ANNUAL REPORT 2021

NAM LEE PRESSED METAL INDUSTRIES LIMITED

Strengthening
Our Market Leadership

CONTENTS

CORPORATE PROFILE

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

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

With the many years of experience in the business, its vertically-integrated production structure, well - equipped facilities and skilled staff, Nam Lee Pressed Metal is able to offer the market complete service from design right through to installation, including the manufacture of tooling, jigs and fixtures, metal fabrication, surface coatings and treatments, assembly and the installation of the final products. Headquartered in Singapore, the Group has subsidiaries in Singapore and Malaysia serving customers through its workforce across the region.

Quality is never compromised at Nam Lee Pressed Metal and their efforts have been recognised when they were awarded the ISO 9002 certificate by the PSB in 1995. Another testament to its quality products was the HDB Quality Award for Supplier 1999 awarded to it by the HDB. Since then, it has continued to successfully renew the quality management system certification and transitioned to the current ISO 9001 : 2015 standard. Its philosophy and management practice of ensuring quality at every stage of production plus the forward-looking management ensures that Nam Lee Pressed Metal continues to progress and remain a competitive player in the metal building and infrastructure products and related market sectors.

CORPORATE PROFILE

INTEGRITY
QUALITY
CUSTOMER SATISFACTION
INNOVATION

are the pillars on which the success of Nam Lee Pressed Metal is built and they continue to be firmly grounded as the corporate values embraced by the Board, Management and Staff of Nam Lee Pressed Metal. Our trademark Swan brand embodies grace, trust and loyalty, enduring qualities of a faithful partner. I am confident that so long as we adhere to these core values, Nam Lee Pressed Metal will continue to make its mark as the preferred and trusted partner for fabricated metal and related products and solutions.

Yong Li Yuen, Joanna
Executive Chairman

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

Thank you for your continuous support and trust in Nam Lee Group.

On behalf of the Board of Directors, I am pleased to present the operating results of Nam Lee Pressed Metal Industries Limited and its subsidiaries ("**the Group**") for the financial year ended 30 September 2021 ("**FY2021**").

Having navigated through a tumultuous 2020, financial year 2021 continued to be a challenging one, amidst the ongoing pandemic situation and difficult operating conditions.

Thankfully, while the COVID-19 pandemic has brought about adversity and unprecedented challenges to our businesses, it has also propelled growth in certain business segments. In particular, our core aluminium business segment where we saw revenue in this segment increase to $171.9 million in FY2021, with segment result surging past S$20 million. In the light of this breakthrough, I am delighted to report that the Group had achieved a 67.6% rise in revenue and a record profit of S$15.7 million in FY2021.

A REVIEW OF FY2021

During the year, we remained focused on managing our business activities in a rapidly changing business environment amidst the ongoing pandemic and the Movement Control Orders in Malaysia. We also made a strategic decision to move into our current premises at 4 Gul Way earlier, in the second quarter of FY2021, to better manage our business activities in the face of the movement control restrictions. Our office address was officially changed on 8 March 2021.

Government authorities in both Singapore and Malaysia had gradually eased their COVID-19 pandemic control measures in the past year, to allow businesses to resume full operations in line with local restrictions and regulations. Even as we restored all of our business activities in Singapore and ramped up our production in Malaysia, operational productivity did not revert to pre-pandemic levels under the strict safe management measures.

The rise in raw material costs and heightened measures to curtail COVID-19 infections continued to exert pressure on our operating costs. Prolonged implementation of various safe management measures had further

CHAIRMAN'S STATEMENT

aggravated pressure from the acute constraint of labour supply and increased manpower costs. However, these costs were partially alleviated by the COVID-19 support schemes from the Singapore Government.

On a positive note, we had seen an uptick in demand for container refrigeration units and a gradual progression of projects due to the recovery of construction activities in FY2021. This had boded well for the Group's overall sales and financial position. The Group remained profitable with earnings per share on a fully diluted basis of 6.49 Singapore cents. Net asset per share increased to 65.34 Singapore cents as at 30 September 2021. The Group's cash position as at 30 September 2021 remains healthy.

As we continue to navigate through this rapidly evolving COVID-19 situation, we maintained close communication and strong ties with our key customers and supply chain partners and are thankful for their continual support in these trying times. We are heartened by our employees who had persevered through this challenging period with grit and determination, staying adaptable and resilient while adhering to strict safe management measures at the workplace. We are also deeply grateful to our shareholders for keeping their faith and trust in us.

INCOME STATEMENT

In FY2021, the Group's revenue increased by S$80.1 million or 67.6% from S$118.6 million in FY2020 to S$198.7 million in FY2021. The surge in the Group's revenue resulted from the demand for container refrigerator units, as well as progression of projects.

Gross profit increased to S$32.4 million in FY2021 from S$18.4 million in FY2020, which was attributable to higher revenue, as well as better gross profit margin of 16.3% in FY2021 compared with 15.5% in FY2020.

Selling and distribution expenses increased from S$2.0 million in FY2020 to S$2.6 million in FY2021 in line with higher level of business activities. Administrative expenses increased from S$9.8 million in FY2020 to S$12.8 million in FY2021 mainly due to COVID-19 safe management expenses, depreciation and provision for higher bonuses and remuneration which are tied to profit levels.

Other operating expenses increased from S$2.6 million in FY2020 to S$2.7 million in FY2021 mainly due to exchange losses from U.S. dollar denominated balances.

Other income rose from S$3.8 million in FY2020 to S$6.9 million in FY2021. While fair value gain on derivative contracts on materials increased by S$4.7 million to S$5.0 million, COVID-19 support and reliefs reduced by S$1.9 million. These derivative contracts are to hedge changes in price of raw materials with volume based on requirements for secured contracts with customers.

Arising from a term loan to finance the acquisition of new property in September 2020, and additional borrowings in FY2021, financing cost increased to S$1.0m in FY2021 compared with insignificant financing cost in FY2020.

The Group's effective tax rate was 22.4% for FY2021 and includes tax on profits in Singapore and Malaysia at the corporate tax rates of 17% and 24% respectively.

Overall, the Group achieved profit after tax of S$15.7 million in FY2021, an improvement over the S$6.4 million earned in FY2020.

STATEMENT OF FINANCIAL POSITION

Property, plant and equipment edged up to S$63.8 million as at 30 September 2021 from S$63.2 million as at 30 September 2020, due to the net result of acquisitions of S$6.1 million, depreciation of S$4.9 million and exchange translation movements.

Inventories increased from S$54.7 million as at 30 September 2020 to S$69.7 million as at 30 September 2021. Trade receivables and contract assets increased from S$31.1 million as at 30 September 2020 to S$43.7 million as at 30 September 2021.

Trade payables, other payables and accruals increased from S$21.8 million as at 30 September 2020 to S$30.8 million as at 30 September 2021. Borrowing increased by S$5.4 million from use of trust receipts.

CHAIRMAN'S STATEMENT

The increases in the above components of working capital correspond with the higher level of production and billings in FY2021 and holding of inventories to meet future production needs.

STATEMENT OF CASH FLOW

The Group's cash increased S$5.7 million in FY2021. With improved revenue and gross margins, operating cash flow of the Group was S$23.5 million before changes in working capital and S$9.6 million net of working capital with higher inventories and accounts receivable. Other significant components of the cash flow include S$4.0 million inflow on maturity of an investment in bonds, S$5.4 million inflow on use of trust receipts, S$6.1 million outflow from purchase of property, plant and equipment; and S$3.6 million outflow upon payment of dividends declared for the preceding financial year.

OPERATIONAL HIGHLIGHTS

For FY2021, the Group had achieved overall growth in revenue for all business segments and higher profitability due to the higher demand for container refrigerator units, as well as the gradual recovery of construction activities for ongoing projects. This contrast with the preceding year's results when disruptions caused by the Circuit Breaker in Singapore and Movement Control Order in Malaysia, adversely impacted our business performance.

Aluminium

The Group's core aluminium business segment comprises the product categories of custom-engineered and fabricated aluminium parts for the industrial sector as well as aluminium building products for infrastructure & construction projects. It contributed a record profit before tax of S$21.4 million.

Segment sales revenue increased from S$107.2 million in FY2020 to S$171.9 million in FY2021 while the segmental results rose from S$10.4 million in FY2020 to S$21.4 million in FY2021.

Having invested in the enhancements made to our production facility in Malaysia, we remain committed to meet the needs of our clients and sharpen our competitive edge by producing new products.

Mild Steel

The revenue contribution from building projects increased from S$9.7 million in FY2020 to S$22.9 million in FY2021. The increase was attributable to the recovery of construction activities for ongoing projects. Segmental results have improved and losses narrowed from S$3.5 million in FY2020 to S$1.7 million in FY2021.

Stainless Steel

Revenue from the stainless steel segment edged up from around S$0.5 million in FY2020 to S$0.6 million in FY2021. Demand for this segment recovered slightly and performance had improved from a loss of S$0.6 million in FY2020 to a profit before tax of S$0.4 million in FY2021.

OUTLOOK

The extraordinary challenges posed by COVID-19 has necessitated us to be agile, focused and innovative in adapting to the evolving pandemic situations. Nonetheless, we are encouraged by the Group's satisfactory results, which is a testament of our collective resilience and perseverence that underpins our efforts to emerge from the worst of the pandemic and into a recovery.

Going forward, construction raw material prices are likely to remain elevated as supply costs and shipping

CHAIRMAN'S STATEMENT

of materials are challenged by the pandemic. In addition to this, higher manpower and operating costs will add pressure to our profit margins. We shall continue to monitor our costs, stay vigilant and be flexible and adaptable in implementing measures and controls so as to mitigate risks. In the face of exceptional circumstances, the Group continues to practise financial prudence in managing and exercising operational efficiency for our business. We shall also leverage on our strengths and core competencies to further our business networks and explore business opportunities.

Vaccination programmes are progressing and activities are gradually normalising. With the emergence of new variants however, uncertainty still lingers. Nevertheless, we trust that with our Group's collective resilience and perseverance, and the stewardship of the senior management and board committees, we stay on track in our commitment to endeavour towards sustainable business growth, maintaining profitability and enhancing value to our shareholders as well as other key stakeholders.

DIVIDEND

For FY2021, despite the challenges, the Group continued to be profitable and maintained healthy operating cash flows. After evaluating the results, the Board of Directors has proposed final dividend of 1.5 Singapore cents per share plus special dividend of 0.5 Singapore cent per share, which will be subject to shareholders' approval at the forthcoming Annual General Meeting in January 2022.

Sincerely,
Yong Li Yuen, Joanna
Executive Chairman

BOARD OF DIRECTORS

Ms Yong Li Yuen, Joanna, Age 51
Executive Chairman

Date of Appointment
5 October 2020

Date of Last Re-appointment
22 January 2021

Country of Principal Residence
Singapore

Board's Comment on The Appointment
Not applicable, Ms Joanna Yong is not subject to re-election.

Ms Joanna Yong's responsibilities include management and oversight of business development, operations and activities.

Job Title
Executive Chairman

Professional Qualification
Bachelor of Arts (Honours - Second Upper) in Japanese Studies, National University of Singapore
Graduate Diploma in Marketing, Marketing Institute of Singapore
Fellow of Association of Chartered Certified Accountants
Member of Institute of Singapore Chartered Accountants

Working experience and occupation(s) during the past 10 years

2020 to Present
Executive Chairman - Nam Lee Pressed Metal Industries Limited

2009 to 2020
Commercial Manager - Nam Lee Pressed Metal Industries Limited

Other principal commitments including directorships

Past (for the last 5 years)
Nil

Other Principal Commitments (for the last 5 years)
Nil

Present
Nam Lee Industries Sdn. Bhd.
Nam Lee Pressed Metal Pte. Ltd.
Nam Lee Pressed Metal Sdn. Bhd.
NL Mechanical Engineering Sdn. Bhd.
NL Metals Sdn. Bhd.
NL Pressed Metal Pte. Ltd.
Swan Metal Products Sdn. Bhd.

Other Principal Commitments
Executive Chairman - Nam Lee Pressed Metal Industries Limited

Family Relationships
Ms Joanna Yong is the daughter of Mr Yong Koon Chin, who is a substantial shareholder of the Company and Advisor for the Group.

She is also the niece of both Mr Yong Kin Sen and Mr Yong Poon Miew, who are substantial shareholders of the Company and Advisors for the Group.

Ms Joanna Yong is also the cousin of both Mr Eric Yong Han Keong and Mr Yong Han Lim, Adrian, who are the Managing Director and Executive Director of the Company respectively.

Conflict of Interest (including any competing business)
Nil

BOARD OF DIRECTORS

Mr Yong Han Keong, Eric, Age 48
Managing Director

Date of Appointment
16 December 2019

Date of Last Re-appointment
20 January 2020

Country of Principal Residence
Singapore

Board's Comment on The Appointment
The re-election of Mr Eric Yong as Managing Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Eric Yong's qualifications, expertise and past experiences and overall contribution since he was appointed as the Managing Director of the Company.

Mr Eric Yong is responsible for the operations and management of the Group's HDB projects. He also oversees the Group's marketing activities.

Job Title
Managing Director
Member of Nominating Committee

Professional Qualification
Bachelor of Mechanical Engineering, Curtin University, Western Australia

Working experience and occupation(s) during the past 10 years

2019 to Present
Managing Director - Nam Lee Pressed Metal Industries Limited

2007 to 2019
Head of Sales and Marketing - Nam Lee Pressed Metal Industries Limited
Head of HDB Department and Engineer - Nam Lee Pressed Metal Pte Ltd

Other principal commitments including directorships

Past (for the last 5 years)
Nil

Other Principal Commitments (for the last 5 years)
Nil

Present
Nam Lee Industries Sdn. Bhd.
Nam Lee Pressed Metal Pte. Ltd.
Nam Lee Pressed Metal Sdn. Bhd.
NL Mechanical Engineering Sdn. Bhd.
NL Metals Sdn. Bhd.
NL Pressed Metal Pte. Ltd.
Swan Metal Products Sdn. Bhd.

Other Principal Commitments
Managing Director - Nam Lee Pressed Metal Industries Limited

Family Relationships
Mr Eric Yong is the son of Mr Yong Kin Sen, who is a substantial shareholder and Advisor for the Group.

He is also the nephew of both Mr Yong Koon Chin and Mr Yong Poon Miew, who are the substantial shareholders of the Company and Advisors for the Group.

He is also a cousin of both Ms Joanna Yong Li Yuen and Mr Yong Han Lim, Adrian, who are the Executive Chairman and Executive Director of the Company respectively.

Conflict of Interest (including any competing business)
Nil

BOARD OF DIRECTORS

Mr Yong Han Lim, Adrian, Age 47
Executive Director

Date of Appointment
1 August 2020

Date of Last Re-appointment
22 January 2021

Country of Principal Residence
Singapore

Board's Comment on The Appointment
Not applicable, Mr Adrian Yong is not subject to re-election.

Mr Adrian Yong is responsible for operations and business developments.

Job Title
Executive Director
Member of Nominating Committee

Professional Qualification
Bachelors in Mass Communication, Curtin University of Technology
Masters in Strategic Marketing, Curtin University of Technology

Working experience and occupation(s) during the past 10 years
In 2010, Mr Adrian Yong started work in the Group as a Project Engineer, reporting to the Senior Project Manager. He started work on sites and was involved in project planning and submissions. By 2012, he was the manager on site and directly reporting to the General Manager. Since 2014, he was designated as the Group's management representative for the façade team. Currently, Mr Adrian Yong is an Executive Director of the Company.

Other principal commitments including directorships

Past (for the last 5 years)
Nil

Other Principal Commitments (for the last 5 years)
Nil

Present
Nam Lee Industries Sdn. Bhd.
Nam Lee Pressed Metal Pte. Ltd.
Nam Lee Pressed Metal Sdn. Bhd.
NL Mechanical Engineering Sdn. Bhd.
NL Metals Sdn. Bhd.
NL Pressed Metal Pte. Ltd.
Swan Metal Products Sdn. Bhd.

Other Principal Commitments
Executive Director - Nam Lee Pressed Metal Industries Limited

Family Relationships
Mr Adrian Yong is the son of Mr Yong Poon Miew, who is a substantial shareholder of the Company and Advisor for the Group.

He is also the nephew of both Mr Yong Koon Chin and Mr Yong Kin Sen, who are the substantial shareholders of the Company and Advisors for the Group.

Mr Adrian Yong is also the cousin of both Ms Joanna Yong Li Yuen and Mr Eric Yong Han Keong, who are the Executive Chairman and Managing Director of the Company respectively.

Conflict of Interest (including any competing business)
Nil

BOARD OF DIRECTORS

Mr Yeoh Lam Hock, Age 59
Independent Non-Executive Director

Date of Appointment
17 October 2019

Date of Last Re-appointment
20 January 2020

Country of Principal Residence
Singapore

Board's Comment on The Appointment
The re-election of Mr Yeoh as an Independent Non-Executive Director was recommended by the Nominating Committee and approved by the Board, after taking into consideration Mr Yeoh's qualifications, expertise and past experiences and overall contribution since he was appointed as a Director of the Company.

Job Title
Independent Non-Executive Director
Chairman of Remuneration Committee
Member of Audit and Nominating Committees

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

Working experience and occupation(s) during the past 10 years

1996 to Present:
Managing Director - Cheo Yeoh & Associates LLC

Other principal commitments including directorships

Past (for the last 5 years)
Jobs Capital Pte. Ltd.

Other Principal Commitments (for the last 5 years)
Nil

Present
Cheo Yeoh & Associates LLC

Other Principal Commitments
Managing Director - Cheo Yeoh & Associates LLC

Family Relationships
None

Conflict of Interest (including any competing business)
Nil

BOARD OF DIRECTORS

Mr Tay Teck Seng Joshua, Age 55
Independent Non-Executive Director

Date of Appointment
21 January 2020

Date of Last Re-appointment
22 January 2021

Country of Principal Residence
Singapore

Board's Comment on The Appointment
Not applicable, Mr. Joshua Tay is not subject to re-election.

Job Title
Independent Non-Executive Director
Chairman of Nominating Committee
Member of Audit and Remuneration Committees

Professional Qualifications
Bachelor of Science (Finance), Indiana University

Working experience and occupation(s) during the past 10 years

February 2012 to Present
Private Investor

June 1996 to February 2012
Managing Director - JP Morgan Asset Management

Other principal commitments including directorships

Past (for the last 5 years)
Nil

Other Principal Commitments (for the last 5 years)
Nil

Present
Element3 Pte. Ltd.

Other Principal Commitments
Nil

Family Relationships
None

Conflict of Interest (including any competing business)
Nil

BOARD OF DIRECTORS

Mrs Wong - Yeo Siew Eng, Age 64
Independent Non-Executive Director

Date of Appointment
1 March 2020

Date of Last Re-appointment
22 January 2021

Country of Principal Residence
Singapore

Board's Comment on The Appointment
Not applicable, Mrs Wong is not subject to re-election.

Job Title
Independent Non-Executive Director
Chairman of Audit Committee
Member of Remuneration and Nominating Committees

Professional Qualifications
Bachelor of Accountancy, National University of Singapore
Fellow of The Institute of Singapore Chartered Accountants
Member of Singapore Institute of Directors

Working experience and occupation(s) during the past 10 years

1998 to 2018
Partner - Deloitte & Touche LLP
Partner - Deloitte LLP
Director - Deloitte & Touche Management Services Pte Ltd

Other principal commitments including directorships

Present
Non-executive Independent Director,
Venture Corporation Limited

Other Principal Commitments
Nil

Family Relationships
None

Conflict of Interest (including any competing business)
Nil

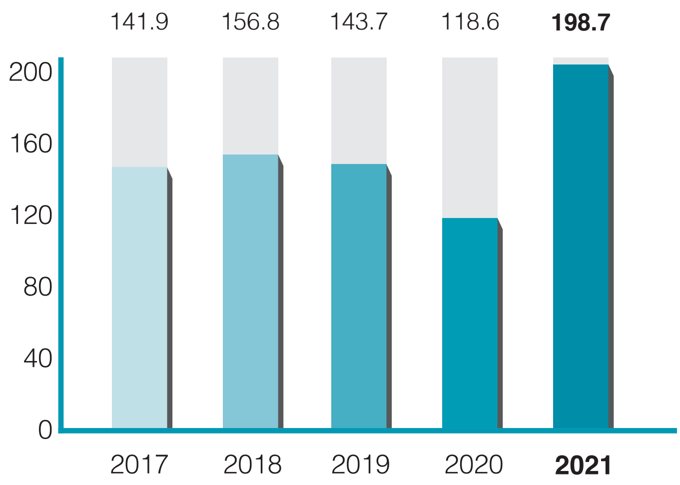
The shareholding interest of the Directors are set out in the section "Directors' Statement" of this Annual Report.

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

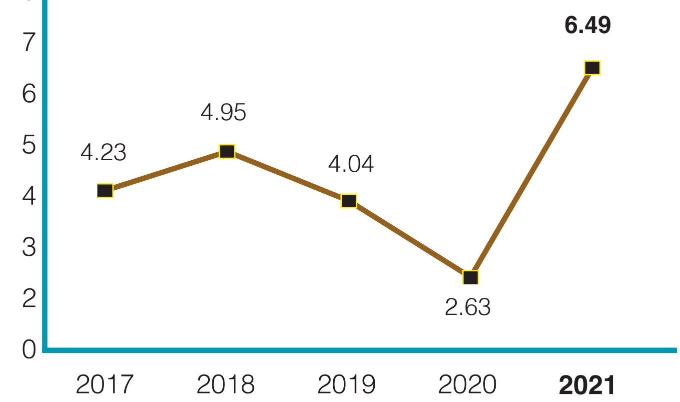
All the Directors had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual.

FINANCIAL HIGHLIGHTS

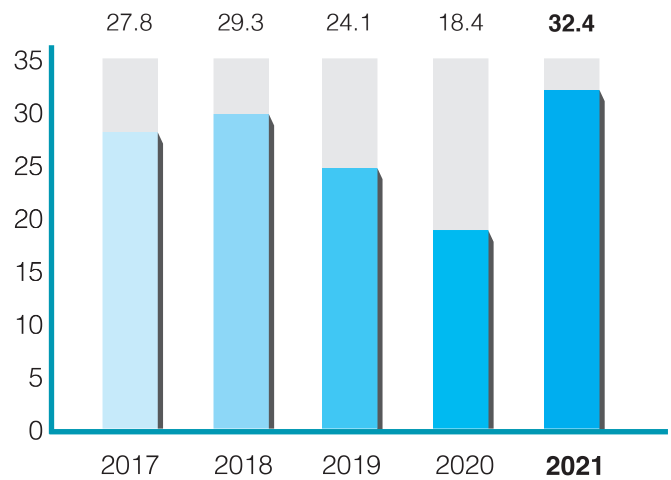
Turnover (S$m)



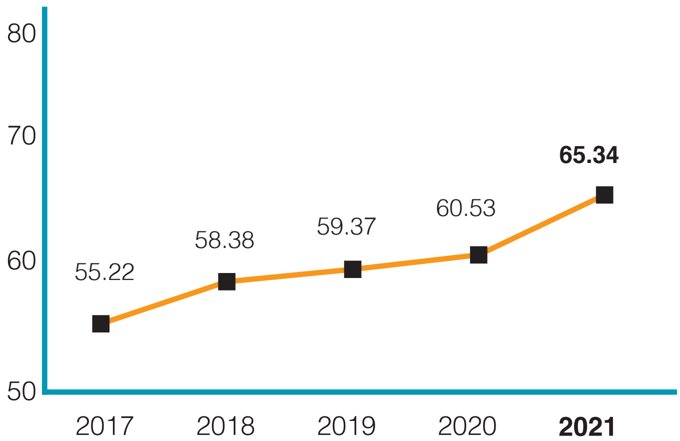
Earnings per share (Diluted - in cents)



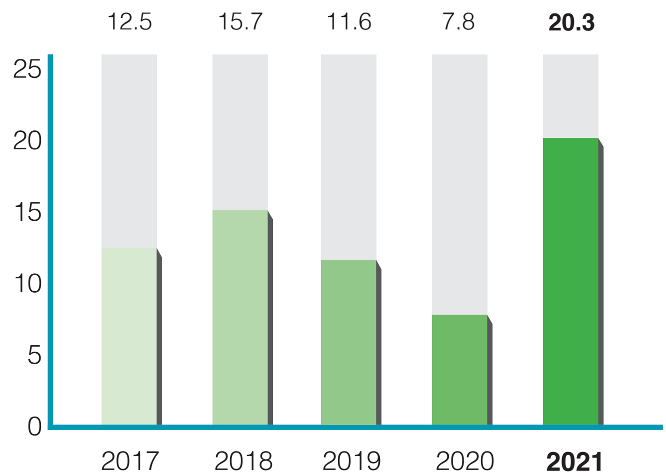
Gross Profit (S$m)



Net Assets Value per share (in cents)

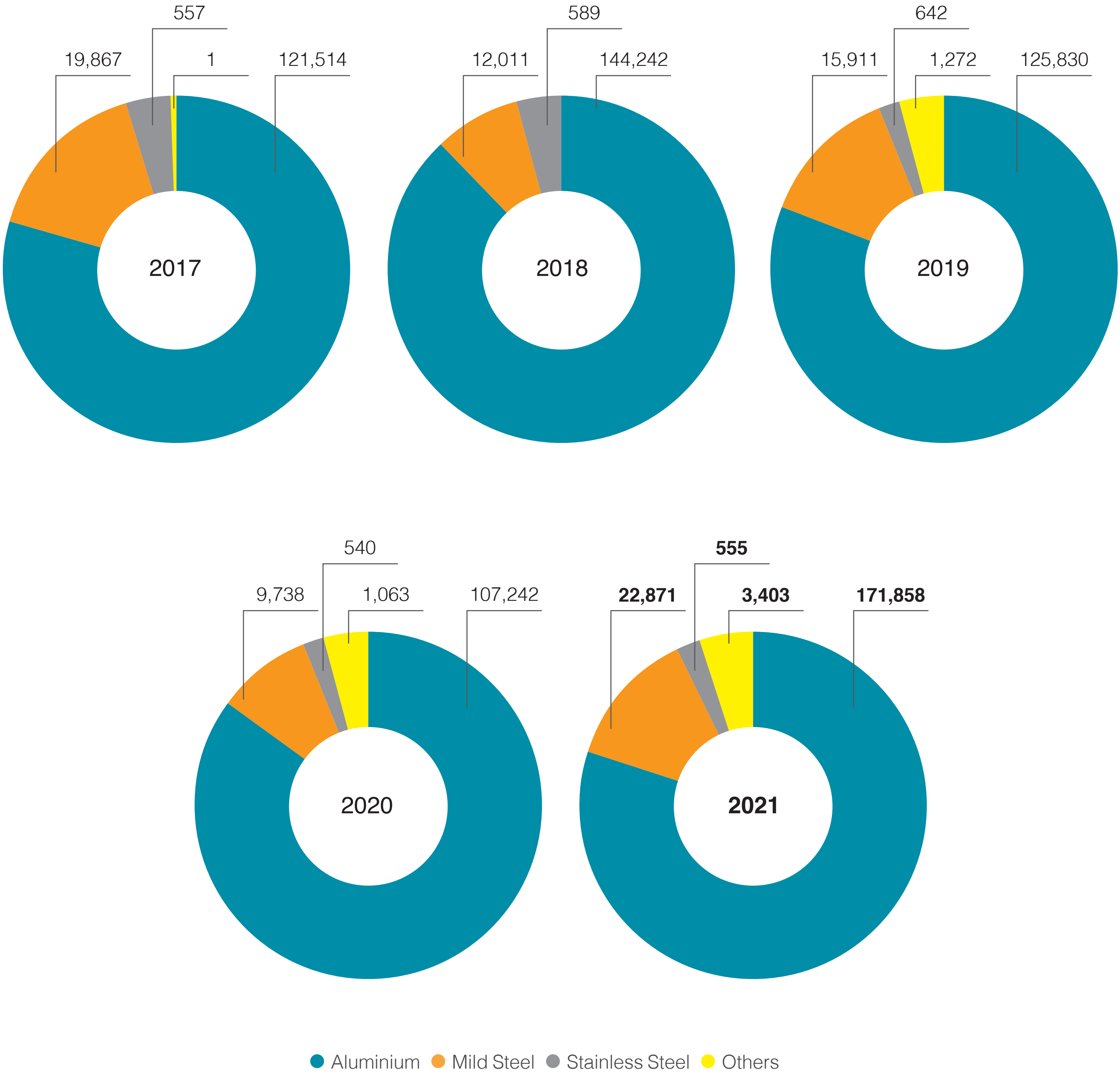


Profit Before Tax (S$m)



FINANCIAL HIGHLIGHTS

Turnover by Activities (S$'000)



CORPORATE INFORMATION

Directors

Yong Li Yuen, Joanna	Executive Chairman
Yong Han Keong, Eric	Managing Director
Yong Han Lim, Adrian	Executive Director
Yeoh Lam Hock	Independent Director
Tay Teck Seng Joshua	Independent Director
Mrs Wong - Yeo Siew Eng	Independent Director

Secretaries

Yong Kin Sen
Ngiam May Ling

Registered Office

4 Gul Way
Singapore 629192

Auditor

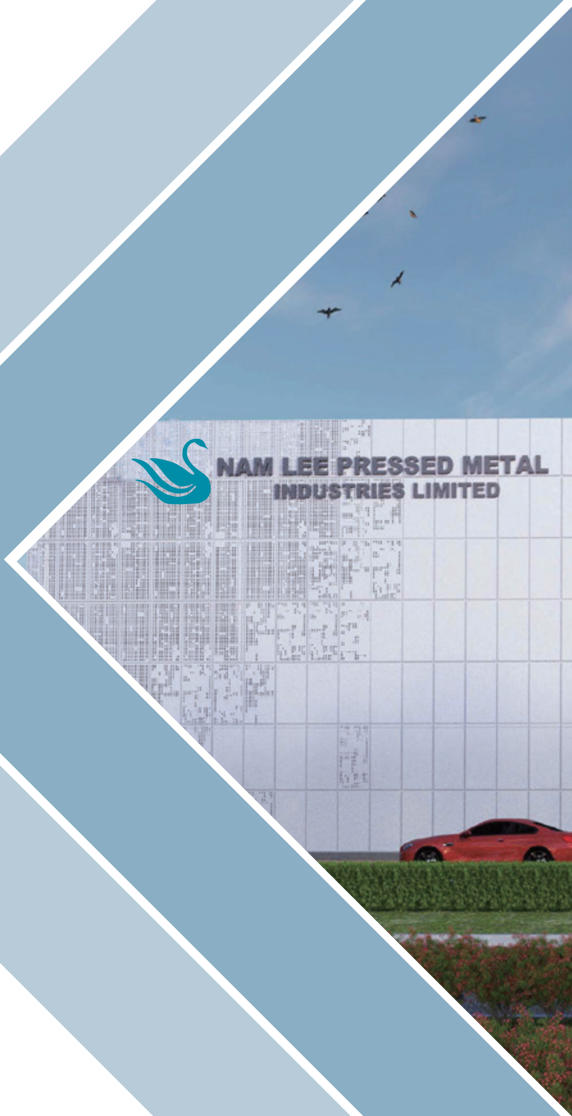
Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Philip Ng Weng Kwai
(since financial year ended 30 September 2017)

Principal Bankers

United Overseas Bank Limited
DBS Bank Ltd

Share Registrar

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



CORPORATE GOVERNANCE

The Board of Directors (the "Board") and Management are committed to good standards of corporate governance by adopting the principles and implementing the practices recommended in the Code of Corporate Governance 2018 (the "Code") and the rules in the Listing Manual (the "Listing Manual") of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). This report sets out the Company's corporate governance practices and activities for financial year ended 30 September 2021 ("FY2021"), with reference to the principles and provisions of the Code and the rules in the Listing Manual.

BOARD MATTERS

The Board's Conduct of Affairs (Principle 1): ***The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.***

The Board's primary role is to protect and enhance long-term value for shareholders and to provide corporate governance for the Company. The principal functions of the Board are to:

– provide entrepreneurial leadership and set the overall strategic directions for the Group;

– ensure that the necessary resources are in place for the Group to meet its objectives;

– supervise the management of the business and affairs of the Group and review the performance of Management;

– establish and maintain a sound risk management framework to effectively manage and monitor risks so as to safeguard the Group's business and its assets;

– set ethical standards and consider environmental and social factors; and

– ensure transparency and accountability to key stakeholder groups.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the best interest of the Group. In any situation that involves a conflict of interest with the Group, the Director who faces a conflict of interest recuse himself/herself from discussions and decisions involving the issues of conflict. Each Director is required to declare to the Board any interest in a transaction with the Company or its subsidiaries expected to be $100,000 or more, as soon as practicable after becoming aware of such interest. On an annual basis, each Director is also required to declare details of his associates who work in the Group for the purpose of monitoring interested persons transactions.

The Board sets out the authorisation and approval limits governing treasury, operating and capital expenditure and investments and divestments as part of the governance and internal control framework. The Board evaluates and approves major investments and funding decisions including share issuance or buyback and dividend distributions and monitors the financial performance of the Group.

The Board relies on the integrity and due diligence of the Directors and key management personnel, external auditors, internal auditors and advisors in discharging their respective responsibilities. The Board sets out clear terms of reference and responsibilities for each of the above parties. The Board recommends the appointment of directors and external auditors and approves the appointments and remuneration of key management personnel, internal auditors and advisors.

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

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

CORPORATE GOVERNANCE

The Directors are aware that they may take independent professional advice at the Company's expense, where necessary, in furtherance of their duties.

Management provides the Directors with periodic updates of significant business activities in the Group, business environment and financial information to enable the Directors to monitor the performance of the Group. Board papers are provided to the Directors before scheduled meetings to enable them to make informed decisions.

Aside from scheduled meetings, ad-hoc meetings are held as and when required to address any significant matter or when circumstances demand. The Constitution of the Company provides for meetings of directors to be held via telephone, electronic or other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously. The Non-Executive Directors are also encouraged to communicate amongst themselves and with the Company's auditors and legal advisors without the presence of the Executive Directors and Management.

The Directors' attendances at meetings of the Board and the respective Board Committees for the period from 1 October 2020 to 30 September 2021 are disclosed below:

Types of Meetings	**AGM**	**Board**	**AC**	**NC**	**RC**
No. of Meetings Held	1	3	2	2	2
Names of Directors	**No. of Meetings attended**				
Yong Li Yuen, Joanna[(1)]	1	3	N/A	N/A	N/A
Yong Han Keong, Eric ("Mr Eric Yong")	1	3	N/A	2	N/A
Yong Han Lim, Adrian ("Mr Adrian Yong")	1	3	N/A	2	N/A
Yeoh Lam Hock	1	3	2	2	2
Tay Teck Seng Joshua ("Mr Joshua Tay")	1	3	2	2	2
Wong - Yeo Siew Eng	1	3	2	2	2
Chidambaram Chandrasegar[(2)]	1	1	1	1	1

Notes:

(1) Ms Yong Li Yuen, Joanna ("Ms Joanna Yong") was appointed as the Executive Chairman with effect from 5 October 2020.

(2) Mr Chidambaram Chandrasegar retired as a Lead Independent Non-Executive Director, the Chairman of the NC and a member of both the AC and RC with effect from 22 January 2021.

The Board is satisfied that the Directors with multiple board representations or other principal commitments, have been able to devote sufficient time and attention to the affairs of the Group to discharge their duties as a Director of the Company adequately and satisfactorily.

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

CORPORATE GOVERNANCE

Ms Joanna Yong, who was appointed within FY2021, had attended the requisite training organised by the Singapore Institute of Directors which included:

- Listed Entity Director Essentials
- Board Dynamics
- Board Performance
- Stakeholder Engagement
- Audit Committee Essentials
- Board Risk Committee Essentials
- Nominating Committee Essentials
- Remuneration Committee Essentials

Board Composition and Guidance (Principle 2): ***The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.***

As at the date of this Annual Report, the Board of Directors comprises six Directors made up of three Executive Directors (including the Executive Chairman and Managing Director ("MD")) and three Non-Executive and Independent Directors.

Provisions 2.2 and 2.3 of the Code provide that the Independent Directors are to make up a majority of the Board when the Chairman is not independent and the Non-Executive Directors are to make up a majority of the Board respectively. Although the current composition of the Board deviates from these provisions, the Board is of the view that there is an appropriate level of independence and diversity of thought and background in its composition to enable the Board to make decisions in the best interests of the Company. In particular, the independent Directors chairing the AC, RC and NC have sufficient standing and authority to weigh in on any significant matter if the Executive Chairman or MD fails to resolve the matter. The NC considered the dynamics within the Board and the following matters in deliberating on independence and diversity, and the observation of Principle 2 of the Code.

Listing Rule 210(5)(c) requires the Board to have at least two non-executive Directors who are independent and free of any material business or financial connection with the Company. The Non-Executive and Independent Directors of the Board do not exercise any management functions. The role of the Non-Executive and Independent Directors is to constructively challenge and help Management develop strategies, taking into account the interests of the stakeholders. The Non-Executive and Independent Directors review the performance of Management in meeting agreed goals and objectives and monitor financial performance. The Non-Executive and Independent Directors bring to the Board independent and objective perspective to enable balanced and well-considered decisions to be made. Any potential conflict of interest is taken into consideration. When necessary, the Non-Executive and Independent Directors will meet without the presence of Management.

The NC assesses the independence of each Non-Executive and Independent Director annually bearing in mind the Code's definition of an "Independent Director" is one who is independent in conduct, character, and judgment, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment in the best interests of the Company. Under the Listing Manual, a Director will not be deemed independent if he is employed or has been employed by the Company or its related corporations for the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Company or its related corporations in the current or any of the past three financial years, and whose remuneration is determined by the Company's RC. Each Independent Director is required to complete a Director's independence declaration drawn up based on the guidelines provided in the Code. The independence declaration further requires each Independent Director to assess whether he/she considers himself/herself independent despite not being involved in any of the

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relationships identified in the Code. Thereafter, the NC reviews the completed independence declaration and assesses the independence of the Independent Directors by taking into account examples of relationships as set out in the Code. The NC reports its assessment to the Board. The NC has reviewed and is satisfied as to the independence of all the Independent Directors.

The Board endeavours to achieve the balance and diversity necessary to maximise its effectiveness as part of its Board diversity policy. The NC reviews annually the size of the Board, balance and diversity of skills, knowledge and experience required by the Board. All Directors are professionals in their own fields. Together they bring to the Board multiple skill sets, relevant competencies and attributes to discharge the functions of the Board and Board Committees. The NC also aims to maintain a diversity of expertise, knowledge and experience in the fields of engineering, finance, law and business as attributes among the Directors.

The NC ensures that the size of the Board is conducive to effective discussion and decision-making, and that the Board has an appropriate number of Independent Directors to provide diversity in expertise, knowledge and experience as well as age and gender. Members of the Board include seasoned professionals in engineering, finance, law and business management. Two out of six members of the Board are female. The Board believes that its members' different backgrounds, skill sets, experience, age and gender provide a diversity of perspectives which contribute to the quality of its decision-making.

The NC is of the view that the current Board comprises persons who collectively possess the necessary core competencies, and as a group, provide an appropriate level of independence and diversity of skills, experience and knowledge of the Company, and that the current Board size is appropriate, taking into consideration the nature and scope of the Group's operations. The NC will continue to assess independence periodically, bearing in mind Principle 2 of the Code and Provisions 2.2 and 2.3 of the Code in any change in the Board composition when appropriate, as part of the Board's renewal process.

Chairman and Chief Executive Officer (Principle 3): ***There is clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

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

In FY2021, Ms Joanna Yong succeeded Mr Yong Koon Chin as Executive Chairman on 5 October 2020. Mr Eric Yong is the Managing Director. Ms Joanna Yong and Mr Eric Yong are cousins.

The Executive Chairman establishes and promotes compliance with the Group's guidelines on corporate governance and maintains oversight of the Group's performance management and development.

The Executive Chairman ensures that board meetings are held when necessary and sets the board meeting agenda in consultation with Management and the external Company Secretary. The Executive Chairman's responsibilities include reviewing board papers together with Management in order that the board members are provided with complete, adequate and timely information before board meetings.

The Managing Director is responsible for the operations and management of the Group and oversees the Group's business development and marketing activities.

Provision 3.3 the Code requires the Board to have a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. Although the Board does not have a Lead Independent Director, the Independent Directors make up half of the Board. As such, the Board is satisfied that there is a strong independent element to contribute to effective decision-making in the best interests of the Company. The Independent Directors are and continue to be available to shareholders as a channel of communication between shareholders and the Board and/or Management. The Board will appoint a Lead Independent Director as and when deemed appropriate.

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Board Membership (Principle 4): ***There Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

Board Performance (Principle 5): *The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

Nominating Committee

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

The NC comprises five members, the majority of whom, including the Chairman, are independent.

The composition of the NC is as follows:

Chairman

Mr Joshua Tay(1) – Independent Director

Members

Mr Eric Yong – Managing Director

Mr Yeoh Lam Hock – Independent Director

Mrs Wong - Yeo Siew Eng – Independent Director

Mr Adrian Yong – Executive Director

Notes:

(1) Mr Joshua Tay was appointed as the Chairman the NC following the retirement of Mr Chidambaram Chandrasegar with effect from 22 January 2021.

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

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

(II) Review and assess candidates for directorship before making recommendation to the Board, taking into consideration the balance and diversity of the skills, knowledge and experience required and the current size and composition of the Board which would facilitate decision-making.

(III) Determine the independence / non-independence of Directors and review annually the independence of each Director.

(IV) Review and decide if a Director who serves multiple boards is able to and has adequately carried out his duties as a Director of the Company, taking into consideration the Director's number of listed company board representations and other principal commitments.

(V) Propose objective performance criteria to assess effectiveness of the Board and Board Committees and evaluate their effectiveness.

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(VI) Review training and development programmes for the Board.

(VII) Review board succession plans for the Directors, in particular, the Executive Chairman and MD.

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

Key information regarding the Directors, such as listed company directorships and principal commitments, is set out in the section "Board of Directors" of this Annual Report. Information on the Directors' shareholdings in the Company and its related corporations is set out in the section "Report of Directors' Statement" of this Annual Report.

The NC evaluates the Board to assess the effectiveness of the Board. The NC, in the re-nomination of Directors, takes into consideration the Directors' attendance at meetings held during the year and the contribution made by the Directors. Each Director has given sufficient time to the affairs of the Company and has been able to discharge his duties as Director effectively.

The NC does not encourage the appointment of alternate Directors and none of the Directors has an alternate Director.

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

The NC is responsible for reviewing the re-nomination and retirement of Directors who retire by rotation. The NC considers a Director's contribution and performance such as attendance, preparedness, participation and ability to think independently for recommendation to the Board. Pursuant to the Company's Constitution, one-third of the Directors or, if their number is not a multiple of three, the number nearest to one-third, shall retire from office by rotation and subject to re-election at the Company's AGM.

At the forthcoming AGM, Mr Eric Yong and Mr Yeoh Lam Hock will retire under Article 94 of the Company's Constitution.

Upon assessing these Directors' performance and contributions to the Board, the NC recommended them both for re-appointment to the Board and the Board has accepted the NC's recommendations to put forth these Directors for re-election at the forthcoming AGM. These Directors have signified their consents to continue in office and offered themselves for re-election.

No member of the NC participated in deliberations or decisions on recommendations for his own re-nomination to the Board.

The Company has established a review process to evaluate the performance of the Board as a whole, the Board Committees and individual Directors annually. As part of the process, each Director is required to complete performance evaluation forms for the Board, Board Committees and individual Directors, designed to seek their view on the various aspects of the Board, Board Committees and individual Director's performance so as to assess the overall effectiveness of the Board, Board Committees and individual Directors and performance.

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The assessment parameters include, among others, the Board and Board Committees size and composition, board independence, board processes, board information and accountability, attendance at meetings of the Board and the Board Committees, contributions and participation at meetings and ability to make informed decisions.

The evaluation forms are submitted to the external Company Secretary for collation and the consolidated responses are presented to the NC. The NC discusses the report and concludes on the performance of the Board, Board Committees, and individual Directors. In consultation with the NC, the Chairman of the NC will act on the results of the performance evaluations with the objective of ensuring the effectiveness of the Board as a whole.

Based on the completed assessment forms submitted by the Directors and in consultation with the NC, the Board is of the view that the Board, the Board Committees, and each of the Directors have performed their roles based on objective evaluation criteria and have contributed to the overall effectiveness of the Board. No external facilitator was involved in the performance evaluation process in FY2021.

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

REMUNERATION MATTERS

Procedure for Developing Remuneration Policies (Principle 6): *The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

Level and Mix of Remuneration (Principle 7): ***The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.***

Remuneration Committee

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

Chairman

Mr Yeoh Lam Hock – Independent Director

Members

Mr Joshua Tay – Independent Director

Mrs Wong - Yeo Siew Eng – Independent Director

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

(i) Review and recommend a framework of remuneration for the Executive Directors and key management personnel (covering all aspects of remuneration, including but not limited to salaries, performance-based remuneration and benefits in kind) for the Board's approval.

(ii) Review the remuneration packages of the Executive Directors and key management personnel.

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(iii) Review and recommend to the Board the setting up of share option schemes or long-term incentive schemes.

(iv) Review the Non-Executive and Independent Directors' remuneration in the form of Directors' fees, having regard to the level of contribution, effort and time spent, and responsibilities of the directors. Non-Executive and Independent Directors' fees are fixed and subject to shareholders' approval at the AGM.

(v) Review the Company's obligations arising in the event of termination of the Executive Directors' contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The Group's remuneration policy is to provide competitive remuneration packages to reward, retain and motivate high levels of performance of the Executive Directors and key management personnel with a view to providing good stewardship of the Group in the long term. In determining remuneration packages for employees including the Executive Directors and key management personnel, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual. Remuneration packages are also structured so as to be aligned with the interests of shareholders and stakeholders, and to promote long-term success of the Group.

The Company advocates performance-based remuneration which is flexible and responsive to the market, Company's, business unit's and individual employee's performance. During the year, no long-term incentive was paid to the Directors and senior Management. The RC ensures that the Directors are adequately but not excessively remunerated. While none of the members of the RC specialises in the area of executive compensation, all members of the RC are knowledgeable in executive compensation matters gained through their industry experience or through courses organised by the Singapore Institute of Directors.

The RC considers all aspects of remuneration payable to the Executive Directors and key management personnel, including termination terms, to ensure they are fair. There are no termination or retirement benefits that are to be contractually granted to the Directors and key management personnel of the Group.

The members of the RC do not participate in any decision-making concerning their own remuneration.

Where necessary, the RC can seek external professional advice on the remuneration matters of the Directors and key management personnel.

The Non-Executive and Independent Directors have no service contracts. They receive directors' fees for their services. These directors' fees are determined in accordance with a remuneration framework comprising basic fees and committee fees. In determining the quantum of such fees, factors such as frequency of meetings, time spent, responsibilities of the Non-Executive and Independent Directors, and the need to be competitive in order to attract, motivate and retain these Directors are taken into account. Comparisons are made periodically against directors' fees of other listed companies with similar market capitalisation as the Company to ensure that the directors' fees are within market norms and commensurate with responsibilities of the Non-Executive and Independent Directors. No Director is involved in deciding his own remuneration package. Directors' fees will tabled for shareholder approval at the forthcoming AGM and will only be paid upon approval by shareholders at the AGM. These measures serve to ensure that the independence of the Non-Executive Directors is not compromised by their compensation.

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Disclosure on Remuneration (Principle 8): ***The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.***

A. The Executive Directors, namely Ms Joanna Yong, Mr Eric Yong and Mr Adrian Yong, and each of the three Advisors, namely Mr Yong Koon Chin, Mr Yong Kin Sen and Mr Yong Poon Miew who are respectively the father of Ms Joanna Yong, Mr Eric Yong and Mr Adrian Yong have each entered into fresh service contracts with the Company during FY2021. The service contracts of the Advisors are each for a period of three years from the respective date of transition from Executive Director to Advisor. This is consistent with a three-year succession plan that was conceived with the assistance of an external remuneration consultant and approved by the Board in May 2019.

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

B. The Company's success depends to a significant extent upon the Directors, Advisors and Management. The loss of service of one or more of these key employees, most of whom are not bound by formal long-term service agreements, could have a material adverse effect on the Company. In view of this and in the best interest of the Company, the Company is not disclosing the exact remuneration of the Directors and Advisors or the link between performance and remuneration paid to the Directors, Advisors and key management personnel. The Board is of the view that the information disclosed is sufficient for shareholders to have adequate understanding of the remuneration for the Executive Directors, Advisors and key management personnel.

C. During the year, there were no termination, retirement and post-employment benefit and share options granted to employees. The following table shows a breakdown (in percentage terms) of the components of remuneration of the Advisors, Executive Directors and key management personnel during the year and their total remuneration within broad bands. The total remuneration for the three Advisors in FY2021 was S$2,229,000. The total remuneration of the Executive Directors and key management personnel in FY2021 were S$794,000 and S$1,611,000 respectively.

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Remuneration Bands	Salary %	Profit Sharing %	Bonus %	Directors' Fees %	Others %	Total Compensation %
Advisors						
S$1,000,000 - S$1,099,999						
Mr Yong Kin Sen	33	64	–	–	3	100
S$500,000 - S$599,999						
Mr Yong Koon Chin	41	56	–	–	3	100
Mr Yong Poon Miew	41	56	–	–	3	100
Executive Directors						
Below S$250,000						
Ms Joanna Yong(1)	70	–	30	–	–	100
Mr Eric Yong	69	–	31	–	–	100
Mr Adrian Yong	70	–	30	–	–	100
Independent Non-Executive Directors						
Below S$250,000						
Mr Yeoh Lam Hock	–	–	–	100	–	100
Mr Joshua Tay	–	–	–	100	–	100
Mrs Wong - Yeo Siew Eng	–	–	–	100	–	100
Mr Chidambaram Chandrasegar(2)	–	–	–	100	–	100
Key Management Personnel						
S$1,000,000 - S$1,249,999						
Mr Lim Hock Leong	32	66	–	–	2	100
Below S$250,000						
Ms Christine Phua	62	–	38	–	–	100
Mr Tan Bee Kin	87	–	13	–	–	100
Mr Bennett Jude Bennit	93	–	7	–	–	100
Mr Loh Chee Boon	91	–	9	–	–	100

Notes:

(1) Ms Joanna Yong was appointed as the Executive Chairman with effect from 5 October 2020.

(2) Mr Chidambaram Chandrasegar retired as an Independent Non-Executive Director on 22 January 2021.

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D. Except as disclosed in the table below, there is no employee of the Group who is an immediate family member of a Director and whose remuneration exceeded S$100,000 during the financial year ended 30 September 2021.

Remuneration Bands	Relationship
S$1,000,000 - S$1,099,999	
Mr Yong Kin Sen (Father of Mr Eric Yong)	Substantial Shareholder of the Company and Advisor
S$500,000 - S$599,999	
Mr Yong Koon Chin (Father of Ms Joanna Yong)	Substantial Shareholder of the Company and Advisor
Mr Yong Poon Miew (Father of Mr Adrian Yong)	Substantial Shareholder of the Company and Advisor

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls (Principle 9): ***The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.***

The Board has overall responsibility for the governance of risk. Together with Management, the Board is committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The Board sets out the matters that requires its approval, and ensures that Management's design, implementation and monitoring of risk management and internal control systems are adequate.

No separate board risk committee is established as the AC assists the Board in overseeing the Company's risk management framework and policies. Further information is set out in the following section "Audit Committee (Principle 10)".

The AC appointed RSM Risk Advisory Pte Ltd ("RSM"), a chartered accounting firm to assist with the internal audit function and to monitor compliance with risk management framework. The audit plan of the internal auditors is subject to approval by the AC. The internal auditors report their findings and any recommendation for improvement to the AC. The relevant department follows up on any recommendation for improvement and progress is reviewed by RSM and the Board. RSM adopts the Standards of Professional Practice of Internal Auditing set by the Institute on Internal Auditors in performing their audits. The Group's external auditor, Ernst & Young LLP, contributes an independent assessment of the internal controls which are relevant for producing reliable financial statements. They present their audit plans for approval by the AC and report the results of the audit to the AC. The Board and AC have separate, independent and regular access to the internal and external auditors.

The Board, with the assistance of the AC, reviews the Group's internal control processes and risk management practices to ensure that they remain sound and relevant. The Board strives to maintain good internal control standards to allow the Group to effectively manage risks while pursuing its business objectives efficiently. Key areas of internal control include the safeguarding of assets, maintenance of proper accounting records which provides reliable financial information, compliance with appropriate legislation, regulation and best practices and the identification and containment of business risks.

Annually, the Board, with assistance from the AC reviews the results of audits performed by the internal and external auditors and evaluates the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls.

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The Company includes in its corporate website a whistleblowing policy and procedures for raising concerns. No whistleblowing report has been received by the AC during the financial year and up to the date of the most recent board meeting to evaluate internal controls and results of the audits.

The internal control systems and risk management of the Company are designed to provide reasonable, but not absolute, assurance that the Company will not be adversely affected by events that can be reasonably foreseen. The Board notes the system of internal control maintained by Management provides reasonable, but not absolute, assurance against material financial misstatements or loss, particularly if collusion with third parties is involved. However, the system of internal controls, monitoring through audits and whistleblowing mechanism in aggregate are intended to manage risks by practical means.

The Board has received assurance from the MD and Financial Controller that, as at 30 September 2021, the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and financial position, and the Group's risk management and internal control systems are adequate and effective in all material aspects.

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

Based on the framework established and the processes above, the Board is of the opinion that the internal controls and risk management systems of the Group were adequate and effective as at 30 September 2021 to address the financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Audit Committee (Principle 10): ***The Board has an Audit Committee ("AC") which discharge its duties objectively.***

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

Chairman

Mrs Wong – Yeo Siew Eng – Independent Director

Members

Mr Yeoh Lam Hock – Independent Director

Mr Joshua Tay – Independent Director

Notes:

Two of the AC members have relevant accounting or related financial management expertise and experience. The Chairman of the AC is a qualified chartered accountant. The Board is of the opinion that the members of the AC have sufficient expertise and experience to discharge their duties.

None of the AC members is a former partner or director of the Company's existing auditing firm, Ernst & Young LLP, within the previous two years or has any financial interest in the firm.

Based on the written terms of reference approved by the Board, the AC has performed the following functions:

(I) Reviewed with the external auditors, their audit plans, scope and results of the external audit, and the independence and objectivity of the external auditors;

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(II) Reviewed with the internal auditors, their audit plans, scope and evaluation of the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems and assessed their independence and objectivity;

(III) Evaluated the adequacy and effectiveness of the Group's internal controls and risk management systems;

(IV) Reviewed the assurance from the Managing Director and the Financial Controller on the financial records and financial statement.

(V) Reviewed the half-yearly and full year financial statements including announcements to shareholders and the SGX-ST prior to submission to the Board;

(VI) Recommended to the Board for proposal to shareholders, the re-appointment of the external auditors, their remuneration and terms of engagement;

(VIII) Reviewed interested person transactions in accordance with the requirements of the Listing Manual;

(IX) Reviewed the assistance given by Management to the Company's internal and external auditors; and

(X) Reviewed the policy under which employees and third parties may in confidence, raise concerns about possible improprieties in financial reporting or other matters and ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow-up actions.

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

Both internal and external auditors submit their plans to the AC for approval and report their findings and recommendations to the AC independently. The external and internal auditors have unrestricted access to the AC, including the routine meeting with the AC without the presence of management to discuss matters relating to the audits. The AC had met with the internal and external auditors without the presence of Management in FY2021.

The Company has complied with Listing Rules 712 and 715 of the Listing Manual on the appointment of audit firms for the Company and the entities in the Group, except for a foreign incorporated subsidiary which is not material to the Group.

The AC met with Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any significant transaction or non-routine matters. The external auditors present for the information of Management and the Board, changes in financial reporting standards, Listing Manual and other regulations which may be relevant to the Group.

In the review of the financial statements, the AC reviewed the Key Audit Matters and concurred with the External Auditor, Ernst & Young LLP and Management on their assessment, judgements and estimates on the significant matters reported by Ernst & Young LLP as set out in the Independent Auditor's Report included in this Annual Report.

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The AC, having reviewed the non-audit services provided to the Company by the external auditors, is satisfied that the nature and extent of such services will not impair the independence and objectivity of the external auditors. The aggregate amount of audit fees paid to the external auditors and a breakdown of the fees for audit and non-audit services are disclosed in Note 5 to the Financial Statements in this Annual Report.

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

The internal audit function is outsourced to RSM Risk Advisory Pte Ltd. The internal auditors have adopted the Standards of Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditors have unrestricted access to all the Company's documents, records, properties and personnel, including access to the AC.

The internal audit plan is approved by the AC. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

The AC reviews the adequacy and effectiveness of the internal audit function annually and is satisfied that the internal audit function is independent, effective and adequately resourced.

The Company is committed to a high standard of corporate governance. In line with this commitment, the Whistleblowing Policy aims to (a) provide a trusted avenue for employees, vendors, customers and other stakeholders to report serious wrongdoings or concerns, particularly in relation to fraud, governance or ethics, without fear of reprisals when whistleblowing in good faith; and (b) ensure that robust arrangements are in place to facilitate independent investigation of the reported concern and for the appropriate follow up actions to be taken.

The policy which is accessible by the employees, aims to foster a workplace conducive to open communication regarding the Company's business practices and to protect the employees from unlawful retaliation and discrimination for the proper disclosing or reporting of illegal or unethical conduct in good faith.

Complaints or suspicions of impropriety can be made by employees and other stakeholders to a dedicated email address automated for transmission to all the Non-Executive and Independent Directors. The email address is published on the Company's website. Anonymous complaints may be looked into, taking into account factors such as seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources. All cases reported will be investigated objectively and thoroughly and appropriate action will be taken where warranted. The AC will inform the Board members after considering the circumstances with an update at Board meetings. The AC did not receive any complaint or whistleblowing report during the financial year and up to the date of the most recent AC meeting.

In discharging its responsibilities, the AC makes reference to the Code and associated practice guidance, the Guidebook for Audit Committees in Singapore, the Risk Governance Guidance for Listed Boards, practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore ("ACRA") and the Guidance to Audit Committee on ACRA's Audit Quality Indicators Disclosure Framework.

The AC members take measures to keep abreast of the changes to financial reporting standards, regulatory matters and current issues which impact financial reporting by various means including attending webinars or receiving updates from professional firms.

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SHAREHOLDERS RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings (Principle 11): ***The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.***

The Company treats all shareholders fairly and equitably and keeps all its shareholders informed of significant matters relating to the Group or its business as required by law and prevailing SGX rules and regulations. The communication is through announcement on SGXNET and the Company's website at the URL https://www.namlee.com.sg.

All shareholders are invited to attend the AGM and are provided with the annual report, resolutions to be voted upon during the AGM as well as information on voting procedures. In accordance with provisions under the COVID-19 (Temporary Measures) legislation, the Company's annual report for the financial year ended 30 September 2021, letter to shareholders, Notice of AGM and proxy form are not printed for mailing. They are instead uploaded on SGXNET at the URL https://www.sgx.com/securities/company-announcements and are also available on the Company's website at the URL https://www.namlee.com.sg/.

The Company has made alternative arrangements for live webcast (accessible via mobile devices and computers) and audio feed of the AGM, and the submission of shareholders' questions and proxy form either via email or by regular mail in advance of the AGM. Clear and specific information on how shareholders should pre-register for authentication, submit their questions and proxy form for voting, as well as the deadlines for doing so are provided in the letter to shareholders. The letter to shareholders also provides information on procedures to facilitate voting and submission of questions by shareholders through intermediaries, SRS and CPF accounts.

The Company's Executive Chairman, Ms Joanna Yong Li Yuen and Managing Director, Mr Eric Yong Han Keong will conduct the proceedings at the AGM. The Company will address, either before or during the AGM, relevant questions relating to the annual report of the Company and the resolutions tabled for approval at the AGM. The Board will be providing responses, and the respective Chairpersons of the AC, RC, and NC; and the independent auditor will also be present at the AGM to answer any questions relating to the work of these Board Committees or the external audit respectively.

Each share carries one vote. Separate resolutions are proposed for substantially separate issues at shareholders' meetings for approval unless they are linked, and the reasons and material implications are explained. "Bundling" of resolutions are done only where the resolutions are interdependent and linked so as to form one significant proposal and only where there are reasons and material implications involved. In accordance with the provisions of the COVID-19 (Temporary Measures) legislation, shareholders are to vote on all resolutions by appointing the Chairman of the AGM as their proxy. An independent scrutineer is appointed to validate the votes cast for the AGM. The detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET after the conclusion of the general meetings.

The Company is not implementing absentia voting methods such as voting via mail, email or fax until security, integrity of the information and authentication of the identity of shareholders through the web can be assured.

The external Company Secretary prepares the minutes of the general meeting. The minutes record substantive and relevant comments or queries from shareholders relating to the agenda and the responses from the Company. The Company will publish the minutes of the AGM on SGXNET and the Company's website within a month after the date of the AGM.

The Company aims to balance the distribution of dividends to shareholders with the funding needs of the Company. The Company strives to provide consistent in dividend payments to its shareholders on an annual basis, taking into consideration the Group's earnings, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate for prudent capital management and an efficient capital structure.

CORPORATE GOVERNANCE

Engagement with Shareholders (Principle 12): ***The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.***

It is the Board's policy to ensure that all shareholders are informed on a timely basis of every significant development that has a material impact on the Group in line with the continuous disclosure obligations of the Company pursuant to the Listing Manual. Such information is disclosed in an accurate and comprehensive manner via SGXNET. The Group recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in the Company.

The Company does not make selective disclosure to only certain groups of persons. It adopts a policy of making all necessary disclosures in public announcements via SGXNET, the corporate website, press releases, circulars for Extraordinary General Meetings and annual reports.

It is the practice for the Executive and Independent Directors to attend the AGMs with shareholders. The Board encourages dialogue with shareholders, understand their views and addresses any concern. Under the provisions of the COVID-19 (Temporary Measures) legislation, there will be no physical meeting for the FY 2021 AGM. Information on how the Company engages with shareholders during the AGM is provided in the preceding section "Shareholder Rights and Conduct of General Meetings".

To facilitate communication between shareholders and the Company at AGMs, shareholders may contact the Company by sending e-mails via the Company's website at URL https://www.namlee.com.sg. Management is committed to responding to email enquiries on a best endeavours basis taking into consideration the disclosure rules of the Listing Manual, the need for equal access to information for all shareholders and the corporate policy of maintaining confidentiality of market competitive information to protect the interest of the Group as a whole.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders (Principle 13): ***The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interest of the company are served.***

The Board oversees the Group's strategic direction and long-term sustainability. It recognises the need for balancing the needs and interests of material stakeholders with those of the Company. It sets the tone from the top for matters such as values and standards (including ethical business practices) and brand reputation.

The Board has identified the following stakeholders: shareholders, employees, customers, suppliers, financiers, government and regulators and considered the key interests or concerns of these respective groups when deliberating over impactful matters.

All stakeholders have access to information from the Company through the corporate website at URL https:// www.namlee.com.sg. This information include the Group's business, products and projects, capabilities and awards, green initiatives, corporate governance and whistle blowing policy. Annual reports, sustainability reports, announcements and information on directors are posted on the website. The website provides easy email linkage to the Company for enquiries and direct reporting to Independent Directors for whistleblowing.

Other than providing the above information in the corporate website, additional engagements by Management with stakeholders are through various channels including meetings, videoconferencing, telephone calls, emails, announcements and training sessions. In engagements with all stakeholders, the Company is guided by ethical practices, relevance, ethical principles and the corporate policy of maintaining confidentiality for market competitive information so as to protect the interest of the Group as a whole.

CORPORATE GOVERNANCE

An analysis of the different methods of engagement and the principal topics of engagement for the respective groups of stakeholders will be presented in the Sustainability Report for the financial year ended 30 September 2021, to be issued no later than 28 February 2022.

The methods of engagement are substantially similar to those detailed on page 7 of the Sustainability Report for the financial year ended 30 September 2020. The Sustainability Report is available on the Company's corporate website.

Dealing in Securities

The Company has adopted and implemented an internal code of conduct on dealings in the securities of the Company by the Directors and officers in the Group based on Listing Rule 1207(19) of the Listing Manual.

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

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

Directors are required to report to the Company Secretaries whenever they deal in the Company's shares. Thereafter, the Company Secretaries update the Register of Directors' Shareholdings and make the necessary announcements on SGXNET.

Interested person transactions

As the Company is listed on the Mainboard of the SGX-ST, it is required to comply with Chapter 9 of the Listing Manual on interested person transactions. To ensure compliance with Chapter 9 of the Listing Manual, the AC, as well as the Board, reviews every half-yearly whether there are interested person transactions as defined in Chapter 9 of the Listing Manual.

The Company did not obtain a shareholders' mandate for interested person transactions pursuant to Rule 920 of the Listing Manual during the financial year.

Every Director is required to declare to the Board any conflict of interest in a transaction, with the Company or its subsidiaries expected to be $100,000 or more, as soon as practicable after becoming aware of the conflict. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction is carried out based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders. No disclosure of conflicts was received during FY2021.

The Company has disclosed in this Report the remuneration of the Advisors who are controlling and substantial shareholders and related to the Executive Directors.

Material Contracts

There were no material contracts between the Company and its subsidiaries involving the interests of any Director and any controlling shareholder which are either subsisting at the end of the financial year under review or if not then subsisting, entered into since the end of the previous financial year, that is required to be disclosed under Listing Rule 1207(8) of the Listing Manual. The Company establishes materiality with reference to Chapter 9 of the Listing Manual.

CORPORATE GOVERNANCE

Risk Management

The Group is engaged in the design, fabrication, supply and installation of a wide range of steel, aluminium and unplasticised polyvinyl chloride (UPVC) products, comprising building products for HDB housing projects and other commercial projects. The Group is also engaged in fabricating aluminium frames for container refrigeration units. The main risks pertaining to the Group's business are summarised below.

(I) Dependence on public housing projects

The Group's business can be affected by the volume and timing of construction of new HDB flats.

The Group manages the risk of variability on demand from new HDB flats by focusing on HDB upgrading and diversification with private properties, industrial and commercial buildings, infrastructure and other public and private projects.

(II) Dependence on demand for marine container refrigeration units

The Group's revenue from production of aluminium frames and components for container refrigeration units for the shipping industry is dependent on the international shipping industry's demand for new refrigerated containers. Any significant reduction in demand for new refrigerated containers will have an adverse impact on the Group's operating results. The Group monitors contractual volumes and will seek expansion of scope of production to widen its product and service offerings as and when appropriate.

(III) Fluctuation in raw material prices

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

The Group manages the risk of price fluctuation and margin erosion by buying raw materials pegged to contract requirements, sourcing for alternative sources of supply and undertaking derivative contracts in material prices, the effects of which are covered by customer agreement.

(IV) Delays in project completion

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

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

CORPORATE GOVERNANCE

(V) Dependence on foreign workers

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

The Group reduces the impact of shortage of foreign workers and cost escalation by relocating labour-intensive operations to its Malaysian plants.

(VI) Financial risk management objectives and policies

Please refer to Note 34 of the Notes to Financial Statements.

(VII) Dependence on relationship with a major customer

A major customer accounts for a substantial portion of our revenue. Although we have a long-term contract with our major customer, future renewal of such contracts on mutually acceptable terms cannot be assured. Should volume of purchases be substantially reduced or key terms changed to our disadvantage, our operating income and profits may be adversely affected to a material extent. The Group monitors key performance targets, engages with the customer to determine and satisfy their needs, and offers to value add to the customer's supply chain requirements whenever possible.

(VIII) We can be affected by competition from competitors and new entrants

The aluminium and steel products industry is competitive and such competition may increase due to the entry of new players. In the event our competitors are able to provide comparable products at lower prices or respond to changes in market conditions more swiftly or effectively than we do, our business and financial performance will be adversely affected. There is no assurance that we will be able to compete effectively in every instance. However, we seek to keep abreast of market developments; provide tested, reliable and responsive services, product ranges and quality; and stay continually relevant to our customers.

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

The Group's success depends to a significant extent upon a number of key employees and senior Management. The loss of service of one or more of these key employees, most of whom are not bound by formal long-term employment agreements, can have a material adverse effect on the Group's relationships with customers and operating efficiency. The Group recognises that its future success will also depend in large part upon its ability to attract and retain highly skilled managerial personnel who can also identify with the corporate objectives and culture. The Board evaluates the business needs and take appropriate actions to manage availability of required management resources.

CORPORATE GOVERNANCE

Information on Key executives

Mr Lim Hock Leong

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

Mr Tan Bee Kin

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

Mr Bennett Jude Bennit

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

Ms Christine Phua

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

Mr Loh Chee Boon

Loh Chee Boon is the Financial Controller of the Company. He is responsible for the financial and accounting functions for the Group. He joined the Company in 2019 as Finance Manager. Prior to joining the Company, he had more than 10 years of financial and accounting experience in companies listed on Singapore and Taiwan Stock Exchange. He is a member of the Institute of Singapore Chartered Accountants and holds an ACCA professional certificate from the Association of Chartered Certified Accountants.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Nam Lee Pressed Metal Industries Limited (the "Company") and its subsidiaries (collectively, the Group) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 September 2021.

1. Opinion of the directors

In the opinion of the directors,

(i) the 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 30 September 2021 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date; and

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

2. Directors

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

Yong Li Yuen, Joanna
Yong Han Keong, Eric
Yong Han Lim, Adrian
Yeoh Lam Hock
Tay Teck Seng Joshua
Wong - Yeo Siew Eng

3. Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

4. Directors' interests in shares and debentures

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

	Held in name of directors			Deemed interest		
	At 1.10.20	At 30.9.21	At 21.10.21	At 1.10.20	At 30.9.21	At 21.10.21
Name of director						
Ordinary shares of the Company						
Yong Li Yuen, Joanna	–	–	–	–	–	–
Yong Han Keong, Eric	170	170	170	–	–	–
Yong Han Lim, Adrian	551,033	551,033	551,033	–	–	–
Yeoh Lam Hock	–	–	–	–	–	–
Tay Teck Seng Joshua	–	–	–	–	–	–
Wong - Yeo Siew Eng	–	–	–	–	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 October 2021.

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

5. Audit Committee

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

Wong - Yeo Siew Eng	Chairman
Yeoh Lam Hock	Member
Tay Teck Seng Joshua	Member

DIRECTORS' STATEMENT

6. Auditor

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

On behalf of the board of directors:

Yong Li Yuen, Joanna
Director

Yong Han Keong, Eric
Director

Singapore
17 December 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2021

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Nam Lee Pressed Metal Industries Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statement of financial position of the Group and the Company as at 30 September 2021, the statement of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2021

Key Audit Matters (cont'd)

Expected credit losses ("ECL") for trade receivables

As at 30 September 2021, trade receivables balances from external parties amounting to $38.0 million were significant as they represent 17% of the Group's total assets. The Group determines ECL for trade receivables by making debtor-specific assessment for credit-impaired debtors. The Group uses provision matrix method for the remaining group of trade debtors that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. This assessment involved significant management judgement and estimation uncertainty that has been heightened by the global economic slowdown ensuing the COVID-19 pandemic. Accordingly, we determine this to be a key audit matter.

As part of our audit procedures, we obtained an understanding and evaluated management's processes and controls relating to the monitoring of trade receivables. We performed audit procedures, amongst others, requesting trade receivable confirmations on a sample basis and obtaining evidence of receipts from these debtors after the financial year end. We performed inquiry of management to obtain understanding of any dispute between the Group and debtors. We discussed with management on the collectability of trade receivables and inquired management if there are any known customers which are potentially more impacted by the COVID-19 pandemic, which may then affect their ability to repay their debts. We assessed management's estimates on the historical loss rate through analysis of ageing of receivables and assessment of significant overdue individual debtors. We evaluated the provision matrix prepared by management for determining ECL allowance and reviewed management's consideration of forward-looking adjustments such as economic data and external information including the potential impact of the COVID-19 pandemic. We checked the arithmetic accuracy of the ECL allowance computation. We also assessed the adequacy of the Group's disclosures of trade receivables and the related credit and liquidity risks in Notes 15 and 34 to the financial statements.

Impairment assessment of investments in subsidiaries

As at 30 September 2021, the gross carrying amount of the Company's investment in subsidiaries was $16.2 million. Management recognised accumulated impairment loss on investment in subsidiaries amounting to $10.6 million as at 30 September 2021 (30 September 2020: $10.6 million). Management identified investments in certain loss-making subsidiaries for impairment assessment. We considered the audit of management's impairment assessment of investments in subsidiaries to be a key audit matter due to magnitude of the gross carrying amount being tested for impairment, the heightened level of estimation uncertainty associated with current economic conditions which has been impacted by Covid-19 pandemic and it involved significant management judgment.

The recoverable amounts of the investment in subsidiaries are determined based on value in use calculations using cash flow projections approved by management. We discussed with the relevant senior management personnel to understand the basis for the key assumptions used in forming the estimates underpinning the assessment of the recoverable amount of the investment in subsidiaries. The key assumptions include the revenue growth rates, budgeted gross margin and discount rates. We assessed the reasonableness of the revenue growth rates and budgeted gross margin by comparing them to confirmed order book on hand, taking into consideration timing of the subsidiaries' operation return to normalcy and current business environment due to Covid-19. We involved our internal valuation specialists in assessing the reasonableness of the discount rates by checking to comparable companies in the same industry. We reviewed management's analysis of the sensitivity of the value in use calculations to reasonable changes in key assumptions, such as the projected of revenue growth rates and gross profit margin. We also reviewed the adequacy of the disclosures in Note 13 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2021

Other information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2021

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2021

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
17 December 2021

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 September 2021

	Note	2021 $'000	2020 $'000
Revenue	4	**198,687**	118,583
Cost of sales		**(166,297)**	(100,175)
Gross profit		**32,390**	18,408
Selling and distribution expenses		**(2,627)**	(2,019)
Administrative expenses		**(12,753)**	(9,821)
Other operating expenses		**(2,681)**	(2,642)
Operating profit	5	**14,329**	3,926
Interest income	7	**61**	316
Finance costs	7	**(1,029)**	(218)
Other income	8	**6,889**	3,802
Profit before tax		**20,250**	7,826
Income tax expense	9	**(4,534)**	(1,449)
Profit for the year		**15,716**	6,377
Attributable to:			
Owners of the Company		**15,716**	6,377
		15,716	6,377
Earnings per share (cents per share)			
- Basic	10	**6.49**	2.63
- Diluted	10	**6.49**	2.63

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2021

	Note	2021 $'000	2020 $'000
Profit for the year		**15,716**	6,377
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Foreign currency translation		**(453)**	17
- Fair value adjustment on quoted securities		**(1)**	(1)
Other comprehensive income for the year, net of tax		**(454)**	16
Total comprehensive income for the year		**15,262**	6,393
Attributable to:			
Owners of the Company		**15,262**	6,393
		15,262	6,393

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

STATEMENT OF FINANCIAL POSITION

As at 30 September 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Non-current assets					
Property, plant and equipment	11	**63,770**	63,220	**25,852**	24,030
Right-of-use assets	24	**11,287**	11,663	**10,288**	10,850
Quoted securities	12	**2**	1,258	**2**	1,258
Investment in subsidiaries	13	**–**	–	**5,654**	4,672
Deferred tax assets	25	**456**	898	**–**	–
		75,515	77,039	**41,796**	40,810
Current assets					
Quoted securities	12	**1,252**	4,000	**1,252**	4,000
Inventories	14	**69,699**	54,745	**12,304**	7,961
Trade receivables	15	**37,960**	26,876	**28,417**	23,259
Contract assets	4	**5,779**	4,195	**–**	–
Other receivables and deposits	16	**1,910**	2,475	**256**	338
Prepayments		**2,334**	2,633	**630**	422
Amounts due from subsidiaries (non-trade)	17	**–**	–	**75,936**	72,776
Derivatives	18	**1,716**	1,323	**1,716**	1,323
Tax recoverable		**924**	1,831	**–**	–
Cash and fixed deposits	33	**25,241**	19,582	**18,438**	13,411
		146,815	117,660	**138,949**	123,490
Total assets		**222,330**	194,699	**180,745**	164,300
Current liabilities					
Trade payables	19	**9,617**	6,980	**12,079**	14,531
Other payables and accruals	20	**21,141**	14,829	**11,121**	9,234
Provision for warranty	21	**686**	507	**–**	–
Loans and borrowings	22	**8,326**	–	**8,253**	–
Obligation under hire purchase contracts	23	**95**	90	**95**	90
Lease liabilities	24	**913**	807	**236**	200
Income tax payables		**2,516**	1,102	**2,372**	958
		43,294	24,315	**34,156**	25,013
Non-current liabilities					
Loans and borrowings	22	**8,775**	11,700	**8,775**	11,700
Obligation under hire purchase contracts	23	**153**	248	**153**	248
Lease liabilities	24	**10,817**	10,926	**10,475**	10,711
Deferred tax liabilities	25	**1,141**	991	**388**	192
		20,886	23,865	**19,791**	22,851
Total liabilities		**64,180**	48,180	**53,947**	47,864
Net assets		**158,150**	146,519	**126,798**	116,436
Equity attributable to owners of the Company					
Share capital	26	**57,582**	57,582	**57,582**	57,582
Treasury shares	26	**(532)**	(532)	**(532)**	(532)
Retained earnings		**109,755**	97,670	**69,752**	59,389
Capital reserve	27	**104**	104	**–**	–
Foreign currency translation reserve	28	**(8,755)**	(8,302)	**–**	–
Fair value adjustment reserve	29	**(4)**	(3)	**(4)**	(3)
Total equity		**158,150**	146,519	**126,798**	116,436

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2021

		Attributable to owners of the Company							
	Note	Share capital	Treasury shares	Retained earnings	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Share option reserve	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2021									
Group									
At 1 October 2020		57,582	(532)	97,670	104	(8,302)	(3)	–	146,519
Profit for the year		–	–	15,716	–	–	–	–	15,716
Other comprehensive income:									
- Fair value adjustment		–	–	–	–	–	(1)	–	(1)
- Foreign currency translation		–	–	–	–	(453)	–	–	(453)
Total comprehensive income for the year, net of tax		–	–	15,716	–	(453)	(1)	–	15,262
Contribution by and distribution to owners:									
Dividends on ordinary shares	30	–	–	(3,631)	–	–	–	–	(3,631)
At 30 September 2021		**57,582**	**(532)**	**109,755**	**104**	**(8,755)**	**(4)**	**–**	**158,150**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2021

	Note	Attributable to owners of the Company							
		Share capital	Treasury shares	Retained earnings	Capital reserve	Foreign currency translation reserve	Fair value adjustment reserve	Share option reserve	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2020									
Group									
At 1 October 2019		57,184	–	94,949	104	(8,319)	(2)	89	144,005
Profit for the year		–	–	6,377	–	–	–	–	6,377
Other comprehensive income:									
- Fair value adjustment		–	–	–	–	–	(1)	–	(1)
- Foreign currency translation		–	–	–	–	17	–	–	17
Total comprehensive income for the year, net of tax		–	–	6,377	–	17	(1)	–	6,393
Contribution by and distribution to owners:									
Purchase of treasury shares	26	–	(532)	–	–	–	–	–	(532)
Exercise of employee share options	26	398	–	–	–	–	–	(89)	309
Dividends on ordinary shares	30	–	–	(3,656)	–	–	–	–	(3,656)
At 30 September 2020		57,582	(532)	97,670	104	(8,302)	(3)	–	146,519

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2021

	Note	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Fair value adjustment reserve $'000	Share option reserve $'000	Total equity $'000
2021							
Company							
At 1 October 2020		57,582	(532)	59,389	(3)	–	116,436
Profit for the year		–	–	13,994	–	–	13,994
Other comprehensive income:							
- Fair value adjustment		–	–	–	(1)	–	(1)
Total comprehensive income for the year, net of tax		–	–	13,994	(1)	–	13,993
Contribution by and distribution to owners:							
Dividends on ordinary shares	30	–	–	(3,631)	–	–	(3,631)
At 30 September 2021		**57,582**	**(532)**	**69,752**	**(4)**	**–**	**126,798**

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 September 2021

	Note	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Fair value adjustment reserve $'000	Share option reserve $'000	Total equity $'000
2020							
Company							
At 1 October 2019		57,184	–	60,629	(2)	89	117,900
Profit for the year		–	–	2,416	–	–	2,416
Other comprehensive income:		–	–	–	(1)	–	(1)
- Fair value adjustment							
Total comprehensive income for the year, net of tax		–	–	2,416	(1)	–	2,415
Contribution by and distribution to owners:							
Purchase of treasury shares	26	–	(532)	–	–	–	(532)
Exercise of employee share options	26	398	–	–	–	(89)	309
Dividends on ordinary shares	30	–	–	(3,656)	–	–	(3,656)
At 30 September 2020		57,582	(532)	59,389	(3)	–	116,436

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 September 2021

	Note	2021 $'000	2020 $'000
Operating activities			
Profit before tax		**20,250**	7,826
Adjustments for:			
Depreciation of property, plant and equipment	5, 11	**4,894**	3,999
Depreciation of right-of-use assets	5, 24	**1,457**	1,205
Loss/(Gain) on disposal of property, plant and equipment, net		**11**	(7)
Property, plant and equipment written off	5	**22**	99
Fair value gain on derivatives	8	**(5,018)**	(281)
Finance costs	7	**1,029**	218
Interest income from fixed deposits	7	**(7)**	(137)
Interest income from quoted securities	7	**(54)**	(179)
Provision for/(Write back of) warranty and replacement cost, net		**674**	(169)
Amortisation of bond premium		**4**	23
Provision for expected credit loss	15	**–**	50
Provision for onerous contracts		**368**	106
(Write back of)/Provision for inventory – net realizable value		**(201)**	201
Foreign currency translation adjustment		**38**	(83)
Operating cash flows before changes in working capital		**23,467**	12,871
Increase in inventories		**(14,753)**	(14,494)
(Increase)/Decrease in receivables and contract assets		**(11,804)**	1,062
Increase in payables		**8,086**	1,662
Increase/(Decrease) in derivatives		**4,625**	(1,388)
Cash flows generated from/(used in) operations		**9,621**	(287)
Income taxes paid		**(1,641)**	(1,233)
Interest received		**7**	137
Interest paid		**(1,029)**	(218)
Net cash flows generated from/(used in) operating activities		**6,958**	(1,601)
Investing activities			
Purchase of property, plant and equipment	11	**(6,098)**	(9,879)
Proceeds from disposal of property, plant and equipment		**166**	303
Proceeds from quoted security		**4,000**	750
Interest income from quoted securities	7	**54**	179
Net cash flows used in investing activities		**(1,878)**	(8,647)
Financing activities			
Increase in fixed deposit - pledged		**(4)**	(22)
Repayment of finance lease obligations	22	**(90)**	(132)
Payment of principal portion of lease liabilities		**(1,088)**	(1,134)
Net proceeds from/(repayment of) loans and borrowings	22	**5,401**	(417)
Purchase of treasury shares		**–**	(532)
Proceeds from exercise of employee share options		**–**	309
Dividends paid on ordinary shares	30	**(3,631)**	(3,656)
Net cash flows generated from/(used in) financing activities		**588**	(5,584)
Net increase/(decrease) in cash and cash equivalents		**5,668**	(15,832)
Cash and cash equivalents at 1 October		**19,395**	35,128
Effect of exchange rate changes on cash and cash equivalents		**(11)**	99
Cash and cash equivalents at 30 September	33	**25,052**	19,395

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

1. Corporate information

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

The registered office and principal place of business of the Company is located at 4 Gul Way, Singapore 629192.

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

The principal activities of the subsidiaries are disclosed in Note 13 to the financial statements.

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

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

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

2.2 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.3 *Basis of consolidation*

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

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

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

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

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.4 *Transactions with non-controlling interests*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.5 ***Foreign currency***

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

2.6 ***Property, plant and equipment***

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

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

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

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

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

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

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

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

2.7 ***Impairment of non-financial assets***

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

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

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

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.8 ***Subsidiaries***

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.9 ***Financial instruments***

(a) ***Financial assets***

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

(i) Amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.9 ***Financial instruments (cont'd)***

(a) ***Financial assets (cont'd)***

Subsequent measurement (cont'd)

<u>Investments in debt instruments (cont'd)</u>

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

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

(iii) Fair value through profit or loss

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

<u>Investments in equity instruments</u>

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

<u>Derivatives</u>

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.9 ***Financial instruments (cont'd)***

(b) ***Financial liabilities***

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.10 ***Impairment of financial assets***

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.11 ***Cash and cash equivalents***

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

2.12 ***Inventories***

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

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

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

2.13 ***Provisions***

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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

Warranty provisions

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

2.14 ***Employee benefits***

(a) *Defined contribution plans*

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

(b) *Employee leave entitlements*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.15 ***Leases***

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct cost incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land use rights	–	6 to 28 years
Accommodation	–	2 to 3 years
Other office equipment	–	2 to 5 years

If the ownership of the lease assets transfers to the Group at the end of the lease or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are subject to impairment. The accounting policy for impairment of non-financial assets is set out in Note 2.7.

(ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payment (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payment that do not depend on index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payments occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.15 *Leases (cont'd)*

As lessee (cont'd)

(iii) Short-term leases and leases of 'low value' assets

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e. those lease that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low-value assets. Lease payments on short-term lease and lease of low-value assets are recognised as expense on a straight-line basis over the lease term.

2.16 *Revenue*

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

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

(a) *Sale of goods*

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

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

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

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

2.17 *Taxes*

(a) *Current income tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.17 ***Taxes (cont'd)***

(b) *Deferred tax*

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

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

(c) *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.18 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segmental information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

2.19 *Share capital and share issuance expense*

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

2.20 *Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

  (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accounting judgments and estimates

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

(a) *Judgments made in applying accounting policies*

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

<u>Determination of functional currency</u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

(b) *Key sources of estimation uncertainty*

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

(i) Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 34(c).

The carrying amount of trade receivables as at 30 September 2021 was $37,960,000 (2020: $26,876,000) respectively.

(ii) Impairment of investment in subsidiaries

The Group assesses at the end of each reporting period whether there is any objective evidence that an investment in subsidiary is impaired. Factors such as the subsidiary being in a shortfall position compared to the cost of investment or in a recurring loss-making position are objective evidence of impairment. If any indication exists, the Group makes an estimate of the subsidiary's recoverable amount.

A subsidiary's recoverable amount is the higher of its carrying amount and its value in use. Where the carrying amount of an investment in subsidiary exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount. The value in use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the terminal growth rate used for extrapolation purposes.

The carrying amount of the Company's investment in subsidiaries at the end of the reporting period was $5,654,000 (2020: $4,672,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

4. Revenue from contracts with customers

4.1 *Disaggregated revenue information*

	For the year ended 30 September 2021				
Segments	**Aluminium**	**Mild steel**	**Stainless steel**	**Others**	**Total**
	$'000	$'000	$'000	$'000	$'000
Geographical markets					
Singapore	**167,792**	**22,861**	**538**	**3,399**	**194,590**
Malaysia	**4,066**	**10**	**17**	**4**	**4,097**
	171,858	**22,871**	**555**	**3,403**	**198,687**
Timing of revenue recognition					
At a point in time	**150,130**	**10**	**17**	**3**	**150,160**
Over time	**21,728**	**22,861**	**538**	**3,400**	**48,527**
	171,858	**22,871**	**555**	**3,403**	**198,687**

	For the year ended 30 September 2020				
Segments	**Aluminium**	**Mild steel**	**Stainless steel**	**Others**	**Total**
	$'000	$'000	$'000	$'000	$'000
Geographical markets					
Singapore	104,797	9,718	514	1,055	116,084
Malaysia	2,445	20	26	8	2,499
	107,242	9,738	540	1,063	118,583
Timing of revenue recognition					
At a point in time	102,978	20	26	8	103,032
Over time	4,264	9,718	514	1,055	15,551
	107,242	9,738	540	1,063	118,583

4.2 *Contract balances*

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

	2021	**2020**
	$'000	$'000
Trade receivables	**37,960**	26,876
Contract assets	**5,779**	4,195

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

5. Profit from operating activities

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

	Group	
	2021	2020
	$'000	$'000
Cost of sales:		
Salaries and bonuses (excluding directors' emoluments)	**(17,156)**	(17,404)
Contribution to defined contribution plans	**(3,123)**	(3,318)
Depreciation of property, plant and equipment*	**(4,146)**	(3,235)
Depreciation of right-of-use asset*	**(649)**	(471)
Operating lease expense	**(595)**	(277)
Professional fee	**(662)**	(292)
Provision for replacement cost	**(495)**	–
Selling and distribution expenses:		
Salaries and bonuses (excluding directors' emoluments)	**(626)**	(229)
Contribution to defined contribution plans	**(25)**	(17)
Depreciation of property, plant and equipment*	**(235)**	(248)
Transportation expenses	**(1,314)**	(1,206)
Administrative expenses:		
Audit fees paid to:		
- Auditor of the Company	**(207)**	(190)
- Other auditors	**(67)**	(26)
Non-audit fees paid to:		
- Auditor of the Company	**(52)**	(52)
Salaries and bonuses (excluding directors' emoluments)	**(4,960)**	(4,185)
Contribution to defined contribution plans	**(391)**	(431)
Directors of the Company:		
- Fees	**(166)**	(183)
- Remuneration	**(576)**	(858)
- Contribution to defined contribution plans	**(52)**	(33)
Advisors of the Company:		
- Remuneration	**(2,213)**	(555)
- Contribution to defined contribution plans	**(16)**	(5)
Directors' fees of subsidiaries	**(16)**	(10)
Depreciation of property, plant and equipment*	**(513)**	(516)
Depreciation of right-of-use asset*	**(808)**	(734)
Accommodation expenses	**(439)**	(422)
Other operating expenses:		
Property, plant and equipment written off	**(22)**	(99)
Loss on disposal of property, plant and equipment	**(11)**	(8)
Legal and professional fee	**(310)**	(312)
Loss on foreign exchange, net	**(986)**	(719)

* Depreciation charge of property, plant and equipment and right-of-use assets for the Group are $4,894,000 (2020: $3,999,000) (Note 11) and $1,457,000 (2020: $1,205,000) (Note 24) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

6. Share option scheme

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

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

Movement of share options during the financial year

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

	2021		2020	
	No.	**WAEP ($)**	**No.**	**WAEP ($)**
Outstanding at 1 October	–	–	1,200,000	0.258
- Exercised	–	–	(1,200,000)	0.258
- Forfeited	–	–	–	
Outstanding at 30 September	–		–	
Exercisable at 30 September	–		–	

The weighted average share price at the date of the exercise of the options exercised during the financial year 2020 was $0.38.

Fair value of share options granted

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

7. Interest income/Finance costs

	Group	
	2021	**2020**
	$'000	$'000
Interest income from:		
- Fixed deposits	**7**	137
- Quoted securities	**54**	179
	61	316
Finance costs on:		
- Term loans	**(226)**	(4)
- Obligations under hire purchase contracts	**(13)**	(8)
- Lease interest	**(790)**	(206)
	(1,029)	(218)

8. Other income

	Group	
	2021	**2020**
	$'000	$'000
Government grant income	**1,624**	3,266
Fair value gain on derivative	**5,018**	281
Gain on disposal of property, plant and equipment	**–**	15
Others	**247**	240
	6,889	3,802

Government grant income relates mainly to Job Support Scheme ("JSS"), Levy Waiver & Rebate, Special Employment Credit ("SEC") grants, Wage Credit Scheme ("WCS"), Employment and Employability Institute grants and COVID Safe Firm Based Support.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

9. Income tax expense

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

	Group	
	2021	**2020**
	$'000	$'000
Consolidated income statement:		
Current income tax		
- Current year	**(4,023)**	(1,894)
- Over/(under) provision in respect of prior years	**84**	(174)
	(3,939)	(2,068)
Deferred income tax		
- Origination and reversal of temporary differences	**(252)**	582
- (Under)/over provision in respect of prior years	**(343)**	37
	(595)	619
Income tax expense recognised in profit or loss	**(4,534)**	(1,449)

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

	Group	
	2021	**2020**
	$'000	$'000
Profit before tax	**20,250**	7,826
Tax at statutory tax rate of 17% (2020: 17%)	**(3,443)**	(1,330)
Adjustments:		
Effect of differences in statutory tax rate	**(531)**	(266)
Expenses not deductible for tax purposes	**(473)**	(365)
Utilisation of current year reinvestment allowance	**–**	509
Tax incentives	**17**	17
Under provision in respect of prior years, net	**(259)**	(137)
Deferred tax assets not recognised	**–**	12
Income not subject to tax	**194**	233
Others	**(39)**	(122)
Income tax expense recognised in profit or loss	**(4,534)**	(1,449)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

10. Earnings per share

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

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

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

	Group	
	2021	**2020**
	$'000	$'000
Profit for the year, net of tax, attributable to owners of the Company	**15,716**	6,377
	No. of Shares	**No. of Shares**
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	**242,056**	242,476
Effect of dilutive share options	**–**	91
Weighted average number of ordinary shares for diluted earnings per share computation	**242,056**	242,567
	Cents	**Cents**
Basic earnings per share	**6.49**	2.63
Diluted earnings per share	**6.49**	2.63

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

11. Property, plant and equipment

Group	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Buildings improvements	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Tools	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:											
At 1 October 2020	11,240	633	13,952	24,801	6,703	839	6,486	3,506	40,609	5,695	114,464
Additions	–	–	81	–	1,412	1	620	285	3,686	13	6,098
Disposals/written off	–	–	–	–	(12)	–	(159)	(3)	(235)	(1)	(410)
Exchange differences	(125)	(6)	(188)	(10)	(34)	(7)	(23)	(20)	(390)	(5)	(808)
At 30 September 2021	**11,115**	**627**	**13,845**	**24,791**	**8,069**	**833**	**6,924**	**3,768**	**43,670**	**5,702**	**119,344**
Accumulated depreciation:											
At 1 October 2020	–	152	2,740	3,767	3,528	779	4,145	2,521	30,477	3,135	51,244
Depreciation charge for the year	–	9	294	1,085	369	22	493	230	2,293	99	4,894
Disposals/written off	–	–	–	–	(12)	–	(128)	(1)	(69)	(1)	(211)
Exchange differences	–	(2)	(30)	(3)	(25)	(6)	(20)	(11)	(253)	(3)	(353)
At 30 September 2021	–	159	3,004	4,849	3,860	795	4,490	2,739	32,448	3,230	55,574
Net carrying amount:											
At 30 September 2021	**11,115**	**468**	**10,841**	**19,942**	**4,209**	**38**	**2,434**	**1,029**	**11,222**	**2,472**	**63,770**

Group	Freehold land	Leasehold land	Buildings on freehold land	Buildings on leasehold land	Buildings improvements	Furniture and fittings	Motor vehicles	Office equipment	Plant and machinery	Tools	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:											
At 1 October 2019	11,240	633	10,751	6,258	6,451	811	6,237	3,054	42,534	5,579	93,548
Additions	–	–	159	18,543	251	28	767	180	1,809	72	21,809
Disposals/written off	–	–	–	–	–	–	(518)	(24)	(358)	(3)	(903)
Reclassification	–	–	3,041	–	–	–	–	295	(3,383)	47	–
Exchange differences	–	–	1	–	1	–	–	1	7	–	10
At 30 September 2020	11,240	633	13,952	24,801	6,703	839	6,486	3,506	40,609	5,695	114,464
Accumulated depreciation:											
At 1 October 2019	–	144	2,445	3,298	3,253	753	4,005	2,311	28,494	3,039	47,742
Depreciation charge for the year	–	8	294	469	274	26	516	222	2,093	97	3,999
Disposals/written off	–	–	–	–	–	–	(376)	(13)	(118)	(1)	(508)
Exchange differences	–	–	1	–	1	–	–	1	8	–	11
At 30 September 2020	–	152	2,740	3,767	3,528	779	4,145	2,521	30,477	3,135	51,244
Net carrying amount:											
At 30 September 2020	11,240	481	11,212	21,034	3,175	60	2,341	985	10,132	2,560	63,220

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

Company	Buildings improvements $'000	Building on leasehold land $'000	Furniture and fittings $'000	Motor vehicles $'000	Office equipment $'000	Plant and machinery $'000	Tools $'000	Total $'000
Cost:								
At 1 October 2020	1,366	24,020	332	3,396	1,656	7,731	2,318	40,819
Additions	1,355	–	–	424	247	1,932	–	3,958
Disposals/written off	(12)	–	–	(159)	(2)	(34)	–	(207)
At 30 September 2021	**2,709**	**24,020**	**332**	**3,661**	**1,901**	**9,629**	**2,318**	**44,570**
Accumulated depreciation:								
At 1 October 2020	825	3,480	311	1,777	1,335	6,765	2,296	16,789
Depreciation charge for the year	228	1,068	7	300	115	370	4	2,092
Disposals/written off	(12)	–	–	(129)	–	(22)	–	(163)
At 30 September 2021	**1,041**	**4,548**	**318**	**1,948**	**1,450**	**7,113**	**2,300**	**18,718**
Net carrying amount:								
At 30 September 2021	**1,668**	**19,472**	**14**	**1,713**	**451**	**2,516**	**18**	**25,852**

Company	Buildings improvements $'000	Building on leasehold land $'000	Furniture and fittings $'000	Motor vehicles $'000	Office equipment $'000	Plant and machinery $'000	Tools $'000	Total $'000
Cost:								
At 1 October 2019	1,353	5,477	332	3,356	1,622	7,775	2,311	22,226
Additions	13	18,543	–	482	45	–	7	19,090
Disposals/written off	–	–	–	(442)	(11)	(44)	–	(497)
At 30 September 2020	1,366	24,020	332	3,396	1,656	7,731	2,318	40,819
Accumulated depreciation:								
At 1 October 2019	723	3,027	303	1,774	1,241	6,586	2,292	15,946
Depreciation charge for the year	102	453	8	303	101	183	4	1,154
Disposals/written off	–	–	–	(300)	(7)	(4)	–	(311)
At 30 September 2020	825	3,480	311	1,777	1,335	6,765	2,296	16,789
Net carrying amount:								
At 30 September 2020	541	20,540	21	1,619	321	966	22	24,030

<u>Assets pledged as security</u>

In addition to assets held under finance lease obligation, the Group has pledged certain property, plant and equipment with a carrying amount of S$17,293,000 (2020: S$17,946,000) to secure the Group's and the Company's loans and borrowings (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

The Group's properties as at 30 September 2021 are:

Name of building/location	Description	Tenure of land
No. 2 & 2A Jalan Tampoi 7, Kawasan Perusahaan Tampoi, 81200 Johor Bahru, Johor, Malaysia	Factory and office premises	Freehold
No. 50 Jalan Industri 2, Taman Perindustrian Pekan Nenas, 81500 Pekan Nenas, Johor Darul Takzim, Malaysia	Factory and office premises	Freehold
No. 3, Jalan Lengkok NIP 1/1, Taman Perindustrian Nusajaya 1, 81550 Gelang Patah, Johor Darul Takzim, Malaysia	Factory and office premises	Freehold
No. 8, Jalan Hasil, Kawasan Perindustrian Tampoi, 81200 Johor Bahru, Malaysia	Factory and office premises	Freehold
PTD 182036, Jalan SILC 2/1, Kawasan Perindustrian SILC, Iskandar Puteri, Mukim Pulai, Daerah Johor Bahru, Johor Darul Takzim	Land	Freehold
PLO 101, Jalan Cyber 5, Kawasan Perindustrian Senai III, 81400 Senai, Johor, Malaysia	Factory and office premises	61-year lease commencing from 24 September 2003
21 Sungei Kadut Street 4, Singapore 729048	Factory and office premises	146-month lease commencing from 16 October 2013
4 Gul Way, Singapore 629192	Factory and office premises	331-month lease commencing from 14 September 2020

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

Assets under construction

The Group's plant and equipment included assets under construction amounting to $656,000 (2020: $408,000).

Assets held under finance lease

The net carrying amounts of motor vehicle held under finance leases as at 30 September 2021 was $559,000 (2020: $639,000) for the Group.

	Group	
	2021	**2020**
	$'000	$'000
Additions during the year	**6,098**	21,809
Less:		
- Motor vehicle purchased through finance lease arrangements	**–**	(230)
- Leased building purchased partially through term loan	**–**	(11,700)
Purchase of property, plant and equipment as per consolidated statement of cash flows	**6,098**	9,879

12. Quoted securities

	Group and Company	
	2021	**2020**
	$'000	$'000
<u>Non-current assets</u>		
Quoted bond investments*	**–**	1,255
Quoted equity investments	**2**	3
	2	1,258
<u>Current assets</u>		
Quoted bond investments*	**1,252**	4,000
	1,252	4,000

* Quoted investments in corporate bonds were made for varying coupon rates at 3.7% (2020: ranging from 3.1% to 3.7%) per annum, with maturity date 29 August 2022 (2020: ranging from 12 October 2020 to 29 August 2022).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

13. Investment in subsidiaries

	Company 2021 $'000	Company 2020 $'000
Unquoted equity shares, at cost	**16,226**	15,226
Less: Accumulated impairment losses	**(10,572)**	(10,554)
Carrying amount of investment in subsidiaries	**5,654**	4,672

During the financial year, management performed a review on the recoverable amount of the investment in subsidiaries. The recoverable amount was estimated based on value-in-use calculations derived from cash flow projection. Key assumptions include revenue growth rates, gross profit margin and discount rates. The pre-tax discount rate is 12%. Based on the assessment, an impairment loss of $18,000 (2020: $10,077,000) was recognised during the financial year.

	Name (Country of incorporation)	Principal activities (Place of business)	Cost of investment 2021 $'000	Cost of investment 2020 $'000	Proportion of ownership interest 2021 %	Proportion of ownership interest 2020 %
	Held by the Company					
*	NL Metals Sdn Bhd (Malaysia)	Manufacture of aluminium industrial products, aluminium sliding windows, grilles, gates and other related metal products (Malaysia)	**1,957**	1,957	**100**	100
*	NL Mechanical Engineering Sdn Bhd (Malaysia)	Manufacture of grilles, gates, drying racks, hopper, other metal and steel-based products (Malaysia)	**562**	562	**100**	100
*	Nam Lee Pressed Metal Sdn Bhd (Malaysia)	Manufacture of metal fabricated products (Malaysia)	**1,322**	1,322	**100**	100
*	Nam Lee Industries Sdn Bhd (Malaysia)	Manufacture of metal fabricated products (Malaysia)	**1,078**	1,078	**100**	100
#	P.T. Nam Lee Metal Industries (Indonesia)	Manufacturing of building metal products (Indonesia)	**307**	307	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

13. Investment in subsidiaries (cont'd)

	Name (Country of incorporation)	Principal activities (Place of business)	Cost of investment		Proportion of ownership interest	
			2021	**2020**	**2021**	**2020**
			$'000	$'000	**%**	%
	Held by the Company					
##	Nam Lee Pressed Metal Pte Ltd (Singapore)	Fabrication, installation and supply of building materials and products (Singapore)	**10,000**	10,000	**100**	100
##	NL Pressed Metal Pte Ltd (Singapore)	Fabrication, installation and supply of building materials and products (Singapore)	**1,000**	–^	**100**	100
	Held through subsidiaries					
*	Swan Metal Products Sdn Bhd (Malaysia)	Manufacture of metal fabricated products (Malaysia)	**–**	–	**100**	100

* Audited by Ernst & Young, Malaysia
\# Not required to be audited by laws of country of incorporation
\## Audited by Ernst & Young LLP, Singapore
^ Amount less than $1,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

14. Inventories

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	$'000	**$'000**	$'000
Finished goods	**14,266**	10,730	**1,254**	9
Work-in-progress	**4,543**	3,827	**316**	2
Raw materials	**41,487**	32,620	**2,380**	1,499
Raw materials - Stock-in-transit	**9,403**	7,568	**8,354**	6,451
Total inventories at lower of cost and net realisable value	**69,699**	54,745	**12,304**	7,961

Included in the consolidated income statement are inventories recognised as an expense in cost of sales amounting to $117,761,000 (2020: $64,324,000).

15. Trade receivables

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	$'000	**$'000**	$'000
Total trade receivables	**37,960**	26,876	**28,417**	23,259

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

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	$'000	**$'000**	$'000
United States Dollar	**27,790**	22,229	**26,934**	21,762

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

15. Trade receivables (cont'd)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL was as follow:

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
At 1 October	**50**	–	**–**	–
Provision for expected credit losses	**–**	50	**–**	–
At 30 September	**50**	50	**–**	–

Receivables subject to offsetting arrangements

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

Description	Note	Gross carrying amounts	Gross amounts offset in the statement of financial position	Net amounts in the statement of financial position
		$'000	$'000	$'000
30 September 2021				
Trade receivables from subsidiaries		**623,313**	**(623,313)**	**–**
Trade payables to subsidiaries	19	**630,910**	**(623,313)**	**7,597**
30 September 2020				
Trade receivables from subsidiaries		507,060	(507,060)	–
Trade payables to subsidiaries	19	518,085	(507,060)	11,025

16. Other receivables and deposits

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Deposits	**1,590**	1,191	**116**	40
Other receivables	**320**	96	**140**	73
Grant receivables	**–**	1,188	**–**	216
Other recoverable	**–**	–	**–**	9
	1,910	2,475	**256**	338

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

17. Amounts due from subsidiaries (non-trade)

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

Receivables subject to offsetting arrangements

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

Description	Gross carrying amounts	Gross amounts offset in the statement of financial position	Net amounts in the statement of financial position
	$'000	$'000	$'000
30 September 2021			
Amounts due from subsidiaries	**90,069**	**(14,133)**	**75,936**
Amounts due to subsidiaries	**14,133**	**(14,133)**	**–**
30 September 2020			
Amounts due from subsidiaries	75,685	(2,909)	72,776
Amounts due to subsidiaries	2,909	(2,909)	–

18. Derivatives

	Group and Company			
	2021		2020	
	Contract notional amount	Assets	Contract notional amount	Assets
	$'000	$'000	$'000	$'000
Commodity swap	**17,297**	**1,716**	14,786	1,323
Total financial assets at fair value through profit or loss	**17,297**	**1,716**	14,786	1,323

The commodity swap agreements are intended to hedge against the volatility of commodity purchases for periods between 1 to 6 months (2020: 1 to 15 months) based on existing sales agreements. These contracts are entered for future committed sales.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

19. Trade payables

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
External parties		**9,617**	6,980	**4,482**	3,506
Subsidiaries	15	**–**	–	**7,597**	11,025
		9,617	6,980	**12,079**	14,531

External parties

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

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

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
United States Dollar	**4,247**	2,745	**3,558**	2,489

Subsidiaries

Trade payables to subsidiaries are subject to offsetting arrangements as disclosed in Note 15.

20. Other payables and accruals

	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Sundry creditors	**391**	261	**–**	1
Accrued operating expenses	**20,465**	12,452	**11,021**	8,846
Deferred grant income	**131**	1,293	**–**	316
Deposits from customers	**154**	823	**100**	71
	21,141	14,829	**11,121**	9,234
Less:				
Deferred grant income	**(131)**	(1,293)	**–**	(316)
Provision for onerous contract	**(474)**	(106)	**–**	–
Financial liabilities at amortised cost	**20,536**	13,430	**11,121**	8,918

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

20. Other payables and accruals (cont'd)

Movements in provision for onerous contract are as follows:

	Group	
	2021	**2020**
	$'000	$'000
At 1 October	**106**	–
Provision made	**368**	106
At 30 September	**474**	106

21. Provision for warranty

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

Based on actual historical warranty claims experience, management assessed that the Group's provision for warranties exceeded the amount necessary to cover outstanding warranty claims on products sold. Accordingly, $179,000 (2020: $169,000 reversal) of the warranty provision has been made in the current year.

Movements in provision for warranty are as follows:

	Group	
	2021	**2020**
	$'000	$'000
At 1 October	**507**	676
Provision made	**310**	27
Reversal	**(131)**	(196)
At 30 September	**686**	507

22. Loans and borrowings

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	$'000	**$'000**	$'000
Current:				
Term loan (Note A)	**2,925**	–	**2,925**	–
Trust receipts (Note B)	**5,401**	–	**5,328**	–
	8,326	–	**8,253**	–
Non-current:				
Term loan (Note A)	**8,775**	11,700	**8,775**	11,700
	8,775	11,700	**8,775**	11,700

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

22. Loans and borrowings (cont'd)

Note A: The term loan is denominated in Singapore dollar ("SGD") and has a maturity period of 5 years. The loan is secured by a leased building (Note 11) and bears an effective interest rate of 1.85% per annum.

Note B: The trust receipts are denominated in United States dollar ("USD") and has a range of maturity period between 4 to 6 months. The trust receipts bear a range of effective interest rate of 2.40% - 2.41% per annum.

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

			Non-cash changes		
	2020	**Cash flows**	**Acquisition**	**Other**	**2021**
	$'000	$'000	$'000	$'000	**$'000**
Group					
Loans and borrowings	11,700	5,401	–	–	**17,101**
Obligations under hire purchase contracts	338	(90)	–	–	**248**
Lease liabilities	11,733	(1,088)	1,114	(29)	**11,730**
Total	23,771	4,223	1,114	(29)	**29,079**

			Non-cash changes		
	2019	**Cash flows**	**Acquisition**	**Other**	**2020**
	$'000	$'000	$'000	$'000	$'000
Group					
Loans and borrowings	417	(417)	11,700	–	11,700
Obligations under hire purchase contracts	240	(132)	230	–	338
Lease liabilities	2,877	(1,134)	9,990	–	11,733
Total	3,534	(1,683)	21,920	–	23,771

23. Obligations under hire purchase contracts

The Group leases certain motor vehicles under hire purchase arrangements that are non-cancellable. These contracts are classified as finance leases and expire within the next 2 to 4 years (2020: 3 to 5 years). These leases have purchase options but no renewal option or escalation clauses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

23. Obligations under hire purchase contracts (cont'd)

Discount rates implicit in the leases ranged from 4.48% to 4.52% (2020: 4.48% to 4.52%) per annum. Future minimum lease payments under the hire purchase contracts together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments 2021 $'000	Present value of payments 2021 $'000	Minimum lease payments 2020 $'000	Present value of payments 2020 $'000
Group and Company				
Not later than one year	**103**	**95**	103	90
Later than one year but not later than five years	**163**	**153**	266	248
Total minimum lease payments	**266**	**248**	369	338
Less: Amounts representing finance charges	**(18)**	**–**	(31)	–
Present value of minimum lease payments	**248**	**248**	338	338

24. Leases

As a lessee

The Group and the Company have lease contracts for accommodation, land use rights and other office equipment used in its operation. The Group and the Company are restricted from assigning and subleasing the leases assets.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Leasehold buildings $'000	Office equipment $'000	Total $'000
At 1 October 2019	2,772	105	2,877
Additions	9,871	119	9,990
Depreciation expense	(1,156)	(49)	(1,205)
Exchange differences	1	–	1
At 30 September 2020	11,488	175	11,663
Additions	1,099	15	1,114
Depreciation expense	(1,410)	(47)	(1,457)
Derecognition	(27)	(2)	(29)
Exchange differences	(4)	–	(4)
At 30 September 2021	**11,146**	**141**	**11,287**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

24. Leases (cont'd)

As a lessee (cont'd)

	Leasehold buildings $'000	Office equipment $'000	Total $'000
Company			
At 1 October 2019	1,178	76	1,254
Additions	9,832	–	9,832
Depreciation expense	(218)	(18)	(236)
At 30 September 2020	10,792	58	10,850
Depreciation expense	(544)	(18)	(562)
At 30 September 2021	**10,248**	**40**	**10,288**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group		Company	
	2021 $'000	2020 $'000	**2021 $'000**	2020 $'000
At 1 October	**11,733**	2,877	**10,911**	1,254
Additions	**1,114**	9,990	**–**	9,832
Accretion of interest	**790**	206	**730**	128
Payments	**(1,878)**	(1,340)	**(930)**	(303)
Derecognition	**(29)**	–	**–**	–
At 30 September	**11,730**	11,733	**10,711**	10,911
Current	**913**	807	**236**	200
Non-current	**10,817**	10,926	**10,475**	10,711
	11,730	11,733	**10,711**	10,911

The maturity analysis of lease liabilities is disclosed in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

24. Leases (cont'd)

As a lessee (cont'd)

The following are the amounts recognised in profit or loss:

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Depreciation expense of right-of-use assets	**1,457**	1,205	**562**	236
Interest expenses on lease liabilities	**790**	206	**730**	128
Expenses relating to short-term leases (included in rental and utilities)	**972**	410	**117**	17
Expenses relating to low-value assets (included in rental and utilities)	**11**	12	**11**	–
Total amount recognised in profit or loss	**3,230**	1,833	**1,420**	381

The Group had total cash outflows for leases of $2,861,000 in 2021 (2020: $1,762,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of $1,114,000 in 2021 (2020: $9,990,000).

The Company had total cash outflows for leases of $1,058,000 in 2021 (2020: $320,000). The Company also had no non-cash additions to right-of-use assets and lease liabilities in 2021 (2020: $9,832,000).

25. Deferred tax

Deferred tax as at 30 September relates to the following:

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities:				
Differences in depreciation for tax purpose	**1,141**	991	**388**	192
Deferred tax assets:				
Provisions	**456**	898	**–**	–

Movement of deferred tax is as follows:

	Group		Company	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
At 1 October	**93**	715	**192**	218
Provided/(Reversed) during the year	**595**	(619)	**196**	(26)
Exchange differences	**(3)**	(3)	**–**	–
At 30 September	**685**	93	**388**	192

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

25. Deferred tax (cont'd)

Unrecognised temporary differences relating to investment in subsidiaries

At the end of the reporting period, no deferred tax liability (2020: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries as there are no tax effect on the undistributed earnings of the foreign subsidiaries.

Tax consequences of proposed dividends

There are no income tax consequences (2020: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 30).

26. Share capital and treasury shares

Share capital

	Note	Group and Company			
		2021		**2020**	
		No. of shares '000	**$'000**	No. of shares '000	$'000
Issued and fully paid ordinary shares:					
At 1 October		**243,744**	**57,582**	242,544	57,184
Exercise of employee share options	6	**–**	**–**	1,200	398
At 30 September		**243,744**	**57,582**	243,744	57,582

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

Treasury shares

	Group and Company			
	2021		**2020**	
	No. of shares '000	**$'000**	No. of shares '000	$'000
Issued and fully paid treasury shares:				
At 1 October	**(1,688)**	**(532)**	–	–
Acquisition during the year	**–**	**–**	(1,688)	(532)
At 30 September	**(1,688)**	**(532)**	(1,688)	(532)

27. Capital reserve

Capital reserve represents discount on acquisition of a subsidiary in prior years amounting to $104,000 (2020: $104,000) at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

28. Foreign currency translation reserve

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

29. Fair value adjustment reserve

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

	Group and Company	
	2021	**2020**
	$'000	$'000
At 1 October 2020 and 30 September 2021	**(4)**	(3)

30. Dividends

	Group and Company	
	2021	**2020**
	$'000	$'000
Declared and paid during the financial year:		
Dividend on ordinary shares		
- Final exempt (one-tier) dividend for 2020: 1.0 cent per share (2019: 1.0 cent)	**2,421**	2,437
- Special (one-tier) dividend for 2020: 0.5 cent per share (2019: 0.5 cent)	**1,210**	1,219
Total dividends	**3,631**	3,656
Proposed but not recognised as liability as at 30 September		
Dividend on ordinary shares, subject to shareholders' approval at AGM		
- Final and special (one-tier) dividend for 2021: 2.0 cents per share (2020: 1.5 cents)	**4,841**	3,631

A final dividend in respect of year ended 30 September 2021 of 1.5 cent (2020: 1.0 cent) per share and special dividend of 0.5 cent (2020: 0.5 cent) per share under tax exempt one-tier system amounting to $4,841,000 (2020: $3,631,000) was proposed by the Board subsequent to the financial year end. The dividend proposed is not accounted for until it has been approved by the shareholders at the Annual General Meeting. The amount will be accounted for as an appropriation of revenue reserves in the financial year ending 30 September 2022.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

31. Related party transactions

(a) ***Transactions with subsidiaries***

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

	Company	
	2021	**2020**
	$'000	$'000
Sales to subsidiaries	**96,310**	53,229
Purchases from subsidiaries	**(120,979)**	(77,529)
Rental and utilities recharge to a subsidiary	**162**	162
Staff related costs recharged by a subsidiary	**(50)**	(130)

(b) ***Compensation of key management personnel***

	Group	
	2021	**2020**
	$'000	$'000
Salaries, bonus and other related expenses	**4,517**	2,545
Contributions to defined contribution plans	**117**	78
Total compensation paid to key management personnel	**4,634**	2,623
Comprise amounts paid to:		
- Directors of the Company	**794**	1,074
- Advisors of the Company*	**2,229**	560
- Other key management personnel	**1,611**	989
	4,634	2,623

* The advisors are substantial shareholders who are considered as key management personnel of the Company.

32. Commitments and contingencies

Capital commitments

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

	Group	
	2021	**2020**
	$'000	$'000
Capital commitments in respect of property, plant and equipment	**2,513**	1,263

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

33. Cash and fixed deposits

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	$'000	**$'000**	$'000
Fixed deposits	**189**	187	**–**	–
Cash at bank and on hand	**25,052**	19,395	**18,438**	13,411
	25,241	19,582	**18,438**	13,411
Less: fixed deposit pledged	**(189)**	(187)	**–**	–
Total cash and cash equivalents	**25,052**	19,395	**18,438**	13,411

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

United States Dollar	**10,553**	6,329	**10,547**	6,323

Fixed deposits are made for 12 months (2020: 12 months) depending on the immediate cash requirements of the Group and earn interest at the respective fixed deposit rates. The weighted average effective interest rate as at 30 September for the Group is 1.85% (2020: 2.10%) per annum. Fixed deposits can be readily convertible into known amount of cash and subject to insignificant risk of change in value.

Included in deposits of the Group are $189,000 (2020: $187,000) pledged to a licensed bank for bank guarantee facilities.

34. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include liquidity risk, foreign currency risk, credit risk and market price risk. The board approves, authorises and agrees policies for managing each of these risks. The audit committee provides independent oversight to the effectiveness of the risk management process.

The Group's and Company's principal financial instruments, other than derivative financial instruments, comprise loans and borrowings, cash and cash equivalents and various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group and Company also enters into derivative transactions such as commodity swap. The purpose is to manage the purchase price volatility arising from its operations. It is the Group's policy that no trading in derivatives for speculative purposes shall be undertaken and management has adhered to this policy in the previous and current financial year.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

(a) *Liquidity risk*

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

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

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

30 September 2021	**One year or less**	**One to five years**	**More than five years**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Financial assets:				
Trade receivables	**37,960**	**–**	**–**	**37,960**
Other receivables and deposits	**1,910**	**–**	**–**	**1,910**
Cash and fixed deposits	**25,241**	**–**	**–**	**25,241**
Derivatives	**1,716**	**–**	**–**	**1,716**
Quoted securities	**1,250**	**2**	**–**	**1,252**
	68,077	**2**	**–**	**68,079**
Less: Goods and services tax receivables	**(1,345)**	**–**	**–**	**(1,345)**
Total undiscounted financial assets	**66,732**	**2**	**–**	**66,734**
Financial liabilities:				
Trade payables	**9,617**	**–**	**–**	**9,617**
Other payables and accruals	**20,536**	**–**	**–**	**20,536**
Loans and borrowings	**8,535**	**9,039**	**–**	**17,574**
Obligations under hire purchase contracts	**103**	**163**	**–**	**266**
Lease liabilities	**1,678**	**3,969**	**15,407**	**21,054**
Total undiscounted financial liabilities	**40,469**	**13,171**	**15,407**	**69,047**
Total net undiscounted financial assets	**26,263**	**(13,169)**	**(15,407)**	**(2,313)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

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

30 September 2020	**One year or less** $'000	**One to five years** $'000	**More than five years** $'000	**Total** $'000
Group				
Financial assets:				
Trade receivables	26,876	–	–	26,876
Other receivables and deposits	2,475	–	–	2,475
Cash and fixed deposits	19,582	–	–	19,582
Derivatives	1,323	–	–	1,323
Quoted securities	4,000	1,253	–	5,253
	54,256	1,253	–	55,509
Less: Goods and services tax receivables	(1,837)	–	–	(1,837)
Total undiscounted financial assets	52,419	1,253	–	53,672
Financial liabilities:				
Trade payables	6,980	–	–	6,980
Other payables and accruals	13,430	–	–	13,430
Loans and borrowings	–	12,556	–	12,556
Obligations under hire purchase contracts	103	266	–	369
Lease liabilities	1,595	4,032	16,151	21,778
Total undiscounted financial liabilities	22,108	16,854	16,151	55,113
Total net undiscounted financial assets	30,311	(15,601)	(16,151)	(1,441)

30 September 2021	**One year or less** **$'000**	**One to five years** **$'000**	**More than five years** **$'000**	**Total** **$'000**
Company				
Financial assets:				
Trade receivables	**28,417**	**–**	**–**	**28,417**
Other receivables and deposits	**256**	**–**	**–**	**256**
Amounts due from subsidiaries (non-trade)	**75,936**	**–**	**–**	**75,936**
Cash and fixed deposits	**18,438**	**–**	**–**	**18,438**
Derivatives	**1,716**	**–**	**–**	**1,716**
Quoted securities	**1,250**	**2**	**–**	**1,252**
	126,013	**2**	**–**	**126,015**
Less: Goods and services tax receivables	**(1,164)**	**–**	**–**	**(1,164)**
Total undiscounted financial assets	**124,849**	**2**	**–**	**124,851**
Financial liabilities:				
Trade payables	**12,079**	**–**	**–**	**12,079**
Other payables and accruals	**11,121**	**–**	**–**	**11,121**
Loans and borrowings	**8,462**	**9,039**	**–**	**17,501**
Obligations under hire purchase contracts	**103**	**163**	**–**	**266**
Lease liabilities	**958**	**3,618**	**15,407**	**19,983**
Total undiscounted financial liabilities	**32,723**	**12,820**	**15,407**	**60,950**
Total net undiscounted financial assets	**92,126**	**(12,818)**	**(15,407)**	**63,901**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

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

30 September 2020	One year or less $'000	One to five years $'000	More than five years $'000	Total $'000
Company				
Financial assets:				
Trade receivables	23,259	–	–	23,259
Other receivables and deposits	338	–	–	338
Amounts due from subsidiaries (non-trade)	72,776	–	–	72,776
Cash and fixed deposits	13,411	–	–	13,411
Derivatives	1,323	–	–	1,323
Quoted securities	4,000	1,253	–	5,253
	115,107	1,253	–	116,360
Less: Goods and services tax receivables	(1,462)	–	–	(1,462)
Total undiscounted financial assets	113,645	1,253	–	114,898
Financial liabilities:				
Trade payables	14,531	–	–	14,531
Other payables and accruals	8,918	–	–	8,918
Loans and borrowings	–	12,556	–	12,556
Obligations under hire purchase contracts	103	266	–	369
Lease liabilities	957	3,804	16,151	20,912
Total undiscounted financial liabilities	24,509	16,626	16,151	57,286
Total net undiscounted financial assets	89,136	(15,373)	(16,151)	57,612

(b) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD and Malaysian Ringgit ("MYR"). The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"). Approximately 73% (2020: 85%) of the Group's sales are denominated in currencies other than functional currencies of the Group entities whilst almost 62% (2020: 63%) of costs are denominated in foreign currencies.

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

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 33.

As disclosed in Note 2.5, exchange differences on the Group's net investments in the foreign subsidiaries are dealt with through the foreign currency translation reserve.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

(b) *Foreign currency risk (cont'd)*

	Group	
	2021	**2020**
	$'000	$'000
Increase/(decrease) in profit net of tax when USD/SGD		
- strengthen 3% (2020: 3%)	**849**	779
- weaken 3% (2020: 3%)	**(849)**	(779)

(c) *Credit risk*

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

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

Credit risk concentration profile

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

	Group			
	2021		2020	
	$'000	**% of total**	$'000	% of total
By product types:				
Aluminium	**34,800**	**91.7**	25,122	93.4
Mild Steel	**2,364**	**6.2**	1,520	5.7
Stainless Steel	**2**	**0.0**	178	0.7
Others	**794**	**2.1**	56	0.2
	37,960	**100.0**	26,876	100.0

At the end of the reporting period, there is no significant concentration of credit risk apart for the amounts due from a major customer amounting to approximately 74.9% (2020: 81.1%) of total trade receivables. However, the good credit history of this customer reduces the risk to the Group to an acceptable level. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Trade receivables and contract assets

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

(d) ***Market price risk***

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

The Group manages the risk in fluctuation by buying the raw materials pegged to contracts requirements only, sourcing for alternative sources of supply and undertaking derivative contracts in material prices the effects of which are covered by customer agreement.

At the end of the reporting period, the derivatives balances are disclosed in Note 18.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

35. Fair value of financial instruments

(a) *Fair value hierarchy*

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

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 – Significant unobservable inputs for the asset or liability.

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

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

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

		Group and Company		
2021		**Quoted prices in active markets for identical instruments**	**Significant other observable inputs**	**Total**
	Note	**Level 1**	**Level 2**	
		$'000	$'000	$'000
Recurring fair value measurements				
Financial assets:				
Quoted securities	12	**1,254**	**–**	**1,254**
Derivatives				
- Commodity swap	18	**–**	**1,716**	**1,716**

		Group and Company		
2020		**Quoted prices in active markets for identical instruments**	**Significant other observable inputs**	**Total**
	Note	**Level 1**	**Level 2**	
		$'000	$'000	$'000
Recurring fair value measurements				
Financial assets:				
Quoted securities	12	5,258	–	5,258
Derivatives				
- Commodity swap	18	–	1,323	1,323

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

(c) ***Determination of fair value***

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

Level 1 fair value measurement

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

Level 2 fair value measurement

Derivatives (Note 18): Commodity swap agreements are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include swap models, using present value calculations. The models incorporate various inputs including commodity spot and forward rates.

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

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

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

The fair values of the obligations under hire purchase contracts are not materially different from their carrying values as at 30 September 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

(e) *Classification of financial instruments*

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

	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
	$'000	$'000	$'000	$'000
Group				
Assets				
30 September 2021				
Quoted securities	**–**	**2**	**1,252**	**1,254**
Trade receivables	**37,960**	**–**	**–**	**37,960**
Other receivables and deposits	**1,910**	**–**	**–**	**1,910**
Cash and fixed deposits	**25,241**	**–**	**–**	**25,241**
Derivatives	**–**	**–**	**1,716**	**1,716**
Less: Goods and services tax receivables	**(1,345)**	**–**	**–**	**(1,345)**
	63,766	**2**	**2,968**	**66,736**
30 September 2020				
Quoted securities	–	3	5,255	5,258
Trade receivables	26,876	–	–	26,876
Other receivables and deposits	2,475	–	–	2,475
Cash and fixed deposits	19,582	–	–	19,582
Derivatives	–	–	1,323	1,323
Less: Goods and services tax receivables	(1,837)	–	–	(1,837)
	47,096	3	6,578	53,677

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

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

	Amortised cost	Fair value through profit or loss	Total
	$'000	$'000	$'000
Group			
Liabilities			
30 September 2021			
Trade payables	**9,617**	**–**	**9,617**
Other payables and accruals	**20,536**	**–**	**20,536**
Loans and borrowings	**17,101**	**–**	**17,101**
Obligations under hire purchase contracts	**248**	**–**	**248**
Lease liabilities	**11,730**	**–**	**11,730**
	59,232	**–**	**59,232**
30 September 2020			
Trade payables	6,980	–	6,980
Other payables and accruals	13,430	–	13,430
Loans and borrowings	11,700	–	11,700
Obligations under hire purchase contracts	338	–	338
Lease liabilities	11,733	–	11,733
	44,181	–	44,181

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

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

	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
	$'000	$'000	$'000	$'000
Company				
Assets				
30 September 2021				
Quoted securities	**–**	**2**	**1,252**	**1,254**
Trade receivables	**28,417**	**–**	**–**	**28,417**
Other receivables and deposits	**256**	**–**	**–**	**256**
Amounts due from subsidiaries (non-trade)	**75,936**	**–**	**–**	**75,936**
Cash and fixed deposits	**18,438**	**–**	**–**	**18,438**
Derivatives	**–**	**–**	**1,716**	**1,716**
Less: Goods and services tax receivables	**(1,164)**	**–**	**–**	**(1,164)**
	121,883	**2**	**2,968**	**124,853**
30 September 2020				
Quoted securities	–	3	5,255	5,258
Trade receivables	23,259	–	–	23,259
Other receivables and deposits	338	–	–	338
Amounts due from subsidiaries (non-trade)	72,776	–	–	72,776
Cash and fixed deposits	13,411	–	–	13,411
Derivatives	–	–	1,323	1,323
Less: Goods and services tax receivables	(1,462)	–	–	(1,462)
	108,322	3	6,578	114,903

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

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

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

	Amortised cost $'000	Fair value through profit or loss $'000	Total $'000
Company			
Liabilities			
30 September 2021			
Trade payables	**12,079**	**–**	**12,079**
Other payables and accruals	**11,121**	**–**	**11,121**
Loans and borrowings	**17,028**	**–**	**17,028**
Obligations under hire purchase contracts	**248**	**–**	**248**
Lease liabilities	**10,711**	**–**	**10,711**
	51,187	**–**	**51,187**
30 September 2020			
Trade payables	14,531	–	14,531
Other payables and accruals	8,918	–	8,918
Loans and borrowings	11,700	–	11,700
Obligations under hire purchase contracts	338	–	338
Lease liabilities	10,911	–	10,911
	46,398	–	46,398

36. Capital management

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

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may increase borrowings or adjust the dividend payment to shareholders as and when appropriate. No changes were made in the objectives, policies or processes during the years ended 30 September 2021 and 30 September 2020.

The Group is currently in net cash position. The Group will continue to be guided by prudent financial policies. The gross debt to equity ratio is presented below:

	Note	Group 2021 $'000	Group 2020 $'000
Loans and borrowings	22	**17,101**	11,700
Obligations under hire purchase contracts	23	**248**	338
Total gross debt		**17,349**	12,038
Equity attributable to owners of the Company		**158,150**	146,519
Gross debt to equity ratio		**11.0%**	8.2%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

37. Segment information

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

(a) The aluminium segment

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

(b) The mild steel segment

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

(c) The stainless steel segment

Stainless steel products, such as drying rack and hoppers use for building construction projects.

(d) Others

Others include glasses and shower screens for building construction projects.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

37. Segment information (cont'd)

Business segments

	Aluminium		Mild steel		Stainless steel		Others			Adjustments		Consolidated	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**		**2021**	**2020**	**2021**	**2020**
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000		**$'000**	$'000	**$'000**	$'000
Segment revenue:													
Sales to external customers	**171,858**	107,242	**22,871**	9,738	**555**	540	**3,403**	1,063		**–**	–	**198,687**	118,583
Results:													
Depreciation	**(5,429)**	(3,883)	**(660)**	(1,059)	**(124)**	(132)	**(138)**	(130)		**–**	–	**(6,351)**	(5,204)
Provision for replacement cost	**(495)**	–	**–**	–	**–**	–	**–**	–		**–**	–	**(495)**	–
Segment results	**21,384**	10,431	**(1,722)**	(3,453)	**375**	(602)	**(690)**	(2,169)	(A)	**903**	3,619	**20,250**	7,826
Statement of financial position:													
Additions to non-current assets	**5,676**	30,923	**1,127**	243	**211**	364	**198**	269		**–**	–	**7,212**	31,799
Segment assets	**176,148**	148,414	**25,380**	31,044	**6,897**	6,889	**13,449**	7,454	(B)	**456**	898	**222,330**	194,699
Segment liabilities	**25,962**	17,925	**2,704**	2,022	**286**	181	**2,492**	2,188	(C)	**32,736**	25,864	**64,180**	48,180

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

37. Segment information (cont'd)

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

Note A

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

	Group	
	2021	**2020**
	$'000	$'000
Interest income	**61**	316
Finance costs	**(1,029)**	(218)
Unallocated income	**1,871**	3,521
	903	3,619

Note B

The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position:

	Group	
	2021	**2020**
	$'000	$'000
Deferred tax assets	**456**	898

Note C

The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	Group	
	2021	**2020**
	$'000	$'000
Deferred tax liabilities	**1,141**	991
Income tax payables	**2,516**	1,102
Loans and borrowings	**17,101**	11,700
Obligations under hire purchase contracts	**248**	338
Lease liabilities	**11,730**	11,733
	32,736	25,864

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2021

37. Segment information (cont'd)

Geographical information

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

	Revenue from external customers		Non-current assets	
	2021	**2020**	**2021**	**2020**
	$'000	$'000	**$'000**	$'000
Singapore	**194,590**	116,084	**38,866**	36,856
Malaysia	**4,097**	2,499	**36,191**	38,027
	198,687	118,583	**75,057**	74,883

Non-current assets presented above consist of property, plant and equipment and right-of-use assets, as presented in the consolidated statement of financial position.

Information about major customers

In the current financial year, revenue from two major customers amounted to $146 million (2020: $101 million) arising from sales by the aluminium segment and $3 million (2020: $3 million) arising from sales by the mild steel segment.

38. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2021 were authorised for issue in accordance with a resolution of the directors on 17 December 2021.

STATISTICS OF SHAREHOLDINGS

As at 9 December 2021

Issued and fully paid-up capital	:	$57,069,657.188
Number of shares (excluding treasury shares and subsidiary holdings)	:	242,056,382
Number of treasury shares held and percentage	:	1,687,700 (0.70%)
Number of subsidiary holdings held	:	Nil
Class of shares	:	Ordinary share fully paid with equal voting rights
Voting rights	:	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	28	1.10	1,237	0.00
100 - 1,000	700	27.45	499,087	0.21
1,001 - 10,000	995	39.02	3,619,644	1.49
10,001 - 1,000,000	810	31.76	52,454,730	21.67
1,000,001 AND ABOVE	17	0.67	185,481,684	76.63
TOTAL	**2,550**	**100.00**	**242,056,382**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
Yong Koon Chin	47,081,502	19.45	–	–
Yong Kin Sen	48,204,412	19.91	9,582[(1)]	n.m.[(2)]
Yong Poon Miew	47,373,181	19.57	–	–
Yeo Seng Chong	2,775,000	1.15	13,086,000[(3)]	5.41
Yeoman Capital Management Pte Ltd ("YCMPL")	36,000	0.01	13,050,000[(4)]	5.39
Yeoman 3-Rights Value Asia Fund	12,875,000	5.32	–	–

Notes:

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

(2) n.m. = not meaningful

(3) Mr Yeo Seng Chong is deemed interested in the shares held through DB Nominees (Singapore) Pte Ltd.

(4) YCMPL acquired the shares on behalf of YCMPL's clients (including Yeoman 3-Rights Value Asia Fund and Yeoman Client 1) in its role as investment manager. YCMPL has voting control over the shares except those in Mr Yeo Seng Chong's personal dealing account.

STATISTICS OF SHAREHOLDINGS

As at 9 December 2021

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	YONG KIN SEN	48,204,412	19.91
2	YONG POON MIEW	47,373,181	19.57
3	YONG KOON CHIN	47,081,502	19.45
4	DB NOMINEES (SINGAPORE) PTE LTD	13,050,000	5.39
5	DBS NOMINEES (PRIVATE) LIMITED	7,146,644	2.95
6	KWA CHING TZE	4,000,050	1.65
7	YEO SENG CHONG	2,775,000	1.15
8	CITIBANK NOMINEES SINGAPORE PTE LTD	2,560,400	1.06
9	ABN AMRO CLEARING BANK N.V.	2,311,400	0.95
10	WANG JUNG HSIN	2,000,000	0.83
11	ANG JUI KHOON	1,803,800	0.75
12	RAFFLES NOMINEES (PTE.) LIMITED	1,537,450	0.64
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,352,071	0.56
14	GOH TEOW HEE	1,235,000	0.51
15	PHILLIP SECURITIES PTE LTD	1,032,650	0.43
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,017,400	0.42
17	NG KWONG CHONG OR LIU OI FUI IVY	1,000,724	0.41
18	HSBC (SINGAPORE) NOMINEES PTE LTD	982,250	0.41
19	TAY HUAY HONG	963,600	0.40
20	KUAN BON HENG	932,000	0.39
	TOTAL	**188,359,534**	**77.83**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

34.27% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nam Lee Pressed Metal Industries Limited (the "Company") will be convened and held by electronic means on Friday, 21 January 2022 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 September 2021 together with the Auditors' Report. **(Resolution 1)**

2. To declare a one-tier tax-exempt final dividend of 1.5 Singapore cent per share for the financial year ended 30 September 2021 (2020: One-tier tax-exempt final dividend of 1.0 Singapore cent per share). **(Resolution 2)**
   [See Explanatory Note (i)]

3. To declare a one-tier tax-exempt special dividend of 0.5 Singapore cent per share for the financial year ended 30 September 2021 (2020: One-tier tax-exempt special dividend of 0.5 Singapore cent per share). **(Resolution 3)**

   [See Explanatory Note (i)]

4. To re-elect the following Directors of the Company retiring pursuant to Article 94 of the Constitution of the Company:

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

   [See Explanatory Note (ii)]

   Mr Yong Han Keong, Eric will, upon re-election as Director of the Company, remain as Managing Director of the Company and a member of the Nominating Committee and will be considered non-independent.

   Mr Yeoh Lam Hock will, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees and will be considered independent.

5. To approve the payment of Directors' fees of S$150,000 for the financial year ending 30 September 2022, payable quarterly in arrears (2021: S$166,667). **(Resolution 6)**

6. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

NOTICE OF ANNUAL GENERAL MEETING

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

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "Companies Act") and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

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

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

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards; and

(c) any subsequent bonus issue, consolidation or subdivision of shares.

Adjustments in accordance with sub-paragraph (2)(a) or (2)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(Resolution 8)

[See Explanatory Note (iii)]

NOTICE OF ANNUAL GENERAL MEETING

9. **Renewal of Share Buyback Mandate**

That:

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

(i) an on-market share acquisition ("On-Market Purchase") transacted on the SGX-ST trading system, through one or more duly licensed stockbrokers appointed by the Company for such purpose; and/or

(ii) an off-market share acquisition ("Off-Market Purchase") pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise be in accordance with all other laws, the Listing Manual and other regulations and rules of the SGX-ST,

(the "Mandate");

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

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; or

(ii) the date on which the authority conferred by the Mandate is revoked or varied by the Company in a general meeting; or

(iii) the date on which the share buyback is fulfilled up to the full extent of the Mandate; and

(c) the Directors of the Company and/or any of them be and is hereby authorised to do such acts and things (including, without limitation, enter into all transactions, arrangements and agreements and executing such documents) as they and/or he may consider necessary or expedient to give effect to this Resolution.

In this Resolution:

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

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

NOTICE OF ANNUAL GENERAL MEETING

The Maximum Price shall apply to both On-Market Purchases and Off-Market Purchases and shall exclude brokerage fees, commission, stamp duties payable, applicable goods and services tax, clearance fees and other related expenses. **(Resolution 9)**

[See Explanatory Note (iv)]

By Order of the Board

Yong Han Keong, Eric
Managing Director
Singapore, 30 December 2021

Explanatory Notes:

(i) For the financial year ended 30 September 2020, the Company paid a one-tier tax-exempt final dividend of 1.0 Singapore cent per share and a one-tier tax-exempt special dividend of 0.5 Singapore cent per share. For the financial year ended 30 September 2021, the Company will be paying a one-tier tax-exempt final dividend of 1.5 Singapore cent per share and a one-tier tax-exempt special dividend of 0.5 Singapore cent per share, if approved by the members at this Annual General Meeting.

(ii) The Ordinary Resolutions 4 and 5 are for the re-election of Mr Yong Han Keong, Eric and Mr Yeoh Lam Hock, Directors of the Company who retire by rotation at the Annual General Meeting. For more information on the Directors, please refer to pages 8 to 13 in this Annual Report.

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

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

(iv) The Ordinary Resolution 9, if passed, will empower the Directors of the Company effective until the earliest of: (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held; (ii) the date on which the authority conferred by the Mandate is revoked or varied by the Company in a general meeting; and (iii) the date on which the share buyback is fulfilled up to the full extent of the Mandate, to repurchase ordinary shares of the Company by way of on-market purchases or off-market purchases of up to ten per centum (10%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Mandate on the audited consolidated financial statements of the Group for the financial year ended 30 September 2021 are set out in greater detail in the Letter to Shareholders dated 30 December 2021 (the "Letter") attached.

Notes:

(1) Shareholders may access a copy of the Annual Report 2021 and the Letter at the Company's website at the URL https://www.namlee.com.sg/, or the SGX website at the URL https://www.sgx.com/securities/company-announcements.

(2) The Annual General Meeting ("AGM") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Notice will be published on the Company's website at the URL https://www.namlee.com.sg/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

(3) Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 30 December 2021. This announcement will be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

NOTICE OF ANNUAL GENERAL MEETING

(4) **Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.** The proxy form will be published on the Company's website at the URL https://www.namlee.com.sg/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agents Bank or SRS operators to submit their votes by **5.00 p.m. on 11 January 2022**.

(5) The Chairman of the AGM, as proxy, need not be a member of the Company.

(6) The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

(a) if submitted by post, be lodged with the Company's registered office at 4 Gul Way, Singapore 629192; or

(b) if submitted electronically, be submitted via email to nlproxyform@namlee.com.sg,

in either case, at least 72 hours before the time for holding the AGM.

A member who wishes to submit a proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

(7) A member may withdraw an instrument appointing the Chairman of the AGM by sending an email to nlproxyform@namlee.com.sg notify the Company of the withdrawal, at least 72 hours before the time for holding the AGM.

Personal data privacy:

By submitting the proxy form appointing the Chairman to attend, speak and vote at the AGM and/or any adjournment thereof, a member consents to the collection, use and disclosure of the member's personal data by the Company (or their agents or service providers) for the purpose of the processing, administration and analysis by the Company (or their agents or service providers) of the appointment of the Chairman as proxy for the AGM (including any adjournment thereof), and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or their agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

In the case of a member who is a relevant intermediary, by submitting a consolidated list of participants for the "live" broadcast of the AGM, the member warrants that it has obtained the prior consent of such participant(s) for the collection, use and disclosure by the Company (or their agents or service providers) of the personal data of such participant(s) for the purpose of the processing and administration by the Company (or their agents or service providers) of the "live" broadcast of the AGM (including any adjournment thereof), the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or their agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

NAM LEE PRESSED METAL INDUSTRIES LIMITED

(Company Registration No. 197500362M)
(Incorporated In The Republic of Singapore)

PROXY FORM

This proxy form has been made available on the Company's website at the URL https://www.namlee.com.sg/ and the SGX website at the URL https://www.sgx.com/securities/company-announcements.

IMPORTANT:

1. The AGM (as defined below) is being convened, and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. This Proxy Form will not be sent to shareholders. Instead, this Proxy Form will be sent to shareholders by electronic means via publication on the Company's website at the URL https://www.namlee.com.sg/. This Proxy Form will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 30 December 2021 ("**30 December Announcement**"). This announcement will be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.
3. Due to the current COVID-19 restriction orders in Singapore, a shareholder will not be able to attend the AGM in person. A shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such shareholder wishes to exercise his/her/its voting rights at the AGM.
4. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
5. Prior to the AGM, shareholders are encouraged to email their questions via the means set out under paragraph 5(b) of the 30 December Announcement.
6. **PLEASE READ THE NOTES TO THE PROXY FORM WHICH CONTAIN INSTRUCTIONS ON, INTER ALIA, THE APPOINTMENT OF THE CHAIRMAN OF THE AGM AS A SHAREHOLDER'S PROXY TO ATTEND, SPEAK AND VOTE ON HIS/HER BEHALF AT THE AGM.**

I/We (Name) ____________________ (NRIC/Passport/UEN No.) ____________________

of (Address) ____

being a shareholder/shareholders of Nam Lee Pressed Metal Industries Limited (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting (the "**AGM**") as my/our proxy/proxies to vote for me/us on my/our behalf at the AGM of the Company to be convened and held by electronic means on Friday, 21 January 2022 at 9.30 am and at any adjournment thereof. I/We direct the Chairman of the AGM to vote for, or against, or abstain from voting the resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as my/our proxy for that resolution will be treated as invalid.

No.	Resolutions relating to:	Number of votes for(1)	Number of votes against(1)	Number of votes abstaining(1)
1	Adoption of the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 September 2021 together with the Auditors' Report			
2	Payment of proposed one-tier tax-exempt final dividend of 1.5 Singapore cent per share for the financial year ended 30 September 2021			
3	Payment of proposed one-tier tax-exempt special dividend of 0.5 Singapore cent per share for the financial year ended 30 September 2021			
4	Re-election of Mr Yong Han Keong, Eric as a Director of the Company			
5	Re-election of Mr Yeoh Lam Hock as a Director of the Company			
6	Approval of the payment of Directors' fees amounting to S$150,000 for the financial year ending 30 September 2022, payable quarterly in arrears			
7	Re-appointment of Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration			
8	Authority to issue shares under the General Mandate			
9	Renewal of Share Buyback Mandate			

(1) *Voting will be conducted by poll. If you wish the Chairman of the AGM to cast all your votes "For" or "Against" a Resolution, or to "Abstain" from a Resolution, please tick in the relevant box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of __________ 2022

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

____

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

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Due to the current COVID-19 restriction orders in Singapore, a shareholder will not be able to attend the AGM in person**. A shareholder (whether individual or corporate) who wishes to exercise his/her/its voting rights at the AGM, must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.** This Proxy Form will be made available on the Company's website at the URL https://www.namlee.com.sg/ and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. CPF and SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS operators to submit their votes by 5.00 p.m. on 11 January 2022, being 7 working days before the date of the AGM.

3. The Chairman of the AGM, as proxy, need not be a shareholder of the Company.

4. A shareholder should insert the total number of shares held in the Proxy Form. If the shareholder has shares entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of shares. If the shareholder has shares registered in his/her name in the Register of Shareholder of the Company, he/she should insert that number of shares. If the shareholder has shares entered against his/her name in the said Depository Register and registered in his/her name in the Register of Shareholder, he/she should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by the shareholder.

5. A member who is a relevant intermediary entitled to attend the meeting and vote (whether to vote in favour of or against, or to abstain from voting) is entitled to appoint the Chairman of the AGM as proxy to attend and vote (whether to vote in favour of or against, or to abstain from voting) instead of the shareholder, but the Chairman of the AGM must be appointed to exercise the rights attached to a different share or shares held by such shareholder.

   "Relevant intermediary" means:

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

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

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

6. The Proxy Form must be submitted to the Company in the following manner:

   (a) if submitted by post, be lodged at the registered office of the Company at 4 Gul Way, Singapore 629192; or

   (b) if submitted electronically, be received by the Company at nlproxyform@namlee.com.sg,

   in either case, not later than **9.30 a.m. on 18 January 2022**, being not less than 72 hours before the time appointed for holding the AGM.

   A shareholder who wishes to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. In view of the COVID-19 restrictions orders in Singapore which may make it difficult for shareholders to submit completed Proxy Forms by post, shareholders are strongly encouraged to submit completed Proxy Forms electronically via email.

7. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing or if the appointer is a corporation, it must be executed either under its common seal or under the hand of an officer or attorney so authorised.

8. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly appointed officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must (failing previous registration) be deposited with the Proxy Form, failing which the Proxy Form may be treated as invalid.

9. A corporation which is a shareholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

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

11. All shareholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.

PERSONAL DATA PRIVACY: By submitting an instrument appointing a proxy(ies) and/or representative(s), the shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 30 December 2021.

We offer no compromises on quality

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

4 Gul Way Singapore 629192
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Facsimile: (65) 6758 8134
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