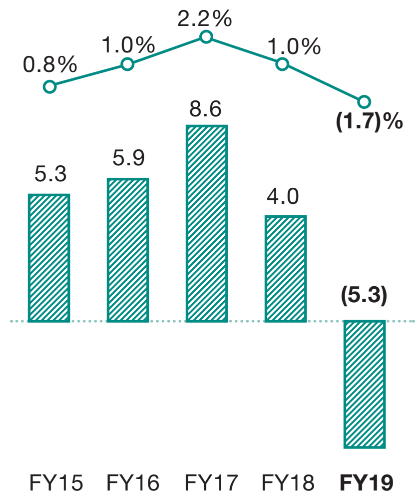
GROSS PROFIT ($' MIL)



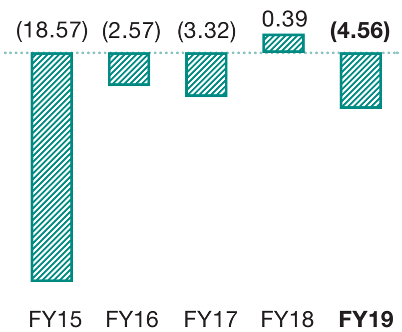
CORE EBITDA ($' MIL) **EXCLUDING NET FOREX GAIN/LOSSES AND ALL EXCEPTIONAL ITEMS**



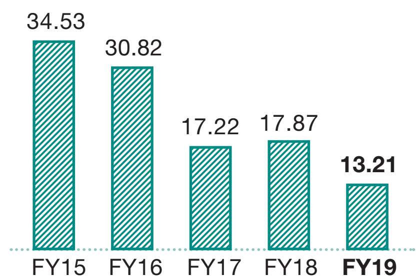
CORE PATMI ($' MIL) **EXCLUDING NET FOREX GAIN/LOSSES AND ALL EXCEPTIONAL ITEMS**



EPS (S CENTS)



GROUP'S NAV PER SHARE (S CENTS)



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Lew Syn Pau	Non-Independent Board Chairman and Non-Executive Director
Lee Chow Soon	Lead Independent Director
Eu Yee Ming Richard	Independent Director
Basil Chan	Independent Director (appointed on 1 December 2019)
Wong Yi Jia	Non-Executive Director
Ng Ah Hoy	Non-Executive Director

AUDIT COMMITTEE

Lee Chow Soon, Chairman
Lew Syn Pau
Eu Yee Ming Richard
Basil Chan (appointed on 1 December 2019)

REMUNERATION COMMITTEE

Eu Yee Ming Richard, Chairman
Lew Syn Pau
Lee Chow Soon
Basil Chan (appointed 24 February 2020)
Wong Yi Jia

NOMINATION COMMITTEE

Eu Yee Ming Richard, Chairman
Lew Syn Pau
Lee Chow Soon
Basil Chan (appointed 24 February 2020)
Wong Yi Jia

COMPANY SECRETARY

Chang Ai Ling

AUDITORS

RSM Chio Lim LLP
8 Wilkie Road
#03-08 Wilkie Edge
Singapore 228095
Tel: (65) 6533 7600

Audit Partner-in-charge: Tan Wei Ling (appointed in FY2019)

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

REGISTERED OFFICE

3 Fusionopolis Way
#13-26 Symbiosis
Singapore 138633
Tel: (65) 6236 0088
Fax: (65) 6226 6119

FINANCIAL CONTENTS

10 CORPORATE GOVERNANCE REPORT

25 SUSTAINABILITY REPORT

48 STATEMENT BY DIRECTORS

54 INDEPENDENT AUDITOR’S REPORT

59 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

60 STATEMENTS OF FINANCIAL POSITION

61 STATEMENTS OF CHANGES IN EQUITY

63 CONSOLIDATED STATEMENT OF CASH FLOWS

64 NOTES TO THE FINANCIAL STATEMENTS

CORPORATE GOVERNANCE REPORT

Broadway Industrial Group Limited (the "Company") continues to uphold an acceptable standard of corporate governance within the Group. In adherence to the Code of Corporate Governance 2018 (the "Code"), as annexed to the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Board of Directors of the Company (the "Board") has established, as far as practicable, various self-regulating and monitoring mechanisms for the Company and its subsidiaries (the "Group") to ensure that effective corporate governance is practised in line with the principles of the Code. This report outlines the Group's corporate governance practices with specific references to the Code.

Other than the deviations explained below, the Group has complied with the principles and provisions of the Code. There are other sections in the Group's Annual Report that are relevant to the discussion of corporate governance, hence this report should be read together with those sections.

PRINCIPLE 1

Board's Conduct of its Affairs

The Board supervises the management of the businesses and affairs of the Group. Key functions of the Board include the setting of the Group's strategic plans and objectives, key operational initiatives, major investments and funding decisions. The Board also identifies principal risks of the Group's businesses, ensures the implementation of appropriate internal controls and risk management systems to manage these risks and reviews the financial performance of the Group regularly.

The Board is responsible for identifying key stakeholder groups such as shareholders, lenders, suppliers, customers and management team and recognise that their perceptions affect the Group's reputation.

All Directors objectively discharge their duties and responsibilities as fiduciaries and act honestly, with due care and diligence, and in the best interests of the Group at all times.

The Board is supported in its tasks by Board Committees that have been established to assist in the execution of its responsibilities, namely the Audit Committee ("AC"), Remuneration Committee ("RC") and Nomination Committee ("NC"). The composition and terms of reference of each Committee are described in this report.

When new Directors are appointed to the Board, they will be provided with a formal letter setting out the Director's duties, obligations and responsibilities. Newly appointed Directors attend orientation programmes where they are briefed on the Group's business activities, strategic direction and regulatory environment in which the Group operates. In addition, newly appointed Directors are also introduced to the key management personnel and invited to tour the Group's manufacturing facilities.

On an ongoing basis, the Board is updated on new laws that may affect the Group's businesses, and changes in regulatory requirements and financial reporting standards. Directors and senior executives are encouraged to undergo relevant training to enhance their skills and knowledge, particularly on new laws and regulations affecting the Group's operations and governance practices. Details of seminars offered by third party institutions are regularly sent to the Board and the Company is responsible for arranging and funding of such training if any Director elects to attend any of these seminars.

During the year, the Board as a whole, and Directors individually, had briefings on audit, risk and governance to update and refresh themselves on matters that may affect and/or enhance their performance as Directors.

Matters which are specifically referred to the Board for approval are those involving material acquisitions and disposals of assets, banking facilities and provision of securities, significant capital expenditures, conflicts of interest, joint venture arrangements, share issuances, interim dividends, annual budget and financial results.

CORPORATE GOVERNANCE REPORT

The Board is furnished with relevant information and analysis by Management pertaining to matters for the Board's discussion and decision. Management also ensures that the Board receives regular reports on the Group's financial and operational performance. In addition to copies of disclosure documents, budgets, forecasts and internal financial statements, such reports also include board papers related material and background or explanatory information relating to matters to be brought before the Board. In respect of budgets, any material variances between the projections and actual results would also be disclosed and explained.

The Board has separate and independent access to the Management and the Company Secretary at all times. The appointment and removal of the Company Secretary is subject to the approval of the Board.

The Company Secretary, together with the in-house corporate secretarial department, attends to all corporate secretariat and compliance matters and is responsible for ensuring that legal and regulatory requirements as well as Board procedures are complied with. The Company Secretary attends all Board meetings. The agenda for the meetings of the Board and its Committees, together with the appropriate supporting documents, are circulated to the Board prior to the meetings.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Directors' Attendances at Board and Board Committees Meetings

The Company's Constitution permits Board meetings to be held by way of telephone or video conference or any other electronic means of communication by which all persons participating in the meeting are able, contemporaneously, to hear and be heard by all other participants.

The Board meets at least four times a year. Ad hoc meetings are convened if there are matters requiring the Board's decision at the relevant times. The number of Board and Board Committee meetings held in the financial year ended 31 December 2019 ("FY2019") and the attendance of Directors at these meetings are as follows:

Name of Director	Board	AC	RC	NC
Lew Syn Pau	5	4	1	2
Lee Chow Soon	5	4	1	2
Eu Yee Ming Richard	5	4	1	2
Wong Yi Jia	5	N.A.	1	2
Ng Ah Hoy	5	N.A.	N.A.	N.A.
Basil Chan(1)	1	N.A.	N.A.	N.A.
Total number of meetings held in FY2019	**5**	**4**	**1**	**2**

Note:

(1) Mr Basil Chan was appointed as an Independent Director and a member of the AC on 1 December 2019 and as a member of the NC and RC on 24 February 2020.

CORPORATE GOVERNANCE **REPORT**

PRINCIPLE 2

Board Composition and Guidance

The Board currently comprises six Directors, of whom three are Independent Directors and three are Non-Executive and Non-Independent Directors.

As at the date of this report, the composition of the Board and Board Committees are tabled as follows:

Name of Director	Role in Board	Board	AC	RC	NC
Lew Syn Pau	Non-Executive Director	Chairman	Member	Member	Member
Lee Chow Soon	Lead Independent Director	Member	Chairman	Member	Member
Eu Yee Ming Richard	Independent Director	Member	Member	Chairman	Chairman
Wong Yi Jia	Non-Executive Director	Member	–	Member	Member
Ng Ah Hoy	Non-Executive Director	Member	–	–	–
Basil Chan	Independent Director	Member	Member	Member	Member

Mr Basil Chan was appointed to the Board as Independent Director and a member of the AC on 1 December 2019. He was subsequently appointed as a member of the NC and RC on 24 February 2020.

Mr Ng Ah Hoy retired from his position as an Executive Director with effect from 31 December 2019 and was re-designated to Non-Executive Director with effect from 1 January 2020. Mr Ng will be retiring as Non-Executive Director at the forthcoming Annual General Meeting ("AGM"), as he, although eligible, has indicated that he is not offering himself for re-election.

During FY2019, half of the Board is made up of Independent Directors. Following Mr Ng's retirement at the forthcoming AGM, a majority of the Board will be made up of Independent Directors. This provides for a strong and independent element on the Board enhancing its capability to exercise objective judgement on corporate affairs of the Group.

As a group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, law, business management, strategic planning and customer service. The diversity of the Directors' experiences allows for the useful sharing of ideas and views. The profile of each Board member, including details of their academic and professional qualifications, date of first appointment and date of last election, are set out in the section entitled "Board of Directors & CEO" on pages 5 and 6.

The current composition of the Board provides an appropriate balance and diversity of skills, gender, age, experience, talent and knowledge relevant to the Group. The NC examines the compositions of the Board annually to ensure that the Board has the appropriate mix of expertise and experience.

The Board recognises that Independent Directors may over time develop significant insights in the Group's businesses and operations and can continue to provide noteworthy and valuable contributions objectively to the Board as a whole. The independence of the Independent Directors must be based on the substance of their professionalism, integrity, and objectivity and not merely based on form such as the number of years which they have served on the Board.

CORPORATE GOVERNANCE REPORT

As at the end of FY2019, Mr Lee Chow Soon and Mr Eu Yee Ming Richard have served on the Board for more than nine years. The NC had rigorously assessed the independence of the two Independent Directors whose tenure on the Board had exceeded nine years, reviewing the respective Directors' judgment and conduct in carrying out their duties for the year in review. The NC has determined that Mr Lee and Mr Eu continue to be independent. In particular, the NC considers Mr Lee (first appointed on 24 October 1994) and Mr Eu (first appointed on 15 September 2005), to be independent, noting that they have demonstrated independent mindedness and conduct at Board and Board committee meetings. The NC is also of the view and opinion that Mr Lee and Mr Eu have at all times exercised independent judgment in the best interest of the Company in the discharge of their duties as Directors, despite their extended tenure in office.

Each member of the NC had abstained from deliberations in respect of the assessment on his own independence.

As with previous years, the results of the evaluations for FY2019 also clearly indicated that:

(1) the Directors remain committed and stand ready to contribute to the Group; and

(2) the Non-Executive Directors constructively challenge and help develop strategic proposals and plans, review the performance of Management in meeting agreed goals and objectives and monitor the performance of the Group.

Nonetheless, in view of the amendments to the SGX-ST's Listing Rules, which will come into effect from 1 January 2022, requiring the re-appointment of independent directors who have served the Board beyond nine years from the date of their appointment to be subjected to a two-tier shareholders voting, the Company is in the process of reviewing the directorship renewal process.

The Company has complied with provision of the Code as all of the Board members are Non-Executive Directors. During FY2019, the Non-Executive Directors had periodically met without the presence of the Executive Director, Chief Executive Officer and Management of the Group.

PRINCIPLE 3

Chairman and Chief Executive Officer ("CEO")

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities between the Chairman and the CEO are held by separate individuals.

The Non-Executive Chairman, Mr Lew Syn Pau, leads the Board and manages its workings and proceedings. He plays a crucial role in fostering constructive dialogue with shareholders at the Company's AGM and/or Extraordinary General Meetings ("EGM"), as well as between the Board and Management. The CEO, Mr Tan Choon Hoong, heads the Management of the Group and oversees the execution of the Group's corporate and business strategies and policies, and the conduct of its businesses, as approved by the Board.

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and the Management and facilitate robust deliberations on the business activities of the Group.

Mr Lee Chow Soon, the Lead Independent Director of the Company is responsible for co-ordinating and leading the Independent Directors, providing non-executive perspectives and contributing well balanced viewpoints. Mr Lee is also available to shareholders when they have any concerns relating to matters when contact through the normal channels to the Chairman has failed to resolve, or where such contact is inappropriate. The Lead Independent Director also meets with the other Independent Directors to discuss on matters concerning the Group where necessary, and would provide feedback to the Chairman or Management.

CORPORATE GOVERNANCE REPORT

PRINCIPLES 4 & 5

Board Membership and Board Performance

Nomination Committee

As at the date of this report, the NC comprises the following members, the majority of whom (including the Chairman) are Independent Directors:

Eu Yee Ming Richard	(Chairman)
Lew Syn Pau	
Lee Chow Soon	
Basil Chan	(appointed on 24 February 2020)
Wong Yi Jia	

The NC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities. The principal functions of the NC are as follows:

(a) to review the structure, size and composition of the Board;

(b) to make recommendations to the Board on all Board appointments, re-appointments and re-nominations;

(c) to assess the independence of the Directors;

(d) to evaluate the performance and effectiveness of the Board, Board Committees and individual Directors;

(e) to oversee succession planning for the Directors, CEO and the Chairman; and

(f) the review of training and professional development programs for the Board.

Board Membership

As disclosed in Principle 2 above, the NC has reviewed the independence of the Directors for FY2019 in accordance with the Code, and is of the view that Mr Lee Chow Soon, Mr Eu Yee Ming Richard and Mr Basil Chan are considered independent. The NC has conducted a formal assessment of the Board's performance as a whole and the contribution by each individual Director to the effectiveness of the Board for FY2019.

The Company's Constitution requires that in each year, one-third of the Directors will have to retire from office. Accordingly, the Directors submit themselves for re-nomination and re-election at regular intervals at least once every three years. In accordance with Article 109 of the Company's Constitution, Ms Wong Yi Jia (last re-elected to the Board on 27 April 2018) and Mr Ng Ah Hoy (last re-elected to the Board on 30 April 2017) retire at the forthcoming AGM. Ms Wong Yi Jia, being eligible, offers herself for re-election.

Mr Ng Ah Hoy, while eligible, will not be seeking re-election as Director of the Company at the AGM.

CORPORATE GOVERNANCE REPORT

The NC and the Board note that each Director who holds multiple board representations in listed companies are assessed on an individual basis, taking into account various factors including their contributions and commitment to the Board and the extent of their external obligations. The NC and the Board have not set a maximum number of listed board representations but to assess each Director on a case by case basis. Notwithstanding that some of the Directors have multiple listed board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. Details of such directorship and other principal commitments of the Directors may be found on pages 5 and 6.

The Company currently does not have any alternate directors.

The NC has established evaluation procedures and performance criteria for the assessment of the Board's performance as a whole and evaluates such performance on an annual basis. The assessment allows each Director to express his/her personal and confidential evaluation of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. It provides insights into the functioning of the Board, whilst identifying areas that might need strengthening and development.

Each Director is required to complete a Board Evaluation Questionnaire to assess the overall effectiveness of the Board. The areas under evaluation include board composition, board information, board processes, internal controls and risk management, board accountability, CEO and key management personnel and standards of conduct. The NC will evaluate the responses and provide its comments and recommendations to the Board on any changes that would help the Board discharge its duties more effectively. No external facilitator was engaged for the Board performance evaluation for FY2019.

The NC currently does not carry out individual evaluation for each Director. The NC and the Board would continue to review, on an on-going basis, and recommend appropriate changes if deemed appropriate.

New Directors

The search and nomination process for new Directors, if any, are through contacts, recommendations and executive search firms. The NC will review and assess candidates before making recommendations to the Board. In recommending new Directors to the Board, the NC takes into consideration the skills and experiences required to support the Group's business activities or strategies and the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors as well as Directors with the right profile of expertise, skills and attributes.

New Directors are appointed by the Board, after taking into consideration the recommendations of the NC. Such new Directors are required to submit themselves for re-election at the next AGM of the Company following their appointment.

In the year under review, Mr Basil Chan was appointed as an Independent Director of the Company on 1 December 2019. In accordance with Article 119 of the Company's Constitution, Mr Basil Chan is required to retire at the forthcoming AGM and he, being eligible, offers himself for re-election.

CORPORATE GOVERNANCE REPORT

PRINCIPLES 6, 7 & 8

Remuneration Matters

Remuneration Committee

The RC performs critical roles in support of sound Corporate Governance principles in the areas of Board compensation and key management personnel compensation and rewards management. As at the date of this report, the RC comprises the following members, a majority of whom (including the Chairman) are Independent Directors:

Eu Yee Ming Richard	(Chairman)
Lew Syn Pau	
Lee Chow Soon	
Basil Chan	(appointed on 24 February 2020)
Wong Yi Jia	

The RC has adopted written terms of reference endorsed by the Board, setting out their duties and responsibilities. The RC's function is in attracting, retaining and rewarding well-qualified persons to serve the Group by pegging remuneration and benefits at competitive market rates. Directors' fees and the remuneration of key staff are reviewed to ensure they are at sufficiently competitive levels. A compensation system is in place to reward staff based on their merits and performance through annual merit service increments. The Company adopts a remuneration policy that comprises a base salary and benefits, along with a variable discretionary bonus and grant of shares under the Company's Share Plan.

The Company's Share Option Scheme 2001 for Directors and key management personnel, which expired on 7 November 2011, had served as a long-term incentive plan. As at the date of this report, all options granted under the Company's Share Option Scheme 2001 were forfeited/lapsed and there are no outstanding options.

The Company currently has in place a share plan, which was approved by the shareholders of the Company at an EGM held on 28 July 2010, to reward, retain and motivate employees of the Group and/or associated companies who excel in their performance and encourages greater dedication, loyalty and higher standards of performance. The share option scheme and share plan are administered by the RC.

During FY2019, the RC reviews and approves the annual increments, variable bonus to be granted to the Executive Director and key management personnel. The RC also reviews the Company's obligations arising in the event of termination of the Executive Director and key management personnel to ensure that the contract of services contain fair and reasonable termination clauses which are not overly generous.

The RC has the right to seek expert and independent professional advice in the field of executive compensation where required, at the Company's expense. No Director decides his own remuneration and Directors' fees are paid only after approval by shareholders at the Company's AGM.

There being no specific necessity, the RC did not seek the service of an external remuneration consultants in FY2019.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration of Directors and CEO

A breakdown showing the level and mix of each individual Director's and CEO's remuneration in percentage terms is set out below.

The RC and the Board are of the view that full disclosure on remuneration of the Directors and CEO will not benefit the Company, as remuneration matters are highly sensitive and confidential. This is especially so for remuneration for staff and key management personnel, due to the competitive industry and human resource environment in which the Group operates in.

Remuneration band and Name of Directors and CEO	Salary %	Bonus %	Directors' fees %	Benefits in-kind %	Share award[1] %
$0 to $249,999					
Lew Syn Pau	–	–	100	–	–
Lee Chow Soon	–	–	100	–	–
Eu Yee Ming Richard	–	–	100	–	–
Wong Yi Jia	–	–	100	–	–
Chuah Aik Loon[2]	100	–	–	–	–
Basil Chan[3]	–	–	100	–	–
Tan Choon Hoong[4]	94	6	–	–	–
$250,000 to $499,999					
Ng Ah Hoy	85	15	–	–	–

Notes:

(1) Refers to share awards granted under the BIGL Share Plan to Executive Directors during the financial year. The fair value of share awards granted is based on the Company's share price at grant date. The details of the BIGL Share Plan are provided in the Statement by Directors.

(2) Mr Chuah Aik Loon resigned as an Executive Director on 18 January 2019.

(3) Mr Basil Chan was appointed as an Independent Director on 1 December 2019.

(4) Mr Tan Choon Hoong was appointed as CEO on 5 August 2019.

Disclosure on remuneration of the top five key executives (who are not Directors or the CEO) and employees who are immediate family members of a Director

For competitive reasons, the Board is of the view that disclosure on remuneration of key executives will not benefit the Company. For FY2019, the aggregate total remuneration paid to the top five key executives (who are not Directors or the CEO) amounted to $1,504,000 (2018: $1,328,000).

Mr Wong Yi Chun, the brother of Ms Wong Yi Jia, a Non-Executive Director of the Company and the son of Madam Lau Leok Yee, a substantial shareholder of the Company, is employed by the Group as Senior Project Manager. For FY2019, the aggregate total remuneration paid to Mr Wong Yi Chun was within the band of $100,000 to $150,000.

Mr Wong Yi Ning, the sister of Ms Wong Yi Jia, a Non-Executive Director of the Company and the daughter of Madam Lau Leok Yee, a substantial shareholder of the Company, is employed by the Group as Planning & Analysis Manager. For FY2019, the aggregate total remuneration paid to Ms Wong Yi Ning was within the band of $100,000 to $150,000.

CORPORATE GOVERNANCE **REPORT**

PRINCIPLES 9 & 10

Risk Management and Internal Controls & Audit Committee

Audit Committee

As at the date of this report, the AC comprised three Independent Non-Executive Directors and one Non-Executive Director, all of whom have the requisite qualifications and experience to discharge their responsibilities:

Lee Chow Soon	(Chairman)
Lew Syn Pau	
Eu Yee Ming Richard	
Basil Chan	(appointed on 1 December 2019)

The composition of the AC is in compliance with Section 201B of the Singapore Companies Act, Cap. 50, which prescribes that a majority of the AC Members must not be Executive Directors of the Company or any of its related corporations. With majority of the AC Members (including the chairman) being independent, the AC is able to perform its roles and functions independently.

The AC is authorised by the Board to investigate any activity within its terms of reference, having unrestricted access to information relating to the Group, both internal and external auditors and the Management and staff. It has full discretion to invite any Director or Executive Officer to attend its meetings. It has adequate resources to enable it to discharge its functions properly. The AC, having reviewed any non-audit services provided by the external auditors to the Group, has confirmed that there were no such services provided during the year which would affect the independence of the external auditors.

The AC meets at least four times a year. Ad hoc meetings are also convened when circumstances require. The attendances at AC meetings during FY2019 are disclosed on page 11 of this report.

The AC performs the following key functions:

(a) recommending the nomination or re-nomination of the external auditors and approving the remuneration and terms of engagement of the external auditors;

(b) reviewing the audit plan, scope and findings of the internal and external auditors;

(c) reviewing all non-audit services provided by the external auditors and confirming that these non-audit services would not affect the independence of the external auditors;

(d) reviewing the quarterly, half-year and full year results announcements and financial statements of the Company and consolidated financial statements of the Group, monitoring their integrity and reviewing significant reporting issues and judgements contained therein, before submission to the Board for approval for the release of the results announcements to the SGX-ST;

(e) evaluating the adequacy and effectiveness of internal controls and risk management systems, including financial, operational, compliance and information technology controls of the Group;

(f) meeting with the internal and external auditors without the presence of Management at least once annually;

(g) reviewing interested person transactions; and

(h) reviewing arrangements by which staff of the Company may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters.

CORPORATE GOVERNANCE REPORT

The Group has in place a whistle blowing policy which provides the mechanism for which staff of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board would take appropriate action after taking professional advice where necessary.

There was no reported incident pertaining to whistle-blowing during FY2019 and up to the date of this Annual Report.

The Board is of the view that the members of the AC are suitably qualified with accounting, finance and manufacturing backgrounds to assist the Board in the areas of internal controls, financial and accounting matters, compliance and risk management, including overseeing the Management in the design, implementation and monitoring of risk management and internal control systems.

The AC is regularly updated and briefed by the Management and external auditors on any changes to accounting standards and issues which have a direct impact on the financial statements of the Group.

In appointing the audit firm for the Group, the Board is satisfied that the Group has complied with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST. The Board has assessed the performance of the external auditors based on factors such as the performance and quality of their audit and their independence. The AC recommended to the Board that Messrs RSM Chio Lim LLP be nominated for re-appointment as the external auditors for the financial year ending 31 December 2020 at the forthcoming AGM.

Sustainability Reporting

As one of the leaders in the manufacture of precision-machined components and assemblies for the global hard disk drive ("HDD") industry, there are some sustainability related issues that are important to the success of the Group's business. Over the last year, the Group has published its sustainability report for the financial year ended 31 December 2018 on the website of SGX-ST on 31 May 2019, which is in compliance with Rules 711A and 711B of the Listing Manual of the SGX-ST.

The Board also considers sustainability issue (including environmental, social and governance factors) and reviews the Group's disclosures in sustainability reporting as part of its responsibilities. Details of the Group's sustainability report for FY2019 may be found on pages 25 to 47.

CORPORATE GOVERNANCE **REPORT**

AC's Commentary on Key Audit Matters for FY2019

In its review of the financial statements of the Group for FY2019, the AC had discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, amongst other matters, the following significant matters identified by external auditors for the financial year ended 31 December 2019.

Key Audit Matters	How these issues were addressed by AC
Impairment assessment of the Group's property, plant and equipment ("PPE")	Management presented to the AC the recoverable amount for the Group's PPE by applying the fair value less cost of disposal method. Management had engaged an independent external valuer to determine the fair value of its entire PPE as at 31 December 2019. The AC considered the assumptions applied by management and the findings of the external auditor, including assessment of management's processes for the selection of the valuers as well as the assessment carried out by its in-house valuation specialists to determine the appropriateness of the valuation methodologies adopted. The AC was satisfied with the impairment review processes and assessment of the Group's PPE and their disclosures in the financial statements.
Impairment assessment of the Company's cost of investment in a subsidiary	Management discussed with the AC on the potential impairment of the Company's cost of investment in BIGL Asia Pte Ltd ("BASG"). Management has applied the fair value less cost of disposal method. Management has estimated the fair value of the Company's investment in BASG based on the results of the independent external valuation of the Group's PPE. Based on this assessment, an impairment loss of $8.6 million was recognised. The AC considered the findings of the external auditor and assessment performed by management. The AC was satisfied with the disclosures in the financial statements for the impairment assessment of the Company's cost of investment in the subsidiary.
Contingent liabilities – statements of claims	The AC reviewed and discussed with Management the details of the two writs of summons served on 20 February 2020 in relation to certain statements of claims received from the purchaser of the disposed Foam Plastics Solutions and Flow Control Device businesses. The AC noted that Management intends to vigorously defend the summons and is taking legal advice. The AC considered the findings of the external auditor, including the appropriateness of the methodologies adopted by the management in determining the amount accrued at the reporting year end. The AC was satisfied with the disclosures in the financial statements in relation to these contingent liabilities.

The Group's external auditors have included these items as key audit matters in the Independent Auditors' Report for FY2019, as set out on pages 54 to 58 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Internal Controls

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy, effectiveness and integrity of those systems on an annual basis. The internal control and risk management functions are performed by the key executives and are reported to the AC for review.

The AC has reviewed the Group's system of internal controls, including financial, operational, compliance and information technology controls and risk management systems established by the Management. This ensured that such controls are sound and adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Group in safeguarding shareholders' interests and the Group's assets. Additionally, in performing the statutory audit of the financial statements of the Group, the external auditors perform tests over operating effectiveness of certain accounting controls that are relevant to the audit and the auditors intend to rely on. Any material internal control matters noted by the external auditors in the course of their statutory audit have been discussed with the Directors and AC.

For FY2019, the Board has received assurance from the CEO and Vice President, Corporate Affairs:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and

(b) that the effectiveness of the Group's risk management and internal control systems is adequate.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls including financial, operational, compliance, and information technology controls and risk management systems, are adequate and effective for FY2019. The Board regularly reviews the effectiveness of the risk management and all internal controls, including operational controls of the Group.

The Board notes that no system of internal control could provide absolute assurance against material financial misstatements, poor judgment in decision-making, human error, losses, fraud or other irregularities. The system of internal control includes safeguarding of assets, maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulations and best practices, and identification and containment of financial, business and compliance risks.

Internal Audit

The Group appointed BDO LLP ("BDO") as its internal auditors to conduct internal audits on the Group in FY2019. BDO is a professional firm which, reports directly to the Chairman of the AC on internal audit matters. The primary objective of the internal audit function is to provide reasonable, independent and objective assurance that the existing system of internal controls are adequate and operating effectively to safeguard shareholders' investments and the Group's assets.

The AC reviews and approves the annual internal audit plan and reviews the internal audit reports and activities on an on-going basis. The AC is of the view that the internal auditors have adequate resources to perform its functions and have to the best of its ability, maintained its independence. The AC also reviews the results of internal audits and the Management's action in resolving any audit issues reported.

The AC is satisfied that the effectiveness of the internal auditors is adequate in meeting the needs of the Group.

CORPORATE GOVERNANCE **REPORT**

Risk Management Policies and Processes

The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk and interest rate risk. The Board reviews and agrees on policies for managing each of these risks.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the Directors to finance the Group's operations and to mitigate the effects of fluctuations in cash flow. To ensure that the Group has adequate overall liquidity to finance its operations and investment requirements, the Group maintains an adequate amount of available banking facilities with several banks.

The Group's main currency exposures are in Singapore Dollar, United States Dollar, Thailand Baht and Chinese Renminbi. The Group uses natural hedges of matching assets and liabilities as a hedging tool to manage its exposure to fluctuating foreign currency rates.

As for credit risk, the Group places its cash and cash equivalents with creditworthy institutions. The Group also performs ongoing credit evaluation of its customers' financial conditions.

The Group manages its interest rate risk by maintaining a prudent mix of fixed and floating interest rate borrowings. In managing the interest rate profile, the Group takes into account the interest rate outlook and the expected cash flow generated from its business operations.

Various measures are implemented to manage Group's operational risks. These include safety and security, internal control procedures and appropriate insurance coverage.

For the financial year under review, both the Board and the AC have not identified any material weakness in the internal controls and risk management systems of the Group. The Board notes that the risk management and internal control framework provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it works to achieve its business objectives.

Fees Paid to External Auditors

The aggregate amount of fees paid to the external auditors of the Group for FY2019 is disclosed under Note 8 to the Financial Statements.

PRINCIPLES 11, 12 & 13

Shareholder Rights and Conduct of General Meetings & Engagement with Shareholders and Stakeholders

The Group believes in upholding a strong culture of continuous disclosure and transparent communication with all stakeholders and does not practice selective disclosure. All material and price-sensitive information relating to the Group is released in a timely manner and equally to the general public and shareholders by way of public releases or announcements through SGXNET.

The Company maintains a corporate website at www.bw-grp.com to communicate and engage stakeholders. The Board considers and balances the needs and interests of material stakeholders, as part of its overall responsibility to secure the long term future of the Company. The Company's efforts on sustainability are focused on creating sustainable value for our key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors.

CORPORATE GOVERNANCE REPORT

General meetings have been and are still the principal forum for dialogue with shareholders. Shareholders' views are sought at general meetings, and shareholders are given the opportunity to air their views and ask Directors and Management questions regarding the Company and the Group.

The Management ensures that all shareholders receive the Company's annual reports, circulars and notices of shareholders' meetings within the mandatory periods prescribed by applicable laws and regulations. Shareholders are encouraged to attend and participate at the Company's AGM to ensure that they have a better understanding of the Group's plans and developments for the future.

The AGM and EGM, if applicable, are attended by all Directors, the external auditors, Company Secretary and Management. The Group welcomes shareholders' feedback and encourages their participation in sharing ideas and asking questions during such sessions.

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

The Company currently does not publish minutes of general meetings on its corporate website but will review the feasibility of having such arrangements when appropriate.

To have greater transparency in the voting process, the Company has adopted the system of voting by poll at its AGM and EGM. Results of each resolution put to vote at the AGM are announced at the meeting. Separate resolutions at general meetings are on substantially separate issues and detailed information on each item in the AGM agenda is provided in the explanatory notes to the AGM Notice in the annual report. All the resolutions at the general meetings are single item resolution. Shareholder who is not a relevant intermediary may also appoint up to two proxies to attend and vote in his/her stead.

The Board does not implement absentia-voting methods by mail, email or fax, until issues on security and integrity are satisfactorily resolved.

Internal Code on Dealing with Securities

An internal code, which complies with Rule 1207(19) of the Listing Manual of the SGX-ST, with respect to dealings in securities of the Company, has been issued to Directors and officers of the Company. The Company's Directors and officers are not allowed to deal in the Company's securities within two weeks before the announcement of its financial result for each of the first three quarters of its financial year and one month before the announcement of its full year results.

Directors and officers are reminded not to deal in the Company's securities on consideration of a short-term nature or when they are in possession of unpublished material and price-sensitive information. Directors and officers are required to observe insider trading provisions under the Securities and Futures Act at all times, even when dealing in the Company's securities within the permitted periods. Directors and officers of the Company are required to report all dealings in Company's securities to the Company.

Interested Person Transactions

During FY2019, there were no interested person transactions ("IPT") entered with the Group that amounted to more than $100,000. The Company has also put in place an internal procedure to track IPTs of the Group.

CORPORATE GOVERNANCE REPORT

Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interests of Directors or controlling shareholders.

Dividend

The Company does not have a formal dividend policy. The Board considers the Company's capital structure, cash requirements and future plans in deciding whether to declare dividends or not.

Given the financial position of the Group and the Board's and the Management's cautious view on the Group's prospects for the ensuing year, no final dividend has been recommended or declared in respect of FY2019.

6 April 2020

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board has great pleasure in presenting Broadway Industrial Group Limited's (referred to as "Broadway" or the "Group") Sustainability Report ("Report") for the financial year ended 31 December 2019. This year marks 50 years of our successful business operations, and we wish to recapitulate that we continue to remain steadfast in our commitment to be a trusted partner in providing solutions in the manufacturing of precision machined components.

Headquartered in Singapore with manufacturing facilities across 4 locations in China and Thailand, Broadway is anchored by a workforce of more than 3,000 people. With the rapid adoption of cloud computing and exponential expansion of the global data storage market, Broadway is leveraging on its expertise in the field of high-precision machining, sub-assembly processes in cleanroom environment, automation, lean manufacturing and Six Sigma to continue supporting the development and provision of reliable and cost-efficient high capacity hard disk drives ("HDD") to the global enterprise and consumer markets.

We continuously seek to drive growth, value and innovation to create a positive transformation in society. It is our endeavour to achieve high standards and provide oversight and guidance to management in strategy implementation, risk management and the attainment of sustainability goals and objectives.

We are committed to making meaningful contributions towards sustainable progress along the entire value chain and will continue to test and challenge our sustainability performance each year and commit to set even higher benchmarks for the industry.

The Report presents data and information relating to Environmental, Social and Governance ("ESG") factors that are material to Broadway, references the Global Reporting Initiative ("GRI") standards and conforms with the Singapore Exchange Limited ("SGX") sustainability reporting requirements.

ABOUT THIS REPORT

Report Scope and Boundary

This is our third Sustainability Report presenting our sustainability performance for the period from 1st January 2019 to 31st December 2019 ("2019"). We view reporting on non-financial parameters as an important means of communicating with our stakeholders and providing an insight into the Group's governance, strategy, performance and prospects. The businesses covered under the reporting boundary are BIGL Technologies (Thailand) Co., Ltd ("BTH") and BIGL Technologies (Wuxi) Co., Ltd ("BWX"), which are the top revenue contributors to the Group.

SUSTAINABILITY **REPORT**

Reporting Standards and Compliance Requirements

This Report is aligned with the reporting requirements of the Singapore Exchange ("SGX") Listing Rules Practice Note 7.6 Sustainability Reporting Guide and prepared with reference to the GRI Standards (2016), one of the global best practice guides for reporting on ESG factors.

This Report references the following GRI Standards in line with the identified material topics:

Material Topic	GRI Topic	GRI Disclosure
Energy	GRI 302: Energy 2016	Disclosure 302-3 *Energy Intensity*
Regulatory Compliance	GRI 307: Environmental Compliance 2016	Disclosure 307-1 *Non-compliance with environmental laws and regulations*
Training and Education	GRI 404: Training and Education 2016	Disclosure 404-3 *Percentage of employees receiving regular performance and career development reviews*
Regulatory Compliance	GRI 419: Socioeconomic Compliance 2016	Disclosure 419-1 *Non-compliance with laws and regulations in the social and economic area*

The data presented in this Report corresponds to the operations mentioned in the reporting boundary, while the financial data presented covers the whole Broadway Group. We publish our sustainability reports annually, with the last published report for FY2018. Our reports for the previous two years are also available on our corporate website[1].

Feedback from our concerned stakeholders is of utmost importance to us as it will enable us to continuously improve our policies, processes and performance.

Queries may be directed to:

Email: ir@bigl.com.sg
Website: https://www.bw-grp.com/
Address: 3 Fusionopolis Way, #13-26 Symbiosis Singapore 138633
Phone: +65 62360088

[1] https://www.bw-grp.com/investor_relations_home.htm

SUSTAINABILITY REPORT

SUSTAINABILITY AT BROADWAY

At Broadway, we leverage on our five-pronged sustainability strategy to expand our business and establish overarching goals. The components of our sustainability strategy include Economic Performance, Environmental Responsibilities, Labour Practices, Health and Safety, and Sustainability Governance. Through the holistic management of these components, we strive to generate positive economic, environmental and social impacts for our stakeholders.

Consumers are increasingly concerned with the environmental and social impacts of the products they purchase, particularly in the electronics industry where sustainability issues affect global value chains. It is hence important to remain sensitive to demands and needs along our supply chain to serve our customers effectively and continue to succeed in our business.

Adhering to the robust Responsible Business Alliance ("RBA") Code of Conduct, we uphold the same level of common standards that some of our major customers also adhere to. The adoption of the RBA Code of Conduct as the overarching management strategy of our ESG issues allows us to follow a standardised framework for managing our environmental, social and governance concerns and fulfil the expectations of our clients.

Economic Performance	We strive to continue to deliver healthy economic performance to our stakeholders by adapting to changes and capitalising on opportunities.
Environmental Responsibilities	We endeavour to conserve natural resources to reduce our environmental impact.
Labour Practices	We treat our staff with dignity and respect. We also support employee development through training.
Health and Safety	We are committed to providing a safe working environment for our employees.
Sustainability Governance	We conduct our business with high levels of integrity and accountability. We also ensure that our suppliers adhere to a common code of conduct set by the RBA.

STAKEHOLDER ENGAGEMENT AND MATERIALITY ASSESSMENT

Stakeholder Engagement

We believe that sustainability can be fully cascaded and integrated into the core business model of our organisation, through strong collaboration with our stakeholders. Our open and transparent dialogues with our stakeholders have been the greatest source of inputs for our development activities. On our journey ahead, we plan to explore deeper by integrating sustainability into our regular communications with stakeholders at every level, thus strengthening our mechanism to identify business challenges and opportunities.

SUSTAINABILITY REPORT

We identify key stakeholders as parties who are either significantly affected by or have the capacity to significantly influence our activities and operations. We conduct various engagement exercises with the stakeholders over the course of the year in an open two-way dialogue to maintain lasting and mutually beneficial relationships.

Stakeholders	What They Expect from Us	Engagement Methods	Frequency
Employees	• To work in a safe and inclusive environment • To be updated on our latest strategic developments and feel empowered • To develop professionally and grow expertise • To maintain work-life balance	• Safety Slogan Activity 2019 • Safety talks • Safety Newsletter • Employee Tea Party • Suggestion Box (employee feedback channels) • Diet Committee Meeting • Training and career development programmes • Happy Workplace Project (engagement and CSR activities) • Long Service Award	• Annually • Monthly • Monthly • Every 2 weeks • Throughout the year • Every 2 months • Throughout the year • Every 2 months • 10 and 15 years
Investors/ Shareholders	• To disseminate accurate and timely information on our progress and profitability, with updates on future plans • To disclose ESG performance • To operate business ethically • To keep up-to-date with customer and market trends	• Release of financial results and other relevant disclosures through SGXNet and Broadway's corporate website • Annual General Meeting	• Throughout the year • Annually
Clients	• To be supplied with products of good quality • To fulfil client's ESG management requirements, such as compliance with RBA Code of Conduct	• Strategy alignment meeting with key customers • Quarterly Business Review ("QBR")/Quarterly Quality score Review (QQR) • Process Management Plan Audit • Quantitative Project Management ("QPM") data upload	• Quarterly • Quarterly • Quarterly • Daily
Suppliers	• To engage in collaborative partnership for mutual growth • To streamline procurement workflows, clearly defining expectations	• Quality on-site audits • QQR score review • Incoming Quality Assurance Review	• Annually • Quarterly • Daily
Local Communities	• To be a responsible and caring corporate citizen, serving the local communities	• CSR activities	• Twice a year

SUSTAINABILITY REPORT

Materiality Assessment

We believe material ESG issues are those which have a direct or indirect impact on our ability to create, preserve or deplete economic, environmental and social value for ourselves, our stakeholders and the society at large. An assessment of materiality allows us to identify most relevant aspects, which aid in defining our sustainability goals and their alignment with our business aspirations. Materiality also ensures focus on aspects which stand at the intersection of the expectations of our stakeholders and our business goals.

In 2017, a formal materiality assessment was conducted to identify ESG risks and opportunities that are most important to our business and stakeholders. The materiality assessment was guided by the GRI Principles of Materiality and Stakeholder Engagement:

Selection	Assessment	Prioritisation
• Emerging global and local sustainability trends • Sustainability topics identified by our peers • Review of our impacts • Identification of topics based on risks and opportunities at an organisational level	• Material topics were shortlisted based on the significance of their economic, environmental and social impacts and substantive influence on the assessments and decisions of our stakeholders	• Interaction with functional heads and senior management representatives in the organisation • Inputs from internal and external stakeholders

The assessment of material topics is a continuous process which helps the organisation determine the topics depending on criticality to the business to create value. This year, the management team reviewed the 7 selected material factors and considered them against the backdrop of the previous years.

Taking into consideration our current business operations and the sustainability landscape, the existing 7 ESG factors are still considered to be relevant and material to our business. These are shown in the following table, in alignment with our sustainability strategy:

Economic Performance	Environmental Responsibilities	Labour Practices	Health and Safety	Sustainability Governance
• Economic Performance	• Energy • Waste and Effluents	• Training and Education	• Occupational Health and Safety	• Regulatory Compliance • Supplier Environmental and Social Assessment

SUSTAINABILITY REPORT

SUSTAINABILITY PERFORMANCE

Key Performance at a Glance

	2019	2018
Energy		
Direct Energy (GJ)	553.00	590.70
Indirect Energy (GJ)	90,840.24	98,993.11
Waste and Effluents		
Hazardous Waste (MT)	16.28	22.13
Non-Hazardous Waste (MT)	1,014.9	601.7
Occupational Health and Safety		
Number of Workplace Fatalities	Zero Fatalities	
Number of Workplace Injuries	4	3
Regulatory Compliance	Zero incidents of non-compliance with laws and regulations around environment and socio-economic areas	
Supplier Environmental and Social Assessment	100% of new suppliers to comply with the RBA Code of Conduct	

ECONOMIC PERFORMANCE

At Broadway, we are driven by a relentless pursuit of excellence to overcome economic, environmental and social challenges wherever we do business. We have continued to grow and evolve, creating value by building competitive global-scale businesses and delivering increased shareholder value.

Further details of our 2019 financial performance can be found in Broadway's 2019 Annual Report, which is available at both our corporate website and the SGX website.

SUSTAINABILITY REPORT

ENVIRONMENTAL RESPONSIBILITIES

Our commitment to environmental sustainability focuses on reducing negative impacts on the planet and ensuring our long-term financial viability. In planning and implementing various activities, we focus on minimising and remediating any negative impacts on the environment.

We strive to achieve the highest standards of environmental compliance by ensuring that our environmental policy entails a systematic approach to environmental management planning to achieve continual performance improvement. In order to manage our environmental performance, we have implemented ISO 14001: 2015 Environment Management System Standards. We aim to ensure 100% compliance with all environmental regulatory requirements. Our environmental performance is reviewed quarterly by the management team which includes progress against environmental KPIs. During the period covered by this Report, we did not receive any significant fines or sanctions for non-compliance with environmental legislations.

To ensure a robust environment management system, we have defined 3 focus areas: Energy, Water conservation, Waste and effluents management.

Energy

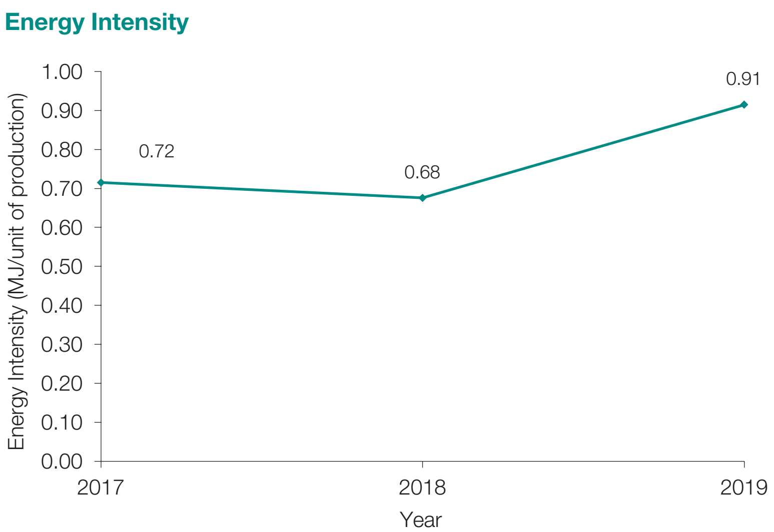
Our sustainability strategy focuses on minimising energy consumption to reduce carbon footprint and drive transformation towards efficient operations. Our business operations are reliant on the consumption of energy, mainly in the form of electricity and some non-renewable fuels like diesel, petrol and gas. Therefore, energy is critical for the continued operations of our business and is hence one of our focus areas to minimise environmental impacts.

We have an energy policy which systematically helps us in managing our energy performance at each of our locations. We also continue to follow our energy masterplan which tracks the targeted KPIs along energy reduction initiatives. We closely monitor the status of activities planned for energy reduction and efficiency through daily checks and monthly analytical reports.

Our energy performance for the reporting year is as follows:

2019 Performance	
Energy Consumption • Direct energy consumption: 553 GJ • Indirect energy consumption: 90,840.24 GJ **Energy Intensity** • Energy intensity: 0.91 MJ/unit of production	
2019 Performance against 2019 Targets	
Energy Intensity • Reduce energy intensity based on 2018 levels	• Not achieved (Please refer to the description on Page 32)
2020 Targets	
Reduce energy intensity by 10% from 2019 levels	

SUSTAINABILITY **REPORT**



Energy intensity increased by 34% in comparison to prior year due to following reasons:

1. Customer requirements demanding longer processing time of products and double washing requirements.
2. Even though the production is lower compared to previous year, the clean room system needs to be maintained even on non-working day causing the energy intensity to increase.

In terms of energy intensity per dollar value of sales, the above increase in energy intensity has translated to 0.27 MJ/unit dollar of sales in 2019 compared to 0.24 MJ/unit dollar of sales in 2018.

The implementation of strategic interventions to enhance energy efficiency is one of our key focus areas. As part of our continuous improvement, various energy efficiency initiatives are in place during the year including:

- Replacement of fluorescent lamps in the factory to Light-Emitting Diode ("LED")
- Replacement of air-conditioning split type units to chilled water type
- Solar cell installation for electricity generation
- Regular maintenance of all equipment to ensure optimal performance and reduce energy consumption
- Installation of motion sensors to switch lights off when not in use
- Maintenance of indoor air-conditioning temperature at 26°C for BTH office area
- Purchased a smaller power air compressor which saved approximately 30% of air compressor load and power consumption

SUSTAINABILITY REPORT

BTH: Improvement in production line vacuum system

The implementation of a vacuum system in our production lines facilitated the process by holding together parts and glue. The installation of a vacuum pump and piping line enabled us to reduce CDA load and is easily controllable, adjustable for use. This installation has led to a reduction in electricity consumption by 191,393 Kwh per year and cost savings of $30,360 per year.

Water Conservation

We seek to maximise water efficiency in our processes by monitoring and recording raw water usage, using recycled water, etc. This allows us to better track our consumption and alerts the team on any potential leakages in the piping systems.

Precision manufacturing requires high-purity water for cleaning by removing ions in raw water through a de-ionising process. We have a sophisticated water recycling system, which allows us to recycle 25% of inlet raw water to factory. We have also implemented various initiatives for water conservation and recycling as mentioned below:

- Installation of water-efficient fittings to recycle Deionised (DI) water.
- Reuse Reverse Osmosis (“RO”) water rejects for gardening and toilet-related purposes.
- Recycle waste water from Deionised (DI) water station for toilet flushing, save 80 m^3 city water per day.
- Replace the reverse osmosis membrane and fully regenerate the softening bed resin every day enabling prolong service life of RO membrane for more than one year and reduce the discharge of 90 m^3 concentrated RO water per day.
- Reuse water drained from cooling engine fire pumps to water back-up fire pump system
- Installation of automatic faucet of spoon zinc at the canteen

Waste and Effluents

We are committed towards reducing waste in our daily operations as we aim to continue improving the efficiency of our operations. We actively identify and implement waste minimisation initiatives through the “3R” approach, which promotes “Reduce, Reuse, and Recycle”. Continuous monitoring and reviewing the waste generated across our operations is essential, with a single focus on reducing waste generation at the source. Before the disposal of waste, it is treated appropriately to avoid harm to the environment and human health.

At Broadway, waste generated is broadly categorised into:

- **Recyclables** including paper, carton boxes, metal scrap, plastics, electronics, pallets and shipping trays;
- **Non-recyclables** including general waste and process waste; and
- **Hazardous waste** including chemicals and heavy metals

SUSTAINABILITY REPORT

Waste and Effluents

2019 Performance	
Waste • Hazardous waste: 16.28 MT • Non-hazardous waste: 1,014.9 MT **Compliance** • Zero incidents of non-compliance with laws and regulations concerning waste management/disposal	
2019 Performance against 2019 Targets	
Waste Management Compliance • Zero incidents of non-compliance with laws and regulations concerning waste management/disposal	• Achieved
2020 Targets	
• Zero incidents of non-compliance with laws and regulations concerning waste management/disposal	

We have a waste management policy which allows us to standardise the definition of each waste category and specify the corresponding storage and disposal methods. The handling of each waste type is colour-coded and clearly delegated to the respective departments. Hazardous waste is handled with extra precaution and we are careful to follow all regulations where relevant. We also carry out weekly audits to ensure that our policies and procedures are adhered to. In addition, regular checks are performed to ensure that the disposal of waste is conducted through authorised agencies. One of the ways we reduce our waste is by improving our packaging designs, and we have implemented a system for packaging, particularly our pallets, for reuse. As a policy, we recycle 100% of our recyclable waste.

We have engaged a third-party specialist, Hitech Industrial Estate, appointed by Government's environment authority to monitor our effluents every two months and ensure that our wastewater quality at BWX meets the statutory environmental requirements. Our water conservation initiatives are aimed towards reducing water requirements in our operations and reducing discharge of wastewater via recycling technologies.

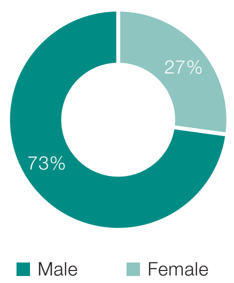
SUSTAINABILITY **REPORT**

LABOUR PRACTICES

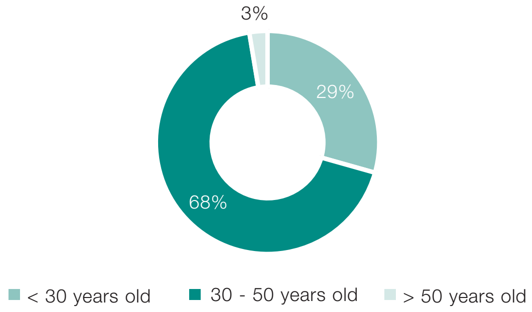
Our employees are our top priority and we believe in providing equal opportunities and fair labour practices for all, to create an inclusive work environment. Diversity is key in enabling this creative and productive workforce, and we employ qualified candidates without discrimination of gender, age, ethnicity, religion, marital status, sexual orientation, trade union association or national origin.

As of 31 December 2019, we have a total of 2,213 full-time employees in BTH and BWX.

Employees – By Gender



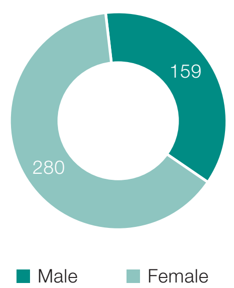
Employees – By Age



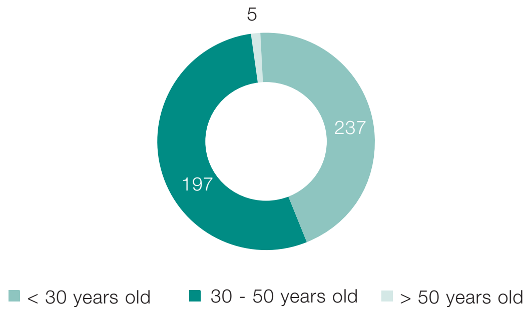
Our governance systems consider essential elements like diversity and experience. Keeping these factors in mind, our Board consists of 6 Directors, of whom 1 is female.

We recognise the importance of talent retention to ensure the quality of our productivity and reduce additional costs of hiring new talent. As such, we strive to foster an inclusive and nurturing working environment and continually invest in our employees to develop employee talent. Every 6 months, promotion opportunities are offered to qualified employees who demonstrate good professional knowledge, skills, and behaviour. We also hired 439 new employees in 2019, of whom 280 are females. To control our turnover rate, we are driving engagement activities and two-way communication initiatives with our employees such as Human Resources Shift Meeting, Lunch with Management, our 'Better Together' Newsletter, a communication board and a suggestion box.

New Employee Hires - Gender



New Employee Hires – Age



We align our employee compensation with the market and provide a range of benefits to our employees such as medical care, paid annual leave and gifts during traditional festivals.

SUSTAINABILITY **REPORT**

We go beyond our workplace to continue fostering an inclusive and nurturing environment by celebrating festivals and holidays with one another. On Buddhist Lent Day, we offered Buddhist Lent candles to make a merit and bring good fortune for the year. We also participated in Thailand's Songkran New Year Festival. As part of the festivities, we paid respect to our elders by pouring scented water onto our management team who subsequently blessed all employees with good luck and prosperity. In addition, we recognise the importance of family and hosted a "Mom and me" photo contest for Mother's Day to show appreciation to all mothers.






SUSTAINABILITY REPORT

We are proud to have several employees who exhibit excellent performance and attitude. As such, we show our appreciation for their hard work and dedication. In 2019, we presented the BIGL Long Service Award to 65 people who have worked for us for 10 and 15 years.

Furthermore, we launched the White Factory Project in 2019 to prevent and resolve drug-related issues in our company. We work with the committee team to provide recommendations on the Prevention and Solution to Drug Problems and promote activities to raise awareness on the fight against drug abuses in an establishment. As such, we were recognised for ensuring the welfare and protection of our employees and was awarded the White Factory Award by Thailand's Department of Labour Protection and Welfare.

Training and Education

Training and upskilling our employees are crucial to remain relevant and equipped for meeting the everchanging demands of the market. It is both a responsibility and an opportunity for our business to provide our employees with internal and external training that will support our growth and their career development.

2019 Performance	
Employee Performance Reviews • 100% of eligible employees received regular performance reviews	
2019 Performance against 2019 Targets	
Employee Performance Reviews • 100% of eligible employees receiving regular performance reviews	• Achieved
2020 Targets	
• 100% of eligible employees receiving regular performance reviews • Achieve an average of 6 training hours per year for each employee	

SUSTAINABILITY **REPORT**

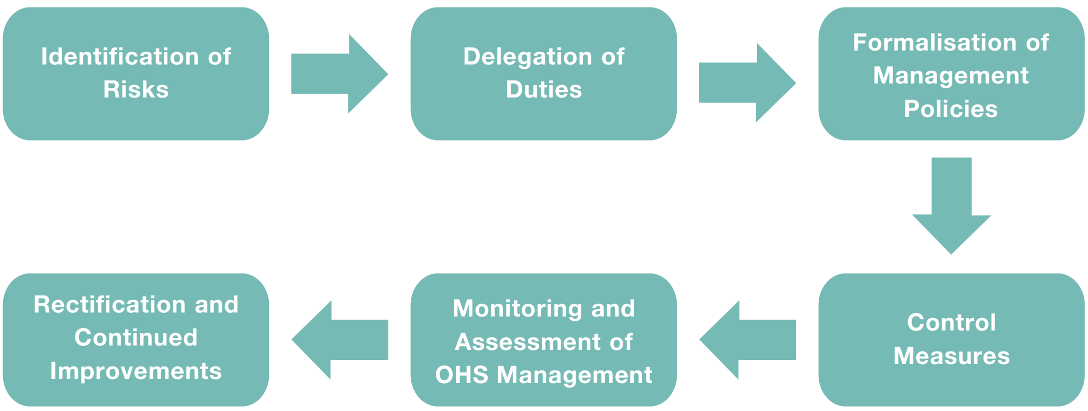
We strive to meet the learning needs of our employees by providing a variety of learning and development programmes. These training programmes cover topics such as management and leadership expertise, professional skills training, software and languages. In 2019, our employees received an average of 3.50 training hours per employee. We prioritise corporate citizenship and integrate ESG education into all aspects of our business; we emphasise the importance of environmental responsibilities, business ethics, as well as occupational health and safety in our on-boarding training.

To further support the professional career development of our employees, annual performance reviews are conducted to communicate employees' performance and career goals. In 2019, 100% of our employees received feedback on their performance with suggestions for improvement from their supervisors.

HEALTH AND SAFETY

Occupational health and safety are of utmost importance to us. Due to the nature of our business in electronic manufacturing, we recognise that our employees are exposed to a certain degree of health and safety risks and as a responsible employer, we are committed to ensuring that these risks are addressed and mitigated. We strive to provide a safe, healthy and conducive work environment to all our employees and aim to eliminate or minimise all work-related injuries.

The manufacturing locations adhere to our Occupational Health and Safety Manual which is based on OHSAS 18001 standards as well as the national safety standards of the respective operating locations. In addition, each location has a trained health and safety team in place. The following flow chart outlines our management process with regard to occupational health and safety. While occupational health and safety ("OHS") responsibilities are shared among all departments, the manual specifies the responsibilities of each department for specific OHS issues, thus improving accountability. We strive to create a culture of working safely, such as integrating OHS training in on-boarding programmes and encouraging all employees to take ownership of their health and safety and take actions to improve the OHS management system.



As such, our Safety Committee has specific responsibilities to prioritise the health and safety of our employees by ensuring policies and procedures are implemented effectively. The committee comprises the General Manager, the Occupational Health and Safety Management Representative ("OH&S MR"), the Management Committee, the ISO 45001 Steering Committee, supervisors and operators. All parties are responsible for the aspects of the OHS management system they have control over and ensure our operations are in accordance with the OHS policies, objectives and programme. This includes hazard identification, risk assessment and control, and compliance of OHS legal and other requirements. Our Safety Committee also consistently monitors the effectiveness of the OHS system and conducts regular internal audits. All non-conformities and incidents are reported, and corrective and preventive actions are taken by relevant parties immediately.

2019 Performance	
Occupational Health and Safety • Zero workplace injuries resulting in a fatality or permanent injury	
2019 Performance against 2019 Targets	
Occupational Health and Safety • Zero workplace injuries resulting in a fatality or permanent injury	• Achieved
2020 Targets	
• Zero workplace injuries resulting in a fatality or permanent injury	

We are proud to report that in 2019, there were no workplace fatalities, and we continue to commit to maintaining this in 2020. The Accident Frequency Rate ("AFR") was 0.66 and the Accident Severity Rate ("ASR") was 10.22. The absentee rate was 2.18 days per employee per year.

	2019	2018
Number of Workplace Fatalities *Number of workplace deaths*	–	–
Accident Frequency Rate (AFR)[2] *Number of lost-time injuries per million man-hours worked*	0.66	0.50
Accident Severity Rate (ASR)[3] *Number of lost days per million man-hours worked*	10.22	5.13
Absentee Rate[4] *Number of absentee days per employee per year*	2.18	1.48

2 Accident Frequency Rate (as per Ministry of Manpower of Singapore) = *Number of Lost-time Injuries / Number of Man-hours worked* × 1,000,000. A lost-time injury is a workplace injury that results in at least 1 day of medical leave.

3 Accident Severity Rate (as per Ministry of Manpower of Singapore) = *Number of Lost Days / Number of Man-hours Worked* × 1,000,000. A lost day is a day of medical leave as a result of a lost-time injury.

4 Absentee Rate = *Number of Absentee Days / Employee Headcount*

An absentee day is a day of medical leave because of incapacity of any kind, not just as the result of work-related injury or disease, excluding permitted leave absences such as holidays, study, maternity or paternity leave, and compassionate leave.

SUSTAINABILITY **REPORT**

We conduct regular internal audits and reviews from top management related to the OHS management system to ensure that it is effectively implemented, maintained, and continually improved. Relevant reviews and feedback are communicated to workers, worker representatives and other relevant interested parties. We also conduct various safety initiatives to create awareness amongst the employees like safety slogan activities and safe driving campaigns.

The identification of risks is a key step in the process of cultivating a. safe and healthy work environment. Based on experience and regular site visits, we have categorised occupational hazards into 5 different risk levels based on a matrix of:

- Possibility of occurrence;
- Frequency of exposure for employees; and
- Severity of consequence

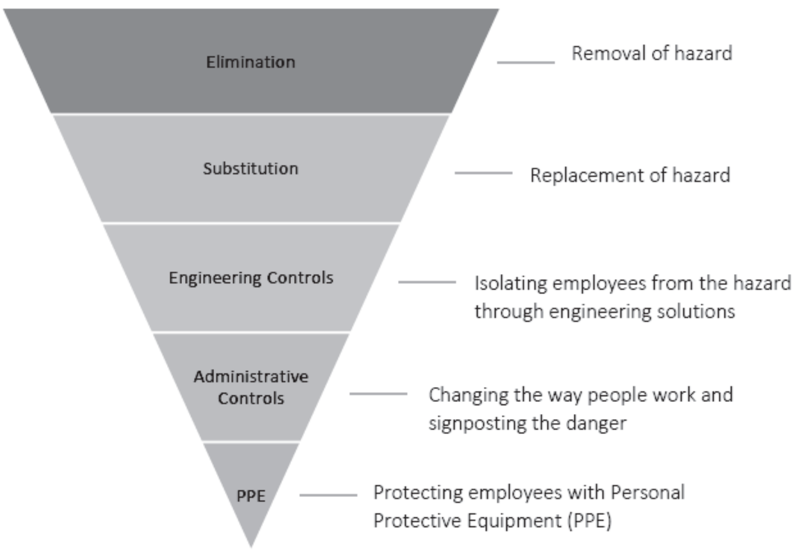
Once risks are identified, we strengthen our preparedness by conducting regular checks and arranging contingency plans. For example, for all chemicals, we obtain a Material Safety Data Sheet ("MSDS") from our suppliers, which documents the potential hazards (health, fire, reactivity and environmental) of the chemical product and how to work with the product safely. Moreover, labelling of chemicals and its subsequent dangers are signposted to manage any potential hazards. All employees are trained to understand how to handle the chemicals and the standard safety procedures in chemical storage, transportation and utilisation.

We conduct annual fire drills and perform monthly safety patrols in the factories. Any practices that raise concerns are recorded and follow-up remediation is monitored and tracked to eliminate hazards and control risks.

SUSTAINABILITY REPORT

We also conduct first aid trainings for our employees, including classroom demonstrations:

All risks graded "Highly Dangerous" and above will need to be registered and approved by management. Targeted actions plans are also tailored to mitigate those risks, as illustrated in the Hierarchy of Controls chart below:



SUSTAINABILITY **REPORT**

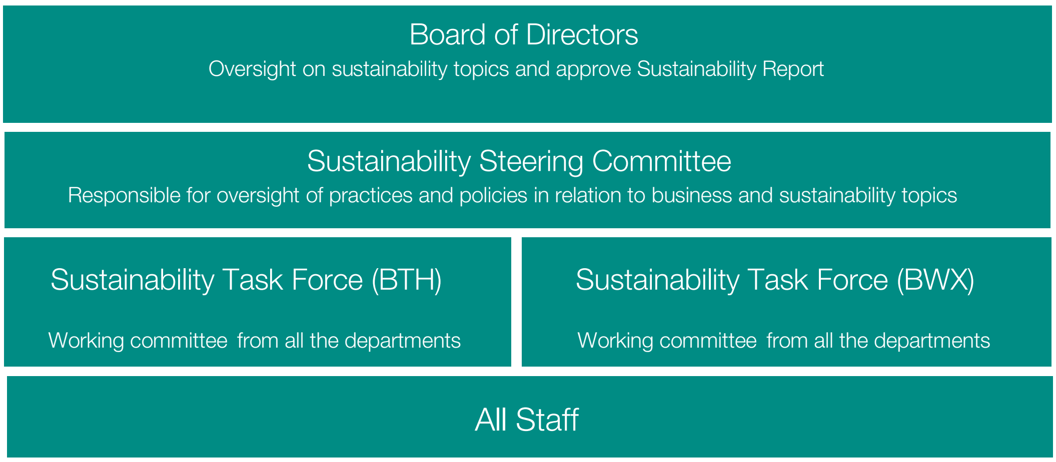
Should an incident or non-conformity occur, we evaluate the need for corrective actions to eliminate the root cause and prevent further incidents. Further action is taken to assess any new or changed hazards and review the effectiveness of the corrective actions.

We also consider the protection of contractors who work in our premises but are not under our direct employment. We work with our business partners to increase the safety of the contractors and their workers by defining and applying OHS criteria and ensuring requirements of their respective OHS management systems are met.

SUSTAINABILITY GOVERNANCE

Our sustainability governance model provides a foundation to integrate our sustainability priorities with the corporate agenda. To ensure oversight by senior management of material ESG topics, sustainability governance is integrated into corporate governance structures throughout the organisation – from Board-level committees to management-level group functions and business units.

The Sustainability Steering Committee (the "Committee") oversees our positions and practices on sustainability issues, principally in relation to social, environmental and ethical matters that affect shareholders and other key stakeholders. Chaired by CEO, Mr Tan Choon Hoong, it is the highest governance body with oversight on our sustainability performance. The Sustainability Working Committee includes management heads from the Human Resources, Facility, Quality, and Finance departments of BTH and BWX, as well as other shared services and data owners. The Committee meets no less than 2 times a year.



The Committee's primary responsibilities include:

- Reviewing and reporting to the Board on Broadway's sustainability approach, standards, priorities and goals, and overseeing Group-level strategies, policies and practices on sustainability matters to attain those standards and goals;
- Overseeing, reviewing and evaluating sustainability performance against the material topics prioritised;
- Reviewing and advising the Board on Broadway's public reporting about the organisation's performance on sustainability matters; and
- Presenting the Sustainability Report for Board approval

SUSTAINABILITY REPORT

Regulatory Compliance

We believe that compliance with regulatory laws has become a catalyst for corporate governance, and a robust statutory compliance system is vital for the effective conduct of our business operations. We ensure that the appropriate business processes and adequate tools are in place for adherence with all statutory obligations.

2019 Performance	
Anti-Corruption	
• Zero incidents of corruption	
Compliance with Laws and Regulations	
• Zero incidents of non-compliance with laws and regulations around environment and socio-economic areas	
2019 Performance against 2019 Targets	
Anti-Corruption	
• Zero incidents of corruption	• Achieved
Compliance with Laws and Regulations	
• Zero incidents of non-compliance	• Achieved
2020 Targets	
• Zero incidents of corruption	
• Zero incidents of non-compliance with laws and regulations	

Our Code of Conduct defines our commitment to conducting business with integrity. The prevention of corruption is managed through the set-up of anti-corruption policies, covering topics such as the employment of relatives, receipt of gifts and entertainment, as well as conflicts of interest. Employees are made aware of these policies though employee orientation, and such content is included in the Employee Handbook. All employees need to declare any conflicts of interest or activities pertaining to fraud annually. A Whistleblowing Policy also protects our employees if they were to report any improprieties in good faith. There were no reported cases of corruption in 2019.

It is our constant endeavour to ensure compliance to regulatory norms. As with our other business risks, we include regulatory risks into the framework of risks that we assess, monitor, and manage. We adhere to relevant environmental and socio-economic laws, which governs a range of issues like effluent discharge, labour practices, health and safety, as well as intellectual property and privacy. A robust ESG management system helps us to reinforce ESG policies and monitor compliance.

There were no cases of significant fines or non-monetary sanctions for non-compliance with laws and regulations in the environmental and socio-economic aspects in 2019. For more information, please refer to our Corporate Governance Report in Broadway's 2019 Annual Report.

SUSTAINABILITY **REPORT**

Supplier Environmental and Social Assessment

2019 Performance	
Percentage of new suppliers that were screened using environmental and social criteria • 100% of new suppliers to comply with the RBA Code of Conduct	
2019 Performance against 2019 Targets	
Percentage of new suppliers that were screened using environmental and social criteria • 100% of new suppliers to comply with the RBA Code of Conduct	• Achieved
2020 Targets	
• 100% of new suppliers to comply with the RBA Code of Conduct • 50% of purchases made from local[5] suppliers	

We endeavour to grow our business and at the same time drive environmental and social progress beyond the boundaries of our company to the value chain. As we engage with various suppliers for our material needs, we will have to ensure that the materials obtained are of high quality. In order to manage both quality and ESG impacts, we require that suppliers meet certain standards such as the RBA Code of Conduct. With higher expectations placed on corporate responsibility by consumers, almost all our key clients have joined the RBA's network to push the sustainability agenda within the electronics industry. As a Tier 1 supplier of electronic parts, we are expected to be held accountable to the common code of conduct of RBA. In turn, we have exercised similar due diligence processes on our suppliers.

This supplier assessment is integral to our risk management and we have a set of policies and procedures in place to screen our suppliers and support them to implement the RBA Code of Conduct. In 2019, 36 suppliers were assessed as per the ISO and RBA requirements.

[5] Local refers to suppliers located within the country of operations. In case of BTH, within Thailand and BWX within China.

SUSTAINABILITY REPORT

Prior to formal engagements, we will socialise RBA-related expectations with suppliers. We also provide training programmes for suppliers to communicate the code requirements. An RBA Code of Conduct Checklist will have to be completed, or a Letter of Commitment will have to be signed. For assurance purposes, we conduct random on-site visits and audits for the shortlisted suppliers for RBA compliance. Moreover, we strengthen monitoring of key suppliers by mandating RBA Validated Assessment Process ("VAP"), which is completed by third-party independent auditors. In 2019, we have screened 100% of our new suppliers using environmental and social criteria.

Use of Conflict-Free Materials

Due to the nature of our electronics business, we inevitably use various minerals, including tantalum, tin, tungsten, and gold (commonly referred to as "3TG"), which originate from mines around the world. The 3TG metals have become known as "conflict minerals" because much of it is sourced from the Democratic Republic of the Congo and adjoining countries where a decades-long civil war is being waged. This conflict has been exacerbated by various groups fighting to control mines and transit routes used in the trading of these minerals.

We exercise extra prudence on the due diligence of the source and chain of custody of these minerals and avoid directly or indirectly financing or benefitting these armed groups by using conflict-free minerals. We have been assured by a customer's Compliance Assurance System that we are compliant and responsible in our sourcing in 2019.

CORPORATE SOCIAL RESPONSIBILITY

The physical and mental well-being of our employees requires corporate attention and we strive to provide our employees with a positive, united and friendly team atmosphere. Not only do we host an annual team meeting to thank our employees, we also celebrate employee birthdays and hold tea parties for frontline production employees. In addition, our annual team building event had 80 employees attend in 2019 and participate in outdoor activities such as making dumplings, barbecues, dancing and sports. The activities promote employee communication and increase teamwork spirit and company cohesion in a relaxed environment.

Team Building

SUSTAINABILITY **REPORT**

We are dedicated to our role in bringing positive impact to the society in which we operate and create shared value. Focused on building sustainable business practices, we firmly believe that our continued success depends on our communities and partners, and we are committed to invest in and engage them. In 2019, we have undertaken various interventions to promote inclusivity and reached out to communities where we live and operate in.

Some of our initiatives are described below:

Blood Donation

We understand the significant impact each individual can have. Every 4 months, an area in BTH's facilities is converted into a clinically-prepared blood donation centre, where our employees are encouraged to donate blood. Our donations are voluntary, and we have contributed to saving lives and maintaining good health for those in need.

Tree Planting Drive

To increase environmental awareness, our employees planted 10 trees during our tree planting project with Hi-Tech Industrial Estate Authority of Thailand for the coronation of King Rama X, to encourage being responsible stewards of our planet.

SUSTAINABILITY REPORT

Helping Hands Activity: Lunch for Orphans

We believe every action can make a big difference, especially to orphans. Our employees visited the local Helping Hands Orphanage to provide mid-day meals and gifts and interacted with the children through games. We raised $2,997 from our charity market activity in April 2019, which was donated to the 220 orphans.

Volunteering at Broadway

We encourage an environment of volunteerism and ensure that our employees participate in various initiatives as a part of our corporate social responsibility.

6 April 2020

STATEMENT BY **DIRECTORS**

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

1. Opinion of the directors

In the opinion of the directors,

(a) the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are drawn up so as to give a true and fair view of the financial position of the group and of the company as at 31 December 2019 and of the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the reporting year ended on that date; and

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

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

2. Directors

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

Lew Syn Pau
Lee Chow Soon
Basil Chan (appointed on 1 December 2019)
Eu Yee Ming Richard
Ng Ah Hoy
Wong Yi Jia

3. Directors' interests in shares and debentures

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

Name of directors and companies in which interests are held	Direct interest: At beginning of the reporting year	Direct interest: At end of the reporting year	Deemed interest: At beginning of the reporting year	Deemed interest: At end of the reporting year
The company		Number of shares of no par value		
Lew Syn Pau	44,572,639	44,572,639	–	–
Lee Chow Soon	453,333	453,333	–	–
Eu Yee Ming Richard	147,333	147,333	–	–
Ng Ah Hoy	1,287,000	1,327,000	68,000	68,000

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures (Continued)

Name of directors and companies in which interests are held	Direct interests At beginning of the reporting year	At end of the reporting year
	Options to subscribe for ordinary share at $0.45 per share between 3 March 2011 and 3 March 2020	
The company		
Ng Ah Hoy	150,000	–
The company	Share awards to be delivered from	
Ng Ah Hoy		
– 2017 to 2019[(1)]	0 to 20,000	–
– 2018 to 2020[(2)]	0 to 30,000	0 to 20,000
– 2019 to 2021[(3)]	0 to 40,000	0 to 30,000
– 2020 to 2022[(4)]	0 to 40,000	0 to 40,000

(1) The number of shares to be delivered will depend on the achievement of set targets from 2016 to 2019.
(2) The number of shares to be delivered will depend on the achievement of set targets from 2017 to 2020.
(3) The number of shares to be delivered will depend on the achievement of set targets from 2018 to 2021.
(4) The number of shares to be delivered will depend on the achievement of set targets from 2019 to 2022.

The directors' interest as at 21 January 2020 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

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

5. Share options

The Broadway Industrial Group Limited Share Option Scheme 2001 (the "Scheme") of the company was approved and adopted by its members at an Extraordinary General Meeting held on 8 November 2001. The Scheme expired on 7 November 2011.

Other information regarding the Scheme is set out below:

- The options can be exercised 1 year after the grant date for market price options and 2 years after the grant date for incentive options. A further vesting period for the exercise of the options may be set.
- The exercise price of the incentive options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- All options are settled by physical delivery of shares.
- The options granted expire after 5 years for non-executive directors and 10 years for executive directors and employees.

STATEMENT BY DIRECTORS

5. Share options (Continued)

At the end of the reporting year, details of the options granted under the Scheme on the unissued ordinary shares of the company are as follows:

Date of grant	Exercise price per share $	Options outstanding as at 1 January 2019	Options forfeited in 2019	Options outstanding as at 31 December 2019	Number of option holders as at 31 December 2019	Exercise period
6 March 2009	0.070	16,000	(16,000)	–	–	06/03/2010 to 06/03/2019
3 March 2010	0.450	360,000	(220,000)	140,000	4	03/03/2011 to 03/03/2020
		376,000	(236,000)	140,000		

Details of options granted to directors of the company under the Scheme are as follows:

Name of director	Aggregate options granted since commencement of Scheme to 31 December 2019	Aggregate options exercised since commencement of Scheme to 31 December 2019	Aggregate options forfeited since commencement of Scheme to 31 December 2019	Aggregate options outstanding as at 31 December 2019
Lee Chow Soon	500,000	(200,000)	(300,000)	–
Eu Yee Ming Richard	365,000	(65,000)	(300,000)	–
Ng Ah Hoy	1,010,000	(860,000)	(150,000)	–

Since the commencement of the Scheme, except as disclosed above, no options have been granted to the controlling shareholders of the company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme.

The options granted by the company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

6. Share plan

The Broadway Industrial Group Limited Share Plan (the "Plan") of the company was approved and adopted by its members at an Extraordinary General Meeting held on 28 July 2010. The Plan is administered by the company's Remuneration Committee, comprising five directors, Eu Yee Ming Richard, Lee Chow Soon, Lew Syn Pau, Wong Yi Jia and Basil Chan.

The Plan is intended to reward, retain and motivate employees to higher standards of performance and encourage greater dedication and loyalty by enabling the company to give recognition to outstanding employees of the group and/or associated companies.

Awards will be released to participants as fully paid shares upon expiry of the prescribed vesting periods or retention periods and subject to conditions prescribed in the Plan.

STATEMENT BY DIRECTORS

6. **Share plan (Continued)**

Employees of the group shall be eligible to participate in the Plan subject to the absolute discretion of the Remuneration Committee. Non-executive directors of the group, controlling shareholders and their associates will not be eligible to participate in the Plan.

The actual number of shares awarded will depend on the achievement of set targets over a four-year period. This will be determined by the Remuneration Committee at the end of the qualifying performance period and released to the recipient over a four-year vesting period in the ratio of 0%, 25%, 25% and 50% consecutively.

At the end of the reporting year, details of the awards granted under the Plan on the unissued ordinary shares of the company are as follows:

Date of grant	Share awards not released as at 1 January 2019	Share awards vested in 2019	Share awards forfeited in 2019	Share awards not released as at 31 December 2019
4 April 2015	40,000	(40,000)	–	–
4 May 2015	40,000	(10,000)	(30,000)	–
4 June 2015	50,000	(50,000)	–	–
4 April 2016	75,000	(10,000)	(45,000)	20,000
4 May 2016	112,500	(37,500)	(10,000)	65,000
4 June 2016	15,000	(5,000)	–	10,000
4 June 2017	220,000	(30,000)	(115,000)	75,000
4 June 2018	240,000	–	(100,000)	140,000
	792,500	(182,500)	(300,000)	310,000

Details of share awards granted to directors of the company under the Plan are as follows:

Name of director	Share awards granted in 2019	Aggregate share awards granted since commencement of scheme to 31 December 2019	Aggregate share awards vested since commencement of scheme to 31 December 2019	Aggregate share awards granted and not released as at 31 December 2019
Ng Ah Hoy	–	375,000	(285,000)	90,000

Since the commencement of the Plan, except as disclosed above, no share awards have been granted to the controlling shareholders of the company or their associates and no participant under the Plan has been granted 5% or more of the total share awards available under the Plan.

The share awards granted by the company do not entitle the holders of the share awards, by virtue of such holding, to any rights to participate in any share issue of any other company.

The aggregate number of shares available under the Scheme, the Plan and any other applicable share-based schemes shall not exceed 15% of the company's total issued shares (excluding treasury shares).

Except for the Scheme and the Plan as disclosed above, there were no unissued shares of the company or its subsidiaries under options granted and shares awards granted by the company or its subsidiaries as at the reporting year ended 31 December 2019.

STATEMENT BY DIRECTORS

7. Audit committee

The members of the Audit Committee at the date of this statement are as follows:

Lee Chow Soon (Chairman)	Non-executive director
Lew Syn Pau	Non-executive director
Eu Yee Ming Richard	Non-executive director
Basil Chan	Non-executive director

The Audit Committee performs the functions specified in Section 201B of the Act, Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Code of Corporate Governance. Among other functions, the Audit Committee performed the following:

- Reviewed with the internal auditor, the scope of the internal audit plan and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management);
- Reviewed with the company's independent auditor, the audit plan, the results of the external audit procedures conducted, and internal control recommendations, if any, arising from the statutory audit;
- Reviewed the assistance provided by the company's officers to the internal and external auditors;
- Reviewed the financial information and annual financial statements of the group and the company prior to their submission to the Board of Directors of the company for adoption; and
- Reviewed interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees. Other functions performed by the Audit Committee are described in the Corporate Governance Report included in the Annual Report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The Audit Committee is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the external auditor, RSM Chio Lim LLP, be nominated for re-appointment as external auditor of the company at the forthcoming Annual General Meeting of the company.

In appointing the external auditor for the company and its subsidiaries, the Audit Committee has complied with Rules 712, 715 and 716 of the SG-X-ST Listing Manual.

STATEMENT BY DIRECTORS

8. Independent auditor

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

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 29 February 2020, which would materially affect the group's and the company's operating and financial performance as of the date of this statement.

On behalf of the directors

Lew Syn Pau Director	Lee Chow Soon Director

6 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

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

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to Note 1 in the financial statements, which indicates that the group incurred loss from continuing operations, net of tax of $15,044,000 during the reporting year ended 31 December 2019 and, as of that date, the group's current liabilities exceeded its current assets by $26,207,000. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Management is however of the view that the working capital available as at 31 December 2019 is sufficient for the Group's present cash flow requirements and for the 12 months subsequent to the reporting year end date for reasons discussed in Note 1. Consequently, management is of the opinion that the use of the going concern basis in the preparation of these financial statements is appropriate. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be key audit matters to be communicated in our report.

(1) Impairment assessment of the group's property, plant and equipment

As at 31 December 2019, the group's PPE amounted to $89,588,000, representing approximately 46% of the group's total assets.

The group's continuing operations relate solely to the Components CGU (see Note 35 for the definition of the Components CGU). The Component CGU incurred a loss, net of tax of $15,044,000 for the reporting year ended 31 December 2019. Additionally, the group's net assets as at 31 December 2019 amounting to $61,854,000 exceeded its market capitalisation of approximately $38 million as at 28 February 2020, by approximately $24 million. These are indications of possible impairment on the group's property, plant and equipment ("PPE").

Management has applied the fair value less cost of disposal method to determine the recoverable amount of the group's PPE. The fair value of the group's PPE is based on an independent valuation. In arriving at the fair value of the group's PPE, management exercised significant judgement in determining the valuation methodologies for the different classes of assets and applying the appropriate assumptions. There are also estimation uncertainties. Management's judgement applied, and the key assumptions and unobservable inputs used in the fair valuation of the group's PPE are disclosed in Note 13.

We assessed management's processes for the selection of its appointed external valuation expert, including the determination of the scope of work to be performed by the expert. We have also evaluated the competency of the external valuation expert by considering the expert's qualifications and relevant work experience.

With the assistance of our in-house valuation specialists, we assessed the appropriateness of the valuation methodologies adopted and assumptions applied by management by comparing against generally acceptable market practices. We also tested management's key inputs to the valuation by comparing them against available industry data.

We evaluated the adequacy of the disclosures included in the financial statements.

(2) Impairment assessment of the company's cost of investment in a subsidiary

The indications of possible impairment discussed in the key audit matter on impairment assessment of the group's property, plant and equipment above also apply to the company's cost of investment in BIGL Asia Pte Ltd ("BIGL Asia") as the group's Component CGU is held through BIGL Asia.

As at 31 December 2019, the net carrying amount of the company's cost of investment in BIGL Asia and receivables from BIGL Asia amounting to $91,400,000 and $22,201,000 respectively.

INDEPENDENT
AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

Key audit matters (Continued)

(2) Impairment assessment of the company's cost of investment in a subsidiary (Continued)

Management has applied the fair value less cost of disposal method to determine the recoverable amount of the company's investment in BIGL Asia. Management has estimated the fair value of the group's investment in BIGL Asia using the results of the external valuation of the group's PPE. In arriving at the fair value of the group's investment in BIGL Asia, management exercised significant judgement in determining the valuation methodologies for the different classes of assets and applying the appropriate assumptions. There are also estimation uncertainties. Management's judgement applied, and the key assumptions and unobservable inputs used in the fair valuation of the company's cost of investment in BIGL Asia are disclosed in Note 15.

We assessed management's processes for the selection of its appointed external valuation expert, including the determination of the scope of work to be performed by the expert. We have also evaluated the competency of the external valuation expert by considering the expert's qualifications and relevant work experience.

With the assistance of our in-house valuation specialists, we assessed the appropriateness of the valuation methodologies adopted and assumptions applied by management by comparing against generally acceptable market practices. We also tested management's key inputs to the valuation by comparing them against available industry data.

We evaluated the adequacy of the disclosures included in the financial statements.

(3) Contingent liabilities – statements of claims

Subsequent to the sale of the group's entire Foam Plastics Solutions and Flow Control Device businesses in December 2016, the group received statements of claims from the purchaser of its Disposed Businesses (see Note 11 for definition of Disposed Businesses) in relation to breach of warranties and the indemnities provided under the Sale and Purchase Agreement.

In February 2020, the group was served with two writs of summons in relation to certain of the statements of claims received earlier for the Disposed Businesses. The total claims under these two writs of summons were approximately $9.3 million, comprising RMB28.2 million (or approximately $5.6 million) plus $3.7 million (based on an exchange rate of RMB1:00 to $0.20).

The group has recorded accruals for certain claims in relation to the Disposed Businesses. Please refer to Note 32 to the financial statements. In determining the amounts to be accrued, management assessed the risk of loss to the group, based on their knowledge of the operations of the Disposed Businesses as well as the industrial and regulatory environment in which the Disposed Businesses were operating in. Management also relied on the opinion of the group's external legal counsel in its assessment. Significant management's judgement and estimates are required in determining whether an outflow of economic benefit is probable and the amounts of accruals for claims to be recorded as at 31 December 2019. Please refer to Notes 2C and 32 for management's assessment on the writs of summons and statements of claim received.

We reviewed the statement of claims and the supporting documents received. We discussed with management as well as the group's external legal counsel to understand the basis for the claims as well as ascertain the basis of the group's accruals for claims at the reporting year end.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

Auditor's responsibilities for the audit of the financial statements (Continued)

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

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

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

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

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

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

From the matters communicated with those charged with governance, 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 subsidiaries 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 Tan Wei Ling.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2020
Engagement partner – effective for the reporting year ended 31 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REPORTING YEAR ENDED 31 DECEMBER 2019

	Notes	Group 2019 $'000	Group 2018 $'000 (Reclassified)
Revenue	4	**305,673**	384,171
Cost of sales		**(295,270)**	(364,291)
Gross profit		**10,403**	19,880
Other income	5	**2,587**	3,043
Distribution expenses		**(2,307)**	(2,834)
Administrative expenses`		**(12,763)**	(12,353)
Sales and marketing expenses		**(654)**	(720)
Other expenses	5	**(10,295)**	(2,969)
Finance income	6	**36**	656
Finance costs	7	**(1,960)**	(1,900)
(Loss)/profit before income tax from continuing operations	8	**(14,953)**	2,803
Income tax expense	10	**(91)**	(1,139)
(Loss)/profit from continuing operations, net of tax		**(15,044)**	1,664
Loss from discontinued operations, net of tax	11	**(6,439)**	(13)
(Loss)/profit for the year		**(21,483)**	1,651
Other comprehensive (loss)/income			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations, net of tax		**(546)**	1,120
Total comprehensive (loss)/income		**(22,029)**	2,771
(Loss)/profit for the year attributable to:			
Owners of the parent		**(21,374)**	1,810
Non-controlling interests		**(109)**	(159)
		(21,483)	1,651
Total comprehensive (loss)/income attributable to:			
Owners of the parent		**(21,929)**	2,960
Non-controlling interests		**(100)**	(189)
		(22,029)	2,771

	Notes	2019 Cents	2018 Cents
(Loss)/earnings per share			
Basic	12		
Continuing operations		**(3.21)**	0.36
Discontinued operations		**(1.35)**	0.03
Total		**(4.56)**	0.39
Diluted	12		
Continuing operations		**(3.21)**	0.35
Discontinued operations		**(1.35)**	0.03
Total		**(4.56)**	0.38

The accompanying Notes form an integral part of these financial statements

STATEMENTS OF
FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	**89,588**	78,840	**72**	3
Right-of-use assets	14	**8,129**	–	**408**	–
Investments in subsidiaries	15	**–**	–	**91,400**	100,000
Other investments	16	**101**	101	**47**	47
Total non-current assets		**97,818**	78,941	**91,927**	100,050
Current assets					
Assets held-for-sale	17	**–**	19,423	**–**	–
Financial derivatives assets	18	**29**	–	**–**	–
Inventories	19	**35,829**	21,354	**–**	–
Trade and other receivables	20	**50,408**	72,771	**22,218**	23,818
Other assets	21	**762**	1,005	**1**	17
Cash and cash equivalents	22	**8,722**	11,527	**455**	1,120
Total current assets		**95,750**	126,080	**22,674**	24,955
Total assets		**193,568**	205,021	**114,601**	125,005
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	23	**113,163**	113,155	**113,163**	113,155
(Accumulated losses)/retained earnings	24	**(37,082)**	(15,708)	**(1,000)**	10,258
Other reserves	25	**(14,251)**	(13,639)	**31**	88
Equity, attributable to owners of the parent		**61,830**	83,808	**112,194**	123,501
Non-controlling interests		**24**	(1,572)	**–**	–
Total equity		**61,854**	82,236	**112,194**	123,501
Non-current liabilities					
Other liabilities	28	**1,496**	975	**–**	–
Lease liabilities, non-current	27	**6,459**	–	**268**	–
Other payables, non-current	29	**1,802**	2,311	**–**	–
Total non-current liabilities		**9,757**	3,286	**268**	–
Current liabilities					
Income tax payable		**7,507**	4,035	**5**	5
Financial derivatives liabilities	18	**–**	235	**–**	–
Loans and borrowings	30	**28,505**	39,407	**–**	–
Lease liabilities, current	27	**1,647**	–	**107**	–
Trade and other payables	31	**84,298**	75,822	**2,027**	1,499
Total current liabilities		**121,957**	119,499	**2,139**	1,504
Total liabilities		**131,714**	122,785	**2,407**	1,504
Total equity and liabilities		**193,568**	205,021	**114,601**	125,005

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

STATEMENTS OF **CHANGES IN EQUITY**

REPORTING YEAR ENDED 31 DECEMBER 2019

Group	Total equity $'000	Attributable to parent sub-total $'000	Share capital $'000	Accumulated losses $'000	Other reserves $'000	Non-controlling interests $'000
Current year:						
Opening balance at 1 January 2019	**82,236**	**83,808**	**113,155**	**(15,708)**	**(13,639)**	**(1,572)**
Total comprehensive loss for the year	**(22,029)**	**(21,929)**	**–**	**(21,374)**	**(555)**	**(100)**
Purchase of treasury shares (Note 25A)	**(42)**	**(42)**	**–**	**–**	**(42)**	**–**
Share-based payment (Notes 25A and 25C)	**(7)**	**(7)**	**8**	**–**	**(15)**	**–**
Acquisition of non-controlling interests without change in control	**–**	*****	**–**	*****	**–**	*****
Disposal of subsidiary	**1,696**	**–**	**–**	**–**	**–**	**1,696**
Closing balance at 31 December 2019	**61,854**	**61,830**	**113,163**	**(37,082)**	**(14,251)**	**24**
Previous year:						
Opening balance at 1 January 2018	79,560	80,943	113,147	(17,518)	(14,686)	(1,383)
Total comprehensive income/(loss) for the year	2,771	2,960	–	1,810	1,150	(189)
Purchase of treasury shares (Note 25A)	(127)	(127)	–	–	(127)	–
Share-based payment (Notes 25A and 25C)	32	32	8	–	24	–
Closing balance at 31 December 2018	82,236	83,808	113,155	(15,708)	(13,639)	(1,572)

* Denotes less than $1,000.

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

STATEMENTS OF
CHANGES IN EQUITY

REPORTING YEAR ENDED 31 DECEMBER 2019

Company	Total equity $'000	Share capital $'000	(Accumulated losses)/ retained earnings $'000	Other reserve $'000
Current year:				
Opening balance at 1 January 2019	**123,501**	**113,155**	**10,258**	**88**
Total comprehensive loss for the year	**(11,258)**	**–**	**(11,258)**	**–**
Purchase of treasury shares (Note 25A)	**(42)**	**–**	**–**	**(42)**
Share-based payment (Notes 25A and 25C)	**(7)**	**8**	**–**	**(15)**
Closing balance at 31 December 2019	**112,194**	**113,163**	**(1,000)**	**31**
Previous year:				
Opening balance at 1 January 2018	126,021	113,147	12,683	191
Total comprehensive loss for the year	(2,425)	–	(2,425)	–
Purchase of treasury shares (Note 25A)	(127)	–	–	(127)
Share-based payment (Notes 25A and 25C)	32	8	–	24
Closing balance at 31 December 2018	123,501	113,155	10,258	88

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

CONSOLIDATED STATEMENT OF CASH FLOWS

REPORTING YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000
Continuing operations		**(Reclassified)**
Cash flows from operating activities		
(Loss)/profit before income tax	**(14,953)**	2,803
Depreciation of property, plant and equipment	**13,380**	14,755
Depreciation of right-of-use assets	**1,713**	–
Losses/(gains) on disposal of property, plant and equipment	**63**	(81)
Equity-settled share-based payment transactions	**(7)**	33
Fair value (gains)/losses on financial derivatives, net	**(264)**	233
Loss on disposal of asset held-for-sale	**–**	118
Inventories written off	**667**	–
Allowance for inventory obsolescence	**1,030**	–
Allowance for doubtful receivables	**686**	–
Provision for costs associated with product quality	**833**	–
Impairment loss on property, plant and equipment	**27**	–
Interest expense	**1,960**	1,900
Interest income	**(36)**	(656)
Operating cash flows before changes in working capital	**5,099**	19,105
Inventories	**(17,085)**	6,288
Trade and other receivables	**21,577**	(16,188)
Other assets	**181**	1,637
Trade and other payables	**7,929**	(25,933)
Other liabilities	**540**	105
Net cash flows from/(used in) operations	**18,241**	(14,986)
Income tax paid	**(239)**	(691)
Net cash flows from/(used in) operating activities	**18,002**	(15,677)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(6,674)**	(17,069)
Proceeds from disposal of property, plant and equipment	**5**	216
Proceeds from disposal of asset held-for-sale	**–**	314
Deferred consideration received	**–**	14,000
Interest income received	**36**	89
Net cash flows used in investing activities	**(6,633)**	(2,450)
Cash flows from financing activities		
Proceeds from bank borrowings	**259,435**	55,348
Repayment of bank borrowings	**(271,671)**	(28,196)
Payment of finance lease liabilities	**–**	(297)
Payment for principal portion of lease liabilities	**(1,746)**	–
Repurchase of own shares	**(42)**	(127)
Interest expense paid	**(1,960)**	(1,900)
Net cash flows (used in)/from financing activities	**(15,984)**	24,828
Net (decrease)/increase in cash and cash equivalents	**(4,615)**	6,701
Discontinuing operations		
Net cash flows from/(used in) operating activities	**110**	(12,988)
Net cash flows used in investing activities	**(53)**	–
Net cash flows used in financing activities	**(162)**	(33)
Net decrease in cash and cash equivalents	**(105)**	(13,021)
Net decrease in cash and cash equivalents	**(4,720)**	(6,320)
Cash and cash equivalents, beginning balance	**11,522**	18,054
Effect of exchange rate fluctuations on cash held	**1,915**	(212)
Cash and cash equivalents, ending balance (Note 22)	**8,717**	11,522

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

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. GENERAL

Broadway Industrial Group Limited (the “company”) is incorporated in Singapore with limited liability. The company is listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The financial statements are presented in Singapore Dollar (“$”) and they cover the company and the subsidiaries (collectively, the “group”). All financial information in these financial statements are rounded to the nearest thousand (“$’000”) except when otherwise indicated.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The company is an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 15 below.

The registered office of the company is located at 3 Fusionopolis Way #13-26, Symbiosis Tower, Singapore 138633. The company’s principal place of business is in Singapore.

Basis for going concern

The Group incurred loss from continuing operations, net of tax of $15,044,000 during the reporting year ended 31 December 2019 and, as of that date, the Group recorded a negative working capital (current liabilities exceeded the current assets) of $26,207,000 as compared to a positive working capital of $6,581,000 as at 31 December 2018. The negative working capital was mainly due to the reclassification of asset held-for-sale of $19,423,000 from current asset to non-current property, plant and equipment (Note 13) and higher utilisation of trade receivables financing instead of bank loans as at 31 December 2019.

Notwithstanding the negative working capital position, the management is of the view that the working capital available as at 31 December 2019 is sufficient for the Group’s present cash flow requirements and for the following 12 months. In arriving at this conclusion, management took into account the Group’s ability to generate sufficient cash flows from its operating activities to support its operating expenses and capital expenditure in the next 12 months, the credit facilities available to the Group, the existing cash and cash equivalents and the impact that COVID-19 (see Note 36(v)) may have on the group’s operations based on current available information. Management is also of the view that the banks will not request for immediate payment of the outstanding loans mentioned above and continue to provide financial support to the group as and when required. Consequently, management is of the opinion that the use of the going concern basis in the preparation of these financial statements is appropriate.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group may need to reclassify non-current assets and may have to provide for further liabilities that may arise. No such adjustments have been made to these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. GENERAL (CONTINUED)

Statement of compliance with financial reporting standards

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

Accounting convention

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

Basis of preparation of the financial statements

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

Basis of presentation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

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

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

Other income

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statement of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The group's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the group in an independently administered fund. The group contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the group is contractually obliged or where there is constructive obligation based on past practice.

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Employee benefits (Continued)

The group has obligations in respect of severance payments that it must make to its employees of its subsidiary in Thailand, upon their retirement under the Thailand Labour Law. The group treats these severance payment obligations as a defined benefit plan. Under the defined benefit plan contributions are set at a level that is expected to be sufficient to pay the benefits falling due in the same period, and future benefits earned during the current period will be paid out of future contributions and the employees' benefits are determined by their length of their service. Such a plan creates actuarial risk for the group: if the ultimate cost of benefits already earned at the end of the reporting period is more than expected, the group would have to either increase its contributions or to persuade employees to accept a reduction in benefits.

Share-based compensation

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

Benefits to employees are also provided in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ("equity-settled transactions"). The fair value of the employee services rendered is measured by reference to the fair value of the shares awarded or rights granted, excluding the impact of any non-market vesting conditions. These are fair valued based on the market price of the company's shares. This fair value amount is charged to profit or loss over the vesting period of the share-based payment scheme, with the corresponding increase in equity. The value of the charge is adjusted in profit or loss over the remainder of the vesting period to reflect expected and actual quantities vesting, with the corresponding adjustment made in equity. Cancellations of grants of equity instruments during the vesting period (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied) are accounted for as an acceleration of vesting, therefore any amount unrecognised that would otherwise have been charged is recognised immediately in profit or loss.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest method.

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Foreign currency transactions

The functional currency of the company is the Singapore Dollar as it reflects the primary economic environment in which the company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and loss are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The presentation is in the functional currency.

Translation of financial statements of other entities

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

Income tax

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

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses.

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

Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets as follows:

Leasehold land	–	26 to 50 years (period of lease)
Buildings	–	16 to 47 years
Leasehold improvements	–	1 to 5 years
Plant and machinery	–	2 to 10 years
Office equipment and furniture	–	3 to 5 years
Motor vehicles	–	5 years

Freehold land has an unlimited useful life and therefore not depreciated.

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

The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

The gain or loss arising from the derecognition of an item of property, plant and equipment is measured as the difference between the net disposal proceeds, if any, and the carrying amount of the item and is recognised in profit or loss.

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property plant and equipment. The estimated useful lives of the right-of-use assets are as follows:

Buildings	–	1 to 6 years (period of lease).

Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Subsidiaries (Continued)

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

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the company as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the company. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income is attributed to the owners of the company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Impairment of non-financial assets

The carrying amount of non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year, non-financial assets with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation, if no impairment loss had been recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Inventories

Inventories are measured at the lower of cost (first-in-first-out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of overheads based on normal operating capacity.

Financial instruments

Recognition and derecognition of financial instruments

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

Classification and measurement of financial assets

#1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

#2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.

#3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Financial instruments (Continued)

Classification and measurement of financial liabilities

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

Cash and cash equivalents

Cash and cash equivalents include bank and cash balances and on demand deposits. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction.

Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics (a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-to-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2A. Significant accounting policies (Continued)

Fair value measurement

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

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

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

2B. Other explanatory information

Segment reporting

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

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2B. Other explanatory information (Continued)

Assets classified as held-for-sale

Identifiable assets and liabilities and any disposal groups are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by the financial reporting standard on non-current assets held for sale and discontinued operations in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

In addition, the results of discontinued operations are presented separately in profit or loss. A discontinued operation is a component of the business that represents a separate major line of business or geographical area of operations that has been sold, or classified as held-for-sale or has been abandoned. They are shown separately in profit or loss and comparative figures are restated to reclassify them from continuing to discontinued operations.

Treasury shares

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

2C. Critical judgements, assumptions and estimation uncertainties

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Impairment assessment of the group's property, plant and equipment:

The group assesses at each statement of financial position date, whether there is any objective evidence that the group's property, plant and equipment are impaired. Where there is objective evidence of impairment, management will determine the recoverable amount of the property, plant and equipment based on the fair value less costs of disposal method. In arriving at the fair value of the group's property, plant and equipment, management, in consultation with its independent professional valuers, exercised significant judgement in determining the valuation methodologies for the different classes of assets and applied appropriate assumptions in determining the unobservable inputs used in the fair valuation of the group's property, plant and equipment. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the subsidiaries. The carrying amount of the group's property, plant and equipment at the end of the reporting year, management's judgement applied, and the key assumptions and unobservable inputs used in the fair valuation of the group's PPE are disclosed in Note 13 below.

Impairment assessment of the company's cost of investment in the subsidiary:

The company assesses at each statement of financial position date whether there is any objective evidence that the company's investment in the subsidiary are impaired. Where there is objective evidence of impairment, management will determine the recoverable amount of the investment in subsidiary based on the fair value less costs of disposal method similar to the group's property, plant and equipment above. The carrying amount of the company's cost of investment in subsidiary at the end of the reporting year, management's judgement applied, and the key assumptions and unobservable inputs used in the fair valuation of the company's cost of investment in the subsidiary are disclosed in Note 15 below.

Contingent liabilities – Statements of claims:

The group has received statements of claims from the purchaser of its Disposed Businesses (see Note 11 for definition of Disposed Businesses) in relation to breach of warranties and the indemnities provided under the Sale and Purchase Agreement. Subsequent to the reporting year end, the group was served with two writs of summons, which were in relation to some of the statements of claims received earlier for the Disposed Businesses. In determining the amount of claims to be accrued, management assessed the risk of loss to the group, based on their knowledge of the operations of the Disposed Businesses as well as the industrial and regulatory environment in which the Disposed Businesses were operating in. Management also relied on the opinion of the group's external legal counsel in its assessment. Significant management's judgement and estimates are required in determining whether an outflow of economic benefit is probable and the amounts of accruals for claims to be recorded as at 31 December 2019. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the accruals made. Information relating to the statement of claims is disclosed in Note 32 below.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONTINUED)

2C. Critical judgements, assumptions and estimation uncertainties (Continued)

Accounting for right-of-use assets and its lease liabilities:

The group assesses at the date of initial adoption of SFRS(I) 16, whether there is reasonable certainty that the group may exercise the extension options in the lease agreements. Extension options are included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option, such as the group's strategic direction, the proximity of the locations to major customers, remaining value of the leasehold improvements etc. The carrying amount of the group's right-of-use assets and lease liabilities at the end of the reporting year are disclosed in Notes 14 and 27 to the financial statements respectively.

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

The ultimate controlling party is Mdm Lau Leok Yee, the mother of Wong Yi Jia, who is a director of the company.

3A. Related party transactions

There are transactions and arrangements between the group and its related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

	Group	
	2019	**2018**
	$'000	**$'000**
Fees payable to a firm of which a director is a member	**34**	49

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3B. Key management compensation

	Group 2019 $'000	Group 2018 $'000
Directors' fees	**384**	380
Salaries and other short-term employee benefits	**1,265**	1,190
Post-employment benefits	**57**	33
Share-based payments	**4**	11
	1,710	1,614

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

	Group 2019 $'000	Group 2018 $'000
Directors' fees	**384**	380
Remuneration of directors of the company	**503**	799

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

Certain directors also participate in the Broadway Industrial Group Limited Share Option Scheme 2001 and the Broadway Industrial Group Limited Share Plan (refer to Note 26 for details).

Further information about the remuneration of individual directors is provided in the Corporate Governance Report in the Annual Report.

4. REVENUE

	Group 2019 $'000	Group 2018 $'000 (Reclassified)
Sale of goods	**305,673**	384,171

The customers are mainly manufacturers in the hard disk drive industry. The revenue from the sales of goods are recognised at a point in time and all the contracts are less than 12 months.

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. OTHER INCOME AND (OTHER EXPENSES)

	Group	
	2019	2018
	$'000	$'000
		(Reclassified)
Allowance for inventory obsolescence	(1,030)	–
Allowance for doubtful receivables	(686)	–
Foreign currency exchange (losses)/gains, net	(5,167)	699
Government grant income	665	732
Inventories written off	(1,533)	–
(Losses)/gains on disposal of property, plant & equipment	(63)	81
Loss on disposal of an asset held-for-sale	–	(118)
Property, plant and equipment written off	(27)	–
Provision for costs associated with product quality	(833)	–
Redundancy costs	(895)	(2,847)
Scrap income	1,280	1,653
Unrealised fair value gains/(losses) on financial derivatives, net	264	(233)
Others	317	107
	(7,708)	74
Presented in profit and loss as follows:		
Other income	2,587	3,043
Other expenses	(10,295)	(2,969)
	(7,708)	74

6. FINANCE INCOME

	Group	
	2019	2018
	$'000	$'000
Interest income on fixed deposits	36	84
Interest accretion on deferred consideration	–	567
Others	–	5
	36	656

7. FINANCE COSTS

	Group	
	2019	2018
	$'000	$'000
		(Reclassified)
Factoring charges	748	979
Interest expense on bank loans	1,165	908
Interest expense on lease liabilities	40	–
Others	7	13
	1,960	1,900

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

8. ITEMS IN PROFIT OR LOSS

In addition to the profit and loss line items disclosed elsewhere in the Notes to the financial statements, this item includes the following expenses:

	Group	
	2019	**2018**
	$'000	**$'000**
		(Reclassified)
Audit fees to:		
– independent auditor of the company	**106**	108
– other auditors	**135**	116
Energy costs	**8,494**	8,744
Professional fees	**2,078**	873
Repair and maintenance charges	**4,640**	5,201

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019	**2018**
	$'000	**$'000**
		(Reclassified)
Salaries, bonuses and other costs	**47,035**	53,571
Contributions to		
– defined benefit plans	**580**	338
– defined contribution plans	**4,869**	6,505
Equity-settled share-based payment transactions	**(7)**	33
	52,477	60,447
Included in profit and loss as follows:		
Cost of sales	**46,522**	53,987
Distribution expenses	**–**	11
Administrative expenses	**5,377**	5,856
Sales and marketing expenses	**578**	593
	52,477	60,447

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. INCOME TAX

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

	Group	
	2019	**2018**
	$'000	**$'000**
		(Reclassified)
Continuing operations		
Current income tax expense	**18**	575
Under adjustment to current tax in respect of prior years	**73**	564
Sub-total	**91**	1,139
Discontinuing operations		
Current income tax expense	**–**	9
Under adjustment to current tax in respect of prior years	**3,716**	–
Sub-total	**3,716**	9
Total income tax expense	**3,807**	1,148

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

	Group	
	2019	**2018**
	$'000	**$'000**
		(Reclassified)
(Loss)/profit before income tax		
– Continuing operations	**(14,953)**	2,803
– Discontinuing operations	**(2,723)**	(4)
	(17,676)	2,799
Income tax expense at the above rate	**(3,005)**	476
Effect of different tax rates in different countries	**(274)**	688
Expenses not deductible for tax purposes	**1,112**	1,074
Income not subject to tax	**(991)**	(433)
Income taxed at preferential tax rates outside Singapore	**2,822**	(202)
Deferred tax assets not recognised	**814**	43
Utilisation of previously unrecognised tax losses	**(460)**	(1,062)
Under adjustments to current tax in respect of prior years	**3,789**	564
Total income tax expense	**3,807**	1,148

10. INCOME TAX (CONTINUED)

10A. Components of income tax expense recognised in profit or loss (Continued)

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

Tax sparing credits are available to a subsidiary incorporated in the Republic of Mauritius, BIGL Asia Pacific Ltd, whereby the subsidiary is entitled to a tax credit equivalent to the higher of the actual foreign tax paid and a deemed credit of 80% of the tax on its foreign source income, thus reducing its effective tax rate to 3% (2018: 3%).

BIGL Technologies (Thailand) Co., Ltd, a subsidiary in Thailand, is under tax holiday in accordance with the provisions of Thailand's Industrial Investment Promotion Act of B.E. 2520 that grants exemption from payment of corporate income tax for a period of seven years from the date on which the income is first derived from the promoted business. The exemption has been renewed in 2017 and the tax holiday expires in 2024.

10B. Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following tax losses of certain subsidiaries:

	Group	
	2019	**2018**
	$'000	**$'000**
Expiring within:		
Within one year	**14,168**	67
Between one and three years	**19,941**	36,962
Between three and five years	**11,118**	3,229
More than five years	**17,046**	19,931
	62,273	60,189

These tax losses are subject to agreement by tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Deferred tax assets have not been recognised in respect of the tax losses because it is not probable that future taxable profit will be available in the relevant entities against which the group can utilise the benefits therefrom.

10C. Unrecognised deferred tax liabilities

A deferred tax liability of approximately $1,091,000 (2018: $1,410,000) has not been recognised for taxes that would be payable on the undistributed earnings of the group's foreign subsidiaries as the group is able to control the timing of the reversal of the taxable temporary difference and has determined that these undistributed earnings will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

11. LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX

Foam Plastics Solutions and Flow Control Device businesses (the "Disposed Businesses")

On 30 December 2016, management disposed the group's entire Foam Plastics Solutions and Flow Control Device businesses (the "Disposed Businesses") following a strategic decision to unlock value for the company's shareholders and to provide its continuing businesses an additional source of funds to repay existing bank loans and future working capital requirements.

Under the Sale and Purchase Agreement entered between the company and the purchaser, the company provided certain warranties and the indemnities to the purchaser, among which include the tax liabilities of the Disposed Businesses prior to 30 December 2016.

On 6 December 2019, the group received a tax notice from the tax authorities of the People's Republic of China in relation to the underpayment of the 2007 to 2016 tax liabilities of a subsidiary within the Disposed Businesses amounting to RMB19 million (approximately $3.7 million) plus interest and penalties amounting to RMB6 million (approximately $1.2 million).

ComTech Manufacturing Solutions LLC ("CMS")

On 22 July 2019, the group disposed off its 48% equity interests in CMS to the non-controlling interests for $1.

As CMS constitutes majority of the group's operations in United States of America, the entire results of CMS, together with the profit and loss of the Disposed Businesses, have been presented separately on the statement of profit or loss and other comprehensive income as "Discontinued operations" as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
		(Reclassified)
Revenue	**976**	2,760
Cost of sales	**(817)**	(2,300)
Gross profit	**159**	460
Other income	**887**	308
Distribution expenses	**(103)**	(338)
Administrative expenses	**(230)**	(385)
Sales and marketing expenses	**(28)**	(47)
Finance cost	**(14)**	(2)
Other expense	**(3,394)**	–
Loss before income tax	**(2,723)**	(4)
Income tax expense	**(3,716)**	(9)
Loss from discontinued operations	**(6,439)**	(13)
Included in other income and (other expenses) above:		
Gain arising from exercising put option (Note 15C)	**880**	–
Loss on disposal of discontinued operations, net of tax	**(2,153)**	–
Tax penalties	**(1,241)**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. EARNINGS PER SHARE

The numerators and denominators used to calculate basic and diluted earnings per share of no par value are as follows:

	Group	
	2019	**2018**
	$'000	**$'000**
		(Reclassified)
Numerators:		
(Loss)/profit attributable to owners –		
– Continuing operations	**(15,044)**	1,664
– Discontinued operations	**(6,330)**	146
	(21,374)	1,810

	No. of shares	
	2019	**2018**
	'000	**'000**
Denominators:		
Weighted average number of equity shares (basic)	**468,609**	469,987
Dilutive share options effect	**–**	5
Unreleased share awards effect	**444**	828
Weighted average number of equity shares (diluted)	**469,053**	470,820

Basic and diluted earnings per share are calculated by dividing profit or loss, net of tax for the reporting year attributable to owners of the parent by the weighted average number of equity shares. The weighted average number of equity shares refers to shares in issue outstanding during the reporting year. It is after the neutralisation by the treasury shares.

The dilutive effect derives from transactions such as share options (Note 26A) and share awards (Note 26B). The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the reporting year and (2) shares of ordinary share issuable upon assumed exercise of share options which (if any) would have a dilutive effect.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Leasehold land $'000	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Office equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Cost:									
At 1 January 2018	1,707	–	3,713	24,411	207,817	4,532	551	6,775	249,506
Additions	–	–	–	85	5,051	102	101	9,763	15,102
Disposal	–	–	–	–	(4,025)	(341)	(175)	–	(4,541)
Reclassifications	–	–	–	5,740	(3,246)	80	–	(2,574)	–
Foreign exchange adjustments	35	–	74	555	4,153	69	11	217	5,114
At 31 December 2018	1,742	–	3,787	30,791	209,750	4,442	488	14,181	265,181
Additions	–	–	–	284	3,190	92	–	2,032	5,598
Disposal	–	–	–	(254)	(10,823)	(636)	(230)	–	(11,943)
Reclassifications	–	–	–	790	7,430	–	80	(8,300)	–
Transfer from Assets held-for-sale (Note 17)	–	1,342	21,672	6,015	–	–	–	–	29,029
Written off	–	–	–	(5)	(60)	(9)	–	–	(74)
Foreign exchange adjustments	(23)	(16)	(309)	(479)	(2,704)	(48)	(5)	(101)	(3,685)
At 31 December 2019	**1,719**	**1,326**	**25,150**	**37,142**	**206,783**	**3,841**	**333**	**7,812**	**284,106**

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land $'000	Leasehold land $'000	Buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Office equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation and impairment losses:									
At 1 January 2018	–	–	2,348	9,817	155,536	4,194	499	–	172,394
Depreciation for the year	–	–	187	1,227	13,145	192	36	–	14,787
Disposals	–	–	–	–	(3,894)	(337)	(175)	–	(4,406)
Foreign exchange adjustments	–	–	49	211	3,218	79	9	–	3,566
At 31 December 2018	–	–	2,584	11,255	168,005	4,128	369	–	186,341
Depreciation for the year	–	–	189	1,484	11,505	169	51	–	13,398
Disposals	–	–	–	(254)	(10,737)	(634)	(224)	–	(11,849)
Transfer from Assets held-for-sale (Note 17)	–	252	4,073	4,873	–	–	–	–	9,198
Written off	–	–	–	(3)	(37)	(7)	–	–	(47)
Foreign exchange adjustments	–	(3)	(84)	(219)	(2,170)	(44)	(3)	–	(2,523)
At 31 December 2019	**–**	**249**	**6,762**	**17,136**	**166,566**	**3,612**	**193**	**–**	**194,518**
Carrying value:									
At 1 January 2018	1,707	–	1,365	14,594	52,281	338	52	6,775	77,112
At 31 December 2018	1,742	–	1,203	19,536	41,745	314	119	14,181	78,840
At 31 December 2019	**1,719**	**1,077**	**18,388**	**20,006**	**40,217**	**229**	**140**	**7,812**	**89,588**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold improvement $'000	Plant and machinery $'000	Office equipment and furniture $'000	Total $'000
Cost:				
At 1 January 2018	–	49	225	274
Additions	–	–	2	2
At 31 December 2018	–	49	227	276
Additions	59	–	13	72
At 31 December 2019	**59**	**49**	**240**	**348**
Accumulated depreciation:				
At 1 January 2018	–	49	216	265
Depreciation	–	–	8	8
At 31 December 2018	–	49	224	273
Depreciation	–	–	3	3
At 31 December 2019	**–**	**49**	**227**	**276**
Carrying value:				
At 1 January 2018	–	–	9	9
At 31 December 2018	–	–	3	3
At 31 December 2019	**59**	**–**	**13**	**72**

Allocation of the depreciation expense:

	Group 2019 $'000	Group 2018 $'000
Cost of sales	**13,139**	14,555
Distribution expenses	**31**	12
Administrative expenses	**228**	220
	13,398	14,787

Security

The carrying values of the group's property, plant and equipment that have been pledged as securities for financing activities (Note 30) are as follows:

	Group 2019 $'000	Group 2018 $'000
Land and buildings	**11,897**	–
Plant and machinery	**–**	33

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment

The group's property, plant and equipment are fully attributable to the Component CGU (see Note 35 for the definition of the Components CGU), which incurred a loss, net of tax of $15,044,000 for the reporting year ended 31 December 2019. In accordance with the requirements of the financial reporting standards on property, plant and equipment and impairment of assets, management performed an impairment assessment on the carrying value of the group's property, plant and equipment.

Management had applied the fair value less cost of disposal method to determine the recoverable amount of the group's property, plant and equipment. The fair value was determined by an external independent valuation expert as at the reporting year end without taking into consideration the impact of COVID-19 (see Note 36(v)) and management had estimated the costs of disposal. The fair value measurement is categorised as Level 3 of the fair value hierarchy. The quantitative information and key assumptions used in the fair value less cost of disposal method are disclosed in the table below.

Type of asset	Valuation technique	Unobservable inputs	Range of unobservable inputs
Land use rights	Direct market comparison approach	China: Average selling price per square metre	RMB2,220 per sq m
		Thailand: Average selling price per square metre	THB2,641 per sq m
Leasehold land	Profit rent method	Thailand: Market rental rate per square metre	THB2,641 per sq m
Buildings	Depreciated replacement cost approach	China: Construction industry index	107 – 189
		Thailand: General inflation index	0 – 5
Leasehold improvements	Depreciated replacement cost approach	China: Construction industry index	96 – 1175
		Thailand: General inflation index	0 – 5
Plant and machinery	Depreciated replacement cost approach	China: Purchaser price index	92 – 111
		Thailand: Consumer price index	86 – 114

Based on the assessment, management determined that there is no impairment in the carrying value of the group's property, plant and equipment as at the end of the reporting year (2018: Nil) as the recoverable amount was higher than the carrying value.

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Impairment assessment (Continued)

Sensitivity analysis:

Type of asset	Unobservable inputs	Impact on recoverable amount when unobservable input increases hypothetically by 10% $'000	Impact on recoverable amount when unobservable input decreases hypothetically by 10% $'000
Land use rights	China: Average selling price per square metre	1,155	(1,155)
	Thailand: Average selling price per square metre	282	(282)
Leasehold land	Thailand: Market rental rate per square metre	17	(17)
Buildings	China: Construction industry index	2,268	(2,069)
	Thailand: General inflation index	1,035	(1,035)
Leasehold improvements	China: Construction industry index	818	(820)
	Thailand: General inflation index	2,437	(2,381)
Plant and machinery	China: Purchaser price index	1,881	(749)
	Thailand: Consumer price index	2,650	(1,806)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

14. RIGHT-OF-USE ASSETS

	Buildings and office $'000
Group	
Costs:	
At 31 December 2018	–
Impact on adoption of SFRS(I) 16 (Note 37)	10,475
At 1 January 2019 – restated	10,475
Additions	430
Disposal	(1,184)
Translation adjustment	(1,121)
At 31 December 2019	**9,600**
Accumulated depreciation:	
At 31 December 2018	–
Impact on adoption of SFRS(I) 16 (Note 37)	–
At 1 January 2019 – restated	–
Depreciation for the year	1,856
Disposal	(367)
Translation adjustment	(18)
At 31 December 2019	**1,471**
Carrying value:	
At 31 December 2018	–
At 31 December 2019	**8,129**

	Office $'000
Company	
Costs:	
At 31 December 2018	–
Impact on adoption of SFRS(I) 16 (Note 37)	225
At 1 January 2019 – restated	225
Additions	430
Disposal	(225)
At 31 December 2019	**430**
Accumulated depreciation:	
At 31 December 2018	–
Impact on adoption of SFRS(I) 16 (Note 37)	–
At 1 January 2019 – restated	–
Depreciation for the year	247
Disposal	(225)
At 31 December 2019	**22**
Carrying value:	
At 31 December 2018	–
At 31 December 2019	**408**

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

14. RIGHT-OF-USE ASSETS (CONTINUED)

Allocation of the depreciation expense:

	Group	
	2019	**2018**
	$'000	**$'000**
Cost of sales	**1,514**	–
Administrative expenses	**342**	–
	1,856	–

The right-of-use assets are in relation to the group's office premises, factories and dormitories. Information about the leasing activities relating to these right-to-use assets as at the reporting year end are summarised below:

	Buildings and office
Number of right-to-use assets	7
Remaining term – range	1 – 6 years
Remaining term – average	3.5 years
Number of leases with extension options	2
Number of leases with termination options	1

For these underlying assets, their expected useful lives are determined by reference to comparable owned assets or the lease term, if shorter. Material residual value estimates and estimates of useful life are updated as required annually. Impairment loss allowance is provided if it is determined that the right-of-use asset is impaired.

The right-of-use assets for operating leases in existence as at 1 January 2019 do not include initial direct costs.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	**2018**
	$'000	**$'000**
Unquoted equity shares at cost	**125,456**	125,456
Less: Allowance for impairment	**(34,056)**	(25,456)
Net carrying value	**91,400**	100,000
Movements in cost:		
Balance at beginning and end of the year	**125,456**	125,456
Movements in allowance for impairment:		
Balance at beginning of the year	**25,456**	25,456
Impairment loss charged to profit or loss	**8,600**	–
Balance at end of the year	**34,056**	25,456

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

15A. Significant subsidiaries of the group

Name of subsidiaries, country of incorporation, place of operations and principal activities and independent auditor	Cost of investment		Effective equity held	
	2019 $'000	2018 $'000	2019 %	2018 %
Held by the company				
BIGL Asia Pte. Ltd.[(a)] Investment holding Singapore	**125,456**	125,456	**100**	100
Held through BIGL Asia Pte. Ltd.				
BIGL Asia Pacific Ltd[(b)] Distribution of precision machined components Republic of Mauritius People's Republic of China			**100**	100
BIGL Technologies (Thailand) Co., Ltd.[(b)] Manufacturer of precision machined components and the sub-assembly of actuator arms Thailand			**99.99**	99.99
BIGL Technologies (Shenzhen) Co., Ltd[(c)] Manufacturer of precision machined components People's Republic of China			**100**	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

15. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

15A. Significant subsidiaries of the group (Continued)

Name of subsidiaries, country of incorporation, place of operations and principal activities and independent auditor	**Cost of investment**		**Effective equity held**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**%**	**%**
Held through BIGL Asia Pte. Ltd. (Continued)				
BIGL Technologies (Wuxi) Co., Ltd(c) Manufacturer of precision machined components and the sub-assembly of actuator arms People's Republic of China			**100**	100
BIGL Technologies (Chongqing) Co., Ltd(c) Manufacturer of precision components People's Republic of China			**100**	100
BIGL Technologies (Suzhou) Co., Ltd(d)* Manufacturer of precision machined components People's Republic of China			**100**	100
Compart Engineering, Inc.(d) Investment holding United States of America			**100**	100
BIGL Holdings Pte. Ltd.(a) Business and management consultancy services Singapore			**100**	100
Held through BIGL Holdings Pte. Ltd.				
BIGL Technologies (Thailand) Co., Ltd.(b) Manufacturer of precision machined components and the sub-assembly of actuator arms Thailand			**#**	–
BIGL Management Consultancy (Shenzhen) Co., Ltd(d) Business and management consultancy services People's Republic of China			**100**	100
Held through Compart Engineering, Inc.				
ComTech Manufacturing Solutions LLC^ Manufacturer of precision machined components United States of America			**–**	48

* Owns 40% (2018: 40%) equity interests in Shanghai Kiddy Children's Products Co., Ltd, incorporated in People's Republic of China, which is not material to the group.
# Holds less than 0.01% pursuant to an acquisition from non-controlling interests for Nil consideration.
^ Disposed during the reporting year.
(a) Audited by RSM Chio Lim LLP, Singapore.
(b) Audited by member firms of RSM International of which RSM Chio Lim LLP is a member.
(c) Audited by SBA Stone Forest CPA Ltd, an affiliated firm of RSM Chio Lim LLP, for consolidation purpose.
(d) Not audited as these subsidiaries are not material to the group.

The Group does not have subsidiaries with material non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

15B. Disposal of subsidiaries in 2019

On 22 July 2019, the group disposed its 48% equity interests in ComTech Manufacturing Solutions LLC to the non-controlling interests for $1. Details of the consideration received, the assets and liabilities of ComTech Manufacturing Solutions LLC disposed, and the effects on the cash flows of the group, are as follows:

	Net carrying amounts $'000
Property, plant and equipment	25
Right-of-use assets	807
Trade and other receivables	319
Inventories	484
Cash and cash equivalents	53
Trade and other payables	(368)
Other liabilities	(863)
Net identifiable assets disposed	457
Less: Non-controlling interests	1,696
Share of net identifiable assets disposed	2,153
Less: Loss on disposal (Note 11)	(2,153)
Consideration received/receivable	*
Less: cash and cash equivalents disposed	(53)
Net cash outflows on disposal	(53)

* Denotes less than $1,000.

15C. Acquisitions of subsidiaries in 2018

In 2016, as part of the disposal of the Disposed Businesses (Note 11), the group entered into a call and put option agreement with the purchaser of the Disposed Businesses to re-acquire BIGL Management Consultancy (Shenzhen) Co., Ltd within two years from the option agreement dated 30 December 2016 at a consideration of $1. Under the option agreement, the purchaser undertakes to the group that, as at exercise of the option, BIGL Management Consultancy (Shenzhen) Co., Ltd, will have a minimum amount cash in Chinese Renminbi equivalent to $14 million in its bank account with no other assets and liabilities. Accordingly, the group continued to account for BIGL Management Consultancy (Shenzhen) Co., Ltd as a subsidiary as it has an option to re-acquire this entity.

On 14 June 2018, the company and the purchaser entered into a supplemental agreement whereby it was agreed that, upon the exercise of the option agreement:

(a) The group will acquire both BIGL Holdings Pte Ltd and BIGL Management Consultancy (Shenzhen) Co., Ltd for cash consideration of $1; and

(b) BIGL Management Consultancy (Shenzhen) Co., Ltd will, as at date of acquisition, have a minimum amount of approximately US$2,343,000 and Chinese Renminbi equivalent of US$10,167,000 less RMB501,000, totalling $16,593,000, in cash in its bank accounts, and some receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

15. INVESTMENT IN SUBSIDIARIES (CONTINUED)

15C. Acquisitions of subsidiaries in 2018 (Continued)

On 14 June 2018, the purchaser exercised the put option. On 22 June 2018, the group acquired BIGL Holdings Pte Ltd, incorporated in Singapore and owned 100% equity interest in BIGL Management Consultancy (Shenzhen) Co., Ltd.

As at date of acquisition, the group received $16,593,000, which represents the initial deferred consideration agreed of $14,000,000 and an additional amount of $2,593,000 for the payment of other payables and the compensation for termination of employees of BIGL Management Consultancy (Shenzhen) Co., Ltd as at date of acquisition.

15D. Impairment assessment

The group's Component CGU (see Note 35 for the definition of the Components CGU) is held through BIGL Asia Pte Ltd. Due to the loss incurred by the Component CGU amounting to $15,044,000 for the reporting year ended 31 December 2019, management performed an impairment assessment on the carrying value of the company's investments in subsidiaries.

Management had applied the fair value less cost of disposal method to determine the recoverable amount of the company's investments in subsidiaries. The significant non-current assets of the Component CGU comprised mainly property, plant and equipment. Management had considered and determined that the highest-and-best-use of the group's property, plant and equipment would be through sale of these assets collectively to another party in the precision machining industry. The fair value of these property, plant and equipment was determined by an external independent valuation expert as at the reporting year end without taking into account the impact of the COVID-19 (see Note 36(v)) and management had estimated the cost of disposal. The fair value measurement is categorised within Level 3 of the fair value hierarchy.

Based on the assessment, management made an additional impairment charge of $8,600,000 (2018: Nil) to write down the net carrying value of the company's investments in subsidiaries to its recoverable amount.

The quantitative information and key assumptions used in the fair value less cost of disposal method for the reporting year ended 31 December 2019 are disclosed in Note 13.

16. OTHER INVESTMENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Transferable club memberships	**101**	101	**47**	47

17. ASSETS HELD-FOR-SALE

	Group	
	2019	2018
	$'000	$'000
Land use rights and factory building	**–**	19,423

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

17. ASSETS HELD-FOR-SALE (CONTINUED)

The group's land use rights and a factory building in Shenzhen, People's Republic of China (the "Shenzhen Property") were previously presented as held-for-sale following management's decision made in 2017 to sell these assets as part of the groups' efforts to reduce its operating overheads. It is the intention of the group to sell these assets. However, due to the delays in the restructuring of the group's operations, management has in 2019 decided to continue to hold the assets for the group's operations. Accordingly, the group's land use rights and the Shenzhen Property are reclassified and presented as property, plant and equipment as at 31 December 2019 (Note 13).

18. FINANCIAL DERIVATIVES

	Group	
	2019	**2018**
	$'000	**$'000**
Foreign currency exchange contracts:		
Assets – contracts with positive fair values	**29**	–
Liabilities – contracts with negative fair values	**–**	(235)
	29	(235)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date with the gain or loss recognised immediately in profit or loss.

The foreign currency exchange contracts are utilised to hedge significant future transactions and cash flows. The instruments purchased are primarily denominated in the currencies of the group's principal markets. As a matter of principle, the group does not enter into derivative contracts for speculative purposes.

The foreign currency exchange contracts are not traded in an active market. As a result, their fair values are based on valuation techniques using market observable inputs (Level 2) such as broker quotes for similar transactions, foreign exchange spot and forward rates.

The estimated fair values of the foreign currency exchange contracts at the end of the reporting year are as follows:

	Maturity	Notional amount $'000	Net fair value gain/(losses) $'000
2019			
– Buy Chinese Renminbi and sell United States Dollar	June 2020	**48,481**	**29**
2018			
– Buy Chinese Renminbi and sell United States Dollar	August 2019	4,047	(152)
– Buy Chinese Renminbi and sell United States Dollar	August 2019	4,047	(83)
			(235)

The gross amount of all notional values for contracts that have not yet been settled or cancelled, is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

19. INVENTORIES

	Group	
	2019	**2018**
	$'000	**$'000**
Raw materials	**12,401**	10,252
Work-in-progress	**3,764**	3,835
Finished goods	**19,238**	6,527
Spare parts and others	**426**	740
	35,829	21,354
Inventories are stated after allowance.		
Movement in allowance are as follows:		
Balance at beginning of the year	**14**	570
Charged/(reversed) to profit or loss included in other expenses/(cost of sales)	**1,030**	(561)
Foreign exchange adjustments	**(27)**	5
Balance at end of the year	**1,017**	14
Included in cost of sales:		
Write-down of inventories	**–**	62
Changes in inventories	**(15,476)**	6,323
Purchases of inventories	**209,634**	255,625
Included in other expenses (Note 5):		
Write-down of inventories	**1,533**	–

There are no inventories pledged as security for liabilities.

20. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables:				
Outside parties	**48,200**	69,392	**–**	–
Less: Allowance for impairment	**(678)**	(13)	**–**	–
Subtotal	**47,522**	69,379	**–**	–
Other receivables:				
Outside parties	**2,310**	2,843	**–**	–
Subsidiary	**–**	–	**22,201**	23,794
Deposits	**576**	549	**17**	24
Subtotal	**2,886**	3,392	**22,218**	23,818
Total trade and other receivables	**50,408**	72,771	**22,218**	23,818

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Movements in allowance for impairment:				
Balance at beginning of year	**13**	13	**–**	–
Charged to profit or loss included in other expenses (Note 5)	**686**	–	**–**	–
Translation adjustment	**(21)**	–	**–**	–
Balance at end of year	**678**	13	**–**	–

As at the end of the reporting year, trade receivables totalled $27,987,000 (2018: $10,988,000) were sold to banks. These trade receivables have been derecognised as they were sold without recourse.

20A. Impairment assessment

Trade receivables

The group has only a few customers which can be graded as low credit risk individually. These trade receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. At the end of the reporting year, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. A loss allowance balance of $678,000 (2018: $13,000) is recognised.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. A loss allowance of $686,000 (2018: Nil) based on lifetime expected credit losses on the amount is recognised as there is a significant increase in credit risk.

Other receivables

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

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

20B. Credit risk

Trade receivables

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 days (2018: 60 days). But some customers take a longer period to settle the amounts:

(a) Ageing analysis of the age of trade receivable amounts that are past due as at the end of reporting year but not impaired:

	Group	
	2019 $'000	2018 $'000
Less than 31 days	**455**	169
Past due 31 – 120 days	**115**	143
Past due over 120 days	**232**	853
	802	1,165

(b) Ageing analysis as at the end of reporting year of trade receivable amounts that are impaired:

	Group	
	2019 $'000	2018 $'000
Past due over 120 days	**678**	13

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling $678,000 (2018: $13,000) that are determined to be impaired at the end of reporting year.

There are no collateral held as security and other credit enhancements for the trade receivables.

The top 2 customers of the group represented more than 90% (2018: 90%) of the group's trade receivables as at the reporting year end.

Other receivables

Other receivables are normally with no fixed terms and therefore there is no maturity.

21. OTHER ASSETS

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Prepayments	**762**	1,005	**1**	17

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Not restricted in use	**8,717**	11,522	**455**	1,120
Cash pledged as security	**5**	5	**–**	–
	8,722	11,527	**455**	1,120

The interest earning balances are not significant.

22A. Cash and cash equivalents in the consolidated statement of cash flows

	Group	
	2019	2018
	$'000	$'000
Amount as shown above	**8,722**	11,527
Cash pledged for bank facilities	**(5)**	(5)
	8,717	11,522

22B. Reconciliation of liabilities arising from financing activities

Group	At beginning of the year $'000	Net cash flows $'000	Non-cash changes $'000	Note	At end of the year $'000
2019					
Borrowings	**39,397**	**(12,236)**	**1,344**	**(a)**	**28,505**
Lease liabilities	**10**	**(10)**	**–**		**–**
	39,407	**(12,246)**	**1,344**		**28,505**
2018					
Borrowings	11,702	27,152	543	(a)	39,397
Lease liabilities	335	(328)	3	(a)	10
	12,037	26,824	546		39,407

Note (a): Relates to foreign exchange movements

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

23. SHARE CAPITAL

	Group and company	
	Number of shares issued '000	Share capital $'000
Ordinary shares of no par value:		
Balance at 1 January 2018	471,914	113,147
Shares issued under BIGL Share Plan (Notes 26A and 26B)	–	8
Balance at 31 December 2018	471,914	113,155
Shares issued under BIGL Share Plan (Notes 26A and 26B)	–	8
Balance at 31 December 2019	**471,914**	**113,163**

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income.

Capital management:

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of total equity, less amounts accumulated in equity related to cash flow hedges. The Board monitors the average return on capital, which the group defines as net operating (expense)/income divided by total average shareholders' equity excluding non-controlling interests.

	Group	
	2019 $'000	2018 $'000
(Loss)/profit before income tax from continuing operations	**(14,953)**	2,803
Finance income	**(36)**	(656)
Finance costs	**1,960**	1,900
Net operating (expense)/income	**(13,029)**	4,047
Equity attributable to owners of the parent	**61,830**	83,808

	2019 %	2018 %
Average return on capital	**(21)**	5

The Board also monitors the level of dividends to ordinary shareholders. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

23. SHARE CAPITAL (CONTINUED)

Capital management: (Continued)

The company has a mandate to issue shares to employees of the group of up to 15% of the company's ordinary shares (excluding treasury shares held). At present, employees hold 1.5% of ordinary shares, or just under 1.6% assuming that all outstanding share options and share awards vest and/or are exercised.

From time to time, the group purchases its own shares on the market; the timing of these purchases depends on market prices. The shares are primarily intended to be used for issuing shares under the group's share option and share award programmes.

There were no changes in the group's approach to capital management during the reporting year.

24. ACCUMULATED LOSSES

As at the end of the reporting year, the group's accumulated losses included amounts relating to statutory reserve and legal reserve in the subsidiaries in the People's Republic of China and Thailand of $3,377,000 (2018: $3,377,000) and $431,000 (2018: $431,000) respectively. The statutory reserve and legal reserve are not available for cash dividends.

According to the relevant People's Republic of China ("PRC") regulations, the subsidiaries in the PRC are required to transfer 10% of profit, net of tax, as determined under Generally Accepted Accounting Principles of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners.

According to Thailand's Civil and Commercial Code, the subsidiary in Thailand is required to allocate not less than 5% of its net profit to the legal reserve upon each dividend distribution, until the reserve balance reaches an amount not less than 10% of the subsidiary's registered share capital. This reserve is not available for dividend distribution.

25. OTHER RESERVES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Treasury shares (Note 25A)	**(404)**	(386)	**(404)**	(386)
Capital reserve (Note 25B)	**2,924**	2,924	**–**	–
Share-based payment reserve (Note 25C)	**435**	474	**435**	474
Foreign currency translation reserve (Note 25D)	**(17,206)**	(16,651)	**–**	–
	(14,251)	(13,639)	**31**	88

Other reserves are not available for cash dividends unless realised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

25. OTHER RESERVES (CONTINUED)

25A. Treasury shares

	Group and Company	
	Number of shares '000	Reserve $'000
Balance at 1 January 2018	(1,735)	(299)
Shares acquired	(1,456)	(127)
Shares issued to under BIGL Share Plan (Notes 23 and 26B)	233	40
Balance at 31 December 2018	(2,958)	(386)
Shares acquired	(992)	(42)
Shares issued to under BIGL Share Plan (Notes 23 and 26B)	182	24
Balance at 31 December 2019	(3,768)	(404)

Treasury shares were acquired by the company to serve the share option and/or share plan programme as shares awards to employees (Note 26). The reserve for the company's own shares comprises the cost of the company's shares held by the group.

25B. Capital reserve

Capital reserve mainly arises from the restructuring of BIGL Asia Pte Ltd and its subsidiaries in 2004.

25C. Share-based payment reserve

	Group and Company	
	2019 $'000	**2018 $'000**
Balance at beginning of the year	**474**	490
Exercised during the year	**(32)**	(48)
Expense recognised in profit or loss, net	**(7)**	32
Balance at end of the year	**435**	474

The share-based payment expense is included in administrative expenses.

The share-based payment reserve comprises the cumulative value of employee services received for the issue of share options and share awards. When share options are exercised and share awards vested, the cumulative amount in the share-based payment reserve which relates to the valuable consideration received in the form of employee services is transferred to share capital/reserve for own shares.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

25. OTHER RESERVES (CONTINUED)

25D. Foreign currency translation reserve

	Group	
	2019	2018
	$'000	$'000
Balance at beginning of the year	**(16,651)**	(17,801)
Exchange differences on translating foreign operations, net	**(555)**	1,150
Balance at end of the year	**(17,206)**	(16,651)

This reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the company.

26. SHARE-BASED PAYMENT

26A. Share option programme (equity-settled)

The Broadway Industrial Group Limited Share Option Scheme 2001 (the "Scheme") of the company was approved and adopted by its members at an Extraordinary General Meeting held on 8 November 2001. The Scheme expired on 7 November 2011.

The key terms and conditions relating to the grants of the share option programme are as tabled below:

Grant date	2019	2018	Vesting conditions	Contractual life of options
6 March 2009	–	16,000	1 year's service	10 years
3 March 2010	**140,000**	360,000	1 year's service	10 years
	140,000	376,000		

All options are to be settled by physical delivery of shares.

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price		Number of options	
	2019	2018	2019	2018
	$	$		
Outstanding at 1 January	**0.43**	0.43	**376,000**	396,000
Forfeited during the year	**0.42**	0.45	**(236,000)**	(20,000)
Outstanding at 31 December	**0.45**	0.43	**140,000**	376,000
Exercisable at 31 December	**0.45**	0.43	**140,000**	376,000

The options outstanding at 31 December 2019 have exercise prices of $0.45 (2018: ranging from $0.07 to $0.45) and a weighted average remaining contractual life of 0.17 years (2018: 1.17 years).

No options were exercised in 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

26. SHARE-BASED PAYMENT (CONTINUED)

26B. Share Plan (equity-settled)

The Broadway Industrial Group Limited Share Plan (the "Plan") of the company was approved and adopted by its members at an Extraordinary General Meeting held on 28 July 2010.

Awards will be released to participants as fully paid shares upon expiry of the prescribed vesting periods or retention periods and subject to conditions prescribed in the Plan. The actual number of shares awarded will depend on the achievement of set targets over a four-year period. This will be determined by the Remuneration Committee at the end of the qualifying performance period and released to the recipient over a four-year vesting period in the ratio of 0%, 25%, 25% and 50% consecutively.

Employees of the group shall be eligible to participate in the Plan subject to the absolute discretion of the Remuneration Committee. Non-executive directors of the group, controlling shareholders and their associates will not be eligible to participate in the Plan.

The details of the awards granted under the Plan are as follows:

Date of grant	Fair value at grant date $	Granted and not released at beginning of year	Granted during the year	Vested during the year	Forfeited during the year	Granted and not released at end of the year
2019						
4 April 2015	**0.178**	**40,000**	**–**	**(40,000)**	**–**	**–**
4 May 2015	**0.205**	**40,000**	**–**	**(10,000)**	**(30,000)**	**–**
4 June 2015	**0.225**	**50,000**	**–**	**(50,000)**	**–**	**–**
4 April 2016	**0.138**	**75,000**	**–**	**(10,000)**	**(45,000)**	**20,000**
4 May 2016	**0.136**	**112,500**	**–**	**(37,500)**	**(10,000)**	**65,000**
4 June 2016	**0.132**	**15,000**	**–**	**(5,000)**	**–**	**10,000**
4 June 2017	**0.139**	**220,000**	**–**	**(30,000)**	**(115,000)**	**75,000**
4 June 2018	**0.109**	**240,000**	**–**	**–**	**(100,000)**	**140,000**
		792,500	**–**	**(182,500)**	**(300,000)**	**310,000**
2018						
4 May 2014	0.270	37,500	–	(37,500)	–	–
4 June 2014	0.275	52,500	–	(52,500)	–	–
4 April 2015	0.178	60,000	–	(20,000)	–	40,000
4 May 2015	0.205	60,000	–	(20,000)	–	40,000
4 June 2015	0.225	75,000	–	(25,000)	–	50,000
4 April 2016	0.138	120,000	–	(30,000)	(15,000)	75,000
4 May 2016	0.136	150,000	–	(37,500)	–	112,500
4 June 2016	0.132	40,000	–	(10,000)	(15,000)	15,000
4 June 2017	0.139	280,000	–	–	(60,000)	220,000
4 June 2018	0.109	–	260,000	–	(20,000)	240,000
		875,000	260,000	(232,500)	(110,000)	792,500

26. SHARE-BASED PAYMENT (CONTINUED)

26B. Share Plan (equity-settled) (Continued)

The measurement of the fair values at grant date of the share plan is based on the company's share price at grant date. The weighted average fair value of share awards granted in the previous reporting year was $0.14.

The aggregate number of shares available under the Scheme, the Plan and any other applicable share-based schemes shall not exceed 15% of the company's total issued shares (excluding treasury shares).

27. LEASE LIABILITIES

Lease liabilities are presented in the statement of financial position as follows:

	Group 2019 $'000	Company 2019 $'000
Current	**1,647**	**107**
Non-current	**6,459**	**268**
	8,106	**375**

Movements of lease liabilities for the reporting year are as follows:

	Group $'000	Company $'000
At 31 December 2018	–	–
Impact of adoption of SFRS(I) 16 (Note 37)	10,415	195
At 1 January 2019 – restated	10,415	195
Additions	397	397
Disposals	(822)	–
Accretion of interest	53	2
Lease payments – principal portion paid	(1,884)	(217)
Interest paid	(53)	(2)
At 31 December 2019	**8,106**	**375**

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the reporting year ended 31 December 2018 are presented.

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. The right-to-use assets are disclosed in Note 14.

On transition to the new standard on leases, the weighted average incremental borrowing rate applied to lease liabilities recognized was 3.88% per year. The right-of-use assets and lease liabilities are measured at the same amounts under the new standard.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

27. LEASE LIABILITIES (CONTINUED)

Reconciliation of lease commitments and lease liability at the date of initial application:

	Group 2019 $'000	Company 2019 $'000
Operating lease commitments as at 31 December 2018	**2,321**	237
Relief option for short-term leases	**(606)**	–
Other minor adjustments	**(72)**	(42)
Subtotal – Operating lease liabilities before discounting	**1,643**	195
Discounted using incremental borrowing rate	**(360)**	–
Operating lease liabilities, net	**1,283**	195
Reasonably certain extension options	**9,132**	–
Total lease liabilities recognised at 1 January 2019	**10,415**	195

A summary of the maturity analysis of lease liabilities are as follows:

	Minimum payments $'000	Finance charges $'000	Present value $'000
Group			
2019			
Due within one year	**1,709**	**(62)**	**1,647**
Due within 2 to 5 years	**7,287**	**(828)**	**6,549**
	8,996	**(890)**	**8,106**
Company			
2019			
Due within one year	**108**	**(1)**	**107**
Due within 2 to 5 years	**280**	**(12)**	**268**
	388	**(13)**	**375**

Total cash outflow for leases for the reporting year ended 31 December 2019 are shown in the statement of cash flows.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurements of the lease liabilities above.

At the reporting year end date, there were no commitments on leases which had not yet commenced.

27. LEASE LIABILITIES (CONTINUED)

Apart from the disclosures above, other amounts relating to leases include the following:

	Group 2019 $'000
Expenses relating to short-term leases included in:	
Cost of sales	**905**
Administrative expenses	**287**
	1,192

28. OTHER LIABILITIES, NON-CURRENT

	Group	
	2019 $'000	2018 $'000
Provision for employee benefit costs	**1,496**	975

The group operates a defined benefit plan for qualifying employees of its subsidiaries in Thailand, in accordance with Thailand labour Laws. Amounts are determined based on years of service and salaries of the employees at the time of the pension.

On 5 April 2019, pursuant to the new Thailand Labor Protection Act (No. 7) B.E. 2562 which stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate, the group had accounted for the change as a post-employment benefits plan amendment, and recognized the past service costs as expenses in the profit or loss during the reporting year.

The cost of providing post-employment benefits was calculated based on actuarial valuations performed by an independent actuary.

The principal actuarial assumptions used for the purpose of the actuarial valuation at 31 December 2019 and 31 December 2018 are as follows:

	Group			
	2019		2018	
	Monthly staff	Daily staff	Monthly staff	Daily staff
Discount rate	**1.96%**	**1.96%**	3%	3%
Salary increase rate	**4%**	**1%**	7.5%	3%
Turnover rate	**0 – 20%**	**0 – 32%**	0 – 20%	0 – 32%

Movements of the defined post-employment provision recognised in the statement of financial position are as follows:

	Group	
	2019 $'000	2018 $'000
Balance at beginning of the year	**975**	870
Net benefit expense recognised in profit or loss	**580**	338
Payments for the year	**(134)**	(242)
Exchange differences on translating foreign operations, net	**75**	9
Balance at end of the year	**1,496**	975

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. OTHER PAYABLES, NON-CURRENT

	Group	
	2019 $'000	2018 $'000
Outside parties for purchase of plant and machinery	**1,802**	2,311

30. LOANS AND BORROWINGS

	Group	
	2019 $'000	2018 $'000
Secured bank loans	**28,505**	39,397
Lease liabilities	**–**	10
	28,505	39,407

The terms and conditions of outstanding loans and borrowings are as follows:

	Nominal interest rate		Year of maturity		Group	
					2019 $'000	2018 $'000
	2019	2018	2019	2018		
Secured bank loans (USD)	4.69% – 5.71%	5.34% – 5.44%	2020	2020	**2,624**	7,297
Secured bank loans (THB)	3.40% – 3.59%	2.45% – 3.63%	2020	2019	**25,881**	32,100
Lease liabilities (USD)	–	4.47%	–	2019	**–**	10
					28,505	39,407

Secured bank loans and lease liability of the group amounting to $28,505,000 (2018: $39,407,000) are secured by legal charges over the group's property, plant and equipment with a carrying amount of $11,897,000 (2018: $33,000) (Note 13) and guarantees issued by certain subsidiaries.

31. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables				
Outside parties and accrued liabilities	**78,326**	70,843	**2,009**	1,478
Other payables				
Outside parties	**5,972**	4,979	**18**	21
Total trade and other payables	**84,298**	75,822	**2,027**	1,499

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

32. CONTINGENT LIABILITIES

The company had, on 22 August 2016, entered into a Sale and Purchase Agreement with Broadway Holding III Limited (the "Purchaser"), which was subsequently amended by a supplemental agreement dated 22 December 2016 (collectively, the "SPA"), for the sale of the Disposed Businesses (see Note 11 for definition of Disposed Businesses). The sale was completed in December 2016.

Following the sale of the Disposed Businesses, certain disputes have arisen between the company and the Purchaser and its affiliated companies. Pursuant to the terms of the SPA, the Purchaser and/or its affiliated companies are required to give notice in writing to the company of any claims that they may have within certain specified limitation periods. The company and the Purchaser and its affiliated companies are in dispute as to whether such requirements have been fulfilled. Notwithstanding this, the company had, on 20 February 2020, been served with a writ of summons and a statement of claim each in two suits commenced in the High Court of Singapore (each a "Suit" and collectively, the "Suits"):

(a) The first Suit was commenced by the Purchaser against the company, claiming, inter alia, against the company for breach of warranties and/or indemnities for losses arising out of the liabilities of certain Chinese companies sold to the Purchaser pursuant to the SPA, to various Chinese government authorities. While this claim has yet to be fully quantified, the company expects the minimum quantum claimed to be at least approximately RMB25.7 million plus approximately $3.7 million (based on the total amount of losses allegedly accrued to date).

(b) The second Suit was commenced by two subsidiaries of the Purchaser, namely, Compart Precision (Shenzhen) Co., Ltd. and its parent company, Compart Systems Pte. Ltd., against the company, claiming, inter alia, against the company for an indemnity of approximately RMB2.5 million or damages to be assessed, which is premised on the company's alleged failure to ensure that certain Chinese companies sold to the Purchaser pursuant to the SPA had fully paid their liabilities for social security insurance and housing fund contributions prior to the sale of such companies.

Accordingly, the aggregate amount of the two claims is approximately $9.3 million, comprising RMB28.2 million (or approximately $5.6 million) plus $3.7 million (based on an exchange rate of RMB1:00 to $0.20).

The company has filed its defences and counterclaim in the Suits on 27 March 2020. The company intends to continue defending the claims vigorously and is taking legal advice.

Management is in consultation with its advisors to assess the potential financial impact to the company and/or the group arising from such claims in the Suits. Management has recorded accruals for certain claims in relation to the Disposed Businesses based on its assessment of the risk of loss to the company and/or the group. In so doing, management had taken into consideration its knowledge of the operations of the Disposed Businesses as well as the industrial and regulatory environment in which the Disposed Businesses are operating in. Management had also relied on the opinion of the company's external legal counsel. As the outcome of the Suits are uncertain, management is not able to reliably estimate the probable full exposure at this juncture.

As allowed by the financial reporting standard on Provisions, Contingent Liabilities and Contingent Assets, an entity need not disclose some or all the information on the subject matter of the contingent liability if it can be expected to prejudice seriously the position of the entity in a dispute with other parties. Consequently, the accruals for claims have not been disclosed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

33. CAPITAL COMMITMENTS

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

	Group	
	2019 $'000	2018 $'000
Commitment to purchase property, plant and equipment	**43**	1,287

These commitments are expected to be settled within the next 12 months.

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

34A. Categories of financial assets and liabilities

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

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial assets:				
At amortised costs	**59,130**	84,298	**22,673**	24,938
At fair value through profit or loss	**29**	–	**–**	–
	59,159	84,298	**22,673**	24,938
Financial liabilities:				
At amortised costs	**124,207**	118,515	**2,402**	1,499
At fair value through profit or loss	**–**	235	**–**	–
	124,207	118,750	**2,402**	1,499

Further quantitative disclosures are included throughout these financial statements.

34B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the group's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate risk, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long term objectives and action to be taken in order to manage the financial risks.

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

34B. Financial risk management (Continued)

The guidelines include the following:

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

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

34C. Fair values of financial instruments

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

34D. Credit risk on financial assets

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

Cash and cash equivalents disclosed in Note 22 are amounts with less than 90 days maturity. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

34E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity.

The average credit period taken to settle trade payables is about 74 days (2018: 74 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

The following table analyses the non-derivative financial liabilities by their remaining contractual maturity (contractual and undiscounted cash flows) at the end of the reporting year:

	Less than 1 year $'000	1 – 5 years $'000	Total $'000
Group			
2019:			
Gross loans and borrowings	**28,686**	**–**	**28,686**
Gross lease liabilities	**1,709**	**7,287**	**8,996**
Trade and other payables	**84,298**	**1,802**	**86,100**
	114,693	**9,089**	**123,782**
2018:			
Gross loans and borrowings	39,938	–	39,938
Trade and other payables	75,822	2,311	78,133
	115,760	2,311	118,071

	Less than 1 year $'000	1 – 5 years $'000	Total $'000
Company			
2019:			
Gross lease liabilities	**108**	**280**	**388**
Trade and other payables	**2,027**	**–**	**2,027**
	2,135	**280**	**2,415**
2018:			
Trade and other payables	1,499	–	1,499

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

For derivative financial liabilities, they are expected to be settled within the next reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

34E. Liquidity risk – financial liabilities maturity analysis (Continued)

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table show the maturity analysis of the contingent liabilities from the financial guarantees:

	2019 $'000	2018 $'000
Group		
Financial guarantee contracts – in favour of subsidiaries	**92,811**	92,811

Undrawn borrowing facilities

	2019 $'000	2018 $'000
Group		
Undrawn borrowing facilities	**9,817**	1,078

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

34F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant.

The following table analyses the breakdown of the significant financial instruments (excluding derivatives) by type of interest rate:

	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Financial liabilities:				
Fixed rates	**8,106**	10	**375**	–
Floating rates	**28,505**	39,397	**–**	–
	36,611	39,407	**375**	–

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in Note 30.

Sensitivity analysis: The effect on profit before income tax is not significant.

NOTES TO
THE FINANCIAL STATEMENTS

31 DECEMBER 2019

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

34G. Foreign currency risk

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

The following is an analysis of amounts of financial assets and financial liabilities denominated in non-functional currencies at the end of the reporting year:

	United States Dollar $'000	China Renminbi $'000	Thai Baht $'000	Total $'000
Group				
2019:				
Financial assets:				
Cash and cash equivalents	**197**	**4,854**	**611**	**5,662**
Loans and receivables	**–**	**3,244**	**583**	**3,827**
Derivative financial instruments	**–**	**29**	**–**	**29**
Total financial assets	**197**	**8,127**	**1,194**	**9,518**
Financial liabilities:				
Trade and other payables	**–**	**(17,958)**	**(7,616)**	**(25,574)**
Lease liabilities	**–**	**(2,733)**	**(4,997)**	**(7,730)**
Loans and borrowings	**–**	**–**	**(25,881)**	**(25,881)**
Total financial liabilities	**–**	**(20,691)**	**(38,494)**	**(59,185)**
Net financial assets/(liabilities)	**197**	**(12,564)**	**(37,300)**	**(49,667)**
2018:				
Financial assets:				
Cash and cash equivalents	668	7,103	315	8,086
Loans and receivables	–	3,478	754	4,232
Total financial assets	668	10,581	1,069	12,318
Financial liabilities:				
Trade and other payables	–	(17,339)	(27,857)	(45,196)
Loans and borrowings	–	–	(32,100)	(32,100)
Derivative financial instruments	–	(235)	–	(235)
Total financial liabilities	–	(17,574)	(59,957)	(77,531)
Net financial assets/(liabilities)	668	(6,993)	(58,888)	(65,213)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

34. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONTINUED)

34G. Foreign currency risk (Continued)

Sensitivity analysis:

	Group	
	2019	**2018**
	$'000	**$'000**
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the China Renminbi with all other variables held constant would have a favourable effect on profit before income tax of	**1,256**	699
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the Thai Baht with all other variables held constant would have a favourable effect on profit before income tax of	**3,730**	5,889

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

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the group has significant exposure at end of the reporting year. The analysis above has been carried out without taking into consideration hedged transactions.

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

35. OPERATING SEGMENTS

The group's business relates primarily to the manufacturing and distribution of actuator arms and related assembly for the hard disk industry, which is reported under one segment (the "Component CGU"). The Board reviews the internal management reports of this segment on a monthly basis with the management team.

Information regarding the results of the reportable segment is included in the respective sections of the financial statements.

Geographical information

Singapore is the country of domicile of the company. The principal activity of the company is investment holding. The company's subsidiaries in the reportable segment are located in the People's Republic of China, Thailand, United States of America and Singapore.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

35. OPERATING SEGMENTS (CONTINUED)

Geographical information (Continued)

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

	Group	
	2019	**2018**
	$'000	**$'000**
		(Reclassified)
Revenue		
Thailand	**187,045**	229,330
People's Republic of China	**118,208**	153,258
Singapore	**177**	215
Other countries	**243**	1,368
	305,673	384,171
Non-current assets		
Thailand	**59,041**	54,842
People's Republic of China	**38,193**	23,905
Singapore	**584**	107
Other countries	**–**	87
	97,818	78,941

36. EVENTS AFTER THE END OF THE REPORTING YEAR

(i) On 6 January 2020, the group incorporated a wholly owned subsidiary, BIGL Enterprise (Singapore) Pte. Ltd. ("BESG") with the paid up capital of $2 in Singapore. The principal activity of BESG is investment holding in nature.

(ii) On 19 January 2020, the group incorporated a wholly owned subsidiary, BIGL Enterprise Management (Beijing) Co Ltd ("BEBJ") with authorized capital of RMB27 million in Beijing, China. The principle activity of BEBJ is enterprise and business management in nature. As of the date of this report, approximately RMB8.3 million has been remitted and recorded as registered capital of BEBJ.

(iii) On 21 January 2020, the group entered into an equity purchase agreement with Beijing Ant Brothers Technology Co Ltd ("BAB"), Weijie Wang and Beijing Ant Home Information Consulting Center (Limited Partnership), pursuant to which the group will subscribe for a 55% equity interest in BAB for the total subscription price of $5,000,000. As of the date of this report, the group had invested $500,000, in return for 10.89% interests in the paid up capital of BAB. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of BAB and the effect on the cash flows for the group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue.

(iv) On 17 March 2020, the group completed the liquidation of a dormant wholly-owned subsidiary, Compart Technologies Korea Co., Ltd ("CTK"). The liquidation of CTK does not have a material effect on the consolidated results and net tangible assets of the group and the company for the reporting year ended 31 December 2020.

(v) There are current uncertainties in the economy related to the COVID-19 outbreak that emerged since early 2020. These uncertainties has impacted the group's operations. As the situation is still evolving, the full impact of the outbreak on the group's operations cannot be reasonably estimated as of the date of this report.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

37. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

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

SFRS (I) No.	Title
SFRS (I) 9	Amendments: Prepayment Features with Negative Compensation
SFRS (I) 16	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS (I) INT 23	Uncertainty over Income Tax Treatments
SFRS (I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS (I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee, almost all leases are brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the group and the company have recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted in the current reporting year 2019 by the application of the new standard on leases are disclosed in Notes 14 and 27 to the financial statements. The group and the company elected to apply the modified retrospective approach for this standard new standard on leases. Under the modified retrospective approach, the comparative information is not restated and therefore there is no presentation of a third column for the statement of financial position.

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

For the future reporting years, certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the group for future reporting years are listed below.

SFRS (I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 3	Definition of a Business – Amendments	1 January 2020
SFRS (I) 1-1 and 1-8	Definition of Material – Amendments to SFRS (I) 1-1 and 1-8	1 January 2020
	The Conceptual Framework for Financial Reporting	1 January 2020

The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

39. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Following the disposal of the group's 48% equity interests in CMS as disclosed in Note 11, the entire results of CMS have been reclassified and presented separately on the statement of profit or loss and other comprehensive income as "Discontinued operations". The changes in the balances included the following:

	Reclassifications		
	After	**Before**	**Difference**
	$'000	**$'000**	**$'000**
2018 Statement of comprehensive income:			
Revenue	384,171	386,931	2,760
Cost of sales	(364,291)	(366,591)	(2,300)
Other income	3,043	3,058	15
Distribution expenses	(2,834)	(3,172)	(338)
Administrative expenses	(12,353)	(12,378)	(385)
Sales and marketing expenses	(720)	(767)	(47)
Finance cost	(1,900)	(1,902)	(2)
Other expense	(2,969)	(2,969)	–
Income tax expense	(1,139)	(1,148)	(9)

The above reclassifications did not require modifications to the financial statements measurements. As permitted by the financial reporting standard on the presentation of financial statements, the third statement of financial position at the beginning of the preceding reporting year is not presented because the above regrouping have no material effect on the information in the statement of financial position at the beginning of the preceding period. However, related notes relating to the above balances only are presented. Apart from these disclosures, other balances and notes are not impacted by the reclassifications.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2020

Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Share
Number of Issued Shares	:	471,914,611
Number and percentage of Treasury Shares	:	3,768,050 (0.80%)
Number of Issued Shares (less Treasury Shares)	:	468,146,561
Number and percentage of Subsidiary Holdings*	:	Nil

* "Subsidiary Holdings" is defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") as shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	15	0.66	383	0.00
100 – 1,000	39	1.71	22,666	0.00
1,001 – 10,000	763	33.46	4,110,764	0.88
10,001 – 1,000,000	1,429	62.68	124,888,232	26.68
1,000,001 AND ABOVE	34	1.49	339,124,516	72.44
TOTAL	**2,280**	**100.00**	**468,146,561**	**100.00**

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

Name of Substantial Shareholder	Direct Interest	%(1)	Deemed Interest	%(1)	Total Interest	%(1)
Lau Leok Yee(2)	59,851,142	12.78	90,317,468	19.29	150,168,610	32.07
Lew Syn Pau	44,572,639	9.52	–	–	44,572,639	9.52

Notes:

(1) Percentage is calculated based on total issued shares of the Company less treasury shares and subsidiary holdings (i.e. 468,146,561).

(2) Madam Lau Leok Yee is the beneficial owner of the 90,317,468 ordinary shares held by Citibank Nominees Singapore Pte Ltd.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2020

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	98,019,274	20.94
2	LAU LEOK YEE	59,851,142	12.78
3	LEW SYN PAU	44,572,639	9.52
4	RHB SECURITIES SINGAPORE PTE. LTD.	17,317,600	3.70
5	CHUA KENG LOY	11,900,000	2.54
6	BON SIAN HWANG	10,172,000	2.17
7	HSBC (SINGAPORE) NOMINEES PTE LTD	10,110,300	2.16
8	LAM SENG HANG LTD	9,570,000	2.04
9	UOB KAY HIAN PRIVATE LIMITED	9,211,633	1.97
10	DBS NOMINEES (PRIVATE) LIMITED	9,130,849	1.95
11	OCBC SECURITIES PRIVATE LIMITED	6,633,726	1.42
12	POH CHOO BIN	5,291,700	1.13
13	POH GEOK HUA (FU YUHUA)	5,000,000	1.07
14	LEOW SIEW CHOO	4,744,500	1.01
15	PHILLIP SECURITIES PTE LTD	3,659,391	0.78
16	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,551,033	0.76
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,270,529	0.70
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,508,257	0.54
19	ANG BAN SIONG	2,500,000	0.53
20	TAN KENG PENG	2,031,000	0.43
	TOTAL	**319,045,573**	**68.14**

PUBLIC SHAREHOLDING

Based on the information available to the Company as at 18 March 2020, approximately 57.9% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

BIGL

BROADWAY INDUSTRIAL GROUP LIMITED
Company Registration No.: 199405266K

Broadway Industrial Group Limited
3 Fusionopolis Way,
#13-26 Symbiosis,
Singapore 138633
Tel : (65) 6236 0088 | Fax : (65) 6226 6119