SHINVEST HOLDING LTD.
旭阳控股有限公司

WITHSTANDING ADVERSITIES

ANNUAL REPORT 2020

CONTENTS

CORPORATE PROFILE

Shinvest Holding Ltd. ("Shinvest" or the "Company"), was incorporated in 1989 and has been listed on the Mainboard of Singapore Exchange Limited since 13 October 1999. The Company underwent a corporate restructuring exercise approved by shareholders on 30 July 2009, which saw the company divesting most of its loss-making subsidiaries.

The Company returned to profit in 2010 after the acquisition of Sin Hong Hardware Pte Ltd ("Sin Hong"). Subsequently, in March 2014, the Company invested 10% equity interest in Espressif Group, comprising Espressif Incorporated, Espressif Systems (Shanghai) Pte Ltd and Espressif Microelectronics Wuxi Pte Ltd ("Espressif Group"). Over the years, Espressif Group had embarked on a series of restructuring and fund raising exercise. On 22 July 2019, Espressif Systems (Shanghai) Co., Ltd. ("Espressif Shanghai") listed on Shanghai Stock Exchange STAR Market. As a consequence of these changes, the Company is directly holding 6% of equity interest of Espressif Shanghai after IPO.

Sin Hong is an integral part of the manufacturing value chain providing a wide range of industrial fasteners and a specialist in Standard, Non-standard and Customised Fasteners.

Sin Hong caters to customers with special parts or custom-made parts for assembly requirement in various manufacturing industries and also provides special services such as Ship-To-Stock program according to production delivery requirements by implementing Just in Time, Two Bins System, Kanban System and other logistic replenishment systems suited to customers requirement.

It serves both the domestic market and international market, countries coverage includes United States of America, Europe, Malaysia and Indonesia.

Espressif Shanghai is a fabless semiconductor design group, specializing in wireless connectivity chipsets and software solutions for tablets, TV boxes, Internet of Things (IoT), as well as wearable electronics applications, and focused on improving lives through innovation and collaboration. It is dedicated to provide high quality and highly integrated connectivity semiconductor solutions to clients worldwide. Users can now easily embed its WiFi solution, based on the latest silicon technologies, within other systems, with complete and extensive functionalities, minimal cost and small form factor.

On 26 November 2019, the Company entered into a Joint Venture Agreement with a Singapore based software publishing company ESSE PI Pte. Ltd. ("ESSE") to hold 12.5% of equity interest in ESSE. On 28 August 2020, the Company elected to convert the $250,000 Convertible Loan for an additional 333,333 shares. As at 31 August 2020, the Company holds in total 583,333 shares which represents 25% equity interest in ESSE.

ESSE applies different AI techniques to both Image/Video and Audio data streams to auto detect patterns and achieve the best prediction outcome, it is similar to how humans use their sense of sight and hearing as part of their cognitive process of decision making.

ESSE's flagship CAP (Content Analysis Platform) is an open platform providing a selection of customisable Machine Learning (ML) models and real-time inference engines to contextualise and perform advanced analysis of different content type including image, audio and real-time video. CAP can be deployed either on-premise or on public cloud.

BOARD STATEMENT

DEAR FELLOW SHAREHOLDERS,

Financial Review

On behalf of the Board of Directors, I am pleased to present the Annual Report of Shinvest Holding Ltd. ("Shinvest" or "the Company", and together with its subsidiaries, "the Group") for the financial year ended 31 August 2020 ("FY2020").

For the year under review, challenges arising from the ongoing trade war between US and China continued to persist resulting in sluggish global growth. This was further compounded by the coronavirus disease 2019 ("COVID-19") outbreak which disrupted global supply chains and livelihoods as countries scrabbled with lockdowns and safe distancing measures to stem the spread. We were likewise affected as our customers especially from the construction sector had to halt operations during the circuit breaker period. The Group was however able to weather the challenges and remain profitable.

As a result of the aforementioned softening of demand, the Group's total revenue for FY2020 dipped 18.4% to S$12.6 million from the S$15.4 million generated in the previous financial year. Despite the COVID-19 outbreak, the Export business segment continue to be the largest contributor, making up 46.9% of Group's revenue for FY2020 a 0.7 percentage point reduction from the 47.6% in FY2019, while the second largest was the Retail segment which contributed 34.5%, a 1.2 percentage point reduction from the 35.7% in FY2019. The remaining 18.6% of the Group's revenue was contributed by the Original Equipment Manufacturing (OEM) segment which was 1.9% higher than the 16.7 % in FY2019.

The Group's gross profit slid 14.8% YoY to S$4.5 million, the Group's gross profit margin improved by 1.5 percentage points to 35.8% in FY2020. After taking into account of the fair value gain on financial assets at FVTPL as at financial year-end, the Group posted a profit before income tax of S$38.7 million for the year under review.

Investment Portfolio Developments

Despite of the COVID-19 outbreak, rental income from worker's dormitory rose by 38.5%.

For the financial year under review, the Group received government grants related to the COVID-19 situation amounting to S$465,000.

Meanwhile, our investment in the Espressif Systems (Shanghai) Co., Ltd ("Espressif Shanghai") netted us a dividend income of S$837,000. The Company initially invested a 10% equity interest in the Espressif Group in year 2014, comprising several subsidiaries including Espressif Systems (Shanghai) Pte Ltd which was subsequently listed on the Shanghai Stock Exchange STAR Market on 22 July 2019. The 10% equity interest was diluted to 8.9% after a fund-raising exercise in year 2017 of which the Company did not participate and it was further reduced to 8% after the divestment of 0.9% equity interest by the Company before its Initial Public Offering (IPO). Subsequently, the 8% equity interest has been further diluted to 6% after a successful IPO. Shareholders' mandate was obtained at the virtual EGM held on 15 October 2020 to dispose of, in whole or in part of our investment in Espressif Shanghai, the Company intends to use the proceeds from the disposal for general working capital purposes and to better position ourselves for suitable investment opportunities.

Since Espressif Shanghai's IPO, its share price has risen almost threefold. Espressif Group reports steady progresses in building a comprehensive ecosystem for Internet of Things developers despite the challenges of the year. It has also outlined plans to launch four chips this year with improve performance and lower power consumption.[1] The Company remains optimistic of its future prospects and how best to unlock value.

On a separate note, our investment in Singapore-based software publishing company ESSE PI Pte. Ltd. ("ESSE") has translated to a share of loss amounting to S$67,000 due to the impact of COVID-19 to the business.

[1] https://www.forbes.com/sites/ywang/2020/08/20/espressif-founder-teo-swee-ann-joins-singapores-50-richest-list-with-990-million-net-worth/?sh=264ba6536d03

BOARD STATEMENT

Outlook and Strategy

Moving forward, the effects of the pandemic on businesses and daily life is an ongoing concern. At Shinvest, the health and well-being of our staff and customers is of utmost importance and we will carry on upholding measures as advised by the health ministries of the countries we operate in to do our part in combating the pandemic.

As for our operations, the fastener business is still our main focus and we will continue optimising operations, monitoring risk exposure and realign our resources to best adapt to the evolving situation where possible. We will also continue upgrading our people via training to prepare them for the eventual upturn. We have ramped up the implementation of the Enterprise Resource Planning ("ERP") infrastructure optimization programme that was previously introduced to augment our operational workflow with digitalisation to promote efficiency and effectiveness.

We are cautiously optimistic of the coming financial year as new milestones in resolving the pandemic are announced. However, we also are keenly aware that the situation evolves at a rapid pace and we will tune our strategies as necessary to preserve and if possible, grow value for our stakeholders. To further buttress the Group against expected changes, we have secured temporary financing lines from banks to support our working capital needs as and when required. While it has been a challenging year, we have learned and grown from the experience. We have taken stock of our strengths and are improving where necessary to better position ourselves for the coming financial year.

Dividend and Acknowledgements

We are deeply humbled and appreciative of all the parties who have helped Shinvest through this unprecedented time. We would like to thank our staff for their hard work and effort, our customers and partners for their support and our shareholders for their ongoing faith in the company.

In light of the circumstances and developments for the year, we are proposing a final dividend of 3.0 cents per ordinary share and a special dividend of 30.0 cents per ordinary share, adding up to a total dividend of 33.0 cents per ordinary share proposed for FY2020. This will be subject to shareholder approval at the upcoming Annual General Meeting.

As we take our next steps to the year 2021, we are confident that we have the right people, assets and support to thrive and bring us further on our journey of delivering sustainable value.

STEVEN LOH SUAN LEN
Non-Executive Chairman
and Independent Director

BOARD OF DIRECTORS

LOH SUAN LEN, FCA, FCPA
Non-Executive Chairman and Independent Director

Mr Loh, aged 65, joined the Board on 20 January 2014, was appointed as the Company's Non-Executive Chairman on 1 Feb 2018. He is still chairing the Audit Committees and Nominating Committees, and well as a member of the Renumeration Committees.

Mr Loh was with Volex Plc and Volex (Asia) Pte Ltd for about 19 years' and has experience in developing and leading a cross cultural team in the global business environment. Volex group is the world's leading manufacturer of power products. He was a Managing Director of its Asia division overseeing the business and participated in strategic formulation and implementations.

Mr Loh holds a Master of Business Administration from Strathclyde University Of Scotland in year 1993. He is a Fellow Member of The Association of Chartered Certified Accountants (UK) (ACCA) & a non-practising Chartered Accountant Singapore.

TEO TECK LEONG
Managing Director

Mr Teo Teck Leong, aged 65, joined the Board on 9 July 2010 and was appointed as the Company's Managing Director on 28 June 2011. He is currently a member of the Nominating and Remuneration Committees of the Company and also sits on the Board of Sin Hong and all of its subsidiaries ("Sin Hong Group"). Mr Teo stepped down as Chief Executive Officer of the Sin Hong Group on 1 October 2019. Mr Teo Teck Leong not only has a wealth of experience in the fastener and hardware business, clinching product agency and distributorship deals, but also has keen business acumen in relation to the acquisition of and investment in high-tech companies and other businesses.

Mr Teo Teck Leong started managing Sin Hong's sales after joining the firm (known back then as Sin Hong Hardware & Engineering) in 1984. During which, he established two strategic business units – the Original Equipment Manufacturing and Export departments – to capture both the local and export markets. He also helped expand Sin Hong's international sales to major markets such as United States of America, Europe, Malaysia and Indonesia. He further expanded Sin Hong Group's business activities by adding product agency and negotiating distributorship deals.

Under the leadership of Mr Teo Teck Leong, the Group acquired a 57.48% stake in GD Tech (H.K.) Private Co., Ltd. in 2011, a company primarily engaged in high precision components and complex electromechanical assembly. In 2014, the Group acquired a 10% stake in the Espressif Group of companies, which specializes in wireless connectivity chipsets and software solutions.

Mr Teo Teck Leong holds a Bachelor of Commerce degree in Accountancy from the Nanyang University of Singapore in 1979.

BOARD OF DIRECTORS

TEO ENG THIAN
Executive Director

Mr Teo Eng Thian, aged 51, joined the Board and appointed as an Executive Director since 15 October 2012. He also appointed as a member of the Audit Committee on 01 Feb 2018.

Mr Teo Eng Thian joined Sin Hong since 1996 & has more than 19 years of experience in fastener & hardware business. He was appointed as an executive director of Sin Hong on 8 September 2005, and is currently the Chief Operating Officer of Sin Hong overseeing the manufacturing operations and supply chain for Sin Hong Group. He sits on the board of all Sin Hong's subsidiaries.

Mr Teo Eng Thian graduated from the Ngee Ann Polytechnic with a Diploma of Accountancy in 1993.

DR CHAU SIK TING, PBM, BBM
Independent Director

Dr Chau, aged 80, joined the Board on 8 September 2009. He was appointed as the Chairman of the Remuneration Committee and is currently a member of the Audit and Nominating Committees.

Dr Chau serves as the Medical Advisor to SembCorp Marine Ltd and as an Accredited Specialist in Occupational Medicine with Singapore's Ministry of Health. He is a Medical Practitioner by profession and has been an Independent Non-Executive Director of China Dairy Group Ltd., since 2004. Prior to this, Dr Chau also served as Independent Director of the former Jurong Engineering Ltd from 1997 to 2004, and as Chairman of the School Management Committee in Pei Chun Public School and the NTUC Committee on Occupational Safety & Health. Dr Chau has also held positions in the Singapore Federation of Clan Associations and the Hainan Hwee Kuan and was an elected Member of Parliament for Thomson from 1980 to 1984.

Dr Chau graduated from the University of Singapore with a degree of MBBS (Singapore). He is also a Fellow of the Academy of Medicine Singapore (FAMS) and the Faculty of Occupational Medicine from Royal College of Physicians [FFOM (London)].

KEY MANAGEMENT

TEO ENG HWEE
Executive Director of Sin Hong

Mr Teo Eng Hwee, aged 54, was appointed as an executive director of Sin Hong on 2 July 2012 to assist Directors of the Company in strategic business development. He has more than 20 years of experiences in managing electronic product development for the consumer and automotive industry.

On 1 October 2019, Mr Teo Eng Hwee was appointed as the CEO of Sin Hong Group.

Mr Teo Eng Hwee graduated from National University of Singapore with a Bachelor of Engineering Degree in 1991.

TEO CHER CHEONG, PBM, BBM
Executive Director Of Sin Hong

Mr Teo Cher Cheong, aged 65, joined Sin Hong in November 2007. He was appointed as an executive director of Sin Hong on 2 May 2008, and is currently overseeing the strategic and corporate planning of Sin Hong Group. He sits on the board of all Sin Hong's subsidiaries.

Mr Teo Cher Cheong holds a Bachelor of Commerce degree in Accountancy from the Nanyang University of Singapore in 1979.

TEO ENG SHING
Executive Director of Sin Hong

Mr Teo Eng Shing, aged 49, joined Sin Hong in July 1996. He was appointed as an executive director of Sin Hong on 15 March 2006, and is currently overseeing the retail business, with more than 19 years of experience in the fasteners business under his belt.

Mr Teo Eng Shing graduated from RMIT University Australia with a Degree of Accountancy in 2000.

VOO KIM SENG
Chief Financial Officer

Mr Voo, aged 65, joined its subsidiary Sin Hong in December 2007. He is currently the Chief Financial Officer. His duties include financial and management reporting as well as liaising with Singapore Exchange Securities Trading Limited as the Company's authorised representative. Mr Voo has worked for companies in the manufacturing and trading business including a listed company, Autron Corporation Ltd, in Singapore.

Mr Voo graduated from the Nanyang University of Singapore in 1980 with a Bachelor of Commerce Degree in Accountancy. He is a non-practising Fellow Chartered Accountant Singapore.

WONG TSUI HSUAN
Group Financial Controller

Ms Wong, aged 38, joined its subsidiary Sin Hong in July 2012. She is currently the Group Financial Controller. Her duties include financial and management reporting as well as liaising with Singapore Exchange Securities Trading Limited as the Company's authorised representative.

Ms Wong graduated from Oxford Brookes University (UK) in 2007 with a Bachelor of (Hon) Degree in Applied Accounting and ACCA professional examination. She is a non-practising Fellow Chartered Accountant Singapore.

CORPORATE STRUCTURE

SHINVEST HOLDING LTD.
旭阳控股有限公司

- 100% SIN HONG HARDWARE PTE. LTD.
  - 100% MARITRANS CORPORATION PTE. LTD.
- 6% ESPRESSIF SYSTEMS (SHANGHAI) CO., LTD. 乐鑫信息科技（上海）股份有限公司
- 25% ESSE PI PTE. LTD.

CORPORATE INFORMATION

REGISTERED OFFICE

3 Kian Teck Crescent
Singapore 628881
Tel: 6265 1555
Fax: 6265 2115

BOARD OF DIRECTORS

Loh Suan Len (Non-Executive Chairman and Independent Director)
Teo Teck Leong (Managing Director)
Teo Eng Thian (Executive Director)
Dr Chau Sik Ting (Independent Director)

AUDIT COMMITTEE

Loh Suan Len (Chairman)
Teo Eng Thian
Dr Chau Sik Ting

NOMINATING COMMITTEE

Loh Suan Len (Chairman)
Teo Teck Leong
Dr Chau Sik Ting

REMUNERATION COMMITTEE

Dr Chau Sik Ting (Chairman)
Teo Teck Leong
Loh Suan Len

SECRETARY

Voo Kim Seng
Wong Tsui Hsuan

REGISTRAR

RHT Corporate Advisory Pte. Ltd.
30 Cecil Street, #19-08 Prudential Tower,
Singapore 049712
Tel: +65 6812 1611
Fax: +65 6812 1601

AUDITORS

BDO LLP
Public Accountants and Chartered Accountants
600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Partner-In-Charge: Khoo Gaik Suan
(Appointed since the financial year ended 31 August 2017)

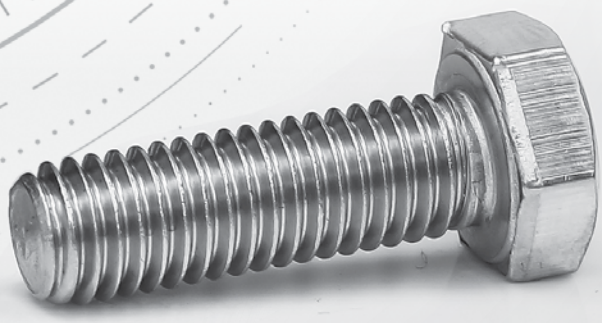
BANKS

United Overseas Bank Limited
Malayan Banking Berhad

REGISTRATION NUMBER

198905519R

FINANCIAL CONTENTS



CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Shinvest Holding Ltd. (the "Company" or together with its subsidiaries, the "Group") is committed to ensuring a high standard of corporate governance within the Group to protect the interests of shareholders and to promote investors' confidence within the constraints of the Group's operations and size, and supports full compliance of the Code of Corporate Governance 2018 (the "Code").

The Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires all listed companies to describe, in its annual reports, its corporate governance practices with specific reference to both the principles and provisions of the Code, and how the company's practices confirm to the principles.

A. BOARD MATTERS

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: *Board leadership and control*

Role of the Board

Directors are fiduciaries who act objectively in the best interest of the Company and hold management accountable for performance. All directors recognise that they have to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. The Board is a representation of the shareholders in the Company and is accountable to them through effective governance of the business.

The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensure proper accountability within the Company, especially in areas relating to conflicts of interest.

The day-to-day management of the Group's businesses and affairs, the development of various business activities and the formulation of corporate strategies have been entrusted to the executive directors. This is to facilitate effective management. Directors also have separate and independent access to Management, the Company Secretary and external advisers (where applicable).

Board Processes

The Board has delegated specific responsibilities to three committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") to support its role. These committees operate within clearly defined terms of references and operating procedures. These are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. However, the ultimate responsibility on all matters lies with the entire Board.

Board Meetings Held

The Board meets at least two (2) times a year. Fixed meetings are scheduled at the beginning of the financial year. Ad hoc meetings are convened when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings. Management provides Directors with complete, adequate and timely information prior to these meetings to enable them to make informed decisions and discharge their duties and responsibilities. Directors have separate and independent access to Management, the Company Secretary and external advisers (where necessary) at the Company's expense.

Directors attend and actively participate in a Board and board committee meetings by telephone conference, video conference or other means of similar communication. The number of meetings held and attended by each director during the financial year from 1 September 2019 to 31 August 2020 is tabulated below:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings							
Name of Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Loh Suan Len	2	2	3	3	1	1	1	1
Teo Teck Leong	2	2	3	3	1	1	1	1
Teo Eng Thian	2	2	3	3	–	–	–	–
Dr Chau Sik Ting	2	2	3	3	1	1	1	1

Matters Requiring the Board's Approval

The Board has adopted a set of guidelines on matters that require its approval. Matters requiring the Board's approval include:

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as interim and annual results announcements;
- financial objectives of the Group;
- corporate strategic direction, strategies and action plans;
- declare interim dividends and propose final dividends;
- appointment and removal of the Company Secretary;
- the setting of policies and key business initiatives; and
- authorisation of acquisition/disposal and other material transactions.

Training of Directors

The Company does not have a formal training programme for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be orientated on the Group's business, operations, organisation structure and corporate strategy and policies. He will also be briefed on the Company's corporate governance practices, regulatory regime and his roles and responsibilities as a director of a listed company. Directors are updated via electronic mail of regulatory changes affecting the Group. They are also informed about matters such as the Code of Dealings in the Company's shares as they are privy to price sensitive information. In addition, Directors are informed and encouraged to attend relevant courses conducted by the Singapore Institute of Directors, Singapore Exchange Securities Trading Limited, business and financial institutions, and consultants. Directors are provided with opportunities to develop and maintain their skills and knowledge at the Company's expense. Directors may, at any time, request further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues from Management. A formal letter of appointment or service agreement outlining the scope of duties and obligations of the director will also be issued to each new director upon appointment.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: *Independence and diversity of the Board*

Currently, the Board comprises:

- Loh Suan Len (Non-Executive Chairman and Independent Director)
- Teo Teck Leong (Managing Director)
- Teo Eng Thian (Executive Director)
- Dr Chau Sik Ting (Independent Director)

As a Group, the Directors bring with them a wide range of business and financial experience, skills and expertise to meet the Company's targets. The Board has reviewed its composition and is satisfied that the existing composition is appropriate taking into account the scope and nature of operations of the Company. As non-executive directors make up half of the Board, the Board is able to exercise objective judgement independently from management and no individual or small group of individuals should be allowed to dominate the Board's decision making. The non-executive directors and independent directors, led by the independent Chairman or other independent director, meet regularly without the presence of the Management. The Chairman of such meetings provides feedback to the Board as appropriate. Although all the directors have an equal responsibility for the Group's operations, the independent and non-executive directors ensure that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taking into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

The Board carries out annually a rigorous review of the independence of a director who has served on the Board beyond nine years from the date of the first appointment, taking into account the need for progressive refreshing of the Board. Independent director, Mr Loh Suan Len has served the Board for no more than nine years since his first appointment in January 2014. On 9 September 2018, Dr Chau Sik Ting has served the Board beyond nine years from the date of his first appointment since 8 September 2009. Under the rigorous review, the Board has confirmed that Dr Chau Sik Ting nor any of his immediate family, relatives and associates does not have any relationship or business dealings with a controlling shareholder or a controlling shareholder's connected persons that would give rise to a conflict of interest or impairment of the independent director's independence.

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *Clear division of responsibilities between the leadership of the Board and Management*

The Company has a separate Non-Executive Chairman and Managing Director and the Board establishes and sets out in writing the division of responsibilities between the Chairman and the Chief Executive Officer/Managing Director.

The Chairman, Mr Loh Suan Len sets the agenda for Board Meetings and ensures that adequate time is available for discussion of all agenda items, in particular, strategic issues, and that complete, adequate and timely information is made available to the Board. He encourages constructive relations within the Board and between the Board and Management, facilitates the effective contribution of non-executive directors, and ensures effective communications with shareholders. He takes a leading role in promoting high standards of corporate governance, with the full support of the Directors, the Company Secretary and Management.

The Chairman and the Managing Director are not related. The Managing Director, Mr Teo Teck Leong is responsible for the Group's business and implements the Board's decisions. The roles of the Chairman and the Managing Director are kept separate to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

4. BOARD MEMBERSHIP

Principle 4: *Formal and transparent process for the appointment and re-appointment of directors*

Currently, the NC comprises:

- Loh Suan Len (Chairman)
- Teo Teck Leong
- Dr Chau Sik Ting

The NC has adopted written terms of reference and its principal functions are to make recommendations to the Board on matters relating to:

- the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- the process and criteria for evaluation of the performance of the Board, its board committees and directors;
- the identification and evaluation of potential directors and review all nominations on appointment and re-appointment of directors including making recommendations on the composition of the Board and the balance between executive and non-executive directors on the Board;
- the review of the balance and diversity of skills, experience, gender, knowledge and competencies of the Board, its size and composition;
- determine the independence of directors annually, guided by the provisions contained in the Code;
- review and decide if a director is able to and has been adequately carrying out his duties as a director of the Company, particularly when he has multiple board representations;
- the review of training and professional development programmes for the Board and its directors, including ensuring that new directors are aware of their duties and obligations; and
- assess the effectiveness of the Board as a whole.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

The NC ensures that any new directors are oriented and made aware of their duties and obligations.

Pursuant to Regulation 91 of the Company's Constitution, directors would be required to submit themselves for re-nomination and re-election at the Annual General Meeting ("AGM"). Regulation 87 of the Company's Constitution requires that one-third of the directors retire by rotation at every AGM. However, the Managing Director is not subject to retirement by rotation.

In accordance with the Company's Constitution, Dr Chau Sik Ting will retire pursuant to Regulation 87 at the forthcoming AGM. Dr Chau Sik Ting has consented to continue to serve as director upon re-election.

Details of the directors' academic and professional qualifications, working experiences, committees served and other directorships are disclosed in the Annual Report.

The independent directors have declared their independence for the financial year ended 31 August 2020 ("FY2020"), in accordance with the provisions contained in the Code.

Currently, the Company does not have alternate directors. The Board provides for appointment of alternate director only in exceptional cases such as when a director has a medical emergency. The Board will take into consideration the same criteria for selection of directors such as his qualifications, competencies, and independence.

When the need for a new director arises, or where it is considered that the Board would benefit from the services of a new director with particular skills or to replace a retiring director, the NC will source for potential appointees through various channels such as recommendation, executive search or knowledge of the industry. The NC then evaluates the eligibility of potential appointees based on several criteria such as their relevant experience, ability to exercise independence in decision-making and level of commitment prior to recommending them to the Board.

During FY2020, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. The NC is also of the opinion that the current board size is adequate for the effective functioning of the Board.

5. BOARD PERFORMANCE

Principle 5: *Formal annual assessment of the effectiveness of the Board as a whole and that of each of its board committees and individual directors*

The NC reviews the Board's performance on an annual basis, and decides how this may be evaluated, based on performance criteria approved by the Board. The NC has established objective performance criteria such as entrepreneurial leadership, value setting, frequency of meetings and participation in strategic planning, risk management and internal controls to evaluate the Board's performance as a whole.

The Board has implemented a process for assessing the effectiveness of the Board as a whole and its three Committees. The evaluation of the Board performance entails all directors to complete a questionnaire seeking their views on various aspects of Board performance, such as composition, information provided, procedures, accountability, leadership and level of governance. The Company Secretary compiles all directors' responses into a consolidated report. This consolidated report is discussed at the NC meeting and also shared with the entire Board.

There is currently no annual performance evaluation exercise initiated for individual director's performance. The Board is of the view that directors deliberate on issues together as a Board and make decisions as a Board.

For FY2020, taking into account the Board composition and size, the Board's access to information, Board processes, Board accountability, standard of conduct and performance of its principal functions and fiduciary duties, and guidance to and communication with Management, the NC assessed the performance of the Board as a whole and was of the view that the overall performance of the Board as a whole was satisfactory and that all the directors had contributed positively to the deliberations and decisions at Board and Committee levels.

B. REMUNERATION MATTERS

1. REMUNERATION POLICIES

Principle 6: *Formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages*

Currently, the RC comprises:

- Dr Chau Sik Ting (Chairman)
- Teo Teck Leong
- Loh Suan Len

The RC has adopted specific terms of reference and its principal functions are to make recommendations to the Board on:

- review and recommend to the Board a framework of remuneration for directors and key executives to ensure the package is sufficient to attract and retain people of required quality to run the Company successfully. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, bonuses, options, performance share and benefits-in-kind; and
- determine the specific remuneration packages for executive directors and key executives based on performance, service seniority, experience and scope of responsibility. Such remuneration packages are periodically bench-marked to market/industry.

The RC's recommendations are made and submitted for endorsement by the entire Board. However, members of the RC will ensure that they do not set their own remuneration. The RC may obtain independent professional advice if they deem necessary to properly discharge their responsibilities and shall disclose the engagement of any remuneration consultants and their independence. Such expenses are borne by the Company.

The RC reviews the service agreements of executive directors and key executives to ensure that the agreements are fair and reasonable, including the termination clauses.

For FY2020, the RC has not consulted any external professional to advice on remuneration matters. The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the RC.

2. LEVEL AND MIX OF REMUNERATION

Principle 7: *Appropriate and proportionate remuneration to attract and retain directors*

The Company has a staff remuneration policy which comprises a fixed component and a variable component. The fixed component comprises fixed salary plus other fixed allowances. The variable component is linked to the performance of the Company and the individual.

The remuneration framework of executive directors and key executives are structured in a way that links rewards to corporate and individual performance and takes into account industry benchmarks. The review of remuneration packages also takes into consideration the pay and employment conditions within the industry and the long-term interests of the Group. The review covers all aspects of remuneration including salaries, fees, allowances, bonuses, share options, performance share and benefits-in-kind. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board.

All independent and non-executive directors are paid Directors' fees, which are proposed by the Board based on the effort, time spent and responsibilities of the independent directors. The Directors' fees are subject to approval by the shareholders at each AGM of the Company.

In addition, the independent and non-executive directors are eligible for performance share plan while they satisfy the eligibility criteria as set out under the rules. This is a performance incentive scheme to give recognition to their services and contributions towards the success of the Group. The RC will propose a performance framework and the awards granted shall be determined at the absolute discretion of the RC. The RC may also decide that no awards shall be made in any financial year or no grant and/or award may be made at all.

Except as disclosed, the independent and non-executive directors do not receive any remuneration from the Company.

3. DISCLOSURE ON REMUNERATION

Principle 8: *Clear disclosure on remuneration policy, level and mix*

After considering this matter carefully, the Board has decided that disclosure of the Directors' and Key Executives' detailed remuneration will not be in the interests of the Company given the wage discrepancies in the industry and the competitive pressures that may result from such disclosure.

The annual remuneration of Directors for the financial year ended 31 August 2020 is as follows:

Remuneration Band and Name of Director	Salaries %	Bonus %	CPF %	Other Benefits %	Directors' Fees %
Above $500,000 Teo Teck Leong	30.39	69.22	0.39	–	–
Teo Eng Thian [(1)]	23.88	73.55	1.35	1.22	–
$250,000 to $500,000	–	–	–	–	–
Below $250,000 Loh Suan Len	–	–	–	–	100.00
Dr Chau Sik Ting	–	–	–	–	100.00

(1) Mr Teo Eng Thian is nephew of Mr Teo Teck Leong.

The RC had recommended that an aggregate sum of $90,000 to be paid as Directors' fees for FY2020.

Remuneration of the Key Executives (who are not directors or managing director) for the financial year ended 31 August 2020 is as follows:

Remuneration Band and Name of Key Executive	Salaries %	Bonus %	CPF %	Other Benefits %
$250,000 to $500,000 Teo Eng Shing [(2)]	71.96	17.99	4.91	5.14
Teo Cher Cheong	76.50	19.12	4.38	–
Below $250,000 Teo Eng Hwee[(2)]	67.55	15.27	8.55	8.63
Voo Kim Seng	65.60	30.07	4.33	–
Wong Tsui Hsuan	59.46	26.59	13.95	–

(2) Mr Teo Eng Shing and Mr Teo Eng Hwee are nephews of Mr Teo Teck Leong.

For FY2020, the aggregate remuneration paid to the top five key executives (who are not directors or managing director) for the financial year ended 31 August 2020 was $1,234,047 and there were no employees who are substantial shareholders of the Company, or are immediate family members of a director, the managing director or a substantial shareholder of the Company whose remuneration exceeded S$100,000.

The Company advocates a performance-based remuneration system for Executive Directors and Key Executives that is flexible and responsive to the market, comprising a fixed salary and other fixed allowances, as well as variable salary/bonus which is based on the Group's performance and the individual's performance, such as management skills, process skills, people skills and business planning skills. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The Company have introduced new compensation schemes, SHL Employee's Share Option Scheme 2019 ("SHL ESOS") and SHL Performance Share Plan ("SHL PSP") which were approved at an Extraordinary General Meeting held on 30 December 2019. The SHL ESOS and SHL PSP were designed to reward persons whose services and contributions are vital to the well-being and success of the Group. All employees of the Group (including Executive Directors) are eligible for SHL ESOS and SHL PSP, whereas the Independent and Non-Executive Directors are eligible for SHL PSP.

The SHL ESOS and SHL PSP provide an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group and satisfy the eligibility criteria as set out under the rules of the SHL ESOS and SHL PSP, to participate in the equity of the Company. Such schemes are to motivate them to greater dedicates, loyalty and higher standards of performance, and to give recognition to past contributions and services. With this, the schemes will also help the Group to attract and retain talents within the Group.

The Company have not been commencing the SHL ESOS and SHL PSP in FY2020.

The RC and the Board are of the opinion that the remuneration of the Directors and Key Executives for the financial year ended 31 August 2020 is adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

C. ACCOUNTABILITY AND AUDIT

1. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: *Risk governance and sound system of internal controls*

Risk Management

The Board is overall responsible for determining the nature and extent of the significant risks which the Group is willing to take in achieving its strategic objectives and value creation. The AC is supported by the Management in the review of these risks and effectiveness of mitigation strategies and controls.

The Company's Risk Management Team, headed by the Chief Financial Officer assesses and reviews the Group's business and operational environment in order to identify areas of significant business, financial, operational and compliance risks, as well as appropriate measures to control and mitigate these risks. The Risk Management Team, which works alongside with the AC, reports and highlights all significant risk matters to the Board for discussions and appropriate actions, if required.

The Group has implemented an Enterprise Risk Management framework to enable it to assess, identify, manage and monitor key risks and controls in the Group's businesses.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Based on the internal controls established and maintained by the Group, work performed by the internal, external auditors and reviews performed by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's risk management and internal control systems including financial, operational, compliance and information technology controls, were adequate and effective as at 31 August 2020.

In accordance with Rule 1207(10) of the Listing Manual of the SGX-ST, the AC and the Board had received assurance from the Non-Executive Chairman, Managing Director and Chief Financial Officer that, as at 31 August 2020:

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

(b) the Group's risk management and internal control systems in place were adequate and effective to address key financial, operational, compliance and information technology risks.

The Board notes that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, fraud or other irregularities.

Securities Transactions

The Company has in place a policy prohibiting share dealings by directors and officers of the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as one month before the announcement of the Group's half year and full year financial statements and ending on the date of the announcement of the relevant results. Directors and officers of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

The directors and officers of the Group are reminded to refrain from dealing in the Company's securities on short-term considerations.

2. AUDIT COMMITTEE

Principle 10: *Establishment of an AC with written terms of reference*

The members of the AC at the end of the financial year were as follows:

- Loh Suan Len (Chairman)
- Dr Chau Sik Ting
- Teo Eng Thian

The members of the AC have professional expertise and extensive experience in the field of financial management, accounting, business management and strategic planning. The Board is of the view that the AC members have sufficient relevant expertise and experience to discharge the AC's responsibilities.

The AC meets at least two (2) times a year. Additional meetings are scheduled if considered necessary by the Chairman of the AC. The AC meets with the external auditors, without the presence of the Company's management, at least once a year. The AC meets with the internal auditors, without the presence of the Company's management, where necessary.

The AC carries out its functions set out in the Companies Act and SGX-ST Listing Manual. The terms of reference of the AC are as follows:

- review the audit plans and scope of the internal and external audits of the Company and ensure the adequacy and effectiveness of the system of internal accounting controls and the co-operation given by the Company's management to the internal and external auditors;
- review the half year and full year financial statements and the auditors' report on the annual financial statements of the Company and of the Group before submission to the Board;
- review the auditors' evaluation of the system of internal accounting controls and discuss issues and concerns arising from their audit or any other matters which the auditors might wish to discuss with the AC;
- review any formal announcements relating to the Company's financial performance in addition to the half year and full year financial statements compliance;
- meet with the internal and external auditors and/or the Management in separate executive sessions to discuss any matters that should be discussed privately with the AC;
- review the independence of the external auditors annually and recommend the external auditors for appointment or re-appointment; and
- review interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

Apart from the functions listed above, the AC also has the power to conduct or authorize investigations into any matters within its terms of reference. The AC is authorized to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The Company has also put in place a whistle-blowing policy, whereby staff of the Group and any other person may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions. The AC has reviewed the policy and arrangements of the whistle-blowing policy. There have been no incidents pertaining to whistle-blowing for FY2020.

The external auditors provides regular updates and briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

During FY2020, the AC reviewed the half year and full year financial statements prior to approving or recommending their release to the Board, as applicable; the annual audit plan of the external auditors and the results of the audits performed by them, and the re-appointment of the external auditors and its remuneration. The AC reviewed that the internal audit during the year was adequate and the internal audit cycle was resumed in financial year 2019 by the Internal Auditor.

The Internal Auditor reports primarily to the AC. The AC decides on the appointment, termination and remuneration of the Internal Auditor. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm appointed will report directly to the AC Chairman. The AC will review the requirements of outsourcing the internal audit function annually. In FY2020, the Company has appointed Messrs UHY Lee Seng Chan & Co to carry out internal audit.

The Company has put in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During FY2020, the interested person transactions are tabulated as follows:

Name of interested person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)**
	$'000	**$'000**
ESSE PI Pte. Ltd. (Loan to a joint venture)	200	–

The AC has full access to, and the co-operation of, management and has full discretion to invite any director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions properly.

The Company confirms that the appointment of the external auditors is in accordance with Rules 712 and 715 of the SGX-ST Listing Manual.

The aggregate amount of fees paid and/or payable to the external auditors amounted to approximately $110,000 for audit services rendered by the external auditors.

The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided a confirmation of their independence to the AC.

No former partner or director of the Company's auditing firm or auditing corporation is a member of the AC.

D. SHAREHOLDER RIGHTS AND ENGAGEMENT

1. SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: *Fair and equitable treatment of shareholders*

Shareholders are invited to attend, participate and vote at the general meetings. The notice of the meetings is given within the stipulated timeline and the shareholders are informed of the relevant rules and voting procedures of the meetings.

To encourage greater shareholders' participation in the general meetings, the Company's Constitution allows the shareholders to appoint up to 2 proxies so that the shareholders who hold shares through corporation can attend and participate in general meetings as proxies. The Company allows shareholders who hold shares through nominees to attend the general meetings as observers, without being constrained by the 2-proxy rule. However, the Company has not provided for voting in absentia in its Constitution as there exists difficulty in authenticating shareholder identity amongst other security reasons. Further, it is felt that this would not serve the interest of shareholders.

The Board recognises the importance of engaging in regular, effective and fair communications with its shareholders. In this regard, it strictly adheres to the disclosure requirements set out in the Listing Manual of the SGX-ST to ensure that material information is made publicly available on a timely and non-selective basis to all shareholders.

In disclosing information to shareholders, the Company aims to provide a balanced and meaningful description. Shareholders are kept informed of all major developments and performance of the Group through timely half year and full year results announcements and the various disclosures and announcements made to the SGX-ST via the SGXNet, annual reports and circulars to shareholders.

Additionally, the shareholders' meetings are the principal forum for the Board to have face-to-face dialogue with the shareholders, to gather their views or inputs as well as to address any concerns they may have. As such, the Company also tables separate resolution at general meetings of the shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. The Board always encourages shareholders' active participation at such meetings by giving them adequate opportunity and time to air their views and pose questions regarding the Group's business activities and performance.

All directors attend the general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. The number of general meetings held and attended by each director during the financial year from 1 September 2019 to 31 August 2020 is tabulated below:

	No. of General Meetings	
Name of Director	**Held**	**Attended**
Loh Suan Len	2	2
Teo Teck Leong	2	2
Teo Eng Thian	2	2
Dr Chau Sik Ting	2	2

Dividend Policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends the Board may recommend or declare, will depend on various factors, including general financial condition, the level of Group's cash and earnings, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the directors may deem appropriate.

Notwithstanding the above, the Company has clearly communicated to shareholders via the financial results announcement through SGXNet on any declaration of dividend.

2. ENGAGEMENT WITH SHAREHOLDERS

Principle 12: *Regular, effective and fair communication with shareholders*

Shareholders are notified to participate in the Company's general meetings through notices in its annual reports or circulars, as well as publication in a local newspaper and announcements made via SGXNet.

The Company also believes in providing avenues for shareholder participation at its general meetings and other dialogues to allow shareholders to communicate their views on matters affecting the Company. As such the Company has in place an investor relations policy which allows an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders. Shareholders are encouraged to contact the Company with any questions through the following avenues:-

- Shareholders' meetings; and
- email correspondence via the Company's website.

E. MANAGING STAKEHOLDERS RELATIONSHIPS

1. ENGAGEMENT WITH STAKEHOLDERS

Principle 13: *Considering and balancing the needs and interests of material stakeholders*

The Board is mindful that stakeholders form an important part of the Company's eco-system. As such, the Board actively identifies and engages with its material stakeholder groups to ensure that the needs and interests of the Company's stakeholders are considered and balanced. This is achieved through maintaining effective communications and constant engagement with stakeholders through the Company's website to communicate, inform, include and engage stakeholders.

DIRECTORS' STATEMENT

The Directors of Shinvest Holding Ltd. (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 August 2020 and the statement of financial position of the Company as at 31 August 2020.

1. Opinion of the Directors

In the opinion of the Board of Directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2020, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

(b) at the date of this statement and as disclosed in Note 2.1 to the financial statements, 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 as follows:

Loh Suan Len
Teo Teck Leong
Teo Eng Thian
Dr Chau Sik Ting

3. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

4. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors	Shareholdings registered in the name of Director		Shareholdings in which Director is deemed to have interest	
	Balance as at 1.9.2019	Balance as at 31.8.2020	Balance as at 1.9.2019	Balance as at 31.8.2020
The Company	Number of ordinary shares			
Loh Suan Len	526,375	526,375	202,400	202,400
Teo Teck Leong	424,120	424,120	2,865,900	2,865,900
Teo Eng Thian	1,537,500	1,537,500	-	-
Dr Chau Sik Ting	112,400	115,400	-	20,000

4. Directors' interests in shares or debentures (Continued)

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interests as at 21 September 2020 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 August 2020.

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

There were no unissued shares of the Company or its subsidiary corporations under option as at the end of the financial year.

6. Audit Committee

At the date of this report, the Audit Committee comprises the following members:

Loh Suan Len	(Independent Director, Chairman of Audit Committee)
Dr Chau Sik Ting	(Independent Director)
Teo Eng Thian	(Executive Director)

The Audit Committee has carried out its functions in accordance with section 201B(5), including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

(a) the audit plans of the internal and external auditors and the results of the internal auditors examination and evaluation of the Group's systems of internal accounting controls;

(b) the Company's and the Group's financial and operating results and accounting policies;

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

(d) the half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by the management to the Company's external auditor; and

(f) the re-appointment of the external auditor of the Company.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any Director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee also recommends the appointment of the external auditor and reviews the level of audit and non-audit fees.

6. Audit Committee (Continued)

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming Annual General Meeting.

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Loh Suan Len	**Teo Teck Leong**
Director	Director

Singapore

7 December 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of Shinvest Holding Ltd.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Shinvest Holding Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 August 2020;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, 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 and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 August 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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.

Emphasis of Matter

We draw attention to Note 39 to the financial statements, which highlights the decline in the fair value of the financial assets at fair value through profit or loss ("FVTPL") held by the Group, subsequent to the financial year ended 31 August 2020. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current 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.

1 Net realisable value of inventories

Key Audit Matter

As at 31 August 2020, the Group's inventories amounted to $14,852,000 which accounted for approximately 8% of the Group's total assets. During the financial year, a write-down of $386,000, reversal of previous write-down of $208,000 and write-off of $39,000 were made and included in profit or loss.

The Group's inventories comprising finished goods of $14,852,000 are carried at lower of cost and net realisable value. Inventories may be written down to net realisable value if they are slow-moving, become obsolete due to no market demand, or if their selling prices have declined.

As the general market conditions continue to be challenging and competitive, there is a risk that net realisable values of the Group's inventories may be below cost, resulting in an overstatement of inventories. The determination of the net realisable values of inventories is based on current market conditions and historical sales experience.

We focused on this area as a key audit matter as significant management judgements are involved in assessing the market positioning of the Group's products which are dependent on factors such as customer specification requirements, demand levels and price competition in response to the industry cycles.

Related Disclosures

Refer to Notes 3.2(iv) and 12 to the financial statements

Audit Response

We have performed the following audit procedures, amongst others:

- attended and observed physical year-end and cyclical inventory count, performed independent test counts and considered for allowance for inventory obsolescence;
- discussed with management to obtain an understanding of management's assessment and basis for write-downs, reversals and write-offs made during the year;
- tested the inventory aging report which is used by management to identify slow moving, excess and obsolete inventories;
- assessed the appropriateness of management's estimation of the net realisable values of the inventories by checking, on a sample basis, to actual sales subsequent to the financial year as appropriate; and
- assessed the appropriateness of the reversal of slowing-moving inventories, on a sample basis, by checking that the sales prices of those inventories were above the net realisable values and evaluating the likelihood of future demand.

2	**Classification and valuation of investment in ESSE PI Pte. Ltd. ("ESSE")**

Key Audit Matter

On 26 November 2019, the Company entered into Joint Venture Agreement ("JVA") with ESSE PI Pte. Ltd. ("ESSE") and ESSE's founder shareholder to subscribe for an equity interest of 12.5%, comprising 250,000 ordinary shares in ESSE, for a total cash consideration of $250,000.

On 26 November 2019, the Company entered into a Convertible Loan Agreement ("CLA") to extend a loan of $250,000 to ESSE. The parties have also agreed on conversion mechanisms as set out in the CLA.

On 20 August 2020, the Company elected to convert the convertible loan of $250,000 into 333,333 ordinary shares (12.5%) of ESSE, with an effective date of conversion on 28 August 2020. Therefore, the Company has on 28 August 2020, increased its shareholdings in ESSE to 25%.

The acquisition was accounted for using the acquisition method. Management had engaged an external valuation specialist (the "Management Expert") to perform a purchase price allocation ("PPA"). In carrying out the PPA, significant judgement and estimation are required in determining the fair values of the identified assets acquired and liabilities assumed, including the identification and valuation of intangible assets acquired and the resultant goodwill.

As at 31 August 2020, Management assessed that there is an indication of impairment of the investment cost as ESSE's performance for the financial year was below budgeted cash flows and the net assets of ESSE was below investment cost. Accordingly, Management assisted by the Management Expert had determined the recoverable amount of the investment cost in ESSE by estimating its value-in-use ("VIU") based on discounted cash flow forecasts.

We focused on this area as a key audit matter due to the complexities inherent in PPA computation and significant judgements and estimates required to determine VIU with regard to the key assumptions such as revenue growth rate, terminal growth rate and discount rate.

Related Disclosures

Refer to Notes 3.2(v) and 9 to the financial statements.

2	**Classification and valuation of investment in ESSE PI Pte. Ltd. ("ESSE") (Continued)**

Audit Response

We have performed the following audit procedures, amongst others:

- reviewed the relevant agreements in relation to the JVA and CLA to understand the key terms and conditions;
- assessed the appropriateness of management's classification of investment in accordance with SFRS(I) 1-28 *Investments in Associates and Joint Ventures*;
- assessed the appropriateness of the valuation methodologies used by management and key assumptions adopted;
- evaluated the competency, expertise and objectivity of Management Expert;
- evaluated the reasonableness of other key assumptions made, such as the future market conditions, revenue and cost growth rates;
- engaged internal specialist as auditor's expert to evaluate the appropriateness of the valuation methodologies and the key assumptions applied in the PPA valuation report;
- engaged internal specialist as auditor's expert to evaluate the reasonableness of the discount rates used by engaging our internal valuation specialist to develop an expectation of the terminal growth rate and discount rate applied in the VIU; and
- assessed the adequacy of the disclosures in the financial statements.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Khoo Gaik Suan.

BDO LLP
Public Accountants and
Chartered Accountants

Singapore

7 December 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2020

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current assets					
Property, plant and equipment	4	1,097	5,511	-	-
Right-of-use assets	5	5,261	-	308	-
Intangible assets	6	1,647	1,647	-	-
Investment property	7	654	549	-	-
Investments in subsidiaries	8	-	-	18,000	18,000
Investment in a joint venture	9	433	-	500	-
Financial assets at fair value through profit or loss ("FVTPL")	10	166,682	124,967	166,682	124,967
Other receivable	11	169	-	-	-
		175,943	132,674	185,490	142,967
Current assets					
Inventories	12	14,852	14,569	-	-
Trade and other receivables	11	3,203	3,764	260	1,727
Prepayments		60	84	21	20
Derivative financial instruments	13	-	12	-	-
Cash and bank balances	14	106	325	5	5
		18,221	18,754	286	1,752
Less:					
Current liabilities					
Trade and other payables	15	7,334	2,728	8,772	1,876
Interest bearing liabilities	16	5,467	5,361	-	-
Lease liabilities[1]	17	105	47	14	-
Derivative financial instruments	13	34	-	-	-
Current income tax payable		29	14	-	-
		12,969	8,150	8,786	1,876
Net current assets/(liabilities)		5,252	10,604	(8,500)	(124)

[1] Previously presented as finance lease liabilities

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

	Note	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Less:					
Non-current liabilities					
Other payables	15	6,971	11,425	6,971	11,425
Interest bearing liabilities	16	5,276	1,697	-	-
Lease liabilities[1]	17	1,188	105	298	-
Deferred tax liabilities	18	15,665	11,711	15,334	11,359
		29,100	24,938	22,603	22,784
Net assets		152,095	118,340	154,387	120,059
Equity					
Share capital	19	26,700	26,700	26,700	26,700
Retained earnings	20	125,395	91,640	127,687	93,359
Total equity attributable to owners of the parent		152,095	118,340	154,387	120,059

[1] Previously presented as finance lease liabilities

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 August 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Revenue	21	12,569	15,401
Cost of sales		(8,071)	(10,119)
Gross profit		4,498	5,282
Other items of income			
Other income	22	1,916	358
Fair value gain on financial assets at FVTPL	23	42,432	89,899
Other items of expense			
(Loss)/Reversal of allowance on trade and other receivables		(129)	37
Selling and distribution expenses		(2,487)	(2,689)
Administrative expenses		(6,889)	(8,656)
Finance costs	24	(403)	(430)
Other expenses		(135)	(7)
Share of loss of a joint venture	9	(67)	-
Profit before income tax from continuing operations	25	38,736	83,794
Income tax expense	26	(4,084)	(9,057)
Profit for the year from continuing operations		34,652	74,737
Discontinued operation			
Loss for the year from discontinued operation	27	-	(1,855)
Profit for the year		34,652	72,882
Other comprehensive income:			
Items that may subsequently be reclassified to profit or loss:			
Foreign currency differences on translation of foreign operations, net of tax $Nil		-	138
Other comprehensive income for the year		-	138
Total comprehensive income for the year		34,652	73,020

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 August 2020

	Note	2020 $'000	2019 $'000
Profit attributable to:			
Owners of the parent		34,652	72,781
Non-controlling interests		-	101
		34,652	72,882
Total comprehensive income attributable to:			
Owners of the parent		34,652	72,861
Non-controlling interests		-	159
		34,652	73,020
Earnings per share from continuing operations attributable to owners of the parent (in cents)			
Basic and diluted	28	115.873	249.915
Loss per share from discontinued operation attributable to owners of the parent (in cents)			
Basic and diluted	28	-	(6.541)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 August 2020

	Share capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 September 2019	26,700	91,640	118,340
Profit for the year, representing total comprehensive income for the year	-	34,652	34,652
Transactions with owners, recognised directly in equity			
Dividends paid (Note 29)	-	(897)	(897)
Balance at 31 August 2020	26,700	125,395	152,095

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 August 2020

	Equity attributable to owners of the parent						
	Share capital $'000	Statutory reserve fund $'000	Foreign currency translation reserve $'000	(Accumulated losses)/ Retained earnings $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 September 2018	26,700	691	290	22,448	50,129	6,982	57,111
Profit for the year	-	-	-	72,781	72,781	101	72,882
Other comprehensive income for the year that may subsequently be reclassified to profit or loss:							
Foreign currency differences on translation of foreign operations	-	-	80	-	80	58	138
Total comprehensive income for the year	-	-	80	72,781	72,861	159	73,020
Transactions with owners, recognised directly in equity							
Dividends paid (Note 29)	-	-	-	(3,589)	(3,589)	-	(3,589)
Transactions with non-controlling shareholders							
Disposal of a subsidiary (Note 8)	-	(691)	(370)	-	(1,061)	(7,141)	(8,202)
Balance at 31 August 2019	26,700	-	-	91,640	118,340	-	118,340

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2020

	Note	2020 $'000	2019 $'000
Operating activities			
Profit before income tax from continuing operations		38,736	83,794
Loss before income tax from discontinued operation	27	-	(1,673)
Profit before income tax, total		38,736	82,121
Adjustments for:			
Bad debts written off – other receivables		2	*
Bad debts written off – trade receivables		*	7
Loss allowance on other receivables		129	11
Loss allowance on trade receivables		37	-
Reversal of loss allowance on other receivables		(11)	-
Reversal of loss allowance on trade receivables		(26)	(720)
Amortisation of right-of-use assets		331	-
Depreciation of investment property		39	29
Depreciation of property, plant and equipment		85	1,219
Dividend income from financial assets at FVTPL		(837)	-
Fair value loss/(gain) on derivative financial instruments		34	(12)
Fair value gain on financial assets at FVTPL		(42,432)	(89,899)
Gain on disposal of property, plant and equipment		(6)	(3)
Loss on disposal of a subsidiary		-	2,092
Impairment loss on property, plant and equipment		-	1,500
Impairment loss on right-of-use assets		99	-
Interest expenses		363	412
Interest income		(4)	(6)
Inventories written off		39	274
Reversal of inventories write-down		(208)	(425)
Write-down for inventories obsolescence		386	370
Share of loss of a joint venture		67	-
Unrealised foreign exchange (gain)/loss		(95)	98
Operating cash flows before working capital changes		(3,272)	(2,932)
Changes in working capital:			
Inventories		(500)	415
Trade and other receivables		575	3,975
Prepayments		24	204
Trade and other payables		876	2,602
Cash (used in)/from operations		(2,297)	4,264
Interest received		4	6
Income taxes paid		(115)	(571)
Net cash (used in)/from operating activities		(2,408)	3,699

* *denotes amounts less than $1,000*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2020

	Note	2020 $'000	2019 $'000
Investing activities			
Acquisition of a joint venture	9	(500)	-
Additions in investment property		-	(80)
Deposits placed to purchase of property, plant and equipment		(122)	(53)
Disposal of a subsidiary, net of cash disposed	8	-	752
Dividend income from financial assets at FVTPL		837	-
Loan to a joint venture		(200)	-
Proceeds from disposal of financial assets at FVTPL		-	3,080
Proceeds from disposal of property, plant and equipment		6	5
Purchase of rights-of-use assets		(39)	-
Purchase of property, plant and equipment		(205)	(210)
Net cash (used in)/from investing activities		(223)	3,494
Financing activities			
Dividend paid to shareholders	29	(897)	(3,589)
Repayment of obligations under leases (2019: Repayment of obligations under finance leases)	17	(114)	(271)
Proceeds from bank borrowings	A	8,650	7,266
Repayment of bank borrowings	A	(5,106)	(15,413)
Interest paid		(363)	(412)
Net cash from/(used in) financing activities		2,170	(12,419)
Net change in cash and cash equivalents		(461)	(5,226)
Cash and cash equivalents at beginning of financial year		325	5,583
Effect of foreign exchange rate changes on cash and cash equivalents		*	(32)
Cash and cash equivalents at end of financial year	14	(136)	325

* *denotes amounts less than $1,000*

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

Note A: Reconciliation of liabilities arising from financing activities

	1 September 2019	Cash flows	Non-cash changes Foreign exchange differences	31 August 2020
	$'000	$'000	$'000	$'000
Interest bearing liabilities				
- Bank borrowings	7,058	3,544	(101)	10,501

	1 September 2018	Cash flows	← Non-cash changes Disposal of a subsidiary	Additions of property, plant and equipment under lease liabilities [1]	Foreign exchange differences →	31 August 2019
	$'000	$'000	$'000	$'000	$'000	$'000
Interest bearing liabilities						
- Bank borrowings	15,647	(8,147)	(431)	-	(11)	7,058
Lease liabilities [1]	1,168	(271)	(1,104)	371	(12)	152
Total	16,815	(8,418)	(1,535)	371	(23)	7,210

[1] Previously presented as finance lease liabilities

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Shinvest Holding Ltd. (the "Company") is a public limited company, incorporated and domiciled in Singapore with its registered office and principal place of business at 3 Kian Teck Crescent Singapore 628881. The Company's registration number is 198905519R. The Company is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and the statement of financial position of the Company for the financial year ended 31 August 2020 were authorised for issue in accordance with a Directors' resolution dated 7 December 2020.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s") under the historical cost convention, except as disclosed in the accounting polices below.

As at 31 August 2020, the Company's current liabilities exceeded its current assets by approximately $8,500,000 (2019: $124,000). The Company is an investment holding company and most of its assets are held by the subsidiaries within the Group. However, as at 31 August 2020, the Group's current assets exceeded its current liabilities by approximately $5,252,000 (2019: $10,604,000) and its total assets exceeded its total liabilities by approximately $152,095,000 (2019: $118,340,000). The Directors are of the view that it is appropriate for the financial statements to be prepared on a going concern basis which contemplates the realisation of assets and liabilities in the ordinary course of business.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company and statement of changes in equity are presented in Singapore dollar ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

The preparation of financial statements in compliance with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3 to the financial statements.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies

New standards, amendments and interpretations effective from 1 September 2019

The standards, amendments to standards, and interpretations, issued by Accounting Standards Council Singapore ("ASC") that will apply for the first time by the Group are not expected to impact the Group as they are either not relevant to the Group's business activities or require accounting which is consistent with the Group's current accounting policies, except as detailed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining whether an Arrangement Contains a Lease*. SFRS(I) 16 provides a single lessee accounting model which eliminates the distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessee to capitalise all leases on the consolidated statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the right-of-use assets will be amortised and the lease liabilities will be measured at amortised cost. From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under SFRS(I) 16.

The Group applied SFRS(I) 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment if any to the opening retained earnings as at 1 September 2019 (the "date of initial application"). The Group elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed. The definition of lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 September 2019.

In applying the modified retrospective approach, the Group has taken advantage of the following practical expedients:

- A single discount rate has been applied to portfolios of leases with reasonably similar characteristics;
- Impairment losses on right-of-use assets as at 1 September 2019 have been measured by reference to the amount of any onerous lease provision recognised on 31 August 2019;
- Leases with a remaining term of twelve months from the date of initial application have been accounted for as short-term leases (i.e. not recognised on statement of financial position) even though the initial term of the leases from lease commencement date may have been more than twelve months;
- Initial direct costs have not been included in the measurement of the right-of-use asset at the date of initial application;
- For the purpose of measuring the right-of-use asset, hindsight has been used. Therefore, it has been measured based on prevailing estimates at the date of initial application and not retrospectively by making estimates and judgements (such as lease terms) based on circumstances on or after the lease commencement date.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 September 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

As a lessee, the Group previously classified leases as finance or operating lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most leases. For those low-value assets based on the value of the underlying asset when new and leases with a lease term of 12 months or less, the Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

On adoption of SFRS(I) 16, the Group recognised right-of-use assets and lease liabilities in relation to land rent, which had previously been classified as operating leases.

Lease liabilities from operating leases under the principles of SFRS(I) 1-17 were measured at the present value of the remaining lease payments, discounted using lessee's incremental borrowing rate as at 1 September 2019. The weighted average incremental borrowing rate applied to lease liabilities on 1 September 2019 was 3.25%.

The right-of-use assets were measured as follows:

(a) Properties: right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
(b) All other leases: the carrying amount is determined as if SFRS(I) 16 being applied from the commencement date of the leases, subject to the practical expedients listed above.

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the assets acquired under finance leases and finance lease liabilities at the date of initial application shall be the carrying amount of the right-of-use assets and lease liabilities as at 31 August 2019. Consequently, certain plant and machinery and motor vehicles are reclassified and presented under right-of-use assets (Note 5) at the date of initial application.

The effect of adopting SFRS(I) 16 as at 1 September 2019 was as follows:

	Group Increase/(decrease) $'000	**Company Increase $'000**
Assets		
Property, plant and equipment	(4,541)	-
Right-of-use assets	5,546	326
Investment property	144	-
Liabilities		
Lease liabilities	1,149	326

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policies (Continued)

New standards, amendments and interpretations effective from 1 September 2019 (Continued)

SFRS(I) 16 *Leases* (Continued)

The aggregate lease liabilities recognised in the statement of financial position as at 1 September 2019 and the Group's and the Company's operating lease commitment as at 31 August 2019 can be reconciled as follows:

	Group $'000	Company $'000
Operating lease commitment as at 31 August 2019 (Note 30)	1,555	2
Add: Effect of extension options reasonably certain to be exercised	-	428
Less: Effect of short-term and low value leases	(45)	(2)
	1,510	428
Effect of discounting using the incremental borrowing rate as at date of initial application	(361)	(102)
	1,149	326
Finance lease liabilities recognised as at 31 August 2019 (Note 17)	152	-
Lease liabilities as at 1 September 2019	1,301	326

SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

SFRS(I) INT 23 provides guidance on accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation requires:

- The Group to contemplate whether uncertain tax treatments should be considered separately or together as a group, based on which approach provides better predictions of the resolution;
- The Group to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty.

There is no material impact to the previously recognised income taxes and deferred taxes, relating to the Group's transfer pricing structure. Additionally, due to the existence of uncertain tax treatments, relevant disclosure on the significant judgements and estimates has been incorporated and included in Note 3.2 to the financial statements.

2. **Significant accounting policies** (Continued)

2.1 **Basis of preparation** (Continued)

SFRS(I)s and SFRS(I) INT issued but not yet effective

At the date of authorisation of these financial statements, the following SFRS(I)s and SFRS(I) INT that may be relevant to the Company were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
SFRS(I) 3 (Amendments)	: Definition of a Business	1 January 2020
SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7 (Amendments)	: Interest Rate Benchmark Reform	1 January 2020
SFRS(I) 1-1, SFRS(I) 1-8 (Amendments)	: Definition of Material	1 January 2020
Various amendments	: References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
SFRS(I) 16 (Amendments)	: Covid-19-Related Rent Concessions	1 June 2020
SFRS(I) 3 (Amendments)	: Reference to Conceptual Framework	1 January 2022
SFRS(I) 1-16 (Amendments)	: Property, Plant and Equipment – Proceeds before intended use	1 January 2022
SFRS(I) 1-37 (Amendments)	: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Various amendments	: Annual Improvements to SFRS(I)s 2018-2020	1 June 2022
SFRS(I) 1-1 (Amendments)	: Classification of Liabilities as Current or Non-current	1 January 2023

Consequential amendments were also made to various standards as a result of these new or revised standards.

Management anticipates that the adoption of the above SFRS(I) and SFRS(I) INT in future periods will not have a material impact on the financial statements of the Company in the period of their initial adoption.

2.2 **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which the Group obtains control over the investee and cease from consolidation when the control is lost. Control is reassessed whenever the facts and circumstances indicate that they may be a change in the elements of control.

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

All intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides an impairment indicator of the transferred asset.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

<u>Non-controlling interests</u>

Non-controlling interests represents the equity in subsidiaries which is not attributable directly or indirectly to the equity owners of the parent. They are shown separately in the consolidated statements of comprehensive income, statement of changes in equity and statement of financial position. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners). The carrying amounts of the Group’s interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary and non-controlling interest. The profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 or, when applicable, the cost on initial recognition of an investment in an associate or joint venture.

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

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

2. Significant accounting policies (Continued)

2.3 Business combinations (Continued)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair values at the acquisition date.

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

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2.4 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

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

Depreciation is calculated using the straight-line method to allocate the depreciable amounts of the property, plant and equipment over their estimated useful lives as follows:

	Years
Shop house	60
Leasehold buildings	26 & 46
Leasehold improvements	5
Plant, machinery and factory equipment	5 – 10
Computer equipment	3
Motor vehicles	5
Office equipment, furniture and fittings	5 - 10

2. Significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at each financial year-end.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

2.5 Investment property

Investment property including right-of-use asset relating to leasehold land rent, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs and subsequently carried at cost less accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives as follows:

	Years
Leasehold building	26
Leasehold land	18

The residual values, useful life and depreciation method of investment property is reviewed, and adjusted as appropriate, at each financial year-end. The effects of any revision are included in profit or loss when the changes arise.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvements are charged to profit or loss when incurred.

Investment property is derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment property is recognised in profit or loss in the year of retirement or disposal.

The carrying amount of investment property are reviewed for impairment when events or changes in circumstances indicate that the investment property may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

2. Significant accounting policies (Continued)

2.6 Joint venture

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Joint venture is initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in a joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of joint venture and distributions received are adjusted against the carrying amount of the investment.

Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the joint venture.

Where the Group transacts with a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

In the separate financial statements of the Company, the investment in a joint venture is carried at cost, less any impairment loss that has been recognised in profit or loss.

2.7 Intangible assets

(i) Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill on acquisition of subsidiaries prior to 1 January 2010 and jointly controlled entities represents the excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Significant accounting policies (Continued)

2.7 Intangible assets (Continued)

(i) Goodwill (Continued)

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

(ii) Customer relationship

Customer relationship was acquired through business combinations, and measured at fair value as at the date of acquisition. Subsequently, customer relationship was carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Amortisation is recognised in profit or loss on a straight-line basis over their estimated useful lives as follows:

	Years
Customer relationship	4.7

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss or expected category consistent with the function of the intangible asset.

An item of intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the financial year the asset is derecognised.

2.8 Impairment of non-financial assets, excluding goodwill

At the end of each financial year, the Group and the Company review the carrying amounts of their non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimate the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

2. Significant accounting policies (Continued)

2.8 Impairment of non-financial assets, excluding goodwill (Continued)

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

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on a “weighted average” basis and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price at which the inventories can be realised in the ordinary course of business, less the estimated costs of completion and costs incurred in marketing, selling and distribution. Where necessary, allowance is made for obsolete, slow-moving and defective inventories to adjust the carrying amount of those inventories to the lower of cost and net realisable value.

2.10 Financial instruments

The Group recognises a financial asset or a financial liability in its statements of financial position when, and only when, the Group becomes party to the contractual provisions of the instrument.

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the Group’s business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group shall reclassify its affected financial assets when and only when the Group changes its business model for managing these financial assets. The Group’s accounting policy for each category is as follows:

Amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. Interest income from these financial assets is included in interest income using the effective interest rate method.

2. Significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Amortised cost (Continued)

Impairment provisions for trade receivables are recognised based on the simplified approach within SFRS(I) 9 using the lifetime expected credit losses. The lifetime expected credit losses are determined based on expected credit losses. The Group has established expected credit loss model based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for other receivables are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether at the end of each financial year, there has been a significant increase in credit risk since initial recognition of the financial asset. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the end of each financial year with the risk of a default occurring on the financial asset as at the date of initial recognition. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it had previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables (excluding goods and services tax receivable) and cash and bank balances in the statements of financial position.

Financial assets at fair value through profit or loss (“FVTPL”)

The Group has investment in a listed entity which is not accounted for as subsidiary, associate or jointly controlled entity. It is carried at fair value with changes in fair value recognised in profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through profit or loss are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through profit or loss.

2. Significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Definition of default

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

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

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

Credit-impaired financial assets

At the end of each financial year, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

2. Significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss ("FVTPL")

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

Other financial liabilities

Trade and other payables

Trade and other payables (excluding goods and services tax payable, advance payment from customer, deferred grant income and VAT payable) are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

Interest bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (Note 2.18).

2. Significant accounting policies (Continued)

2.10 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial guarantee contracts

The Company has issued corporate guarantees to banks for borrowings of a subsidiary and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if the subsidiary breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Financial guarantee contracts are subsequently measured at the higher of:

a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
b) the amount of loss provisions determined in accordance with SFRS(I) 9.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments held by the Group are recognised as assets or liabilities on the statements of financial position and classified as financial assets or financial liabilities at the fair value through profit or loss.

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency. Such derivative financial instruments are initially recognised at fair value at the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to profit or loss for the financial year.

The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year. Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

2.11 Cash and bank balances

Cash and bank balances comprise cash on hand, cash with banks and financial institutions. Bank balances are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and cash at bank net of bank overdrafts. In the statements of financial position, bank overdrafts are presented within interest bearing liabilities under current liabilities.

2. Significant accounting policies (Continued)

2.12 Non-current assets classified as held for sale and discontinued operation

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and

(a) represents a separate major line of business or geographical area of operations;

(b) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or

(c) is a subsidiary acquired exclusively with a view to resale.

2.13 Provisions

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

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

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2. Significant accounting policies (Continued)

2.14 Revenue recognition

Revenue is recognised when a performance obligation is satisfied. Revenue is measured based on consideration of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (i.e. sales related taxes). Most of the Group's revenue is derived from fixed price contracts and therefore, the amount of revenue earned for each contract is determined by reference to these fixed prices.

Revenue from sales of goods

The Group's primary source of revenue are from the sale of building materials, general merchants, hardware and fasteners. Revenue from the sales of these products is recognised at a point in time when the products and the products are delivered to or collected by customers. For overseas sales, performance obligations are satisfied when the control of products (i.e. risk of obsolescence and loss of shipment) are transferred to the customers. There is limited judgement needed to identify when the point of control passes to customers. There is no element of significant financing component in the Group's revenue transactions as customers are required to pay within the credit term.

Interest income

Interest income is recognised using the effective interest method.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the respective leases.

Dividend income

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

2.15 Government grants

Government grants are recognised at the fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grants relate to expenditures, which are not capitalised, the fair value of grants are credited to profit or loss as and when the underlying expenses are included and recognised in profit or loss to match such related expenditures. Grants which are receivables in relation to expenses to be incurred in a subsequent financial period, are included as deferred government grants and classified as current assets and current liabilities in the statements of financial position.

2.16 Employee benefit expenses

Defined contribution plans

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

2. Significant accounting policies (Continued)

2.16 Employee benefit expenses (Continued)

<u>Bonus plans</u>

The Group recognised a liability and an expenses for the expected cost of bonuses when and only when it is contractually obligated to pay and when there is a past practice that has created a constructive obligation to pay which the Group has no realistic alternative but to make the payments.

<u>Other long-term service benefits</u>

Other employee benefits that are expected to be settled wholly within 12 months from the reporting date are presented as current liabilities and recognised at carrying value.

Employee entitlements to other employee benefits that are not expected to be settled wholly within 12 months after the end of the financial year are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using market discount rate at the end of the financial year. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

2.17 Leases

Accounting policy applied on or after 1 September 2019

As lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- leases of low value assets; and
- leases with a duration of twelve months or less.

The payments for leases of low value assets and short-term leases are recognised as an expense on a straight-line basis over the lease term.

<u>Initial measurement</u>

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used.

Variable lease payments are only included in the measurement of the lease liability if it is depending on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying amount of lease liabilities also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- any penalties payables for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

2. Significant accounting policies (Continued)

2.17 Leases (Continued)

Accounting policy applied on or after 1 September 2019 (Continued)

As lessee (Continued)

Right-of-use assets are initially measured at the amount of lease liabilities, reduced by any lease incentives received and increased for:

- lease payments made at or before commencement of the lease;
- initial direct costs incurred; and
- the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

The Group presents the right-of-use assets (excluding those which meet the definition of investment property) and lease liabilities separately from other assets and other liabilities in the statement of financial position.

Subsequent measurement

Right-of-use assets are subsequently measured at cost less any accumulated amortisation, any accumulated impairment loss and, if applicable, adjusted for any remeasurement of the lease liabilities. The right-of-use assets under cost model are amortised on a straight-line basis over the shorter of either the remaining lease term or the remaining useful life of the right-of-use assets. If the lease transfers ownership of the underlying asset by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise the purchase option, the right-of-use assets are amortised over the useful life of the underlying asset.

The useful life of the right-of-use assets are as follows:

	Years
Leasehold land	18
Leasehold buildings	26 & 46
Office premises	18
Plant and machinery	10
Motor vehicles	5

Right-of-use assets which meets the definition of an investment property is presented within “Investment property” and accounted for in accordance with Note 2.5.

The carrying amount of right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the right-of-use asset may be impaired. The accounting policy on impairment is as described in Note 2.8 to the financial statements.

Subsequent to initial measurement, lease liabilities are adjusted to reflect interest charged at a constant periodic rate over the remaining lease liabilities, lease payment made and if applicable, account for any remeasurement due to reassessment or lease modifications.

After the commencement date, interest on the lease liabilities [and variable lease payments not included in the measurement of the lease liabilities] are recognised in profit or loss, unless the costs are eligible for capitalisation in accordance with other applicable standards.

2. Significant accounting policies (Continued)

2.17 Leases (Continued)

Accounting policy applied on or after 1 September 2019 (Continued)

As lessee (Continued)

When the Group revises its estimate of any lease term (i.e. probability of extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments over the revised term. The carrying amount of lease liabilities is similarly revised when the variable element of the future lease payment dependent on a rate or index is revised. In both cases, an equivalent adjustment is made to the carrying amount of the right-of-use assets. If the carrying amount of the right-of-use assets is reduced to zero and there is a further reduction in the measurement of lease liabilities, the remaining amount of the remeasurement is recognised directly in profit or loss.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- If the renegotiation results in one or more additional assets being leased for an amount commensurate with the standalone price for the additional right-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;

- In all other cases where the renegotiation increases the scope of the lease (i.e. extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount;

- If the renegotiation results in a decrease in scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference being recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

For lease contracts that convey a right to use an identified asset and require services to be provided by the lessor, the Group has elected to account for the entire contract as a lease. The Group does not allocate any amount of contractual payments to, and account separately for, any services provided by the lessor as part of the contract.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. **Significant accounting policies** (Continued)

2.17 Leases (Continued)

Accounting policy prior to 1 September 2019

Finance leases

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

Assets held under finance leases are capitalised as property, plant and equipment of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Operating leases

As lessee

Rentals payable under operating leases (net of any incentives received from lessors) are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

As lessor

The accounting policy applicable to the Group as a lessor in the comparative period was the same as under SFRS(I) 16.

2.18 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.19 Taxes

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

Current income tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the tax authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

2. Significant accounting policies (Continued)

2.19 Taxes

Current income tax (Continued)

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.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases of asset and liabilities, except when the temporary difference arises from the initial recognition of goodwill or other assets and liabilities that is not a business combination and affects neither the accounting profit nor taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised.

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

Deferred tax assets and liabilities are measured using the tax rates expected to apply for the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantially enacted by the end of the financial year. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

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

Deferred taxes are recognised in profit or loss, except when the taxes relate to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

2. **Significant accounting policies** (Continued)

2.19 Taxes (Continued)

Sales tax

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

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of 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.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.20 Foreign currencies

Items included in the individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

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

Exchange differences arising on the settlement of monetary items and on re-translating of monetary items are recognised in profit or loss for the financial year. Exchange differences arising on the re-translation of non-monetary items carried at fair value are recognised in profit or loss for the financial year except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in equity.

For the purpose of presenting consolidated financial statements, the results and financial position, changes in equity and cash flows of the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing exchange rate at the end of the financial year;

(i) income and expense items (including comparatives) are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(ii) all resulting exchange differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in equity.

2. **Significant accounting policies** (Continued)

2.20 Foreign currencies (Continued)

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recognised as a liability in the financial year in which the dividends are approved by the shareholders.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the managing director who make strategic decisions.

2.23 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.

Contingencies 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 for which the fair value can be reliably determined.

3. **Critical accounting judgements and key sources of estimation uncertainty**

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

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

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Group's accounting policies and which have significant effect on the amounts recognised in the financial statements.

(i) Impairment of investments in subsidiaries and a joint venture

The Group and the Company follow the guidance of SFRS(I) 1-36 *Impairment of Assets* in determining whether investments in subsidiaries and a joint venture are impaired. This process requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary is less than its carrying amount, and the financial health and near-term business outlook of the investment. Factors, such as industry and sector performance, changes in technology and operational and financing cash flows were used.

3.2 Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment, right-of-use assets and investment property

Property, plant and equipment, right-of-use assets and investment property are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. The recoverable amounts of these assets and, where applicable, cash-generating unit ("CGU") are determined by the management based on fair value less costs of disposal. In determining the fair value less costs of disposal, the management exercised judgement in estimating the amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal.

The carrying amount of property, plant and equipment of the Group as at 31 August 2020 was approximately $1,097,000 (2019: $5,511,000). During the financial year, an impairment loss on plant, machinery and factory equipment amounting to $Nil (2019: $1,500,000) was recognised. Further information is disclosed in Note 4 and 27 to the financial statements.

The carrying amount of right-of-use assets of the Group and the Company as at 31 August 2020 were approximately $5,261,000 and $308,000 respectively. During the financial year, an impairment loss on leasehold building amounting to $99,000 was recognised. Further information is disclosed in Note 5 to the financial statements.

The carrying amount of investment property of the Group as at 31 August 2020 was approximately $654,000 (2019: $549,000).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(ii) Taxes

The Group recognises expected liabilities for income tax based on estimation of the likely taxes due. This requires significant judgement as to the ultimate tax determination of certain items. Where the final tax outcome of these matters differs from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amounts of current income tax payable of the Group at 31 August 2020 were approximately $29,000 (2019: $14,000). The carrying amounts of the Group's and the Company deferred tax liabilities as at 31 August 2020 were approximately $15,665,000 (2019: $11,711,000) and $15,334,000 (2019: $11,359,000) respectively.

(iii) Leases – estimating the incremental borrowing rate

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term. The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the rate of interest that the Group and Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Company estimates the incremental borrowing rate using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

The incremental borrowing rate applied to lease liabilities as at 31 August 2020 was 3.25% per annum. The carrying amount of the Group's and the Company's lease liabilities as at 31 August 2020 was $1,293,000 (2019: $152,000) and $312,000 (2019: $Nil) respectively.

(iv) Write-down for inventories obsolescence

Inventories are valued at the lower of cost and net realisable value. The management determines cost of inventories primarily using the weighted average method, and the determination of the net realisable value of inventories is based on current market conditions and historical sales experience. Inventories may be written down to net realisable value if they are slow-moving, become obsolete due to no market demand, or if their selling prices have declined. In determining excess quantities, the management considers recent sales quantities, related margins and the market positioning of its products. Nonetheless, the Group may be required to reduce the value of its inventories when faced with factors beyond its control, such as customer specification requirements, demand levels and price competition in response to the industry cycles. The carrying amount of the Group's inventories as at 31 August 2020 was approximately $14,852,000 (2019: $14,569,000).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(v) Classification and valuation of investment in ESSE PI Pte. Ltd. ("ESSE")

Effectively on 28 August 2020, the Company has completed the subscription of 25% equity interest in ESSE for a purchase consideration of $500,000. Although the Company only has an equity interest of 25%, ESSE will require written approval of the Company to approve major decisions on the relevant activities of ESSE. In view of this, significant judgement are required to determine the classification of ESSE as a joint venture.

Management had engaged an external valuation specialist ("Management Expert") to assist in the purchase price allocation ("PPA"). In carrying out the PPA, significant estimation are required in determining the fair values of the identified assets acquired and liabilities assumed, including the identification and valuation of intangible assets acquired and the resultant goodwill.

Management assessed that there is an indication of impairment of the investment cost as ESSE's performance for the financial year was below budgeted cash flows and the net assets of ESSE was below investment cost. Accordingly, Management assisted by the Management Expert had determined the recoverable amount of the investment cost in ESSE by estimating its value-in-use ("VIU") based on discounted cash flow forecasts.

The carrying amount of investment in joint venture of the Group and the Company as at 31 August 2020 was $433,000 and $500,000 respectively.

(vi) Estimating expected credit loss allowance for trade and other receivables

Trade receivables

The Group and the Company have elected to apply the simplified approach within SFRS(I) 9, based on lifetime expected credit losses ("ECL"), in determining the loss allowance on trade receivables at the end of each reporting period.

The lifetime expected credit losses are determined based on expected credit loss rates. The expected credit loss rates are determined based on historical loss rates and historical payment pattern, adjusted for the current conditions and forecast of future economic conditions that may affect the ability of the customers to settle the trade receivables. For credit-impaired trade receivables, ECL is determined as the difference between the gross carrying amount and the present value of the estimated future cash flows.

During the financial year, the loss allowance on trade receivables of $37,000 (2019: $Nil) was recognised in the Group's profit or loss.

The carrying amount of trade receivables of the Group as at 31 August 2020 was $2,661,000 (2019: $3,510,000).

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

(vi) Estimating expected credit loss allowance for trade and other receivables (Continued)

Non-trade amounts due from third parties, subsidiary and joint venture

At each reporting date, management determines whether there is change in credit risk of the non-trade receivables since initial recognition. In measurement of the ECL, management evaluated historical payment patterns of non-trade amount due from third parties, operating performance ratios and liquidity ratios of non-trade amount due from subsidiary and joint venture.

A credit impaired loss allowance on other receivables of $129,000 (2019: $11,000) was recognised in Group's profit or loss as at 31 August 2020, the details of which are disclosed in Note 34.2 to the financial statements. There is no loss allowance on other receivables in the Company's profit or loss during current and previous financial years.

The carrying amount of other receivables of the Group and the Company amounting to $360,000 (2019: $240,000) and $246,000 (2019: $1,727,000) respectively is disclosed in Note 11 on the financial statements.

4. Property, plant and equipment

Group	Shop house $'000	Leasehold buildings $'000	Plant and machinery $'000	Computer equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
2020							
Cost							
Balance at 1 September 2019	979	6,092	905	93	581	568	9,218
Adoption of SFRS(I) 16 (Note 2.1)	-	(6,092)	(139)	-	(175)	-	(6,406)
At 1 September 2019 (restated)	979	-	766	93	406	568	2,812
Additions	-	-	139	38	-	35	212
Disposals	-	-	-	-	(72)	-	(72)
Write-off	-	-	-	(2)	-	-	(2)
Balance at 31 August 2020	979	-	905	129	334	603	2,950
Accumulated depreciation							
Balance at 1 September 2019	250	1,761	685	87	501	423	3,707
Adoption of SFRS(I) 16 (Note 2.1)	-	(1,761)	(9)	-	(95)	-	(1,865)
At 1 September 2019 (restated)	250	-	676	87	406	423	1,842
Depreciation for the financial year	27	-	14	13	-	31	85
Disposals	-	-	-	-	(72)	-	(72)
Write-off	-	-	-	(2)	-	-	(2)
Balance at 31 August 2020	277	-	690	98	334	454	1,853
Net carrying amount							
Balance at 31 August 2020	702	-	215	31	-	149	1,097

4. Property, plant and equipment (Continued)

Group	Shop house $'000	Leasehold buildings $'000	Leasehold improvements $'000	Plant, machinery and factory equipment $'000	Computer equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
2019								
Cost								
Balance at 1 September 2018	979	6,092	931	18,010	109	1,047	2,003	29,171
Additions	-	-	47	155	5	313	119	639
Disposals	-	-	-	(4)	-	(70)	-	(74)
Write-off	-	-	-	-	(21)	-	-	(21)
Disposal of a subsidiary (Note 8)	-	-	(987)	(17,354)	-	(708)	(1,566)	(20,615)
Currency translation adjustment	-	-	9	98	-	(1)	12	118
Balance at 31 August 2019	979	6,092	-	905	93	581	568	9,218
Accumulated depreciation and impairment								
Balance at 1 September 2018	223	1,563	778	9,632	98	858	1,397	14,549
Depreciation for the financial year	27	198	67	686	10	63	168	1,219
Impairment loss (Note 27)	-	-	-	1,500	-	-	-	1,500
Disposals	-	-	-	(2)	-	(70)	-	(72)
Write-off	-	-	-	-	(21)	-	-	(21)
Disposal of a subsidiary (Note 8)	-	-	(853)	(11,203)	-	(349)	(1,149)	(13,554)
Currency translation adjustment	-	-	8	72	-	(1)	7	86
Balance at 31 August 2019	250	1,761	-	685	87	501	423	3,707
Net carrying amount								
Balance at 31 August 2019	729	4,331	-	220	6	80	145	5,511

4. **Property, plant and equipment** (Continued)

	Computer equipment	
	2020	**2019**
Company	**$'000**	**$'000**
Cost		
At 1 September	8	8
Write-off	(2)	-
At 31 August	6	8
Accumulated depreciation		
At 1 September	8	8
Write-off	(2)	-
At 31 August	6	8
Net carrying amount		
Balance at end of financial year	-	-

4.1 In the previous financial year, the Group carried out a review of the recoverable amount of its plant, machinery and equipment under GD Precision (Shanghai) Co., Ltd (which was disposed on 7 March 2019) due to a deterioration in operating results following the loss of key customers. The review led to the recognition of an impairment loss of approximately $1,500,000 that had been recognised in profit or loss and included in other expenses (Note 27). The recoverable amount of the relevant assets of approximately $1,493,000 had been determined on the basis of its fair value less costs to sell with reference to indicative market values by a third party valuer on an individual basis using the replacement cost approach by making reference to recent transactions of similar assets with appropriate adjustments (Level 3 hierarchy).

4.2 Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 5 to the financial statements.

The carrying amount of plant and machinery and motor vehicles acquired under lease liabilities (previously presented as finance lease liabilities) as at 31 August 2019 amounted to $130,000 and $80,000 respectively.

4.3 As at the end of the financial year, the Group's shop house with a carrying amount of $702,000 (2019: $729,000) was pledged to the bank as security for banking facilities granted to a subsidiary as disclosed in Note 16 to the financial statements.

4.4 A motor vehicle with carrying amount of $Nil (2019: $Nil) was registered in the name of a Director of the Group and held in trust for the Group.

4. Property, plant and equipment (Continued)

4.5 For the purpose of the consolidated statement of cash flows, the Group's additions to property, plant and equipment were financed as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Cash payments to acquire property, plant and equipment	205	210
Acquired under lease liabilities (previously presented as finance lease liabilities)	-	371
Transferred from other receivables and deposits paid in prior year	7	58
Total additions to property, plant and equipment	212	639

4.6 The Group's shop house and leasehold buildings as at 31 August 2020 and 31 August 2019 are as follows:

Location	**Description**	**Tenure**	**Approximate site area (sq.m)**
No. 11 Syed Alwi Road #01-06 Teck Heng Long Industrial Building Singapore 207629	Shop house	Freehold	108
8B Admiralty Street #01-09 Singapore 757440*	Retail unit	Leasehold of 60 years commencing 9 October 2000	325
No. 3 Kian Teck Crescent Singapore 628881*	Factory building, office and warehouse	Leasehold for 20 years commencing 1 July 1993 with an extended lease of another 24 years	4,848.84

* Reclassified to right-of-use assets as at 1 September 2019 (Note 5).

5. Right-of-use assets

The Group and the Company has lease contracts for leasehold land and buildings, plant and machinery, motor vehicles and office premises. The Group's obligation under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and sub-leasing the leased assets.

The Group and the Company also has leases with terms of 12 months or less. The Group and the Company applies the "short-term lease" recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets

	Leasehold land $'000	Leasehold buildings $'000	Plant and machinery $,000	Motor vehicles $'000	Total $'000
Group					
Cost					
At 1 September 2019					
- Reclassified from property, plant and equipment (Note 4)	-	4,331	130	80	4,541
- Adoption of SFRS(I) 16 (Note 2.1)	1,005	-	-	-	1,005
	1,005	4,331	130	80	5,546
Addition	-	-	-	145	145
Amortisation charge	(56)	(198)	(14)	(63)	(331)
Impairment loss	-	(99)	-	-	(99)
At 31 August 2020	949	4,034	116	162	5,261

During the financial year, the Group carried out a review of the recoverable amount of its leasehold buildings. The review led to the recognition of an impairment loss of approximately $99,000 that had been recognised in profit or loss and included in other expenses (Note 25). The recoverable amount of the leasehold buildings of approximately $1,284,000 had been determined on the basis of its fair value less costs of disposal with reference to indicative market values by an independent professional valuation firm. The valuation was derived based on comparison made to similar properties transacted in the vicinity with appropriate adjustments (Level 3 hierarchy).

	Office premises $'000
Company	
Cost	
At 1 September 2019	
- Adoption of SFRS(I) 16 (Note 2.1)	326
	326
Amortisation charge	(18)
At 31 August 2020	308

(b) Lease liabilities

The carrying amounts of lease liabilities, movements during the financial year and the maturity analysis of lease liabilities are disclosed in Note 17 to the financial statements.

5. **Right-of-use assets** (Continued)

(c) Amount recognised in profit or loss

	Group 2020 $'000
Amortisation of right-of-use assets	331
Interest expense on lease liabilities (Note 24)	45
Impairment loss	99
Short term leases (Note 25)	45
Total amount recognised in profit or loss	520

(d) Restrictions

Assets pledged as security

As at the end of the financial year, the Group's leasehold buildings with a carrying amount of approximately $4,034,000 (2019: $4,331,000) were pledged to the banks as security for banking facilities granted to a subsidiary as disclosed in Note 16 to the financial statements.

Assets acquired under lease liabilities

The carrying amount of right-of-use assets pledged as security for the related lease liabilities as disclosed in Note 17 to the financial statements were as follows:

	Group 2020 $'000
Motor vehicles	162
Plant and machinery	116
	278

(e) For the purpose of the consolidated statement of cash flows, the Group's additions to right-of-use assets were financed as follows:

	Group 2020 $'000
Cash payments to acquire right-of-use assets	39
Acquired under lease liabilities	106
Total additions to right-of-use assets	145

5. **Right-of-use assets** (Continued)

(f) As at 31 August 2020, the Group's leasehold land and buildings classified as right-of-use assets are as follows:

Location	Description	Tenure	Approximate site area (sq.m)
8B Admiralty Street #01-09 Singapore 757440	Retail unit	Leasehold of 60 years commencing 9 October 2000	325
No. 3 Kian Teck Crescent Singapore 628881	Factory building, office and warehouse	Leasehold for 20 years commencing 1 July 1993 with an extended lease of another 24 years	4,848.84

6. **Intangible assets**

	Goodwill	Customer relationship	Total
	$'000	$'000	$'000
Group			
2020			
Cost			
Balance at 1 September 2019 and 31 August 2020	1,647	1,081	2,728
Accumulated amortisation			
Balance at 1 September 2019 and 31 August 2020	-	1,081	1,081
Net carrying amount			
Balance at 31 August 2020	1,647	-	1,647
2019			
Cost			
Balance at 1 September 2018 and 31 August 2019	1,647	1,081	2,728
Accumulated amortisation			
Balance at 1 September 2018 and 31 August 2019	-	1,081	1,081
Net carrying amount			
Balance at 31 August 2019	1,647	-	1,647

6. Intangible assets (Continued)

The Group's intangible assets arose from the Group's acquisitions of a subsidiary.

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that are expected to benefit from that business combination, which is also the reportable operating segment. The carrying amount of goodwill had been allocated to the following segments:

	Trading of hardware and fasteners	
	2020	**2019**
	$'000	**$'000**
Goodwill	1,647	1,647

The recoverable amounts of the CGUs are determined based on the higher of its value-in-use and fair value less cost of disposal.

During the financial year ended 31 August 2020, the recoverable amount of the CGU has been determined based on fair value less cost of disposal. The recoverable amount is determined based on the fair value of certain properties using direct comparison approach and based on most recent transacted prices.

In the previous financial year, the recoverable amount of the CGU has been determined based on value-in-use calculations. Cash flow projections used in these calculations were based on financial budgets approved by management covering a five-year period and projections to terminal year. The management had estimated the discount rate using pre-tax rate that reflect current market assessment of the time value of money and the risks specific to the CGUs. The growth rate is based on management's estimates and expectations from historical trends and market data. The terminal growth rate was based on management's best estimate.

The pre-tax discount rate applied to the cash flow and the forecasted average growth rate used to extrapolate the cash flows projections are was follows:

	Trading of hardware and fasteners
	2019
	%
Revenue growth rate	3.48
Terminal growth rate	1.40
Pre-tax discount rate	9.22

Sensitivity analysis

As at 31 August 2019, any reasonably possible changes to the key assumptions applied was not likely to cause the recoverable amount to be below the carrying amount of the CGU.

As at the end of the current and previous financial years, the recoverable amount of the CGU for trading of hardware and fasteners was determined to be higher than the carrying amount and thus, no impairment loss needs to be recognised.

7. Investment property

	Group	
	2020	2019
	$'000	$'000
Cost		
At 1 September	799	719
Adoption of SFRS(I) 16 (Note 2.1)	144	-
Additions	-	80
At 31 August	943	799
Accumulated depreciation		
At 1 September	250	221
Depreciation for the financial year	39	29
At 31 August	289	250
Net carrying amount		
At 31 August	654	549

The fair value of the Group's investment property as at 31 August 2020 was assessed by management to be approximately $1,111,000 (2019: $1,446,000). The fair value of the Group's investment property was derived based on comparison made to similar properties transacted in the vicinity, The valuation is based on the asset's highest and best use, which is in line with its actual use. Management considers the key unobservable inputs include the price per square meter and the premium (discount) on the quality of the building and remaining lease terms. The resulting fair value of investment property is considered Level 3 hierarchy.

In the previous financial year, the Group's investment property was valued by an independent professional valuation firm with recent experience in the location and category of the investment property held by the Group. The valuation was arrived by using direct comparison approach whereby sale prices of comparable properties in similar locations are adjusted for differences in key attributes such as remaining lease term, property size and time factor. The valuation conforms to International Valuation Standards and is based on the asset's highest and best use, which is in line with its actual use. Management considers the key unobservable inputs include the price per square meter and the premium (discount) on the quality of the building and remaining lease terms.

There were no changes to the valuation techniques of the investment property as at the end of the reporting period. There were no transfers between levels during the financial year.

The following amounts are recognised in profit or loss:

	Group	
	2020	2019
	$'000	$'000
Rental income from investment property	342	247
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	(206)	(236)

7. Investment property (Continued)

The Group's investment property as at 31 August 2020 and 31 August 2019 is as follows:

Location	Description	Tenure	Approximate site area (sq.m)
No. 3 Kian Teck Crescent Singapore 628881	Workers' dormitory	Leasehold for 20 years commencing 1 July 1993 with an extended lease of another 24 years	697.29

In the previous financial year, the approximate site area (sq.m) of the investment property was revised as there was adjustment in differential premium for the lifting of state title restrictions in accordance with Singapore Land Authority Act.

The Grant of Written Permission (Temporary) for continued use of part of the 2nd storey and part of the 3rd storey as secondary workers' dormitory for 155 workers was granted on 11 July 2019 for a period of 5 years commencing 4 November 2018. The secondary workers' dormitory shall cease with effect from 4 November 2023. Upon expiry of the temporary permission for the temporary secondary workers' dormitory, the permission shall be used for industrial or warehouse purposes.

As at the end of current and previous financial years, the investment property was pledged to the banks for banking facilities granted to a subsidiary as disclosed in Note 16 to the financial statements.

8. Investments in subsidiaries

	Company	
	2020	**2019**
	$'000	**$'000**
Unquoted equity shares, at cost		
At 1 September	18,000	23,620
Disposal	-	(5,620)
At 31 August	18,000	18,000

8. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests		Principal activities
	2020	2019	2020	2019	
	%	%	%	%	
Held by the Company					
Sin Hong Hardware Pte Ltd ("Sin Hong")[1] (Singapore)	100	100	-	-	Importers, exporters, marketing of building materials, general merchants and hardware dealers
GD Tech (H.K.) Private Co., Limited ("GD Tech HK")[2] (Hong Kong)	-	-		-	Trading of high precision components, machinery parts and tools
Held by Sin Hong					
Maritrans Corporation Pte Ltd[1] (Singapore)	100	100	-	-	Investment holding
Held by GD Tech HK					
GD Tech (Dongguan) Co., Ltd[2] (People's Republic of China)	-	-		-	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Tech (Zhuzhou) Co., Ltd[2] (People's Republic of China)	-	-		-	Manufacturing and trading of high precision mechanical components
GD Precision (Shanghai) Co., Ltd[2] (People's Republic of China)	-	-		-	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Tech Pte. Ltd.[2]	-	-		-	Trading of electronic and machinery parts and tools

(1) Audited by BDO LLP, Singapore
(2) Disposed on 7 March 2019, audited by BDO Limited, Hong Kong, for purpose of group consolidation

8. Investments in subsidiaries (Continued)

Disposal of a subsidiary

On 7 March 2019, the Company disposed of 57.48% equity interest in a subsidiary, GD Tech (H.K.) Private Co., Limited ("GD Tech HK") to a third party individual purchaser for a cash consideration of $6,500,000.

The value of assets and liabilities of GD Tech HK recorded in the consolidated financial statements as at 7 March 2019 and the cash flow effect of the disposal were:

	Carrying amount 2019 $'000
Plant and equipment	7,061
Inventories	3,006
Trade and other receivables	14,882
Prepayments	400
Cash and bank balances	5,748
Total assets	31,097
Trade and other payables	12,540
Income tax payable	207
Interest bearing liabilities	1,535
Deferred tax liabilities (Note 18)	21
Total liabilities	14,303
Net identifiable assets derecognised	16,794
Net identifiable assets derecognised	16,794
Non-controlling interests	(7,141)
Foreign currency translation reserve	(370)
Statutory reserve fund	(691)
Loss on disposal of a subsidiary (Note 27)	(2,092)
Cash consideration received	6,500
Net cash flows on disposal of a subsidiary:	
Cash consideration received	6,500
Cash and bank equivalents of the subsidiary	(5,748)
Net cash inflow on disposal of a subsidiary	752

8. Investments in subsidiaries (Continued)

Non-controlling interests

Summarised financial information in relation to the subsidiary that has non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

	GD Tech HK 2019 $'000
Revenue	21,607
Profit before income tax	441
Income tax expense	(190)
Profit after tax	251
Profit allocated to NCI	107
Other comprehensive income allocated to NCI	141
Total comprehensive income allocated to NCI	248
Dividend paid to NCI	-
Cash flows from operating activities	1,261
Cash flows used in investing activities	(439)
Cash flows from financing activities	412
Net cash inflows	1,234

9. Investment in a joint venture

	Company 2020 $'000	Company 2019 $'000
Equity shares, at cost	500	-

	Group 2020 $'000	Group 2019 $'000
Investment in a joint venture	500	-
Share of post-acquisition loss of a joint venture	(67)	-
	433	-

9. Investment in a joint venture (Continued)

The details of the joint venture are as follows:

Name of joint venture (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group and Company	
		2020	2019
		%	%
ESSE PI Pte. Ltd. [(1)] (Singapore)	Development and application of AI technologies to solve IoT big data problems and automate decision making	25	-

[(1)] Incorporated during the year and exempt from audit requirements.

The principal activities of ESSE PI Pte. Ltd. are in line with the Group's strategy to diversify business by investing in Internet of Things ("IoT") sector.

Summarised financial information in relation to the joint venture is presented below:

Summarised statement of financial position as at	**2020**
	$'000
Current assets	338
Non-current assets	766
Current liabilities	(259)
Non-current liabilities	(129)
Net assets (100%)	716
Included in the above amounts are:	
Cash and cash equivalents	322
Current financial liabilities (excluding trade and other payables and provisions)	(201)

Summarised statement of comprehensive income for the financial year ended 31 August	**2020**
	$'000
Revenue	98
Loss before tax	(534)
Other comprehensive income	-
Total comprehensive income	(534)
Dividends received from joint venture	-
Included in the above amounts are:	
Depreciation and amortisation	2
Interest expense	4

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for fair value adjustments and differences in accounting policies between the Group and the joint venture.

9. Investment in a joint venture (Continued)

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, are as follows:

	2020
	$'000
Proportion of Group's interest	25%
Group's share of net assets	179
Goodwill	285
Share of capital contribution [1]	(31)
Group's carrying amount of investment in a joint venture	433

[1] The capital contribution adjustment is due to the the share of results for the 4 days period from 28 August 2020 to 31 August 2020 not accounted for during the year as explained below.

On 26 November 2019, the Company entered into Joint Venture Agreement ("JVA") with ESSE PI Pte. Ltd. ("ESSE") and ESSE's founder shareholder to subscribe for an equity interest of 12.5%, comprising 250,000 ordinary shares in ESSE, for a total cash consideration of $250,000. On 26 November 2019, the Company entered into a Convertible Loan Agreement ("CLA") to extend a loan of $250,000 to ESSE. The parties have also agreed on conversion mechanisms as set out in the CLA. On 20 August 2020, the Company has elected to convert the convertible loan of $250,000 into 333,333 ordinary shares (12.5%) in ESSE, with an effective date of conversion on 28 August 2020. Therefore, the Group and the Company has on 28 August 2020, increased its shareholdings in the joint venture to 25%. As the share of post-acquisition results is not material for the 4 days period from 28 August 2020 to 31 August 2020, the Group has recognised 12.5% share of results instead of 25% of for the 4 days period.

10. Financial assets at fair value through profit or loss ("FVTPL")

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Quoted equity shares		
At 1 September	124,967	30,460
Less: Disposal during the financial year	-	(3,080)
Fair value change recognised in profit or loss (Note 23)	41,715	97,587
At 31 August	166,682	124,967
Details of investment is as follow:		
Quoted equity shares		
- listed in Shanghai – People's Republic of China	166,682	124,967

10. Financial assets at fair value through profit or loss ("FVTPL") (Continued)

Fair value measurement

The investments in quoted equity shares have no fixed maturity date nor coupon rate. The fair value of these shares are based on closing quoted market price on the last market day of the financial year.

Financial assets at FVTPL as at the end of the financial year are denominated in Chinese Renminbi (RMB).

11. Trade and other receivables

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Deposit	169	-	-	-
Current				
Trade receivables				
- third parties	2,868	3,709	-	-
Less: Loss allowance	(207)	(199)	-	-
	2,661	3,510	-	-
Other receivables				
- third parties	288	251	17	35
- joint venture	201	-	201	-
- subsidiary	-	-	28	1,692
	489	251	246	1,727
Less: Loss allowance				
- third parties	(129)	(11)	-	-
	360	240	246	1,727
Deposits	15	14	-	-
Grant receivables	167	-	14	-
	3,203	3,764	260	1,727
Total trade and other receivables	3,372	3,764	260	1,727
Add/(Less):				
Deposit - Non-current	(169)	-	-	-
Goods and services tax receivable	(4)	(14)	(9)	(17)
Cash and bank balances (Note 14)	106	325	5	5
Financial assets at amortised cost	3,305	4,075	256	1,715

11. Trade and other receivables (Continued)

Movements in the loss allowance on trade receivables were as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
At 1 September	199	2,215
Loss allowance made	37	-
Loss allowance reversal	(26)	(48)
Loss allowance written off	(3)	(5)
Disposal of a subsidiary	-	(1,963)
At 31 August	207	199

Movements of loss allowance on other receivables were as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
At 1 September	11	71
Loss allowance made	129	11
Loss allowance reversal	(11)	-
Disposal of a subsidiary	-	(71)
At 31 August	129	11

Trade and other receivables were denominated in the following currencies:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	3,223	3,629	260	1,727
United States dollar	149	118	-	-
Euro	*	1	-	-
Others	-	16	-	-
	3,372	3,764	260	1,727

* *denotes amounts less than $1,000*

11. Trade and other receivables (Continued)

Nature of trade and other receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 (2019: 30 to 90) days' credit terms.

Other receivables are non-trade in nature, unsecured, interest-free and repayable on demand. The balances are expected to be settled in cash.

Grant receivables from the government is related to the Jobs Support Scheme ("JSS") amounting to $138,000 to provide wage support to employers to help them retain their local employees and Property Tax Rebate amounting to $29,000 announced by the Singapore Government during this period of economic uncertainty.

The amount due from a subsidiary is non-trade in nature, unsecured, non-interest bearing and repayable on demand, and expected to be settled in cash.

On 24 April 2020, the Company extended a loan of $200,000 to a joint venture (Note 9), which is unsecured, interest fixed at 5% per annum, repayable on 23 July 2020 and subsequently extended to 23 December 2020, and is expected to be settled in cash.

12. Inventories

	Group	
	2020	**2019**
	$'000	**$'000**
Finished goods	14,852	14,569

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to approximately $7,616,000 (2019: $9,617,000) for the financial year ended 31 August 2020.

During the financial year, the Group carried out a review of the realisable value of its inventories and the review led to the recognition of a write-down for inventories obsolescence and inventories written off of approximately $386,000 (2019: $370,000) and $39,000 (2019: $274,000) respectively. These were recognised as expenses and included in "cost of sales" line item in profit or loss.

During the financial year, the Group has recognised a reversal of $208,000 (2019: $425,000) being part of an inventories write-down made in the previous financial years as the related inventories were sold above their carrying amounts. The reversal was included in the "cost of sales" line item in profit or loss.

13. Derivative financial instruments

	Group 2020 $'000	Group 2019 $'000
Fair value (loss)/gain on foreign currency forward contracts	(34)	12
Total financial (liabilities)/assets at fair value through profit or loss	(34)	12

The above derivatives are measured at fair values at the end of the financial year. These derivatives were classified under level 2 of the fair value hierarchy, as disclosed in Note 36.

Foreign currency forward contracts

Foreign currency forward contracts are agreements to buy or sell fixed amounts of currency at agreed exchange rates to be settled in the future. The Group enters into various foreign currency forward contracts to reduce its exposure on anticipated transactions denominated in currency other than the subsidiary's functional currency. These foreign currency forward contracts generally have maturity dates of less than or equal to 6 months. The Group will settle the foreign currency forward contracts on a gross basis.

As at the end of the financial year, the Group entered into foreign currency forward contracts as follows:

	Average exchange rate	Foreign currency USD'000	Notional amount $'000	Fair value $'000	Settlement date
Group					
2020					
Buy United States dollar	1.403	770	1,048	(34)	October 2020 to January 2021
2019					
Buy United States dollar	1.361	452	628	12	September 2019 to December 2019

14. Cash and bank balances

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash on hand	13	14	*	1
Bank balances	93	311	5	4
Cash and bank balances	106	325	5	5

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore dollar	86	322	5	5
United States dollar	20	3	-	-
Chinese Renminbi	*	-	*	-
	106	325	5	5

* *denotes amounts less than $1,000*

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2020	2019
	$'000	$'000
Cash and bank balances	106	325
Less: Bank overdraft (Note 16)	(242)	-
Cash and cash equivalents	(136)	325

15. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Non-current				
Accrued operating expenses	195	3,737	195	3,737
Other payables – VAT payable	6,776	7,688	6,776	7,688
	6,971	11,425	6,971	11,425
Current				
Trade payables – third parties	95	202	-	-
Goods and services tax payable	53	99	-	-
	148	301	-	-
Other payables				
- third parties	588	632	463	489
- subsidiary	-	-	2,352	-
	588	632	2,815	489
Accrued operating expenses	6,375	1,795	5,934	1,387
Deferred grant income	223	-	23	-
	7,334	2,728	8,772	1,876
Total trade and other payables	14,305	14,153	15,743	13,301
Add/(Less):				
Interest bearing liabilities				
- Current (Note 16)	5,467	5,361	-	-
- Non-current (Note 16)	5,276	1,697	-	-
Lease liabilities				
- Current (Note 17)	105	47	14	-
- Non-current (Note 17)	1,188	105	298	-
Advance payment from customers*	(21)	(61)	-	-
Goods and services tax payable	(53)	(99)	-	-
Deferred grant income	(223)	-	(23)	-
VAT payable	(6,776)	(7,688)	(6,776)	(7,688)
Financial liabilities carried at amortised cost	19,268	13,515	9,256	5,613

* The advance payment from customers will be recognised as revenue in the subsequent period.

15. Trade and other payables (Continued)

Nature of trade and other payables

Trade payables are unsecured, non-interest bearing and generally on 7 to 90 (2019: 7 to 120) days' credit terms.

Other payables are non-trade in nature, unsecured, interest-free and repayable on demand.

Non-trade amounts due to a subsidiary was unsecured, non-interest bearing, repayable on demand and expected to be settled in cash.

Included in the accrued operating expenses is the provision for contingent liability amounting to $13,000 (2019: $121,000) for the guarantee of hire purchase facilities taken by a subsidiary which was disposed of by the end of the financial year 2017.

Deferred grant income from the government under the Job Support Scheme amounting to $213,000 and Property Tax Rebate amounting to $10,000 will be recognised as grant income over the periods when related salary costs and property tax expenses are incurred.

Trade and other payables were denominated in the following currencies:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Singapore dollar	6,860	5,831	8,347	5,120
United States dollar	467	567	422	430
Hong Kong dollar	-	63	-	63
Chinese Renminbi	6,974	7,688	6,974	7,688
Euro	4	2	-	-
Others	*	2	-	-
	14,305	14,153	15,743	13,301

** denotes amounts less than $1,000*

16. Interest bearing liabilities

	Group 2020 $'000	Group 2019 $'000
Bank borrowings	10,501	7,058
Bank overdraft	242	-
	10,743	7,058

	Group 2020 $'000	Group 2019 $'000
Current liabilities		
Secured:		
- Term loans	1,172	231
- Revolving loan I	1,400	1,450
- Revolving loan II	50	250
- Revolving loan III	800	800
- Trust receipts I	1,444	1,511
- Trust receipts II	359	1,119
- Bank overdraft	242	-
	5,467	5,361
Non-current liabilities		
Secured:		
- Term loans	5,276	1,697
	10,743	7,058

The interest bearing liabilities were denominated in the following currencies:

	Group 2020 $'000	Group 2019 $'000
Singapore dollar	8,940	4,428
United States dollar	1,803	2,630
	10,743	7,058

16. Interest bearing liabilities (Continued)

The average effective interest rates per annum of the interest bearing liabilities are as follows:

	Group	
	2020	**2019**
	%	**%**
Term loans	2.90	3.34
Revolving loans	4.06	4.28
ARF	-	3.82
Trust receipts	3.49	4.40
Bank overdraft	5.50	-

The repayment terms of the respective interest bearing liabilities with instalment plans are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Term loan I repayable by 180 monthly instalments commencing 16 November 2009	691	848
Term loan II repayable by 240 monthly instalments commencing 18 February 2013	889	947
Term loan III repayable by 120 monthly instalments commencing 13 February 2017	117	133
Term loan IV repayable by 60 monthly instalments commencing 29 May 2020	2,813	-
Term loan V repayable by 60 monthly instalments commencing 8 July 2020	1,938	-
	6,448	1,928

The non-current interest bearing liabilities have the following maturities:

	Group	
	2020	**2019**
	$'000	**$'000**
Later than one year but not later than five years	4,637	945
Later than five years	639	752
	5,276	1,697

16. Interest bearing liabilities (Continued)

Trust receipts have maturity periods ranging from 77 to 183 (2019: 77 to 183) days.

Revolving loans have maturity periods up to 3 months (2019: 3 months).

Term loan I, II, III, IV, V, revolving loan I, II, trust receipt I and bank overdraft are secured by:

(a) Legal mortgage (open) over the property located at No. 3 Kian Teck Crescent Singapore 628881 (Note 5 and Note 7);

(b) Legal mortgage (open) over the property located at 8B Admiralty Street #01-09 Singapore 757400 (Note 5);

(c) Legal mortgage over the shop house located at No. 11 Syed Alwi Road #01-06 Teck Heng Long Industrial Building Singapore 207629 (Note 4); and

(d) Existing corporate guarantee from the Company.

Trust receipt II is secured by:

(i) Existing corporate guarantee from the Company.

Revolving loan III is secured by the existing corporate guarantee from the Company.

The fair values of non-current interest bearing liabilities approximate their carrying amounts as at the end of the financial year as the interest rates are re-priced frequently.

17. Lease liabilities/ Finance lease liabilities

	Leasehold land $'000	Plant and machinery $000	Motor vehicles $'000	Total $'000
Group				
At 1 September 2019				
- Finance lease liabilities under SFRS(I) 1-17	-	87	65	152
- Adoption of SFRS(I) 16 (Note 2.1)	1,149	-	-	1,149
	1,149	87	65	1,301
Additions	-	-	106	106
Interest expense (Note 24)	36	2	7	45
Lease payments				
- Principal portion	(48)	(19)	(47)	(114)
- Interest portion	(36)	(2)	(7)	(45)
At 31 August 2020	1,101	68	124	1,293

17. Lease liabilities/ Finance lease liabilities (Continued)

	Office premises $'000
Company	
At 1 September 2019	
- Adoption of SFRS(I) 16 (Note 2.1)	326
	326
Interest expense	10
Lease payments	
- Principal portion	(14)
- Interest portion	(10)
At 31 August 2020	312

The maturity analysis of lease liabilities of the Group and the Company at each reporting date are as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Contractual undiscounted cash flows				
- Not later than one year	147	51	24	-
- Later than one year and not later than five years	485	110	96	-
- Later than five years	1,002	-	284	-
	1,634	161	404	-
Less: Future interest expense	(341)	(9)	(92)	-
Present value of lease liabilities	1,293	152	312	-
Presented in statement of financial position				
- Non-current	1,188	105	298	-
- Current	105	47	14	-
	1,293	152	312	-

The Group and the Company lease a leasehold land and office premises located at No. 3 Kian Teck Crescent Singapore 628881. It is customary for lease contract to provide payment to increase each year by inflation, to be reset periodically to market rental rates or fixed payments.

The Group also leases certain plant and machinery and motor vehicles under lease liabilities with fixed payments over the lease terms.

As at 31 August 2020, the incremental borrowing rate applied and average interest rate implicit in the lease were 3.25% and 4.16% respectively. As at 31 August 2019, the Group leases plant and machinery and motor vehicles under lease liabilities and the average interest rate implicit in the lease was 3.32%.

The lease liabilities are denominated in Singapore dollar.

18. Deferred tax

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Deferred tax asset	41	41	-	-
Deferred tax liabilities	(15,706)	(11,752)	(15,334)	(11,359)
	(15,665)	(11,711)	(15,334)	(11,359)

The movements for the financial year in deferred tax position is as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At 1 September	(11,711)	(2,955)	(11,359)	(2,552)
Disposal of a subsidiary	-	21	-	-
Disposal of financial assets at FVTPL	-	258	-	258
Charged to profit or loss	(3,954)	(9,035)	(3,975)	(9,065)
At 31 August	(15,665)	(11,711)	(15,334)	(11,359)

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

<u>Deferred tax asset</u>

The deferred tax asset relates to the loss allowance on trade receivables.

18. Deferred tax (Continued)

Deferred tax liabilities

Deferred tax liabilities are attributable to the following temporary differences:

	Fair value of financial assets at FVTPL	*Fair value of property, plant and equipment	*Fair value of investment properties	Total
	$'000	$'000	$'000	$'000
Group				
Balance at 1 September 2019	(11,359)	(341)	(52)	(11,752)
(Charged)/Credited to profit or loss	(3,975)	18	3	(3,954)
Balance at 31 August 2020	(15,334)	(323)	(49)	(15,706)
Balance at 1 September 2018	(2,552)	(389)	(55)	(2,996)
(Charged)/Credited to profit or loss	(9,065)	27	3	(9,035)
Disposal of financial assets at FVTPL	258	-	-	258
Disposal of a subsidiary	-	21	-	21
Balance at 31 August 2019	(11,359)	(341)	(52)	(11,752)

* The fair values were recognised on acquisition of subsidiaries which owned these assets.

	Fair value of financial assets at FVTPL
	$'000
Company	
Balance at 1 September 2019	(11,359)
Charged to profit or loss	(3,975)
Balance at 31 August 2020	(15,334)
Balance at 1 September 2018	(2,552)
Charged to profit or loss	(9,065)
Disposal of financial assets at FVTPL	258
Balance at 31 August 2019	(11,359)

19. Share capital

	Group and Company			
	2020	2019	2020	2019
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
Balance at beginning and end of financial year	29,905	29,905	26,700	26,700

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

20. Retained earnings

Movements of retained earnings of the Company are as follows:

	Company	
	2020	2019
	$'000	$'000
At 1 September	93,359	21,648
Total comprehensive income for financial year	35,225	75,300
Dividends (Note 29)	(897)	(3,589)
At 31 August	127,687	93,359

21. Revenue

Disaggregation of revenue

The Group has disaggregated revenue into various categorical in the following table which is intended to:

- depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors; and
- enable users to understand the relationship with revenue segment information provided in Note 33 to the financial statements.

	Group	
	2020	2019
	$'000	$'000
Sale of goods		
- Retail	4,336	5,497
- Original equipment manufacturing ("OEM")	2,336	2,573
- Export	5,897	7,331
	12,569	15,401

The Group's revenue comprised of invoiced value of goods sold and is recognised at point in time.

22. Other income

	Group	
	2020	2019
	$’000	$’000
Bad debts recovered – trade receivables - third parties	14	18
Dividend income from financial assets at FVTPL	837	-
Fair value gain on derivative financial instruments	-	12
Gain on disposal of property, plant and equipment	6	5
Gain on foreign exchange, net	120	14
Government grants	498	33
Interest income	4	3
Rental income	342	247
Others	95	26
	1,916	358

23. Fair value gain on financial assets at FVTPL

	Group	
	2020	2019
	$’000	$’000
Fair value gain before income tax	41,715	97,587
Accrued brokerage fee, stamp duty and transfer fee	(195)	-
Value-added tax credit/(expense)	912	(7,688)
	42,432	89,899

24. Finance costs

	Group	
	2020	2019
	$’000	$’000
Bank charges	40	54
Interest expenses		
- bank overdraft	11	4
- term and revolving loans	224	227
- trust receipts	83	141
- lease liabilities	45	4
Others	*	-
	403	430

* *denotes amounts less than $1,000*

25. Profit before income tax from continuing operations

In addition to the charges and credits disclosed elsewhere in the notes to the financial statements, the above includes the following charges/(credit):

	Group	
	2020	2019
	$'000	$'000
Cost of sales		
Inventories written off	39	274
Reversal of inventories write-down	(208)	(425)
Write-down for inventories obsolescence	386	370
Administrative expenses		
Audit fees		
- auditor of the Company	110	95
- other auditors	-	57
Amortisation of right-of-use assets	331	-
Depreciation of investment property	39	29
Depreciation of property, plant and equipment	85	321
Directors' fees – Directors of the Company	90	90
Directors' remuneration		
- Directors of the Company	3,379	5,450
- Directors of subsidiaries	888	734
Short term leases/ 2019: Operating leases	45	154
Other expense		
Bad debts written off – other receivables	2	*
Bad debts written off – trade receivables	*	7
Fair value loss on derivative financial instruments	34	-
Impairment loss on right-of-use assets	99	-

* *denotes amounts less than $1,000*

Profit before income tax also includes:

	Group	
	2020	2019
	$'000	$'000
Employee benefits expenses		
- salaries, bonuses and other benefits	7,455	9,380
- contributions to the defined contribution plan	381	360
	7,836	9,740

25. Profit before income tax from continuing operations (Continued)

The employee benefits expenses are recognised in the following line items of profit or loss:

	Group	
	2020	**2019**
	$'000	**$'000**
Administrative expenses*	5,498	7,256
Selling and distribution expenses	2,338	2,484
	7,836	9,740

* The above includes the amounts shown as Directors' remuneration in Note 32 to the financial statements.

26. Income tax expense

	Group	
	2020	**2019**
	$'000	**$'000**
From continuing operations		
Income tax		
- current financial year	83	14
- under provision in respect of prior financial years	47	*
	130	14
Deferred income tax		
- current financial year	3,933	9,043
- under provision in respect of prior financial years	21	-
	3,954	9,043
Income tax from continuing operations	4,084	9,057
From discontinued operation		
Income tax		
- current financial year	-	404
- over provision in respect of prior financial years	-	(214)
	-	190
Deferred income tax		
- current financial year	-	(8)
Income tax from discontinued operation (Note 27)	-	182
Total income tax expense recognised in profit or loss	4,084	9,239

* *denotes amounts less than $1,000*

26. Income tax expense (Continued)

Reconciliation of income tax

	Group	
	2020	**2019**
	$'000	**$'000**
Profit before income tax		
- continuing operations	38,736	83,794
- discontinued operation (Note 27)	-	(1,673)
	38,736	82,121
Income tax expense at Singapore statutory tax rate of 17%	6,585	13,961
Effect of different income tax rates in other countries	-	(199)
Tax effect of income not subject to income tax	(7,333)	(15,285)
Tax effect of expenses not deductible for income tax purposes	653	1,495
Tax effect on tax incentives	-	11
Singapore's statutory stepped income exemption	-	(33)
Deferred tax assets not recognised	3	605
Utilisation of deferred tax assets previously not recognised	-	(111)
Deferred tax on fair value changes to financial assets at FVTPL	3,954	9,065
Withholding tax	83	-
Under/(Over) provision in respect of prior financial years		
- income tax	47	(214)
- deferred tax	21	-
Others	71	(56)
	4,084	9,239

The Group operates mainly in Singapore, for which the corporate income tax rate applicable is 17% (2019:17%). In prior financial year, the Group has operations in Hong Kong and People's Republic of China, for which the corporate income tax rate applicable was 16.5% and 25% respectively.

Unrecognised deferred tax assets

The movements of unrecognised deferred tax assets are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
At 1 September	129	476
Amount not recognised during financial year	3	605
Utilisation of deferred tax asset previously not recognised	-	(111)
Disposal of a subsidiary	-	(831)
Currency translation adjustment	-	(10)
At 31 August	132	129

26. Income tax expense (Continued)

The unrecognised deferred tax assets arise from the following temporary differences:

	Group	
	2020	**2019**
	$'000	**$'000**
Accelerated tax depreciation	132	129

As at 31 August 2020, the Group had accelerated tax depreciation of approximately $781,000 (2019: $762,000) available for set-off against future taxable profits subject to the agreement by the relevant tax authority and provisions of the tax legislations of the respective countries in which the Group operates.

The above deferred tax assets have not been recognised as it is uncertain that there will be sufficient future taxable profits to realise these future benefits. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with the accounting policy in Note 2.19 to the financial statements.

27. Discontinued operation

On 7 March 2019, the Group disposed of GD Tech (H.K.) Private Co., Limited ("GD Tech HK") and its subsidiaries, which were principally engaged in manufacturing and trading of high precision components, machinery parts and tools. The results from GD Tech HK were presented separately on the consolidated statement of comprehensive income as "Discontinued operation".

The revenue, results, cash flows and net assets of the discontinued operation for the period from 1 September 2018 to the date of disposal were as follow:

	Group
	2019
	$'000
Revenue	21,607
Cost of sales	(18,074)
Gross profit	3,533
Other income	38
Reversal of loss allowance on trade receivables	672
Selling and distribution expenses	(416)
Administrative expenses	(1,792)
Finance costs	(55)
Other expenses	(1,561)
Profit before tax from discontinued operation	419
Income tax expense	(182)
Profit after tax from discontinued operation	237
Loss on disposal of a subsidiary (Note 8)	(2,092)
Loss from discontinued operation, net of tax	(1,855)

27. Discontinued operation (Continued)

The details of income statement disclosures are as follows:

	Group 2019 $'000
Other income	
Government grants	33
Interest income	3
Others	2
	38
Finance costs	
Bank charges	19
Interest expenses	
- term loans	9
- finance leases	27
	55
Other expenses	
Impairment loss for property, plant and equipment	1,500
Loss on disposal of property, plant and equipment	2
Loss on foreign exchange, net	59
	1,561

The impact of the discontinued operation on the cash flows of the Group is as follows:

	Group 2019 $'000
Cash flows from operating activities	1,261
Cash flows used in investing activities	(439)
Cash flows from financing activities	412
Total cash inflows	1,234

The Group recognised a loss on disposal of approximately $2,092,000 when the Group lost control over GD Tech HK.

28. Earnings per share

From continuing and discontinued operations

Basic earnings per share is calculated by dividing the earnings for the financial year attributable to owners of the parent by the actual number of ordinary shares during the financial year.

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

	2020	2019		
	Continuing operations	Continuing operations	Discontinued operation	Total
Numerator				
Profit/(Loss) attributable to equity holder of parent ($'000)	34,652	74,737	(1,956)	72,781
Denominator				
Weighted average number of ordinary shares ('000)	29,905	29,905	29,905	29,905
Earnings/(Loss) per share (in cents)				
Basic and diluted	115.873	249.915	(6.541)	243.374

The Group did not have any dilutive potential ordinary shares in the current or previous financial years.

29. Dividends

	Group and Company	
	2020	2019
	$'000	$'000
Final tax-exempt dividend of $0.03 per ordinary share in respect of financial year ended and 31 August 2018	-	897
Special tax-exempt dividend of $0.03 per ordinary share in respect of financial year ended 31 August 2018	-	897
Interim tax-exempt dividend of $0.06 per ordinary share in respect of financial year ended 31 August 2019	-	1,795
Final tax-exempt dividend of $0.03 per ordinary share in respect of financial year ended 31 August 2019	897	-
	897	3,589

29. Dividends (Continued)

The Board of Directors of the Company has proposed a final tax-exempt (one-tier) cash dividend of 3.0 cents per ordinary share and special tax-exempt (one-tier) cash dividend of 30.0 cents per ordinary share in respect of profit for the financial year ended 31 August 2020. This would amount to a pay out of approximately $9.869 million based on the number of issued shares as at 31 August 2020. The tax-exempt dividends are subject to shareholders' approval at the forthcoming Annual General Meeting of the Company. The financial statements for the current financial year do not reflect this dividend. The dividend will be accounted for in the shareholders' equity in the financial year ending 31 August 2021.

30. Operating lease commitments

When the Group and the Company are lessees

As at 31 August 2019, there were non-cancellable operating lease commitments for rental payable in respect of office equipment and land rent in subsequent accounting periods as follows:

	Group 2019 $'000	Company 2019 $'000
Not later than one year	129	2
Later than one year and not later than five years	339	-
Later than five years	1,087	-
	1,555	2

The expiration dates of the above lease agreements are in the range of 1 to 18 years. The rent payables under the leases were subject to revision after expiry. The leases have varying terms, escalation clauses and renewal rights with no provisions for contingent rent.

31. Capital commitments

As at the end of the financial year, the Group had the following capital commitments:

	Group	
	2020 $'000	2019 $'000
Purchase of computer software and equipment contracted but not provided for	85	239

32. Significant related party transactions

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Group and the Company entered into the following transactions with related parties at rates and terms agreed by and between the parties:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
With related parties				
Loan to a joint venture	200	-	200	-
Interest income from a joint venture	4	-	4	-
Repayment from a joint venture	3	-	3	-
* Salaries and other benefits to related parties	172	170	-	-

* The related parties are close family members of certain directors of the Company.

	Company	
	2020	2019
	$'000	$'000
With subsidiaries		
Loans from a subsidiary	4,759	5,048
Management services income	180	-
Rental expenses	24	-
Grant income from rental rebate	1	-
Repayment to subsidiaries	(645)	(9,930)
Repayment from a subsidiary	37	-
Payment on behalf for subsidiaries	(13)	-
Payment on behalf by subsidiaries	35	861

The outstanding balances as at 31 August with subsidiaries are disclosed in Notes 11 and 15 to the financial statements.

Compensation of key management personnel

Key management personnel are Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. The Group's key management personnel are the Directors of the Company and subsidiaries and Head of Functions.

32. Significant related party transactions (Continued)

Compensation of key management personnel (Continued)

The remuneration of key management personnel of the Group and the Company during the financial year is as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Continuing operations				
Directors' fee	90	90	90	90
Short-term benefits	4,509	2,546	3,670	1,851
Other long-term benefits	-	3,737	-	3,737
Post-employment benefits	104	66	54	28
	4,703	6,439	3,814	5,706
Discontinued operation				
Short-term benefits	-	72	-	-

The remuneration of Directors during the financial year is as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Continuing operations				
Directors of the Company				
Directors' fee	90	90	90	90
Short-term benefits	3,351	1,692	3,531	1,692
Other long-term benefits	-	3,737	-	3,737
Post-employment benefits	28	21	28	21
	3,469	5,540	3,469	5,540
Directors of subsidiaries				
Short-term benefits	839	696	-	-
Post-employment benefits	49	38	-	-
	888	734	-	-
	4,357	6,274	3,469	5,540
Discontinued operation				
Directors of subsidiaries				
Short-term benefits	-	72	-	-

33. Segment information

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

33. Segment information (Continued)

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by management of the respective entities within the Group.

There is no change from prior periods in the measurement methods used to determine reported segment results.

The accounting policies of the operating segments are the same as those described in the significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before income tax expense, not including non-recurring gains and losses.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Intersegment sales

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation. Inter-segment pricing is determined on an arm's length basis.

Business segments

The Group is organised into strategic business units ("SBU"), catering to the need of different customer segments. The SBUs are:

(i) Trading of hardware and fasteners

(a) Retail

- operates two retail shops in Singapore and partners with other hardware distributors, stockists and retail hardware stores in Singapore to reach the small and medium enterprises.

(b) Original equipment manufacturing ("OEM")

- serves a wide spectrum of manufacturing sectors in Singapore. The customers are mainly from the machine manufacturing and assembly, automation assembly, electronic assembly, metal stamping, construction building, shipyard and aerospace aviation industries.

(c) Export

- manages overseas customers, mainly distributors and traders, and provides freight and shipment services.

(ii) Precision engineering

- engages in the manufacturing of high precision components and complex electromechanical assembly, serving mainly the semiconductor equipment manufacturers, oil and gas, medical and solar manufacturers.

(iii) Others

- Investment holding.

33. **Segment information** (Continued)

Business segments (Continued)

	Continuing operations						
	Trading of hardware and fasteners				Others	Eliminations	Consolidated
	Retail $'000	OEM $'000	Export $'000	Total $'000	$'000	$'000	$'000
2020							
Revenue							
External operating revenue	4,336	2,336	5,897	12,569	-	-	12,569
Inter-segment sales	-	-	-	-	-	-	-
Total revenue	4,336	2,336	5,897	12,569	-	-	12,569
Segment results	159	(67)	228	320	38,882	-	39,202
Interest income	*	*	*	*	4	-	4
Finance costs	(137)	(111)	(117)	(365)	(38)	-	(403)
Share of loss of a joint venture	-	-	-	-	(67)	-	(67)
Profit/(Loss) before tax	22	(178)	111	(45)	38,781	-	38,736
Income tax expense	(17)	(17)	(17)	(51)	(4,033)	-	(4,084)
Profit/(Loss) for the year	5	(195)	94	(96)	34,748	-	34,652
Segment assets	-	-	-	29,708	191,785	(27,329)	194,164
Segment liabilities	-	-	-	16,501	32,977	(7,409)	42,069
Capital expenditure							
Property, plant and equipment	-	-	-	212	-	-	212
Right-of-use assets	-	-	-	145	-	-	145

* *denotes amounts less than $1,000*

33. Segment information (Continued)

Business segments (Continued)

	Continuing operations					
	Trading of hardware and fasteners				Others	Consolidated
	Retail $'000	OEM $'000	Export $'000	Total $'000	$'000	$'000
2020						
Significant non-cash items						
Depreciation of investment property	-	-	-	-	39	39
Depreciation of property, plant and equipment	-	-	-	83	2	85
Amortisation of right-of-use assets	-	-	-	111	220	331
Impairment loss on right-of-use assets	-	-	-	99	-	99
Loss allowance on other receivables	-	-	-	-	129	129
Loss allowance on trade receivables	-	-	-	37	-	37
Reversal of loss allowance on other receivables	-	-	-	(11)	-	(11)
Reversal of loss allowance on trade receivables	-	-	-	(26)	-	(26)
Inventories written off	-	-	-	39	-	39
Reversal of inventories write-down	-	-	-	(208)	-	(208)
Write-down for inventories obsolescence	-	-	-	386	-	386

33. **Segment information** (Continued)

Business segments (Continued)

	Continuing operations				Discontinued operation			
	Trading of hardware and fasteners				Precision engineering	Others	Eliminations	Consolidated
	Retail $'000	OEM $'000	Export $'000	Total $'000	$'000	$'000	$'000	$'000
2019								
Revenue								
External operating revenue	5,497	2,573	7,331	15,401	-	-	-	15,401
Inter-segment sales	-	-	-	-	-	-	-	-
Total revenue	5,497	2,573	7,331	15,401	-	-	-	15,401
Segment results	578	28	369	975		83,246	-	84,221
Interest income	3	*	*	3	-	-	-	3
Finance costs	(158)	(130)	(141)	(429)	-	(1)	-	(430)
Income tax expenses	*	-	-	-	-	(9,057)	-	(9,057)
Profit/(Loss) from continuing operations	423	(102)	228	549	-	74,188	-	74,737
Loss from discontinued operation (Note 27)	-	-	-	-	(1,855)	-	-	(1,855)
Profit/(Loss) for the year	423	(102)	228	549	(1,855)	74,188	-	72,882
Segment assets	-	-	-	23,481	-	149,894	(21,947)	151,428
Segment liabilities	-	-	-	9,697	-	25,402	(2,011)	33,088
Capital expenditure								
Property, plant and equipment	-	-	-	181	443	15	-	639

**denotes amounts less than $1,000*

33. Segment information (Continued)

Business segments (Continued)

	Continuing operations				Discontinued operation		
	Trading of hardware and fasteners				Precision engineering	Others	Consolidated
	Retail	OEM	Export	Total			
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2019							
Significant non-cash items							
Depreciation of investment property	-	-	-	-	-	29	29
Depreciation of property, plant and equipment	-	-	-	157	898	164	1,219
Impairment loss for property, plant and equipment	-	-	-	-	1,500	-	1,500
Loss allowance on other receivables	-	-	-	11	-	-	11
Reversal of loss allowance on trade receivables	-	-	-	(48)	(672)	-	(720)
Inventories written off	-	-	-	274	-	-	274
Reversal of inventories write-down	-	-	-	(425)	-	-	(425)
Write-down for inventories obsolescence	-	-	-	370	-	-	370

33. Segment information (Continued)

Geographical information

The Group's business segments operate in four main geographical areas. Sales revenue is based on the country in which goods are delivered and services are provided.

	Singapore	Indonesia	Malaysia	China	*Others	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2020						
Total revenue from external customers	6,043	2,403	2,886	274	963	12,569
Total non-current assets	9,261	-	-	-	-	9,261
2019						
Total revenue from external customers	7,387	2,763	3,556	655	1,040	15,401
Total non-current assets	7,707	-	-	-	-	7,707

* *Others comprise of revenues from external customers attributed to foreign countries which are individually not material.*

Non-current assets consist of property, plant and equipment, right-of-use assets, investment property, investment in a joint venture, intangible assets and other receivables as presented in the statement of financial position of the Group.

Major Customers

For financial year ended 31 August 2020 and 31 August 2019, there is no customers whose revenue represents more than 10% of the Group's total revenue.

34. Financial instruments and financial risks

The Group's and the Company's activities expose them to credit risk, market risks (including equity price risk, foreign exchange risk and interest rate risk) and liquidity risk. The Group's and the Company's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's and the Company's financial performance. The Group uses financial instruments such as foreign currency forward contracts to hedge its foreign exchange risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group and the Company. The Group's and the Company's management then establish the detailed policies such as risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which they manage and measure the risk.

34.1 Market risks

(i) Equity share price risk

The Group is exposed to equity share price risk arising from the investment held by the Company which are classified as financial assets at FVTPL (Note 10). These shares are listed in Shanghai.

Equity share price sensitivity analysis

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

If prices for the quoted equity shares had increased by 10% (2019: 15%) with all other variables including tax rate held constant, the effect on profit after tax would have been approximately $14,000,000 (2019: $15,800,000). A 10% (2019: 15%) decrease in their value would, on the same basis, have decreased the profit after tax by the same amount.

(ii) Foreign currency risk

The Group incurs foreign currency risk on transactions and balances that are denominated in currencies other than the respective entities' functional currency. The Group operates and/or sell their products/services in several countries other than Singapore and transacted in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates arising from normal trading transactions, primarily with respect to United States dollar and Chinese Renminbi.

34. Financial instruments and financial risks (Continued)

34.1 Market risks (Continued)

(ii) Foreign currency risk (Continued)

The Group's exposure from foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year is as follows:

	Monetary assets		Monetary liabilities					
	Trade and other receivables	Cash and bank balances	Trade and other payables	Interest bearing liabilities	Lease liabilities	Net financial liabilities	Net liabilities denominated in the respective entities' functional currencies	Currency exposure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2020								
Singapore dollar	3,054	86	(6,616)	(8,940)	(1,293)	(13,709)	(13,709)	-
United States dollar	149	20	(467)	(1,803)	-	(2,101)	-	(2,101)
Euro	*	-	(4)	-	-	(4)	-	(4)
Chinese Renminbi	-	*	(6,974)	-	-	(6,974)	-	(6,974)
Others	-	-	*	-	-	*	-	*
	3,203	106	(14,061)	(10,743)	(1,293)	(22,788)	(13,709)	(9,079)

* *denotes amounts less than $1,000*

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2020

34. Financial instruments and financial risks (Continued)

34.1 Market risks (Continued)

(ii) Foreign currency risk (Continued)

	Monetary assets		Monetary liabilities					
	Trade and other receivables	Cash and bank balances	Trade and other payables	Interest bearing liabilities	Lease liabilities	Net financial assets/ (liabilities)	Net liabilities denominated in the respective entities' functional currencies	Currency exposure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
2019								
Singapore dollar	3,629	322	(5,785)	(4,428)	(152)	(6,414)	(6,414)	-
United States dollar	118	3	(552)	(2,630)	-	(3,061)	-	(3,061)
Euro	1	-	(2)	-	-	(1)	-	(1)
Hong Kong dollar	-	-	(63)	-	-	(63)	-	(63)
Chinese Renminbi	-	-	(7,688)	-	-	(7,688)	-	(7,688)
Others	16	-	(2)	-	-	14	-	14
	3,764	325	(14,092)	(7,058)	(152)	(17,213)	(6,414)	(10,799)

34. Financial instruments and financial risks (Continued)

34.1 Market risks (Continued)

(ii) Foreign currency risk (Continued)

	Monetary assets		Monetary liabilities				
	Trade and other receivables	Cash and bank balances	Trade and other payables	Lease liabilities	Net financial liabilities	Net liabilities denominated in the respective entities' functional currencies	Currency exposure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company							
2020							
Singapore dollar	260	5	(8,324)	(312)	(8,371)	(8,371)	-
United States dollar	-	-	(422)	-	(422)	-	(422)
Chinese Renminbi	-	*	(6,974)	-	(6,974)	-	(6,974)
	260	5	(15,720)	(312)	(15,767)	(8,371)	(7,396)
2019							
Singapore dollar	1,727	5	(5,120)	-	(3,388)	(3,388)	-
United States dollar	-	-	(430)	-	(430)	-	(430)
Hong Kong dollar	-	-	(63)	-	(63)	-	(63)
Chinese Renminbi	-	-	(7,688)	-	(7,688)	-	(7,688)
	1,727	5	(13,301)	-	(11,569)	(3,388)	(8,181)

* *denotes amounts less than $1,000*

34. Financial instruments and financial risks (Continued)

34.1 Market risks (Continued)

(ii) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a change of 3% (2019: 3%) in United States dollar and Chinese Renminbi against Singapore dollar. The results of the sensitivity analysis were not significant for currencies other than the United States dollar and Chinese Renminbi.

The sensitivity analysis assumes an instantaneous 3% (2019: 3%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items are included in the analysis.

	Increase/(Decrease) Profit or loss	
	2020	**2019**
Group	**$'000**	**$'000**
United States dollar		
- strengthens against Singapore dollar	(63)	(92)
- weakens against Singapore dollar	63	92
Chinese Renminbi		
- strengthens against Singapore dollar	(209)	(231)
- weakens against Singapore dollar	209	231

As at end of the financial year, the Company does not have any significant exposure to foreign currency risk in respect of the United States Dollar, and the exposure to Chinese Renminbi is the same as at Group level. As such, a foreign currency sensitivity analysis at Company level has not been presented.

(iii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to bank borrowings with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short-term borrowings.

The Group's results are affected by changes in interest rates due to the impact of such changes on interest expenses from term loans and other bank borrowings which are at floating interest rates. It is the Group's policy to obtain quotes from banks to ensure that the most favourable rates are made available to the Group.

At the end of the financial year, the Group's exposure to interest rate risk is primarily attributable to interest bearing liabilities as shown in Note 16 to the financial statements. The Group does not use derivative financial instruments to hedge its interest rate risk.

34. Financial instruments and financial risks (Continued)

34.1 Market risks (Continued)

(iii) Interest rate risk (Continued)

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk for financial liabilities as at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year.

If interest rate had been 50 (2019: 50) basis points lower/higher with all other variables held constant, the Group's profit or loss would have been higher/lower by approximately $30,000 (2019: $35,000), arising mainly as a result of lower or higher interest expense on floating rate loans and borrowings.

As at end of the financial year, the Company does not have any exposure to interest rate risk. As such, an interest rate sensitivity analysis at Company level has not been presented.

34.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require a collateral.

At each reporting date, the Group's and the Company's maximum exposure to credit risk were represented by the carrying amount of the financial assets on the statement of financial position except for the financial guarantees given by the Company for bank facilities granted to a subsidiary and third party as disclosed in Note 34.3 to the financial statements.

The Group's major classes of financial assets are cash and bank balances, and trade and other receivables and FVTPL investments in equity shares.

The Group's exposure to credit risk is largely dependent on the credit quality of its trade and other receivables, which in turn, is mainly influenced by the individual characteristic of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk. The Group had significant credit exposure arising from one (2019: one) major customer representing 4.4% (2019: 13.8%) and five (2019: five) largest customers representing 42.1% (2019: 38.9%) of total trade receivables as at 31 August 2020 which is considered to be manageable.

Trade receivables

Expected credit loss assessment for trade receivables

The Group determines expected credit losses on trade receivables from third parties by making individual assessment of expected credit loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, past due status of the trade receivables and adjusted with forward looking assumptions, as appropriate. Management takes into account historical provision trend and other relevant factors.

34. Financial instruments and financial risks (Continued)

34.2 Credit risk (Continued)

Trade receivables (Continued)

Expected credit loss assessment for trade receivables (Continued)

The expected credit loss in the provision matrix is computed based on historical data and credit assessment including forward-looking information which management is of the view that customer conditions are representative at the reporting date.

The following table provides information about the exposure to credit risk and expected credit loss for third parties trade receivables:

	Gross carrying amount $'000	Loss allowance $'000	Credit impaired $'000	Total loss allowance $'000
Group				
2020				
Not due	647	-	-	-
Past due for 1 to 30 days	628	5	1	6
Past due for 31 to 60 days	487	4	4	8
Past due for 61 to 90 days	83	4	1	5
Past due over 90 days	1,023	157	31	188
	2,868	170	37*	207
2019				
Not due	1,569	-	-	-
Past due for 1 to 30 days	556	5	-	5
Past due for 31 to 60 days	458	9	-	9
Past due for 61 to 90 days	223	7	-	7
Past due over 90 days	903	175	3	178
	3,709	196	3*	199

* This amount of $37,000 (2019: $3,000) relates to credit-impaired balances from customers who are likely not to repay the outstanding balances mainly due to economic circumstances.

Non-trade amounts due from third parties

The Group has assessed credit risk for non-trade amounts due from third parties based on 12-month expected loss basis which reflects the increased in credit risk exposures. The Group monitors and assesses at each reporting date on any indicator of significant increase in credit risk on non-trade receivables due from third parties (Note 11). In measurement of the ECL, impairment provisions are recognised based on a forward looking expected credit loss model and historical payment patterns of non-trade amount due from third parties. At the end of the financial year, the Group has assessed its financial performance to meet the contractual cash flow obligations and is of the view that expected credit loss allowance is $Nil (2019: $11,000) for non-trade amounts due from the third parties, and recognised a credited-impaired amount of approximately $129,000 (2019: $Nil) which is related to credit-impaired balances from dormitory tenants who are unlikely to repay the outstanding balances mainly due to economic circumstances.

34. Financial instruments and financial risks (Continued)

34.2 Credit risk (Continued)

Non-trade amounts due from a subsidiary and a joint venture

Management has taken into account information that it has available internally about the past, current and expected operating performance and cash flow position of a subsidiary and a joint venture (Note 11). Management monitors and assesses at each reporting date on any indicator of significant increase in credit risk on the amount due from a subsidiary and a joint venture, by considering their performance ratio and any default in external debts. The risk of default is considered to be minimal as the subsidiary and joint venture have sufficient liquid assets to repay their debts and subject to immaterial credit loss.

In respect of the loan extended to a joint venture, the Group has assessed the performance ratios and any defaults on external debts and has concluded that the ECL in respect of this receivable is subject to insignificant expected credit losses.

Cash and bank balances

Credit risk arises from balances held with banks. The Group substantially placed its cash and bank balances in 4 banks (2019: 3 banks) which represent 88% (2019: 96%) of the Group's cash and bank balances as at 31 August 2020.

The Board of Directors monitors the credit ratings of counterparties regularly. Impairment of cash and bank balances have been measured based on 12-month expected credit loss model. At the reporting date, the Group and the Company did not expect any credit losses from non-performance by the counterparties which are banks assigned with investment grade ratings range between Aa1 to A3 by international credit-rating agencies.

34.3 Liquidity risk

Liquidity risk refers to the risk of the Group and the Company encountering difficulties in meeting their short-term obligations. Liquidity risk is managed by matching the payment and receipt cycles.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, ensuring the availability of funding through an adequate amount of committed credit facilities and ensuring that the Group and the Company in question has the ability to close out market positions. Due to the dynamic nature of the underlying businesses, management aims at maintaining a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

At Group and Company levels, the Company has given financial guarantees to banks for banking facilities granted to a subsidiary and a third party (former subsidiary) as disclosed in the tables below.

34. Financial instruments and financial risks (Continued)

34.3 Liquidity risk (Continued)

The following tables detail the Group's and the Company's contractual maturity analyses for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to make payment. The table includes both expected interests and principal cash flows.

	Not later than one year $'000	Later than one year and not later than five years $'000	Later than five years $'000	Total $'000
Group				
2020				
Financial liabilities				
Non-interest bearing				
- trade and other payables	7,037	195	-	7,232
Interest bearing liabilities				
- fixed	1,072	4,000	-	5,072
- variable	4,771	1,096	794	6,661
Lease liabilities	147	485	1,002	1,634
	13,027	5,776	1,796	20,599
Financial guarantee contracts issued for a third party (former subsidiary)	13	-	-	13
2019				
Financial liabilities				
Non-interest bearing				
- trade and other payables	2,568	3,737	-	6,305
Interest bearing liabilities				
- variable	5,639	1,248	951	7,838
Lease liabilities	51	110	-	161
	8,258	5,095	951	14,304
Financial guarantee contracts issued for a third party (former subsidiary)	112	-	-	112

34. Financial instruments and financial risks (Continued)

34.3 Liquidity risk (Continued)

	Not later than one year $'000	Later than one year and not later than five years $'000	Later than five years $'000	Total $'000
Company				
2020				
Financial liabilities				
Non-interest bearing				
- other payables	8,749	195	-	8,944
Lease liabilities	24	96	284	404
	8,773	291	284	9,348
Financial guarantee contracts issued for:				
- a third party (former subsidiary)	13	-	-	13
- a subsidiary	12,017	-	-	12,017
	12,030	-	-	12,030
2019				
Financial liabilities				
Non-interest bearing				
- other payables	1,876	3,737	-	5,613
Financial guarantee contracts issued for:				
- a third party (former subsidiary)	112	-	-	112
- a subsidiary	7,826	-	-	7,826
	7,938	-	-	7,938

The disclosed amounts for the financial guarantee contracts represent the maximum amount and at the earliest period for which the Company could be called upon by the banks to pay should the third party (former subsidiary) and subsidiary as mentioned above default on repayments.

The Group's and the Company's operations are financed mainly through equity and debts. Adequate lines of credit are maintained to ensure that liquidity is available as and when required.

The repayment terms of the Group's and the Company's interest bearing liabilities and lease liabilities are disclosed in Note 16 and Note 17 to the financial statements.

35. Capital management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balances.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising share capital (Note 19) and retained earnings as disclosed in the consolidated statement of changes in equity.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged from the last financial year.

The management monitors capital based on gearing ratios. A subsidiary is also required by the banks to maintain a gearing ratio not exceeding 300% (2019: 300%) and a minimum consolidated tangible net worth of not less than $25 million (2019: $25 million) throughout.

The Group is in compliance with the above externally imposed capital requirements for the financial years ended 31 August 2020 and 31 August 2019.

The gearing ratio is calculated as net debt divided by total capital plus net debt. The Group and the Company include within net debt, trade and other payables, interest bearing liabilities and lease liabilities less cash and bank balances. Capital consists of equity attributable to the owners of the parent.

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other payables	14,305	14,153	15,743	13,301
Interest bearing liabilities	10,743	7,058	-	-
Lease liabilities	1,293	152	312	-
Less: Cash and bank balances	(106)	(325)	(5)	(5)
Net debt	26,235	21,038	16,050	13,296
Equity attributable to owners of the parent	152,095	118,340	154,387	120,059
Capital and net debt	178,330	139,378	170,437	133,355
Gearing ratio (%)	15	15	9	10

36. Fair value of financial assets and financial liabilities

The Group and the Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The table below analyses financial instruments carried at fair value by the valuation method. The fair value hierarchy has the following levels:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

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); and

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments that are not carried at fair value

The carrying amounts of trade and other receivables, cash and bank balances, trade and other payables, current interest bearing liabilities and current lease liabilities approximate their respective fair values due to the relative short-term maturity of these financial instruments. The fair values of other classes of financial assets and financial liabilities are disclosed in the respective notes to the financial statements.

Management estimates that the carrying amounts of non-current interest bearing liabilities and non-current lease liabilities to approximate its fair value.

Fair value of financial instruments that are carried at fair value

The fair value of financial assets at FVTPL and derivative financial instruments are disclosed in Note 10 and Note 13 to the financial statements respectively.

Financial instruments carried at fair value classified by level of fair value hierarchy are as follows:

	Fair value measurement using		
	Level 1	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**
Group			
2020			
Financial assets/(liabilities)			
Financial assets at FVTPL			
- Quoted equity shares	166,682	-	-
Derivative financial instruments	-	(34)	-
2019			
Financial assets			
Financial assets at FVTPL			
- Quoted equity shares	124,967	-	-
Derivative financial instruments	-	12	-

There were no transfers between levels during the financial year.

36. Fair value of financial assets and financial liabilities (Continued)

The derivative financial instruments are not traded in an active market. The management determines the fair value of derivative financial instruments through the valuation based on bankers' quotations. The key inputs to the calculation are the foreign exchange spot and forward rates.

37. Contingent liabilities

As at the end of the financial year, there were contingent liabilities in respect of corporate guarantees of $29,954,000 (2019: $25,155,000) given by the Company for credit facilities granted to the Group's subsidiary and third party (former subsidiary). The maximum amount that the Group and the Company could be forced to settle under the corporate guarantee if the full guaranteed amount is claimed by the counterparty to the guarantee, is approximately $13,000 (2019: $112,000) and $12,030,000 (2019: $7,938,000) respectively.

As at the end of the financial year, the Group and the Company have not recognised any liability in respect of the guarantee given to the banks for banking facilities granted as the Directors have assessed that the likelihood of defaulting on repayment of its loans is remote.

38. Assessment of Coronavirus Outbreak

During the outbreak of COVID-19 pandemic, many countries have imposed travel restrictions, border controls and quarantines to halt the spread of the virus. Following the outbreak of COVID-19 pandemic, Singapore has announced stay-at-home orders and closure of non-essential businesses (circuit breaker measures). The Group was likewise affected as the customers especially from the construction sector had to halt operations during the circuit breaker period.

Uncertainty over the duration, scale and long-term impact of the pandemic could further dampen the economic growth and adversely impact the demand for dormitory space, sales of hardware and fasteners, and market price of FVTPL. The Management is closely monitoring the development of COVID-19 including the guidelines and/or regulations provided by the authorities and asses its impact on the Group's operations continuously. The Group is tightening its AR review, dunning activities and close monitoring on customers' credit rating and ability to repay.

Given the fluidity of the COVID-19 pandemic, the full impact of the pandemic to the Group's and the Company's performance for the year ending 31 August 2021 cannot be ascertained as at the date of these financial statements. The Company is not aware of any material impact on these financial statements arising from the COVID-19 pandemic except as disclosed in Note 39. Notwithstanding this, management has assessed that the Group and the Company is still able to maintain sufficient liquidity to enable the Group and the Company to continue as a going concern for at least the next 12 months from the date of these financial statements. To further buttress the Group against expected changes, the Group had secured temporary financing lines from banks to support the Group's working capital needs as and when required.

39. Event subsequent to the reporting date

(i) The Group had obtained the Shareholders' mandate in an Extraordinary General Meeting held on 15 October 2020 to authorise the Group to dispose of, in whole or in part, the 4.8 million shares (6% shareholding) in Espressif Systems (Shanghai) Co., Ltd. ("Espressif") classified as financial assets at FVTPL in Note 10 to the financial statements.

As at the date of these financial statements, a total number of 682,176 shares in Espressif had been disposed for a total consideration of RMB124,451,543 (approximately SGD25,319,000). The gain from the disposal of the financial assets at FVTPL inclusive of VAT payables, brokerage fees and withholding tax approximates to $1,406,000.

As at 31 August 2020, the fair value of the financial assets at FVTPL as disclosed in Note 10 to the financial statements are based on the closing quoted market price on the last day of the financial year. Based on the closing quoted market price as at the date of authorisation of these financial statements which is 7 December 2020, the fair value of the remaining 4,117,824 equity shares as at 31 August 2020 had declined from approximately $142,993,000 (excluding the 682,176 shares disposed as mentioned above) to approximately $128,108,000. Depending on Espressif's closing share price as at 28 February 2021, the fair value changes of approximately $12,407,000 as at 7 December 2020 or any fair value changes thereon inclusive of VAT payable, brokerage fees and deferred tax may affect the half-year results of the Group for the financial period ending 28 February 2021.

(ii) On 2 December 2020, the Company was allotted and issued with 37,234 ordinary shares in investment in the joint venture ESSE PI Pte. Ltd. for a total cash consideration of $150,000. As the share issuance rank pari passu with the other shareholder, the effective equity interest held by the Company remains at 25%.

STATISTICS OF SHAREHOLDINGS

As at 30 November 2020

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5,576	76.66	89,724	0.30
100 - 1,000	1,143	15.71	380,855	1.28
1,001 - 10,000	430	5.91	1,400,439	4.68
10,001 - 1,000,000	116	1.60	11,035,388	36.90
1,000,001 AND ABOVE	9	0.12	16,998,816	56.84
TOTAL	**7,274**	**100.00**	**29,905,222**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	4,012,880	13.42
2	SHK INVESTMENT PTE LTD	2,375,000	7.94
3	TEO ENG HWEE	1,925,000	6.44
4	TEO ENG SHING	1,925,000	6.44
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,572,149	5.26
6	TEO ENG THIAN	1,537,500	5.14
7	PEH HUAN HENG	1,490,000	4.98
8	ONG BEE MOI	1,108,300	3.71
9	CITIBANK NOMINEES SINGAPORE PTE LTD	1,052,987	3.52
10	TOH CHIN HENG	972,600	3.25
11	ONG AH PIAN OR TAN MEE HONG	946,800	3.17
12	TOH SIEW LAN	812,100	2.72
13	LOH SUAN LEN	526,375	1.76
14	TAN AH SONG	516,400	1.73
15	TEO TECK LEONG	424,120	1.42
16	CHEN RONGLI	408,500	1.37
17	WU JIAN	401,250	1.34
18	LOW SIEW SIEW (LIU XIUXIU)	400,000	1.34
19	SOH LIAN EU	369,500	1.24
20	TOH CHIN WAH (ZHUO ZHENHUA)	366,150	1.22
	TOTAL	**23,142,611**	**77.41**

STATISTICS OF SHAREHOLDINGS

As at 30 November 2020

Paid-Up Share Capital	:	S$26,700,193.69
No of Shares in Issue	:	29,905,222
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per share

LIST OF SUBSTANTIAL SHAREHOLDERS
As at 30 November 2020

	Direct Interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Estate of Ong Tze King	–	–	1,495,758[(1)]	5.002
Low Chin Kwee & Ng Ban Low	–	–	2,370,000[(2)]	7.925
Teo Teck Leong	424,120	1.418	2,865,900[(3)]	9.584
Teo Eng Hwee	1,925,000	6.437	–	–
Teo Eng Shing	1,925,000	6.437	–	–
Teo Eng Thian	1,537,500	5.141	–	–

(1)	1,495,758	held in the name of DBS Nominees Pte Ltd for account of estate of Ong Tze King
(2)	2,370,000	held in the name of DBS Nominees Pte Ltd for Low Chin Kwee & Ng Ban Low
(3)	478,900	held in the name of Maybank Kim Eng Secs Pte Ltd for Teo Teck Leong
	12,000	held by Spouse, Toh Ah Hoi
	2,375,000	held in the name of SHK Investment Pte. Ltd.*
	2,865,900	

* Deemed to be interested in the shares held by SHK Investment Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap.50.

PUBLIC FLOAT

Based on information available to the Company, approximately 55.17% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual of the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Thirty-First Annual General Meeting ("**AGM**") of Shinvest Holding Ltd. (the "**Company**") will be held by electronic means on 30 December 2020* at 10.00 a.m. to transact the following business:

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 August 2020. **Resolution 1**

2. To declare a final tax exempt (one-tier) dividend of 3 cents per ordinary share and a special tax exempt (one-tier) dividend of 30 cents per ordinary share for the financial year ended 31 August 2020. **Resolution 2**

3. To re-elect Dr Chau Sik Ting @ Chao Sik Ting, the Director who retires pursuant to Article 87 of the Constitution of the Company and being eligible, will offer himself for re-election. **Resolution 3**

   Dr Chau Sik Ting @ Chao Sik Ting will, upon re-election as Director, continue to serve as Chairman of the Remuneration Committees and remain as a member of the Audit and Nominating Committees, and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

4. To approve Directors' fees of S$90,000 (2019: S$90,000) for the financial year ended 31 August 2020 **Resolution 4**

5. To re-appoint BDO LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

SPECIAL BUSINESS

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

6. **Authority to issue shares** **Resolution 6**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:

   (1) (i) issue shares in the capital of the Company 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) warrants, debentures or other instruments convertible into shares;

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

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

provided that:

(a) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 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 (b) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 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 (b) below);

(b) (subject to such manner of 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 (a) above, the percentage of issued shares shall 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 Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or sub-division of shares;

(c) 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 for the time being of the Company; and

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

7. **Renewal of Share Buyback Mandate** **Resolution 7**

THAT:-

(a) for the purposes of the Sections 76C and 76E of the Companies Act, Cap. 50 (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company ("**Shares**") not exceeding the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchases (the "**Market Purchase**"), transacted on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") through the SGX-ST's trading system or, as the case may be, any other stock exchange on which the Shares may for the time being be listed and quoted, through one or more duly licensed dealers appointed by the Company for the purpose; and/or

(ii) off-market purchases (the "**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on 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 purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by Shareholders in a general meeting.

(c) in this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of the SGX-ST)) as at the date of the passing of this Resolution;

"**Maximum Price**" in relation to a Share to be purchased or acquired, means the purchase price (excluding related expenses of the purchase) which shall not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days ("**Market Day**" being a day on which the SGX-ST is open for trading in securities) on which the Shares were transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5)-day period;

"**day of the making of the offer**" means the day on which the Company makes an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

ANY OTHER BUSINESS

8. To transact any other business that may be transacted at an AGM.

By Order of the Board

Wong Tsui Hsuan
Company Secretary

Singapore
15 December 2020

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

(1) The proposed Ordinary Resolution 6, if passed, will empower the Directors from the date of this AGM until the next AGM, to allot and issue new shares and/or convertible securities in the Company up to a number not exceeding in total 50% of the issued shares excluding treasury shares and subsidiary holdings in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro-rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the issued shares excluding treasury shares and subsidiary holdings in the capital of the Company for the time being. The percentage of issued shares 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 the Ordinary Resolution is passed after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards outstanding or subsisting at the time the Ordinary Resolution is passed and (b) any subsequent bonus issue, consolidation or subdivision of shares. This authority will, unless previously revoked or varied at a general meeting, expire at the next AGM of the Company.

(2) Ordinary Resolution 7, if passed, will empower the Directors of the Company, to purchase or otherwise acquire its issued Shares, on the terms of the Share Buyback Mandate. This authority will continue to be in force until the conclusion of the next annual general meeting of the Company or the expiration of the period within which the next annual general meeting is required by law to be held, whichever is the earlier, unless the authority is previously revoked or varied at a general meeting. Please refer to the Letter to Shareholders on Renewal of Share Buyback Mandate dated 15 December 2020 for further details.

Pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings of Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, companies are allowed to hold meetings using electronic communication, video conferencing, tele-conferencing, or other electronic means in order to comply with the safe distancing measures imposed under the Infectious Diseases (Measures to Prevent the Spread of COVID-19) Regulations 2020. Accordingly, the Company wishes to inform all shareholders that the AGM is being convened, and will be held, by electronic means only and shareholders will not be able to attend the AGM in person. Shareholders may watch the AGM proceedings through a live webcast via their mobile phones, tablets or computers (the "**Live Webcast**"). To do so, shareholders need to pre-register online at https://agm.conveneagm.com/shinvest by 10.00 a.m. on 27 December 2020 (the "**Registration Deadline**") to create an account and to enable the Company to verify their status. Following the verification, authenticated shareholders will receive an email on their authentication status and will be able to access the Live Webcast of the AGM proceedings using the account created. Details of the steps for registration are set out in the Notes. Shareholders are advised to regularly check the Company's website and SGXNet for updates. In line with the provisions under the COVID-19 Order, **no printed copies of the Notice of AGM, the Annual Report and/or the AGM Proxy Form ("Documents") will be despatched to Shareholders**. An electronic copy of each of the Documents has been made available on SGXNET and on the Company's website at https://www.shinvest.com.sg/agm-egm.

IMPORTANT: Please read the Notes below.

COVID-19:

Pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings of Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020:

(a) A quorum may be formed by two (2) members of the Company (or one (1) member if permitted by the legal instrument of the Company) personally or electronically present. A member is electronically present at the AGM if the member –

   (i) attends the AGM electronically;
   (ii) is verified by the Company's Share Registrar as attending the AGM electronically; and
   (iii) is acknowledged by electronic means by the Chairman of the AGM as present at the AGM.

Registration:

(b) Members may watch the AGM proceedings through a live webcast via their mobile phones, tablets or computers (the "**Live Webcast**"). To do so, shareholders need to pre-register online at https://agm.conveneagm.com/shinvest by 10.00 a.m. on 27 December 2020 (the "**Registration Deadline**"), to create an account and to enable the Company to verify their status.

(c) Following the verification, authenticated shareholders will receive an email on their authentication status and will be able to access the Live Webcast of the AGM proceedings using the account created. Members who do not receive an email response by 10.00 a.m. on 29 December 2020 but have registered by the Registration Deadline may contact the Share Registrar, RHT Corporate Advisory Pte. Ltd. at rhtcaoscar@rhtcorporate.com for assistance by 5.00 p.m. on 29 December 2020 with the following details included:

   (i) Shareholder's full name;
   (ii) his/her/its identification/company registration number; and
   (iii) the manner in which the shares are held (e.g. via CDP, CPF or SRS).

(d) Corporate shareholders must also submit the Corporate Representative Certificate to Share Registrar at rhtcaoscar@rhtcorporate.com, in addition to the registration procedures as set out in paragraph (b) above, by the Registration Deadline, for verification purpose.

(e) Non-CPF/SRS holders whose shares are registered under Depository Agents ("DAs") must also contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast.

Voting:

(f) Due to time constraints and to reduce unnecessary expenses, members will not be able to vote online on the resolutions to be tabled for approval at the AGM. Members (whether individual or corporate) who wish to vote at the AGM must submit a Proxy Form to appoint the Chairman of the AGM to vote on his/her/its behalf.

(g) In appointing the Chairman of the AGM as proxy, members must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the Proxy Form. Failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

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

(i) Members must submit the Proxy Form through any one of the following means:

(i) via https://agm.conveneagm.com/shinvest in digital format;
(ii) by posting a physical copy to the office of the Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
(iii) by sending a scanned PDF copy by electronic mail to rhtcaoscar@rhtcorporate.com,

in either case, no later than seventy-two (72) hours before the time appointed for holding the AGM (i.e. by 10.00 a.m. on 27 December 2020).

(j) The Proxy Form may be accessed at the Company's website at https://www.shinvest.com.sg/agm-egm and the SGX website at https://www.sgx.com/securities/company-announcements.

(k) Proxy forms appointing such person other than the Chairman of the AGM shall be deemed to appoint the Chairman of the AGM as proxy.

(l) In the case of submission of the Proxy Form other than via the AGM website at https://agm.conveneagm.com/shinvest, members who wish to submit the Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the office of the Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, or before scanning and sending it by email to rhtcaoscar@rhtcorporate.com.

(m) In the case of submission of the Proxy Form other than via the AGM website at https://agm.conveneagm.com/shinvest, the Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

(n) In the case of a member of the Company whose shares are entered against his/her name in the Depository Register, the Company may reject any Proxy Form if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

(o) CPF and SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes as soon as possible but not less than seven (7) business days before the AGM (i.e. by 10.00 a.m. on 17 December 2020). Investors who have deposited their shares into a nominee account should also approach the Depository Agents and relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50 of Singapore) as soon as possible by the Registration Deadline if they wish to vote.

Submission of questions prior to the AGM

(p) Members may also submit questions related to the AGM through any one of the following means:

(i) via the AGM website at https://agm.conveneagm.com/shinvest
(ii) by electronic mail to rhtcaoscar@rhtcorporate.com or
(iii) by posting a physical copy to the office of the Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712,

no later than 5.00 p.m. on 21 December 2020.

(q) If the questions are posted in physical copy to the office of the Share Registrar or sent via electronic mail, and in either case not accompanied by the completed and executed Proxy Form, the following details must be included with the submitted questions:

(i) the member's full name; and
(ii) his/her/its identification/ company registration number for verification purposes,

failing which the submission will be treated as invalid.

(r) The Company will address all substantial and relevant questions prior to the AGM on SGXNet, and all responses to such substantial and relevant questions received will be published on SGXNet and the Company's website after the AGM.

(s) Members will not be able to ask questions at the AGM during the Live Webcast, and therefore it is important for members to register and submit their questions in advance of the AGM.

Personal Data Privacy:

By submitting the Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/ or any adjournment thereof, or a preregistration to watch the AGM proceedings, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) for 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 its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes").

Shareholders should not record the proceedings of the meeting with their mobile phones or via any other electronic means and upload on social media. The proceedings in the meeting are for shareholders, and preservation of confidentiality and privacy of the discussions and persons (Board of Directors including Chairman and other shareholders) in the meeting should be observed.

SHINVEST HOLDING LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198905519R)

PROXY FORM
Annual General Meeting

Important:

1. For CPF/SRS investors who have used their CPF/SRS monies to buy Shinvest Holding Ltd.'s shares, this Proxy Form is not valid for use by them and shall be ineffective for all intents and purposes if used or purported to be used by them.
2. CPF and SRS investors should contact their respective CPF Agent Banks/SRS Operators if they have any queries with regard to the appointment of the Chairman of the AGM as the proxy.

Personal Data Policy

By submitting this Proxy Form, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of the AGM dated 15 December 2020.

I/We, ______________________ (Name) ______________________ (NRIC No. / Passport No.)

of ____ (Address)

being a member/members of Shinvest Holding Ltd. ("**Company**"), hereby appoint:

the Chairman of the Annual General Meeting of the Company ("**AGM**") as my/our proxy to vote for me/us on my/our behalf at the AGM of the Company to be held by electronic means on 30 December 2020 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy to vote for, against or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

No.	Resolutions relating to:	No. of votes For	No. of votes Against	No. of votes Abstain
1	Adoption of Directors' Statement and Financial Statements			
2	Payment of proposed final dividend & special dividend			
3	Re-election of Dr Chau Sik Ting @ Chao Sik Ting as Director			
4	Approval of Directors' fees			
5	Re-appointment of BDO LLP as Independent Auditors			
6	Authority to Directors to issue shares			
7	Renewal of Share Buyback Mandate			

* Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", or "Abstain" from voting on, the relevant resolution, please tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the "Abstain" box for a particular resolution, you are directing the Chairman of the AGM not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.

Dated this __________ day of ________________ 2020.

Number of Shares held in	
CDP Register	
Register of Members	
TOTAL	

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

*Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

(a) Please insert the total number of shares held by you. If you have Shares registered in your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Share entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, the Proxy Form shall be deemed to relate to all the Shares held by you.

(b) Pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (amended on 29 September 2020), the Company may provide for members to appoint the Chairman of the AGM as a member's proxy to vote at the AGM by submitting a proxy form to appoint the Chairman of the AGM to vote on his/her/its behalf and/or provide for the member to vote at the AGM through an electronic voting system (subject to certain conditions being satisfied).

(c) The Company will not be providing an electronic voting system at the AGM to be convened. Accordingly, members will not be able to vote online on the resolutions to be tabled for approval at the AGM. Members (whether individual or corporate) who wish to vote at the AGM must submit a Proxy Form to appoint the Chairman of the AGM to vote on his/her/its behalf.

(d) In appointing the Chairman of the AGM as proxy, members must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the Proxy Form. Failing which, the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

(e) The Chairman of the AGM, as proxy, need not be a member of the Company. Proxy form appointing such person other than the Chairman of the AGM shall be deemed to appoint the Chairman of the AGM as proxy. This Proxy Form may be accessed at the Company's website at https://www.shinvest.com.sg/agm-egm, and the SGX website at https://www.sgx.com/securities/company-announcements.

(f) The Proxy Form must be submitted through any one of the following means:

(i) via https://agm.conveneagm.com/shinvest in digital format;
(ii) by posting a physical copy to the office of the Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
(iii) by sending a scanned PDF copy by electronic mail to rhtcaoscar@rhtcorporate.com,

in either case, **no later than seventy-two (72) hours before the time appointed for holding the AGM (i.e. by 10.00 a.m. on 27 December 2020)** (the "**Registration Deadline**").

(g) In the case of submission of the Proxy Form other than via the AGM website at https://agm.conveneagm.com/shinvest, members who wish to submit Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the office of the Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712, or before scanning and sending it by email to rhtcaoscar@rhtcorporate.com.

(h) In the case of submission of the Proxy Form other than via the AGM website at https://agm.conveneagm.com/shinvest, the Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer. Where a Proxy Form is signed on behalf of the appointor or by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

(i) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

(j) CPF and SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes as soon as possible **by 10.00 a.m. on 17 December 2020**. Investors who hold their shares under a nominee account should also approach their respective relevant intermediaries as soon as possible by the Registration Deadline if they wish to vote.

General:

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

PERSONAL DATA PROTECTION ACT CONSENT

By submitting the Proxy Form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereafter, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 15 December 2020.

SHINVEST HOLDING LTD.
旭阳控股有限公司

No. 3 Kian Teck Crescent,
Singapore 628881