SHINVEST HOLDING LTD.
旭阳控股有限公司

TRANSFORMING VALUE

ANNUAL REPORT 2018

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 June 2011, the Company acquired GD Tech (H.K.) Private Co., Limited (“GD Tech”). 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. As a consequence of these changes , the Company is now directly holding 8% of equity interest of Espressif Systems (Shanghai) Pte Ltd.

Sin Hong is an integral part of the manufacturing value chain providing a wide range of fasteners, while GD Tech specialises in the design, precision machining and assembly of precision manufacturing machines and modules. Sin Hong operates as one of the largest stockiest and distributors of a wide range of industrial fasteners and is a specialist in standard, non-standard and customised fasteners in Singapore.

It serves both the domestic market, as well as major countries in the international market, including United States of America, Europe, Malaysia and Indonesia.

GD Tech engages in the critical manufacturing of high precision components and complex electromechanical assembly, serving mainly the semiconductor equipment manufacturers, aerospace, medical and automotive industries. GD Tech buys raw materials, including fasteners, and supplies the end products in parts, modules or machines to its customers.

Espressif Group is a privately held 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.

BOARD STATEMENT

Dear Shareholders,

FINANCIAL REVIEW

On behalf of the Board of Directors, I am pleased to present the Annual Report of Shinvest Holdings Ltd. ("Shinvest" or "the Company", and together with its subsidiaries, "the Group") for the financial year ended 31 August 2018 ("FY2018").

For the year under review, global economic conditions remained volatile due to the ongoing trade war between the US and China, Brexit and the upward pressure of US interest rates which translated into substantial challenges for our business. These were fortunately tempered by signs of gradual improvement throughout the year such as the stabilisation of oil prices. Notwithstanding these events, the Group was able to achieve robust results by implementing strategies that helped streamline our operations and raise our competitiveness.

The Group registered a 20.6% year-on-year growth in revenue of S$64.2 million, as compared to S$53.2 million in the previous financial year ("FY2017"). Gross profit also rose by 16.9% from S$10.5 million in FY2017 to S$12.3 million in FY2018. The increase was primarily driven by the strong performance of the precision engineering business segment, which received higher sales orders from existing customers. The segment contributed 71.9% to total revenue, 3.1% higher than in FY2017. Meanwhile, the remaining 28.1% of Group revenue was contributed by the retail, OEM and export business segments which were 8.7% higher than in the corresponding period last year.

However, the Group's total gross profit margin fell slightly to 19.2% in FY2018 as compared to 19.8% in FY2017. Gross profit margin from the precision engineering business declined by 0.2% from 14.6% in FY2017 to 14.2% in FY2018. Meanwhile, the gross profit margins of retail, OEM and export business segments slightly increased by 0.6% to 32.0% as compared to 31.4% in the previous corresponding period. This was due to improved demand from customers and an increase in raw materials price.

Aside from the performance of its business segments, the Group's subsidiary, Sin Hong Hardware, completed the disposal of a leasehold property in Singapore. The property is a single-storey detached factory with a land area of 5,356 square meters and a floor area of 1,998 square meters. The Group was able to obtain a gain of S$2.7 million through the disposal of the investment property, which will be used to pay down bank loans and generate working capital. As part of the Group's streamlining efforts, the disposal will enable us to maintain a healthy cash flow to meet financial and operational needs. The cash generated from the sale will also contribute in helping cushion the effects of the ongoing US-China trade war.

The Group also made a provision for obsolete stocks of S$0.5 million to reflect the prevailing market conditions. Lastly, a debt provision of S$1.8 million was being made against the accounts receivable.

As a result of the factors above, the Group was able to improve its operating gain for the year under review amid the uncertain market outlook. The Group managed to register a profit before income tax of S$3.9 million for FY2018, a 619.0% increase from the recorded profit before income tax of S$0.5 million in FY2017.

The strong financial results in FY2018 are a starting point to the Group's focus on generating and sustaining positive cash flow. We will continue to identify and execute measures to facilitate good cash flow over the coming years.

OUTLOOK & STRATEGY

According to a World Economic Outlook report from the International Monetary Fund, global economic growth is projected to reach 3.7% for 2018 and 2019. On a similarly positive note, Singapore's Ministry of Trade and Industry anticipates that the country's GDP will grow by 3.0 to 3.5% in 2018, and 1.5 to 3.5% in 2019. In view of this, the Group sees positive momentum for its retail, OEM and export segments to improve further in the next twelve months. To remain relevant in a highly-competitive market, the Group will continue to focus on offering flexible pricing, forging stronger relationships with customers and pursuing viable growth opportunities.

On the investment front, the Group completed the disposal of its 0.9% equity interest in Espressif Systems (Shanghai) Pte. Ltd. on 21 September. The share transfer agreement resulted in the Group recording a gain of approximately S$2.3 million, making up half of the cost of the Group's investment of 10% equity interest in Espressif in 2014.

The Group is optimistic with regards to the listing of Espressif Systems on the PRC (People Republic of China) Stock Exchange in the next twelve months. Espressif Systems has continued to affirm its position as a leader in developing high-performance, cutting-edge WiFi-and-Bluetooth, Internet of Things ("IoT") solutions. It provides industrial and consumer manufacturers with highly sophisticated chip designs, modules and solutions that power up products ranging from tablets, smart appliances, and wearables to surveillance cameras and sensor networks. According to an analysis report by Techno Systems Research, at the end of 2017, Espressif achieved sales of 100 million IoT chipsets and became a leader in the MCU Embedded WiFi chip market sector. The Group looks forward to these current and future developments in Espressif and anticipates strong interest which may translate into a welcome amount of return on its investment.

In line with its initiative to streamline its operations, the Group is proposing to dispose its 57.5% equity interest in its subsidiary GD Tech (H.K.) Private Co., Limited, which provides one-stop manufacturing services to the semi-conductor, aerospace, medical, and solar industries. The divestment is a strategic measure in view of market conditions as the Group anticipates that it may become more challenging for GD Tech to generate long-term value and the disposal would enable us to retain a measure of value. While the Group expects a reduction in total revenue and net profit in the coming financial year due to the divestment, the long-term benefits include enabling the Group to reduce its loan exposure and generate working capital.

The escalating trade war between the United States and China is expected to further disrupt the stability of the global economy and financial market. The growing trade tension between the world's two largest economies has indirect repercussions to the Group's business as import tariffs implemented by the US are starting to affect China-based manufacturers. To navigate these challenging and volatile conditions, the Group will focus on prudently managing its costs and maintaining good relationships with its customers.

DIVIDEND

The Group is committed to creating value for its shareholders and seeks to show its appreciation for their continued trust and faith by proposing a final and a special dividend following the improvement in our financial results. For FY2018, I am pleased to announce that the Board has proposed a final cash dividend of 3.0 Singapore cents per ordinary share. In addition, it is also proposing a special dividend of 3.0 Singapore cents per ordinary share. These are subject to approval by shareholders at the forthcoming Annual General Meeting.

As we move forward, the Group will actively continue to enhance its business structure and improve operational synergies across its business segments. The Group also finds it crucial to continually strengthen its core competencies and optimise its broad distribution networks. We remain steadfast to building long-term shareholder value by proactively exploring and identifying potential investment opportunities in the coming financial year.

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 63, 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 63, 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. Mr Teo is the Chief Executive Officer of the Company's wholly-owned subsidiary, Sin Hong and has been a director of GD Tech since 28 March 2011. Mr Teo also sits on the Board of all of Sin Hong's subsidiary and one of the subsidiaries of GD Tech, and oversees the businesses of Sin Hong and its subsidiary ("Sin Hong Group") and GD Tech and its subsidiaries ("GD Tech Group").

Mr Teo Teck Leong has a wealth of experience in the fastener and hardware business, having managed Sin Hong's local and international sales for 26 years since he joined the firm (known back then as Sin Hong Hardware & Engineering) in 1984. He began as a marketing manager in charge of domestic sales, and was later appointed as a director and placed in charge of Sin Hong's international sales to major markets such as United States of America, Europe, Malaysia and Indonesia. In early 2008, Mr Teo Teck Leong was designated as Sin Hong's Chief Executive Officer. During his stint, he capitalized on opportunities in domestic and international trade and established two strategic business units, namely the Original Equipment Manufacturing and Export departments to capture both the local and export markets. He also expanded Sin Hong Group's business activities by clinching product agency and distributorship deals.

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

TEO ENG THIAN

EXECUTIVE DIRECTOR

Mr Teo Eng Thian, aged 49, 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 was appointed as a director of GD Tech on 28 March 2011 and sits on the board of all Sin Hong's subsidiary.

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 78, 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 CHER CHEONG, PBM, BBM
EXECUTIVE DIRECTOR OF SIN HONG

Mr Teo Cher Cheong 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 was appointed as a director of GD Tech on 28 March 2011, and also sits on the board of all Sin Hong's subsidiary.

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

TEO ENG HWEE
EXECUTIVE DIRECTOR OF SIN HONG

Mr Teo Eng Hwee, aged 52, 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.

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

TEO ENG SHING
EXECUTIVE DIRECTOR OF SIN HONG

Mr Teo Eng Shing, aged 47, 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 63, 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.

NG HOO TENG
MANAGING DIRECTOR OF GD TECH GROUP

Mr Ng, aged 67, was the Founder and Managing Director of GD Tech. He is GD Tech's legal representative, and sits on the board of GD Tech's subsidiaries. He is responsible for the business performance and overall operations of GD Tech Group. In 1986, he started his own practice to provide consultancy training services to the general manufacturing industry, before joining Norelco Centreline Pte Ltd ("Norelco") in 1996, as a deputy managing director. Norelco is a subsidiary of UMS Holdings Limited (formerly known as Norelco UMS Holdings Limited), which is a company listed on the Main Board of SGX-ST. He has more than 28 years of experience in this field.

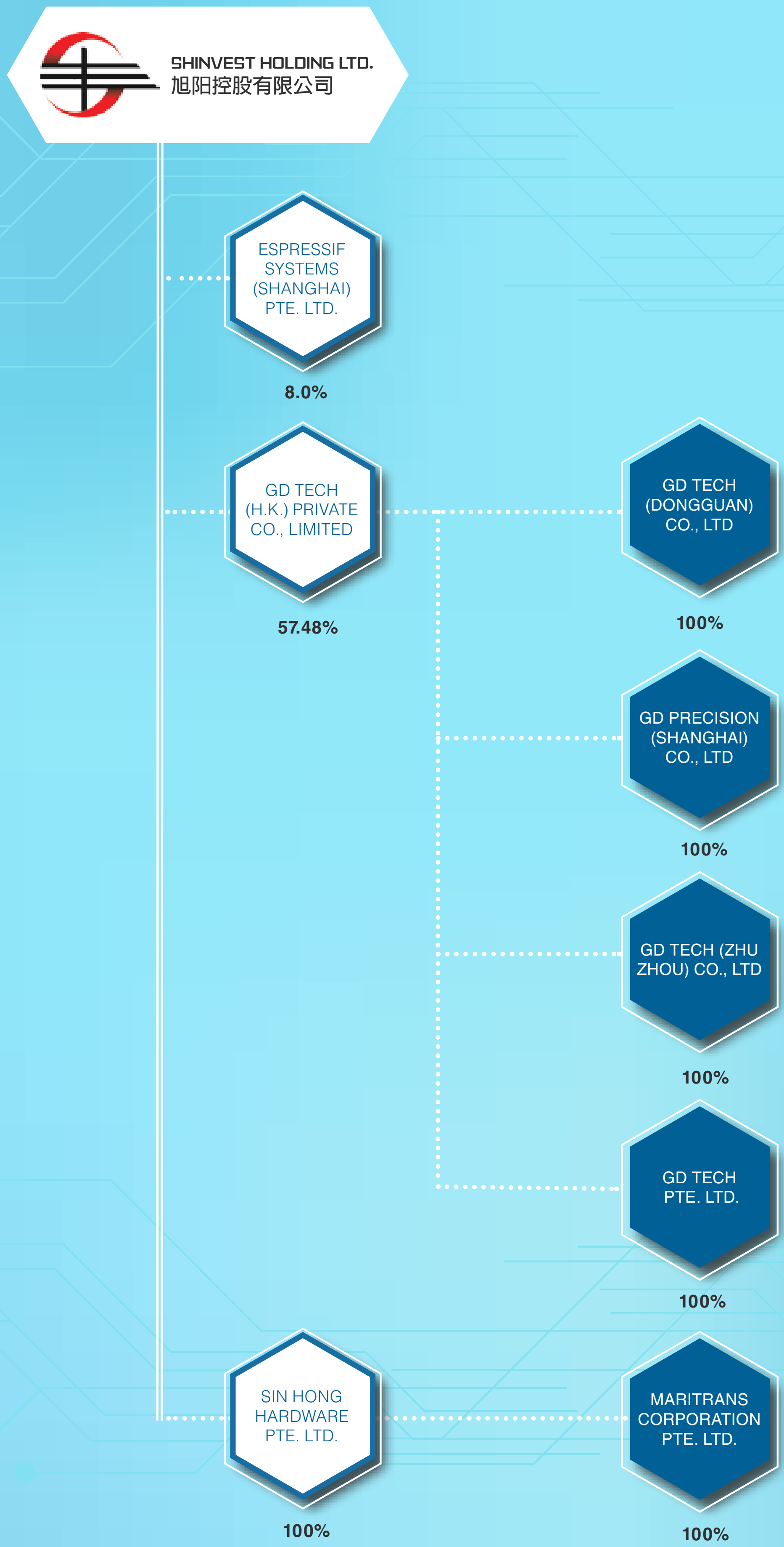
Mr Ng graduated from the Institute of Technical Education.

YE MING WU
NON-EXECUTIVE DIRECTOR OF GD TECH GROUP

Mr Ye, aged 43, is a Non-Executive Director of GD Tech. He is responsible for charting GD Tech Group's growth in China. In 2002, he founded General International (H.K.) Co., Ltd that deals with famous brands such as Mazak, BP Castrol and Sandvik.

Mr Ye holds a degree in Engineering from Tsinghua University in China.

CORPORATE STRUCTURE



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

REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel : (65) 6230 9785
Fax : (65) 6438 8710

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 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 2012 (the “Code”).

The Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) requires all listed companies to describe, in their annual reports, their corporate governance practices, with specific reference to the principles of the Code.

A. BOARD MATTERS

1. THE BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1: *Board’s leadership and control*

Role of the Board

The role of the Board is to oversee the business affairs of and provide strategic direction and corporate governance guidance for the Group to protect and enhance long-term shareholders’ value. The Board’s principal functions include:

- approving board policies, strategies and financial objectives for the Group;
- overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- approving the nomination and appointment of board members and key managerial personnel;
- approving annual budgets, major funding proposals, investment and divestment proposals;
- reviewing the Group’s financial performance; and
- monitoring the performance of management.

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 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.

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.

The Constitution of the Company allows directors to participate in a Board Meeting 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 2017 to 31 August 2018 is tabulated below:

Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings							
Name	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 which are specifically reserved for the Board's decision 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;
- 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 duties 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 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: *Strong and independent 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. 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 Chairman and Managing Director to ensure a balance of power and authority*

The Company has a separate Non-Executive Chairman and 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 and authority.

4. BOARD MEMBERSHIP

Principle 4: *Formal and transparent process for the appointment of new 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 as follows:

- identify candidates 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;
- review 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 independent guidelines 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; 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.

Pursuant to Article 94 of the Company's Constitution, newly appointed directors would be required to submit themselves for re-nomination and re-election at the Annual General Meeting ("AGM"). Article 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, Mr Teo Eng Thian will retire pursuant to Article 87 at the forthcoming AGM. Mr Teo Eng Thian have 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 2018 ("FY2018"), in accordance with the independent guidelines 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 FY2018, 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.

The dates of initial appointment and last re-election of each of the directors are set out below:

Name	Age	Position	Date of Initial Appointment	Date of Last Re-Election
Loh Suan Len	63	Non-Executive Chairman	20 Jan 2014	29 Dec 2016
Teo Teck Leong	63	Managing Director	09 Jul 2010	N.A.
Teo Eng Thian	49	Executive Director	15 Oct 2012	29 Dec 2016
Dr Chau Sik Ting	78	Independent Director	08 Sep 2009	29 Dec 2017

5. BOARD PERFORMANCE

Principle 5: *Formal assessment of the effectiveness of the Board and contribution of each director*

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 FY2018, 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.

6. ACCESS TO INFORMATION

Principle 6: *Provision of complete, adequate and timely information prior to Board Meetings and on an on-going basis*

The directors are provided with Board papers in advance before each Board Meeting, giving the background, explanatory information and justification for each decision and mandate sought by the management, including, where applicable, pertinent financials, to enable them to be properly informed of matters to be discussed and/or approved.

All directors have separate and independent access to the Group's management team at all times and can communicate directly with the management, the officers, the company secretary and external auditors on all matters as and when they deem necessary. They have full access to the Company's records and information and may obtain independent legal and other professional advice if they deem necessary to properly discharge their duties and responsibilities as directors. Such expenses are borne by the Company.

The Company Secretary attends all Board Meetings and records all decisions and conclusions of the Board Meetings in the minute book. In addition, the Company Secretary assists the Chairman in ensuring that Board procedures are followed and reviewed regularly so that the Board functions effectively, and the Company's Constitution and relevant rules and regulations, including requirements of the Act and the SGX-ST, are complied with. The appointment and removal of the Company Secretary are subject to the approval of the Board.

B. REMUNERATION MATTERS

1. REMUNERATION POLICIES

Principle 7: *Formal and transparent procedure for fixing remuneration packages of directors*

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 as follows:

- 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 and benefits-in-kind;
- 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;
- recommend the fees payable to non-executive directors based on the level of responsibilities undertaken by them; and
- administer any long-term incentive scheme.

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. 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 FY2018, 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 8: *Appropriate remuneration to attract, retain and motivate 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 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.

Currently, the Company does not have any long-term incentive schemes.

All independent and non-executive directors have no service agreements with the Company. They 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. Except as disclosed, the independent and non-executive directors do not receive any remuneration from the Company.

The Company currently does not have any contractual provisions to allow the Company to reclaim incentive from executive directors and key executives in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

3. DISCLOSURE ON REMUNERATION

Principle 9: *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 2018 is as follows:

Remuneration Band and Name of Director	Salaries %	Bonus %	CPF %	Other Benefits %	Directors' Fees %
$250,000 to $500,000					
Teo Teck Leong (Managing Director)	85.64	11.65	2.22	0.49	0.00
Teo Eng Thian (1) (Executive Director)	79.13	11.33	3.88	5.66	0.00
Teo Cher Cheong (2) (Executive Chairman)	84.77	11.53	2.20	0.00	1.50
Below $250,000					
Loh Suan Len (3) (Non-Executive Chairman & Independent Director)	0.00	0.00	0.00	0.00	100.00
Dr Chau Sik Ting (Independent Director)	0.00	0.00	0.00	0.00	100.00

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

(2) Mr. Teo Cher Cheong has resigned from board effective from 29 December 2017.

(3) Mr. Loh Suan Len has appointed as Non-Executive & Independent Director effective from 1 February 2018.

The RC had recommended that an aggregate sum of $71,923 to be paid as directors' fees for FY2018.

Remuneration of the Key Executives (who are not directors or managing director) for the financial year ended 31 August 2018 is as follows:

Remuneration Band and Name of Director	Salaries %	Bonus %	CPF %	Other Benefits %
$250,000 to $500,000				
Teo Eng Shing (4)	79.13	11.32	3.88	5.67
Below $250,000				
Ng Hoo Teng	81.48	18.52	0.00	0.00
Teo Eng Hwee(4)	69.09	10.14	8.44	12.33
Voo Kim Seng	84.63	11.38	3.99	0.00

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

For FY2018, the aggregate remuneration paid to the top four key executives (who are not directors or managing director) for the financial year ended 31 August 2018 was $775,262 and there were no employees who are immediate family members of a director or the managing director whose remuneration exceeded S$50,000.

Currently, the Company does not have any employee share option scheme.

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 RC and the Board are of the opinion that the remuneration of the Directors and Key Executives for the financial year ended 31 August 2018 is adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

C. ACCOUNTABILITY AND AUDIT

1. ACCOUNTABILITY

Principle 10: *Board presents the Company's performance, position and prospects*

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects when it announces the half year and full year financial results of the Group. Periodic announcements on business and other developments of the Group via SGX-ST's SGXNet or press releases are made to keep shareholders informed about the progress of the Group.

The Board keeps itself abreast and is kept informed by the management of legislative and regulatory requirements. The Company also completes and submits the compliance checklist to SGX-ST (if applicable) to ensure that all financial results announcements, circulars and letters to shareholders comply with the requirements set out in the Listing Manual of SGX-ST.

The management currently provides the Board with appropriately detailed management reports and a continual flow of relevant information on a timely basis.

2. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *Risk governance and sound system of internal controls*

Risk Management

The Board is overall responsible for determining the Group's risk appetite and tolerance, risk profile, overseeing the Group's risk management framework, reviewing the Group's key risks and mitigation strategies. Management is responsible for designing, implementing and monitoring the risk management and internal controls system. 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 2018.

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 2018:

(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.

3. AUDIT COMMITTEE

Principle 12: *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;
- 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. There have been no incidents pertaining to whistle-blowing for FY2018.

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 FY2018, 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 would resume the internal audit cycle in the financial year of 2019 by the Internal Auditor.

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 FY2018, there were no interested person transactions.

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 $152,000 for audit services and $20,000 non-audit services rendered by the external auditors.

The AC has reviewed the non-audit services provided by the external auditors to the Group. The amount of non-audit fees paid to the Group's external auditors for their non-audit services was approximately $20,000. 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.

4. INTERNAL AUDIT

Principle 13: *Establishment of an internal audit function that is independent of the activities it audits*

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.

The Board recognises that it is responsible for maintaining a system of internal controls to safeguard shareholders' investments and the Company's businesses and assets, while the management is responsible for establishing and implementing the internal control procedures. The role of the internal auditors ("IA") is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas. The AC is satisfied that the internal audit function is adequately resourced and has appropriate standing within the Company.

The IA, Messrs UHY Lee Seng Chan & Co ("UHY") has relevant qualifications and experience and has sufficient and competent resources to carry out the internal audit function for the Group. The IA has unrestricted access to all the Company's documents, properties and personnel.

The AC reviews the adequacy and effectiveness of the internal audit function on an annual basis and is satisfied with its adequacy and effectiveness.

D. SHAREHOLDER RIGHTS & RESPONSIBILITIES

1. SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Principle 14: *Fair and equitable treatment of shareholders*

Principle 15: *Regular, effective and fair communication with 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.

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 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.

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. CONDUCT OF SHAREHOLDER MEETINGS

Principle 16: *Greater shareholder participation at AGMs*

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 believes in encouraging shareholder participation at its general meetings. The Company's Constitution allow a shareholder entitled to attend and vote at general meetings to appoint not more than two proxies who need not be shareholders of the Company to attend and vote on his stead. For those who hold their shares through CPF nominees and who are not registered as shareholders of the Company, the Company welcomes them to attend the general meetings as observers. However, the Company has not provided in its Constitution to allow voting in absentia as it is felt that this would not serve the interest of shareholders.

All directors, including the Chairmen of the AC, NC, and RC, and senior management, are in attendance at the general meetings to allow shareholders the opportunity to air their views and ask directors or management questions regarding the Company. The external auditors are also invited to attend the general meeting to assist the directors in addressing shareholders' queries about the audited financial statements.

The Company prepares minutes of general meetings and makes these minutes available to shareholders upon their written request.

Issues or matters requiring shareholders' approval are tabled at the general meetings of the Company in the form of separate and distinct resolutions. The Company has adopted poll voting since its general meeting held in October 2015. Each resolution is voted by poll and is carried out systematically with proper recording of votes cast and the resolutions passed. The detailed voting results, showing the number of votes cast for and against each resolution and the respective percentages, will be announced to SGXNet on the same day after the conclusion of the meetings.

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 2018 and the statement of financial position of the Company as at 31 August 2018.

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 2018, 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, 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:

Teo Teck Leong
Teo Eng Thian
Loh Suan Len
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 1.9.2017	Balance as at 31.8.2018	Balance as at 1.9.2017	Balance as at 31.8.2018
The Company	Number of ordinary shares			
Teo Teck Leong	20	20	2,477,000	2,477,000
Teo Eng Thian	1,477,500	1,477,500	-	-
Loh Suan Len	526,375	526,375	202,400	202,400
Dr Chau Sik Ting	25,000	73,400	-	-

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 2018 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 August 2018.

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.

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
Director

Teo Teck Leong
Director

Singapore
5 December 2018

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") as set out on page 36 to 111, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 August 2018;
- 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 Financial Reporting Standards in Singapore ("FRSs") 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 2018, and of its 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.

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.

KEY AUDIT MATTER	AUDIT RESPONSE
1 Assessment of ability to exercise significant influence over available-for-sale ("AFS") financial assets	
As at the prior financial year ended 31 August 2017, the Company had an indirect equity interest of 8.90% in an investee company through a major investor, and classified as an investment in AFS financial assets. On 15 January 2018, the major investor completed a restructuring exercise to bring all indirect shareholders of the investee company, including the Company, to hold the investee company's shares directly. Subsequent to the restructuring, the Company's direct equity interest in the investee company remained at 8.90% as at 31 August 2018. As a director of the Company was appointed as one of the investee company's non-executive directors ("Director"), management carried out an assessment to determine whether the Company has the power to participate in the financial and operating policy decisions of the investee company. Based on management's assessment, the Company does not have significant influence over the investee company. Accordingly, the Company continued to account for its interest in the investee company as an AFS financial assets in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*. We focused on this area as a key audit matter as significant judgements were involved in management's assessment of whether the Company had significant influence over the investee company, which would in turn determine the accounting for this investment in the consolidated financial statements. Refer to Notes 3.1(ii) and 8 to the financial statements.	We have performed the following audit procedures, amongst others: • perused the investee company's Memorandum and Articles to understand the rights of the respective shareholders' and responsibilities of the Board of Directors; • reviewed the nomination letter from the major investor to the Director to evaluate the terms and conditions surrounding the Director's appointment as a non-executive director of the investee company. In this regard, the Director was to discharge his duty in-line with the major investor's interest and shall support the major investor in all the board meetings; and • obtained the Company's Board of Directors' Resolution which noted that the Director was appointed as a non-executive director of the investee company.

KEY AUDIT MATTER	AUDIT RESPONSE
2 Valuation of investment in available-for-sale ("AFS") financial assets	
As at 31 August 2018, the Group had investment in unquoted equity shares which were accounted for as available-for-sale ("AFS") financial assets, with a carrying amount of $30,460,000. In the prior financial year ended 31 August 2017, the fair value of the AFS financial assets was measured using the income approach and categorised within Level 3 of the fair value hierarchy. During the current financial year, due to the availability of several recent actual sales transactions of the AFS equity shares to independent third party buyers, management assessed that it was appropriate to measure the fair value of the AFS financial assets with reference to those transaction prices. As a result, the AFS financial assets was transferred out of Level 3 into Level 2 of the fair value hierarchy and a fair value gain of $23,241,000 was recognised in other comprehensive income. We focused on this area as a key audit matter due to the significance of the AFS financial assets to the financial statements and the significant management judgements involved in determining the fair value of the AFS financial assets as at the financial year end.	We have performed the following audit procedures, amongst others: • obtained the relevant agreements with the independent third party buyers in relation to the recent sales of the AFS equity shares; • assessed the appropriateness of management's determination of the fair value of the AFS financial assets in accordance with FRS 113 *Fair Value Measurement*; and • assessed the adequacy of the related fair value disclosures made in the financial statements.
Refer to Notes 3.1(iii), 8 and 32 to the financial statements.	

KEY AUDIT MATTER	AUDIT RESPONSE
3 Impairment assessment of goodwill	
As at 31 August 2018, the Group's goodwill amounted to $1,647,000. In accordance with FRS 36 *Impairment of Assets*, the Group is required to test goodwill for impairment annually or more frequently if there is any indication that the cash-generating unit (CGU) to which goodwill have been allocated may be impaired. Management applied the value-in-use (discounted cash flow forecast) approach to determine the recoverable amount of the CGU. Any shortfall between the recoverable amount and the carrying amount of the CGU would be recognised as impairment losses. We focused on this area as a key audit matter as the goodwill impairment assessment requires the exercise of significant judgements and estimates with regard to the key assumptions such as revenue growth rate, terminal growth rate, and discount rate. Refer to Notes 3.2(v) and 5 to the financial statements.	We have performed the following audit procedures, amongst others: • evaluated management's process in determining the recoverable amounts of the CGUs, including the process in deriving the key estimates for revenue growth rate, terminal growth rate, and discount rate; • evaluated management's budgeting process by comparing the actual results to previously forecasted results; • assessed the reasonableness of management's key assumptions and estimates applied by comparing revenue growth rate, terminal growth rate and discount rate against historical data and market data; • performed sensitivity analysis around the key assumptions including the revenue growth rate, terminal growth rate and discount rate used in discounted cash flow forecast; and • assessed the adequacy of the disclosure in the financial statements with respect to the impairment assessment.

KEY AUDIT MATTER	AUDIT RESPONSE
4 Net realisable value of inventories	
As at 31 August 2018, the Group's inventories amounted to $18,247,000 which accounted for approximately 19% of the Group's total assets. During the financial year, a write-down of $556,000, reversal of previous write-down of $245,000 and write-off of $50,000 were made and included in profit or loss. The Group's inventories comprising raw materials of $486,000, work-in-progress of $880,000, and finished goods of $16,881,000 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. Refer to Notes 3.2(iii) and 9 to the financial statements.	We have performed the following audit procedures, amongst others: • 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.

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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
5 December 2018

STATEMENT OF FINANCIAL POSITION

As At 31 August 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Non-current assets					
Property, plant and equipment	4	14,622	15,332	-	2
Intangible assets	5	1,647	1,647	-	-
Investment property	6	498	524	-	-
Investments in subsidiaries	7	-	-	23,620	23,620
Available-for-sale financial assets	8	27,380	6,795	27,380	6,795
Other receivables	10	74	289	-	-
		44,221	24,587	51,000	30,417
Current assets					
Available-for-sale financial assets	8	3,080	-	3,080	-
Inventories	9	18,247	16,099	-	-
Trade and other receivables	10	22,406	16,416	11	17
Prepayments		433	422	20	20
Derivative financial instruments	11	5	-	-	-
Cash and bank balances	12	5,583	2,992	2	6
		49,754	35,929	3,113	43
Non-current asset classified as held for sale	13	-	1,449	-	-
		49,754	37,378	3,113	43
Less:					
Current liabilities					
Trade and other payables	14	16,511	11,598	3,213	5,148
Interest bearing liabilities	15	14,107	12,982	-	-
Derivative financial instruments	11	-	29	-	-
Current income tax payable		339	368	-	-
		30,957	24,977	3,213	5,148
Net current assets/(liabilities)		18,797	12,401	(100)	(5,105)
Less:					
Non-current liabilities					
Interest bearing liabilities	15	2,708	2,616	-	-
Deferred tax liabilities	16	2,996	580	2,552	-
		5,704	3,196	2,552	-
Net assets		57,314	33,792	48,348	25,312
Equity					
Share capital	17	26,700	26,700	26,700	26,700
Reserves	18	23,632	274	21,648	(1,388)
Equity attributable to owners of the parent		50,332	26,974	48,348	25,312
Non-controlling interests		6,982	6,818	-	-
Total equity		57,314	33,792	48,348	25,312

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Financial Year Ended 31 August 2018

	Note	2018 $'000	2017 $'000
Revenue	19	64,153	53,213
Cost of sales		(51,836)	(42,676)
Gross profit		12,317	10,537
Other item of income			
Other income	20	4,344	1,283
Other items of expense			
Selling and distribution expenses		(3,407)	(3,219)
Administrative expenses		(6,849)	(7,165)
Finance costs	21	(699)	(778)
Other expenses		(1,802)	(115)
Profit before income tax	22	3,904	543
Income tax expense	23	(260)	(15)
Profit for the year		3,644	528
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		(665)	161
Fair value gain on available-for-sale financial assets		23,241	2,686
Income tax relating to fair value gain on available-for-sale financial assets		(2,552)	-
Other comprehensive income for the year		20,024	2,847
Total comprehensive income for the year		23,668	3,375
Profit/(Loss) attributable to:			
Owners of the parent		3,051	(182)
Non-controlling interests		593	710
		3,644	528
Total comprehensive income attributable to:			
Owners of the parent		23,358	2,601
Non-controlling interests		310	774
		23,668	3,375
Earnings/(Loss) per share (in cents)			
- Basic and diluted	24	10.202	(0.609)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 August 2018

	Equity attributable to owners of the parent							
	Share capital $'000	Statutory reserve fund $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 September 2017	26,700	478	2,686	672	(3,562)	26,974	6,818	33,792
Profit for the year	-	-	-	-	3,051	3,051	593	3,644
Other comprehensive income for the year that may subsequently be reclassified to profit or loss:								
Foreign currency differences on translation of foreign operations	-	-	-	(382)	-	(382)	(283)	(665)
Fair value gain on available-for-sale financial assets	-	-	23,241	-	-	23,241	-	23,241
Income tax on fair value gain on available-for-sale financial assets	-	-	(2,552)	-	-	(2,552)	-	(2,552)
Total comprehensive income for the year	-	-	20,689	(382)	3,051	23,358	310	23,668
Transactions with non-controlling shareholders								
Dividend paid (Note 7)	-	-	-	-	-	-	(146)	(146)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	(146)	(146)
Others								
Transfer to statutory reserve fund	-	213	-	-	(213)	-	-	-
Balance at 31 August 2018	26,700	691	23,375	290	(724)	50,332	6,982	57,314

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 31 August 2018

	Equity attributable to owners of the parent							
	Share capital $'000	Statutory reserve fund $'000	Fair value reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 September 2016	26,700	208	-	575	(3,110)	24,373	5,773	30,146
(Loss)/Profit for the year	-	-	-	-	(182)	(182)	710	528
Other comprehensive income for the year that may subsequently be reclassified to profit or loss:								
Foreign currency differences on translation of foreign operations	-	-	-	97	-	97	64	161
Fair value gain on available-for-sale financial assets	-	-	2,686	-	-	2,686	-	2,686
Total comprehensive income for the year	-	-	2,686	97	(182)	2,601	774	3,375
Transactions with non-controlling shareholders								
Disposal of a subsidiary (Note 7)	-	-	-	-	-	-	488	488
Dividend paid (Note 7)	-	-	-	-	-	-	(217)	(217)
Total transactions with non-controlling shareholders	-	-	-	-	-	-	271	271
Others								
Transfer to statutory reserve fund	-	270	-	-	(270)	-	-	-
Balance at 31 August 2017	26,700	478	2,686	672	(3,562)	26,974	6,818	33,792

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 August 2018

	Note	2018 $'000	2017 $'000
Operating activities			
Profit before income tax		3,904	543
Adjustments for:			
Bad debts written off – trade receivables		1	6
Bad debts written off – other receivables		-	3
Depreciation of property, plant and equipment	4	2,345	2,725
Depreciation of investment property	6	26	149
Fair value (gain)/loss on derivative financial instruments	11	(5)	29
Gain on disposal of non-current asset held for sale		(2,715)	-
Gain on disposal of a subsidiary	7	-	(23)
Impairment loss for trade receivables	10	1,792	*
Interest expenses		606	671
Interest income		(25)	(28)
Inventories written off	9	50	3
Loss/(gain) on disposal of property, plant and equipment		7	(218)
Reversal of inventories write-down	9	(245)	(232)
Unrealised foreign exchange loss		(2)	(59)
Write-back of impairment loss for other receivables	10	-	(5)
Write-back of impairment loss for trade receivables	10	-	(18)
Write-down for inventories obsolescence	9	556	632
Operating cash flows before working capital changes		6,295	4,178
Changes in working capital:			
Inventories		(2,644)	323
Trade and other receivables		(8,033)	121
Prepayments		112	169
Trade and other payables		4,991	1,480
Cash generated from operations		721	6,271
Interest received		25	28
Income taxes paid		(313)	(280)
Net cash from operating activities		433	6,019

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For The Financial Year Ended 31 August 2018

	Note	2018 $'000	2017 $'000
Investing activities			
Disposal of a subsidiary, net of cash disposed	7	-	(7)
Deposits placed to purchase of property, plant and equipment		(491)	(144)
Proceeds from disposal of property, plant and equipment		4	1,618
Proceeds from disposal of non-current asset held for sale		4,065	-
Purchase of property, plant and equipment	4	(540)	(1,115)
Net cash from investing activities		3,038	352
Financing activities			
Dividend paid to non-controlling shareholders	7	(146)	(217)
Repayment of obligations under finance leases	A	(457)	(2,544)
Proceeds from bank borrowings	A	2,168	768
Repayment of bank borrowings	A	(1,872)	(1,930)
Interest paid		(606)	(661)
Net cash used in financing activities		(913)	(4,584)
Net change in cash and cash equivalents		2,558	1,787
Cash and cash equivalents at beginning of financial year		2,992	1,240
Effect of foreign exchange rate changes on cash and cash equivalents		33	(35)
Cash and cash equivalents at end of financial year	12	5,583	2,992

** denotes amounts less than $1,000*

Note A: Reconciliation of liabilities arising from financing activities

			← Non-cash changes	→	
	2017 $'000	Cash flows $'000	Additions of property, plant and equipment under finance leases $'000	Foreign exchange differences $'000	2018 $'000
Bank borrowings	15,209	296	-	142	15,647
Finance lease payables	389	(457)	1,239	(3)	1,168
Total	15,598	(161)	1,239	139	16,815

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 7 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 2018 were authorised for issue in accordance with a Directors’ resolution dated 5 December 2018.

2. Significant accounting policies

2.1 Basis of preparation

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (“FRS”) including related Interpretation of FRS (“INT FRS”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

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 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 FRS 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 the most significant effect on the financial statements are disclosed in Note 3 to the financial statements.

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group’s accounting policies and had no material effect on the amounts reported for the current or prior years, except as detailed below.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 7 (Amendments) *Disclosure Initiative*

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 September 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

Singapore Financial Reporting Standards (International) ("SFRS(I)s") and Interpretations of SFRS(I) ("INT SFRS(I)") issued but not yet effective

Convergence with International Financial Reporting Standards ("IFRSs")

On 29 December 2017, Accounting Standards Council Singapore has issued SFRS(I)s, Singapore's equivalent of the IFRSs. Singapore-incorporated companies that have issued, or are in the process of issuing, equity or debt instruments for trading in a public market in Singapore are required to apply SFRS(I)s for annual periods beginning on or after 1 January 2018.

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) *1 First-time Adoption of International Financial Reporting Standards*.

In addition to the adoption of the new framework, the following new SFRS(I)s, amendments to and INT SFRS(I) are effective from the same date.

- SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) 15 Clarifications to SFRS(I) 15;
- SFRS(I) 9 *Financial Instruments*;
- Transfers of Investment Property (Amendments to SFRS(I) 1-40);
- Deletion of short-term exemptions for first-time adopters (Amendments to SFRS(I) 1);
- Applying SFRS(I) 9 *Financial Instruments* with SFRS(I) 4 *Insurance Contracts* (Amendments to SFRS(I) 4); and
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*.

Management anticipates that the adoption of the above new SFRS(I), amendments to and interpretations of SFRS(I) will not have a material impact on the financial statements of the Group in the period of their initial adoption, except for SFRS(I) 9 and SFRS(I) 15 as disclosed below.

<u>SFRS(I) 9 *Financial Instruments*</u>

SFRS(I) 9 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

Convergence with IFRSs (Continued)

<u>SFRS(I) 9 *Financial Instruments*</u> (Continued)

Classification and measurement

Under SFRS(I) 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

SFRS(I) 9 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, SFRS(I) 9 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

The Group has commenced its preliminary assessment of the classification and measurement of its financial assets and liabilities, and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost and at fair value.

The investment in unquoted equity shares at fair value currently classified as AFS would be reclassify to FVTPL when SFRS(I) 9 is adopted. Related fair value gain or loss recognised in prior years will be transferred from the fair value reserve to the retained earnings on 1 September 2018. Subsequently, all fair value changes will be recognised in profit or loss, along with any related deferred tax expense.

Impairment

SFRS(I) 9 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost, the Group will now recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition if the simplified model is applied.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

Convergence with IFRSs (Continued)

SFRS(I) 9 *Financial Instruments* (Continued)

Impairment (Continued)

The financial guarantees are considered to be low risk and hence the loss allowance is determined at an amount equal to 12-month expected credit losses.

The Group and the Company are currently finalising the policies and procedures in determining how to estimate expected credit losses and the sources of forward-looking data, and evaluating the tax implications arising from the above change in impairment model.

Transition

The Group plans to adopt SFRS(I) 9 in the financial year beginning on 1 September 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year. The Group will include additional disclosure in the financial statements in the financial year when SFRS(I) 9 is adopted.

SFRS(I) 15 *Revenue from Contracts with Customers* and Amendments to SFRS(I) 15 Clarifications to SFRS(I) 15

SFRS(I) 15 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. SFRS(I) 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has performed a preliminary assessment of its revenue from the sale of goods in relation to the business as importers, exporters, marketing of building materials, general merchants and hardware dealers, and also the trading of high precision components, machinery parts and tools. Based on this preliminary assessment, the Group does not expect significant changes to the basis of revenue recognition as disclosed in Note 2.13 to the financial statements. However, it will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of impact.

The Group plans to adopt the standard in the financial year beginning on 1 September 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

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

Applicable to financial statements for the financial year ending 2019 and thereafter

The following new SFRS(I), amendments to and interpretations of SFRS(I) are effective for annual periods beginning on 1 January 2019, and have not been early adopted:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- Annual improvements to SFRS(I) 2015-2017 cycle

Management anticipates that the adoption of the above new SFRS(I), amendments to and interpretations of SFRS(I) will not have a material impact on the financial statements of the Group in the period of their initial adoption, except as disclosed below.

<u>SFRS(I) 16 *Leases*</u>

SFRS(I) 16 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. SFRS(I) 16 requires lessees to capitalise all leases on the 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 lease assets will be depreciated 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. SFRS(I) 16 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of SFRS(I) 16, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented office premises and other operating facilities, which the Group, as lessee, currently accounts for as operating leases.

On adoption of SFRS(I) 16, the Group will be required to capitalise its rented office premises and other operating facilities on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments.

The Group plans to adopt the standard in the financial year beginning on 1 September 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

2.2 Basis of consolidation

The consolidated financial statements incorporate 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 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.

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group, up to the effective date on which that control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

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.

Non-controlling interest in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. 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. 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 Company.

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 FRS 39 *Financial Instruments: Recognition and Measurement* 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.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 August 2018

2. Significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 January 2010

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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 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.

2. Significant accounting policies (Continued)

2.4 Property, plant and equipment (Continued)

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

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, which is property held to earn rentals and/or for capital appreciation, are 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

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.

2. Significant accounting policies (Continued)

2.5 Investment property (Continued)

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.

2.6 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.

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

2. Significant accounting policies (Continued)

2.6 Intangible assets (Continued)

(ii) Customer relationship (Continued)

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.

2.7 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.

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.

2.8 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 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. Significant accounting policies (Continued)

2.9 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose for which these financial assets were acquired and is determined at the time of initial recognition.

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

Loans and receivables

Non-derivative financial assets which have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

The Group's loans and receivables in the statements of financial position comprise trade and other receivables and cash and bank balances.

Available-for-sale financial assets ("AFS")

Available-for-sale financial assets is non-derivative financial asset that is either designated as available-for-sale or not classified in any of the other categories. It is presented as non-current asset unless the management intends to dispose of the asset within 12 months after the end of the financial year.

Investment in equity instruments are measured at fair value and changes therein, including any related foreign exchange component, are recognised in other comprehensive income and accumulated in the fair value reserve, with the exception of impairment losses, interest calculated using the effective interest method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets, other than fair value through profit or loss ("FVTPL"), are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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.

2. Significant accounting policies (Continued)

2.9 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities

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

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 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.

Financial guarantee contracts

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

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

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.

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

2.9 **Financial instruments** (Continued)

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.

2.10 **Cash and cash equivalents**

Cash and bank balances comprise cash on hand, cash with banks and financial institutions. Cash and cash equivalents 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.

2.11 **Non-current assets classified as held for sale**

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.

2.12 **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.

2. Significant accounting policies (Continued)

2.12 Provisions (Continued)

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.

2.13 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is presented, net of rebates, discounts and sales related taxes.

Revenue from sale of goods is recognised when goods are delivered to the customer and the significant risks and rewards of ownership has been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably.

Interest income is recognised on a time-proportion basis using the effective interest method.

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

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

2.14 Grants

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.

2.15 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 Leases

When the Group is the lessee of finance leases

Leases in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

Upon initial recognition, plant and equipment acquired through finance leases are capitalised at the lower of their fair values and the present values of the minimum lease payments. Any initial direct costs are also added to the amount capitalised.

Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are apportioned between finance charge and reduction of the lease liability. The finance charge is allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability. Finance charge is recognised in profit or loss.

When the Group and the Company are the lessees of an operating lease

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under the operating leases (net of any incentives received from the lessor) are recognised in profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

When the Group is the lessor of operating leases

Leases where the Group retains substantially all risks and rewards incidental to the ownership are classified as operating leases.

Assets leased out under operating leases are included under investment properties.

Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

2.17 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualified 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.

2.18 Taxes

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

2. Significant accounting policies (Continued)

2.18 Taxes (Continued)

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.

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 used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively 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)

2.18 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.

2.19 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 expenses 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.

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

2. Significant accounting policies (Continued)

2.20 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.

2.21 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.

2.22 Contingencies

A contingent liability is:

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

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

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

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

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

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 financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining, respectively, whether investments in subsidiaries or financial assets 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 or fair value of a financial asset is less than its carrying amount, and the financial health and near-term business outlook of the investment or financial asset. Factors, such as industry and sector performance, changes in technology and operational and financing cash flows were used.

(ii) Ability to exercise significant influence over the available-for-sale financial assets

The Group and Company holds a direct non-controlling equity interest of 8.9% in unquoted equity shares of an investee company following a restructuring exercise carried out by a major investor of the investee company. A director of the Company was appointed as a director in the investee's company. As the director which was appointed in the investee's company is required to vote in accordance to the major investor's interest and support the major investor in all the board meetings, management assessed and determined that the Group and the Company do not have significant influence since the director does not have practical ability to exercise his rights in the affairs and operations of investee company in the interest of the Group and the Company. Hence, the Group and the Company have recognised the non-controlling equity interest in the investee company as an available-for-sale financial assets and accounted for at fair value.

(iii) Valuation of investment in available-for-sale financial assets

The Group and Company have investment in an unquoted equity shares which is classified as investment in available-for-sales financial assets. The Group and Company estimate the fair value of its investment with reference to the recent transactions between the independent third parties (privately negotiated acquisitions and disposals of the equity instruments) and determined that there were no significant changes to the investee company's operations that may have an impact to the fair value from the respective date of disposal to the financial year end of 31 August 2018. The Group and Company had assessed the price represents an exit price for the equity instruments at the date of the transactions, as the transactions were executed at terms that were consistent with how the other market participants would transact, and the transactions were not executed under duress. Based on management's assessment, the recent transactions are representative of the fair value of unquoted equity shares as at the reporting date and would be categorised as Level 2 of the fair value hierarchy.

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

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

Property, plant and equipment 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 and the Company as at 31 August 2018 were approximately $14,622,000 (2017: $15,332,000) and $Nil (2017: $2,000) respectively. There was no impairment loss recognised in both financial years. Further information is disclosed in Note 4.

(ii) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of the property, plant and equipment to be within 3 to 60 years. The carrying amount of property, plant and equipment of the Group and the Company as at 31 August 2018 were approximately $14,622,000 (2017: $15,332,000) and $Nil (2017: $2,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of the property, plant and equipment. Therefore, future depreciation charges could be revised.

(iii) 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 2018 was approximately $18,247,000 (2017: $16,099,000) and write-down for inventories obsolescence was approximately $556,000 (2017: $632,000).

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

3.2 Key sources of estimation uncertainty (Continued)

(iv) Impairment loss for trade and other receivables

The management establishes impairment loss for trade and other receivables on a case-by-case basis when they believe that they are unlikely to receive payments for amounts owed. In establishing these impairment, the management considers historical experiences and changes to its customers' financial position. Should there be a further impairment of the customers' abilities to make the required payments, additional impairment may be required. The carrying amounts of trade and other receivables of the Group and the Company as at 31 August 2018 were approximately $22,480,000 (2017: $16,705,000) and $11,000 (2017: $17,000) respectively.

(v) Impairment of goodwill

The management determines whether goodwill is impaired on an annual basis and as and when there is an indication of impairment. The recoverable amounts of the cash-generating units ("CGU") are determined based on the value in use method, which requires the use of estimates. In estimating the value in use, the management exercises judgement in estimating the expected future cash flows from the CGUs and in selecting suitable discount rates to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 31 August 2018 were approximately $1,647,000 (2017: $1,647,000). There was no impairment loss recognised in both financial years. Further information is disclosed in Note 5.

(vi) Income 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 the Group's current income tax payable and deferred tax liabilities as at 31 August 2018 were approximately $339,000 (2017: $368,000) and $2,996,000 (2017: $580,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 August 2018

4. Property, plant and equipment

Group	Shop house	Leasehold buildings	Leasehold improvements	Plant, machinery and factory equipment	Computer equipment	Motor vehicles	Office equipment, furniture and fittings	Total
2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cost								
Balance at 1 September 2017	979	6,092	892	17,160	109	1,012	1,716	27,960
Additions	-	-	71	1,420	-	74	337	1,902
Disposals	-	-	-	(39)	-	(33)	(8)	(80)
Currency translation adjustment	-	-	(32)	(531)	-	(6)	(42)	(611)
Balance at 31 August 2018	979	6,092	931	18,010	109	1,047	2,003	29,171
Accumulated depreciation								
Balance at 1 September 2017	196	1,365	593	8,475	75	832	1,092	12,628
Depreciation for the financial year	27	198	214	1,478	23	62	343	2,345
Disposals	-	-	-	(33)	-	(33)	(3)	(69)
Currency translation adjustment	-	-	(29)	(288)	-	(3)	(35)	(355)
Balance at 31 August 2018	223	1,563	778	9,632	98	858	1,397	14,549
Net carrying amount								
Balance at 31 August 2018	756	4,529	153	8,378	11	189	606	14,622

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

Group 2017	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
Cost								
Balance at 1 September 2016	979	6,092	813	19,753	117	1,294	1,951	30,999
Additions	-	-	67	1,083	5	79	166	1,400
Disposals	-	-	-	(1,514)	-	(364)	(13)	(1,891)
Disposal of a subsidiary	-	-	-	(2,343)	(13)	-	(133)	(2,489)
Reclassified as held for sale (Note 13)	-	-	-	-	-	-	(269)	(269)
Currency translation adjustment	-	-	12	181	-	3	14	210
Balance at 31 August 2017	979	6,092	892	17,160	109	1,012	1,716	27,960
Accumulated depreciation								
Balance at 1 September 2016	169	1,167	378	7,476	63	1,055	940	11,248
Depreciation for the financial year	27	198	204	1,825	25	134	312	2,725
Disposals	-	-	-	(125)	-	(357)	(9)	(491)
Disposal of a subsidiary	-	-	-	(779)	(13)	-	(44)	(836)
Reclassified as held for sale (Note 13)	-	-	-	-	-	-	(119)	(119)
Currency translation adjustment	-	-	11	78	-	*	12	101
Balance at 31 August 2017	196	1,365	593	8,475	75	832	1,092	12,628
Accumulated impairment								
Balance at 1 September 2016	-	-	-	902	-	-	-	902
Disposal of a subsidiary	-	-	-	(902)	-	-	-	(902)
Balance at 31 August 2017	-	-	-	-	-	-	-	-
Net carrying amount								
Balance at 31 August 2017	783	4,727	299	8,685	34	180	624	15,332

** denotes amounts less than $1,000*

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

	Computer equipment $'000
Company	
2018	
Cost	
Balance at 1 September 2017 and 31 August 2018	8
Accumulated depreciation	
Balance at 1 September 2017	6
Depreciation for the financial year	2
Balance at 31 August 2018	8
Net carrying amount	
Balance at 31 August 2018	-
2017	
Cost	
Balance at 1 September 2016 and 31 August 2017	8
Accumulated depreciation	
Balance at 1 September 2016	4
Depreciation for the financial year	2
Balance at 31 August 2017	6
Net carrying amount	
Balance at 31 August 2017	2

Assets pledged as security/held in trust for the Group

As at the end of the financial year, the Group's shop house and leasehold buildings with a total carrying amount of approximately $5,285,000 (2017: $5,510,000) were pledged to the banks as security for banking facilities granted to the Group as disclosed in Note 15 to the financial statements.

4. Property, plant and equipment (Continued)

Property, plant and equipment acquired under finance lease

Assets acquired under finance leases were also pledged as security for the related finance lease payables as disclosed in Note 15 to the financial statements.

As at the end of the financial year, carrying amounts of property, plant and equipment acquired under finance lease arrangements were as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Motor vehicles	115	65
Plant, machinery and factory equipment	1,230	2,101
	1,345	2,166

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

	Group	
	2018	**2017**
	$'000	**$'000**
Cash payments to acquire property, plant and equipment	540	1,115
Acquired under finance lease	1,239	169
Transferred from other receivables and deposit paid in prior year	123	116
Total additions to property, plant and equipment	1,902	1,400

The Group's shop house and leasehold buildings as at 31 August 2018 and 31 August 2017 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	4,942.97

5. Intangible assets

	Goodwill	Customer relationship	Total
	$'000	$'000	$'000
Group			
2018			
Cost			
Balance at 1 September 2017 and 31 August 2018	1,647	1,081	2,728
Accumulated amortisation			
Balance at 1 September 2017 and 31 August 2018	-	1,081	1,081
Net carrying amount			
Balance at 31 August 2018	1,647	-	1,647
2017			
Cost			
Balance at 1 September 2016	1,693	1,081	2,774
Disposal of subsidiary	(46)	-	(46)
Balance at 31 August 2017	1,647	1,081	2,728
Accumulated amortisation			
Balance at 1 September 2016 and 31 August 2017	-	1,081	1,081
Accumulated impairment			
Balance at 1 September 2016	46	-	46
Write-off on disposal of subsidiary	(46)	-	(46)
Balance at 31 August 2017	-	-	-
Net carrying amount			
Balance at 31 August 2017	1,647	-	1,647

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	
	2018	2017
	$'000	$'000
Goodwill	1,647	1,647

5. Intangible assets (Continued)

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 has 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 is 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 as follows:

	Trading of hardware and fasteners	
	2018	**2017**
	%	%
Revenue growth rate	2.60	3.00
Terminal growth rate	0	0
Pre-tax discount rate	6.62	6.50

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.

Sensitivity analysis

As at 31 August 2018, any reasonably possible changes to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount of the CGU.

6. Investment property

	Group	
	2018	**2017**
	$'000	**$'000**
Cost		
Balance at beginning of financial year	719	2,919
Reclassified as asset held for sale (Note 13)*	-	(2,200)
Balance at end of financial year	719	719
Accumulated depreciation		
Balance at beginning of financial year	195	947
Depreciation for the financial year	26	149
Reclassified as asset held for sale (Note 13)*	-	(901)
Balance at end of financial year	221	195
Net carrying amount		
Balance at end of financial year	498	524

6. Investment property (Continued)

* The investment property in No. 2 Kwong Min Road Singapore 628705 held by one of the subsidiaries of the Group was classified as non-current asset held for sale as at 31 August 2017 (Note 13).

The fair value of the Group's investment property as at 31 August 2018 was approximately $974,000 (2017: $1,014,000). 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 at using the 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. The resulting fair value of investment property is considered level 3 recurring fair value measurement.

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 Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The following amounts are recognised in profit or loss:

	Group	
	2018	**2017**
	$'000	**$'000**
Rental income from investment property	550	541
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property	(377)	(343)

The Group's investment property as at 31 August 2018 and 31 August 2017 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	545.41

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 15 to the financial statements.

7. Investments in subsidiaries

	Company 2018 $'000	Company 2017 $'000
Unquoted equity shares, at cost	23,620	23,620
	23,620	23,620

Movements of impairment loss were as follows:

	Company 2018 $'000	Company 2017 $'000
Balance at beginning of financial year	-	332
Write-off during the financial year	-	(332)
Balance at end of financial year	-	-

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 2018 %	Proportion of ownership interest held by the Group 2017 %	Proportion of ownership interest held by non-controlling interests 2018 %	Proportion of ownership interest held by non-controlling interests 2017 %	Principal activities
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)	57.48	57.48	42.52	42.52	Trading of high precision components, machinery parts and tools
Held by Sin Hong					
Maritrans Corporation Pte Ltd[(1)] (Singapore)	100	100	-	-	Investment holding

7. Investments in subsidiaries (Continued)

The details of the subsidiaries are as follows (Continued):

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
	2018	2017	2018	2017	
	%	%	%	%	
Held by GD Tech HK					
GD Tech (Dongguan) Co., Ltd[3] (People's Republic of China)	57.48	57.48	42.52	42.52	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Tech (Zhuzhou) Co., Ltd[3] (People's Republic of China)	57.48	57.48	42.52	42.52	Manufacturing and trading of high precision mechanical components
GD Precision (Shanghai) Co., Ltd[3] (People's Republic of China)	57.48	57.48	42.52	42.52	Manufacturing and trading of high precision components and complex electromechanical assembly
GD Tech Pte. Ltd. [3]	57.48	-	42.52	-	Trading of electronic and machinery parts and tools

(1) Audited by BDO LLP, Singapore
(2) Audited by BDO Limited, Hong Kong
(3) Reviewed by BDO Limited, Hong Kong for consolidation purposes

On 9 February 2018, GD Tech Pte. Ltd., a wholly-owned subsidiary of GD Tech HK, was incorporated in Singapore with a paid up capital of $10,000.

7. 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	
	2018	**2017**
	$'000	**$'000**
Revenue	46,144	36,456
Profit before income tax	1,702	1,469
Income tax expense	(281)	(54)
Profit after tax	1,421	1,415
Profit allocated to NCI	604	602
Other comprehensive income allocated to NCI	287	158
Total comprehensive income allocated to NCI	891	760
Dividend paid to NCI	146	217
Cash flows from operating activities	2,614	3,969
Cash flows (used in)/from investing activities	(1,173)	112
Cash flows from/(used in) financing activities	337	(2,558)
Net cash inflows	1,778	1,523

	GD Tech HK	
	2018	**2017**
	$'000	**$'000**
Assets:		
Current assets	22,884	17,026
Non-current assets	8,899	9,487
	31,783	26,513
Liabilities:		
Current liabilities	14,670	10,478
Non-current liabilities	693	-
	15,363	10,478
Net assets	16,420	16,035
Accumulated non-controlling interests	6,982	6,818

Significant restrictions

As at 31 August 2018, the Group had cash and bank balances of approximately $512,000 (2017: $555,000) placed with the banks in the People's Republic of China ("PRC"). The cash and bank balances are not freely convertible into foreign currencies. Under the PRC's Foreign Exchange Control regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange these cash and bank balances through the banks that are authorised to conduct foreign exchange business.

8. Available-for-sale financial assets

	Group and Company	
	2018	2017
	$'000	$'000
Unquoted equity shares		
Balance at beginning of financial year	6,795	4,109
Add: Fair value gain recognised in other comprehensive income	23,241	2,686
Add: Restructuring cost	424	-
Balance at end of financial year	30,460	6,795
Representing:		
- Non-current asset	27,380	6,795
- Current asset	3,080	-
	30,460	6,795

The investment in unquoted equity shares has no fixed maturity date or coupon rate.

In 2017, the Company had engaged an independent valuer in determining the fair value of the unquoted equity shares using the income approach at the end of the financial year. The fair value measurement of the available for sale financial assets was categorised under level 3 of the fair value hierarchy.

During the current financial year, a major investor of the investee company had divested certain of its shares in the investee company to external parties and as a result, relevant information was available to assess the fair value of the available-for-sale financial assets as at 31 August 2018. As a result, the fair value measurement of the available for sale financial assets was transferred out from level 3 to level 2 of the fair value hierarchy as disclosed in Note 32 to the financial statements.

As at 31 August 2018, the available-for-sale financial assets classified in current asset was measured at fair value of US$2,250,000 (approximately $3,080,250) representing the cash consideration offered by a third party to acquire the available-for-sale financial assets. On 30 May 2018, a share transfer agreement to dispose of the 0.9% equity interest in the available-for-sale financial assets was signed between the Company and a third party in connection with the sale of asset. The share transfer was subsequently completed on 21 September 2018.

Available-for-sale financial assets are denominated in United States dollar.

9. Inventories

	Group	
	2018	2017
	$'000	$'000
Raw materials	486	434
Work-in-progress	880	407
Finished goods	16,881	15,258
	18,247	16,099

The cost of inventories recognised as an expense and included in "cost of sales" line item in profit or loss amounted to approximately $39,469,000 (2017: $34,154,000) for the financial year ended 31 August 2018.

9. Inventories (Continued)

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 $556,000 (2017: $632,000) and $50,000 (2017: $3,000) 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 $245,000 (2017: $232,000) being part of an inventories write-down made in the previous financial years as the related inventories were sold above their carrying amounts in 2018. The reversal was included in the "cost of sales" line item in profit or loss.

10. Trade and other receivables

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Non-current				
Other receivables – third parties	74	289	-	-
Current				
Trade receivables				
- third parties	17,882	14,569	-	-
- related party	-	49	-	-
- VAT receivables	2,874	1,330	-	-
Less: Impairment loss for trade receivables	(1,971)	(153)	-	-
	18,785	15,795	-	-
Other receivables				
- third parties	3,569	632	11	17
- related party	11	3	-	-
	3,580	635	11	17
Less: Impairment loss for other receivables				
- third parties	(71)	(80)	-	-
	3,509	555	11	17
Deposits	112	66	-	-
	22,406	16,416	11	17
Total trade and other receivables	22,480	16,705	11	17
Less:				
VAT receivables	(2,874)	(1,330)	-	-
Add:				
Cash and bank balances (Note 12)	5,583	2,992	2	6
Total loans and receivables	25,189	18,367	13	23

10. Trade and other receivables (Continued)

Movements of impairment loss for trade receivables were as follows:

	Group 2018 $'000	Group 2017 $'000
Balance at beginning of financial year	153	301
Impairment made during the financial year	1,792	*
Write-off during the financial year	-	(132)
Write-back of impairment no longer required	-	(18)
Currency translation adjustment	26	2
Balance at end of financial year	1,971	153

** denotes amounts less than $1,000*

Movements of impairment loss for other receivables were as follows:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Balance at beginning of financial year	80	84	-	261
Write-off during the financial year	(7)	-	-	(261)
Write-back of impairment no longer required	-	(5)	-	-
Currency translation adjustment	(2)	1	-	-
Balance at end of financial year	71	80	-	-

Trade and other receivables were denominated in the following currencies:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Singapore dollar	8,080	4,530	11	17
United States dollar	6,393	5,629	-	-
Chinese renminbi	7,895	6,338	-	-
Euro	89	191	-	-
Hong Kong Dollar	22	-	-	-
Others	1	17	-	-
	22,480	16,705	11	17

10. Trade and other receivables (Continued)

Nature of trade and other receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 90 (2017: 30 to 90) days' credit terms.

Other receivables are non-trade in nature, unsecured, interest-free and repayable on demand except for amounts due from third parties of approximately $308,000 (2017: $708,000), which are repayable between 2 to 5 years. The balances are expected to be settled in cash.

Other receivables include proceed on disposal of non-current asset held for sale which was completed on 31 August 2018 (Note 13). The proceed received from the buyer amounting to $3,015,553 was used to settle the revolving loan as disclosed in Note 15.

The amounts due from related parties are unsecured, non-interest bearing and repayable on demand, and is expected to be settled in cash.

The fair values of the non-current other receivables approximate their carrying amounts.

Doubtful trade and other receivables

Doubtful trade and other receivables arose mainly from customers who were having difficulty settling the amounts due.

Impairment loss for trade and other receivables of approximately $1,792,000 (2017: $406) was recognised in profit or loss under the "other expenses" line item subsequent to a debt recovery assessment performed during the financial year.

Write-back of impairment loss for trade and other receivables of approximately $Nil (2017: $23,000) was included in the "other income" line item of the profit or loss subsequent to the recovery of the related receivables.

11. Derivative financial instruments

	Group	
	2018	2017
	$'000	$'000
Fair value gain/(loss) on foreign currency forward contracts	5	(29)
Total financial assets/(liabilities) at fair value through profit or loss	5	(29)

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 32.

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.

11. Derivative financial instruments (Continued)

Foreign currency forward contracts (Continued)

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

	Average exchange rate	Foreign currency	Notional amount	Fair value	Settlement date
		USD'000	$'000	$'000	
Group					
2018					
Buy United States dollar	1.353	786	1,073	5	November 2018 to February 2019
2017					
Buy United States dollar	1.391	986	1,339	(29)	September 2017 to January 2018

The fair value is determined based on the marked-to-market valuation provided by the banks for equivalent instruments at the end of the financial year.

12. Cash and bank balances

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash on hand	33	28	*	*
Bank balances	5,550	2,964	2	6
Cash and bank balances on consolidated statement of cash flows	5,583	2,992	2	6

** denotes amounts less than $1,000*

Cash and bank balances were denominated in the following currencies:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore dollar	1,032	229	2	6
United States dollar	3,469	1,987	-	-
Hong Kong dollar	468	209	-	-
Chinese renminbi	531	562	-	-
Euro	78	-	-	-
Others	5	5	-	-
	5,583	2,992	2	6

13. Non-current asset classified as held for sale

	Group 2018 $'000	Group 2017 $'000
Balance at beginning of financial year	1,449	-
Disposal of property, plant and equipment held for sale	(1,449)	-
Reclassified from property, plant and equipment (Note 4)	-	150
Reclassified from investment property (Note 6)	-	1,299
Balance at beginning of financial year	-	1,499

As at 31 August 2017, the fair value of the asset classified as held for sale was $4,380,000, representing the cash consideration offered by a third party to acquire the investment property. On 29 September 2017, a sale and purchase agreement was signed between a subsidiary and a third party in connection with the sale of asset classified as held for sale. The sale of the asset was completed on 31 August 2018. The gain recognised on the sale of the investment property is $2,715,052 (Note 20) after deductions of the related transaction costs of approximately $315,000 incurred for the sale of investment property.

The detail of the Group's asset classified as held for sale are in previous financial year as follows:

Location	Description	Tenure	Approximate site area (sq.m)
No. 2 Kwong Min Road Singapore 628705	Factory building, office and warehouse	Leasehold for 60 years commencing 1 April 1968	5,356.40

14. Trade and other payables

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Trade payables – third parties	13,363	9,218	-	-
Goods and services tax payable	415	96	-	-
	13,778	9,314	-	-
Other payables				
- third parties	723	407	432	9
- directors of subsidiaries	15	44	-	-
- subsidiary	-	-	2,329	4,490
	738	451	2,761	4,499
Accrued operating expenses	1,995	1,833	452	649
Total trade and other payables	16,511	11,598	3,213	5,148
Add:				
Interest bearing liabilities				
- Current (Note 15)	14,107	12,982	-	-
- Non-current (Note 15)	2,708	2,616	-	-
Less:				
Advance payment from customers	(37)	(17)	-	-
Goods and services tax payable	(415)	(96)	-	-
Other tax payable	(87)	(53)	-	-
Total financial liabilities carried at amortised cost	32,787	27,030	3,213	5,148

Nature of trade and other payables

Trade payables are unsecured, non-interest bearing and generally on 7 to 120 (2017: 7 to 120) days' credit terms.

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

Included in the accrued operating expenses is the provision for contingent liability amounting to $302,953 (2017: $484,000) for the guarantee of hire purchase facilities taken by a subsidiary which was disposed off by the end of the financial year 2017.

Trade and other payables were denominated in the following currencies:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Singapore dollar	2,196	1,477	3,213	5,148
United States dollar	1,207	841	-	-
Hong Kong dollar	375	2,361	-	-
Chinese renminbi	12,686	6,913	-	-
Euro	47	6	-	-
Others	*	*	-	-
*denotes amounts less than $1,000	16,511	11,598	3,213	5,148

15. Interest bearing liabilities

	Group	
	2018	2017
	$'000	$'000
Current liabilities		
Secured:		
- Term loans	631	632
- Revolving loan I	2,800	2,800
- Revolving loan II	4,500	4,000
- Revolving loan III (which is subject to a repayment on demand clause)		
- Portion of revolving loan due for repayment within one year	-	525
- Revolving loan IV	450	650
- Revolving loan V	-	75
- Revolving loan VI (which is subject to a repayment on demand clause)		
- Portion of revolving loan due for repayment within one year	206	252
- Portion of revolving loan due for repayment after one year	-	206
- Accounts receivables factoring ("ARF")	819	-
- Trust receipts I	2,591	2,274
- Trust receipts II	1,700	1,216
- Finance lease payables	410	352
	14,107	12,982
Non-current liabilities		
Secured:		
- Term loans	1,950	2,579
- Finance lease payables	758	37
	2,708	2,616
	16,815	15,598

The interest bearing liabilities were denominated in the following currencies:

	Group	
	2018	2017
	$'000	$'000
Singapore dollar	11,727	11,953
United States dollar	4,013	3,313
Hong Kong dollar	1,075	-
Chinese renminbi	-	332
	16,815	15,598

15. Interest bearing liabilities (Continued)

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

	Group	
	2018	**2017**
	%	**%**
Term loans	3.27	2.91
Revolving loans	3.74	3.46
ARF	3.47	-
Trust receipts	3.35	3.06
Finance leases	3.46	4.94

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

	Group	
	2018	**2017**
	$'000	**$'000**
Term loan I repayable by 180 monthly instalments commencing 16 November 2009	1,000	1,147
Term loan II repayable by 240 monthly instalments commencing 18 February 2013	1,003	1,058
Term loan III repayable by 120 monthly instalments commencing 13 February 2017	149	164
Term loan IV repayable by 60 monthly instalments commencing 29 September 2014	429	842
Revolving loan III repayable by 36 monthly instalments commencing 4 May 2015	-	525
Revolving loan VI repayable by 24 monthly instalments commencing 3 July 2017	206	458
	2,787	4,194

Interest bearing liabilities (excluding finance lease liabilities)

The non-current interest bearing liabilities (excluding finance lease liabilities) have the following maturities:

	Group	
	2018	**2017**
	$'000	**$'000**
Later than one year but not later than five years	932	1,298
Later than five years	1,018	1,281
	1,950	2,579

15. Interest bearing liabilities (Continued)

Interest bearing liabilities (excluding finance lease liabilities) (Continued)

Trust receipts have maturity periods ranging from 38 to 183 (2017: 90 to 182) days.

Revolving loans have maturity periods ranging from 1 to 3 (2017: 1 to 3) months.

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

(a) Legal mortgage (open) over the property located at No. 3 Kian Teck Crescent Singapore 628881 (Note 4 and Note 6);

(b) Legal mortgage (open) over the property located at 8B Admiralty Street #01-09 Singapore 757400 (Note 4);

(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;

(e) Assignment of contracts and contracts proceeds or charge over account; and

(f) Debenture incorporating a First Floating charge over the receivables of the Company.

Revolving loan I, III, VI and trust receipt II are secured by:

(i) Existing first legal mortgage, assignment of rental proceeds of an investment property (Note 6) and a floating charge over bank balances amounting $38,000 (2017: $82,000) until the full settlement of the outstanding revolving credit facilities; and
(ii) Existing corporate guarantee from the Company.

The term loans due for repayment after one year which are classified as current liabilities that are subject to a repayment on demand clause are not expected to be settled within one year.

Proceed on disposal of non-current asset classified as held for sale as disclosed in Note 13 for full settlement of revolving loan I and VI was received by the bank on 31 August 2018 and fully redeemed on 3 September 2018. The securities stated in (i) above was discharged on the same date.

Revolving loan III is repayable over 36 months commencing from May 2015 to April 2018. This loan was fully settled during the financial year ended 31 August 2018.

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.

15. Interest bearing liabilities (Continued)

Finance leases - secured

As at the end of the financial year, the Group has obligations under finance leases that are payable as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Minimum lease payments due:		
- Not later than one year	445	369
- Later than one year and not later than five years	784	38
Less: Future finance charges	(61)	(18)
Present value of finance lease liabilities	1,168	389
The present value of finance lease liabilities is as follows:		
- Not later than one year	410	352
- Later than one year and not later than five years	758	37
	1,168	389

Nature of finance leases

The finance leases have a term period of between 3 to 7 (2017: 2 to 7) years.

Interest rates are fixed at the contracts dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair values of the Group's finance lease liabilities approximate their carrying amounts as the current lending rates for similar types of lending arrangements are not materially different from rates obtained by the Group.

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group.

16. Deferred tax liabilities

Deferred tax liabilities are attributable to the following temporary differences:

	Available-for-sale financial assets	Property, plant and equipment	*Fair value of property, plant and equipment	*Fair value of investment properties	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Balance at 1 September 2017	-	-	423	157	580
Credited to profit or loss	-	-	(34)	(3)	(37)
Debited to other comprehensive income	2,552	-	-	-	2,552
Disposal of investment property	-	-	-	(99)	(99)
Balance at 31 August 2018	2,552	-	389	55	2,996
Balance at 1 September 2016	-	6	455	170	631
Credited to profit or loss	-	(6)	(32)	(13)	(51)
Balance at 31 August 2017	-	-	423	157	580

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

	Available-for-sale financial assets	Property, plant and equipment	*Fair value of property, plant and equipment	*Fair value of investment properties	Total
	$'000	$'000	$'000	$'000	$'000
Company					
Balance at 1 September 2017	-	-	-	-	-
Debited to other comprehensive income	2,552	-	-	-	2,552
Balance at 31 August 2018	2,552	-	-	-	2,552
Balance at 1 September 2016 and at 31 August 2017	-	-	-	-	-

At the end of the financial year, no deferred tax liabilities have been recognised for the withholding tax that would be payable on the unremitted earnings of certain subsidiaries as at 31 August 2018 and 2017, as the management does not expect the subsidiaries to distribute its earnings in the foreseeable future. Unremitted earnings totalled approximately $7,443,000 (2017: $5,575,000) at 31 August 2018.

17. Share capital

	Group and Company			
	2018	2017	2018	2017
	Number of ordinary shares ('000)		$'000	$'000
Issued and fully paid:				
Balance at beginning of financial year	29,905	29,905	26,700	26,700
Balance at 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.

18. Reserves

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Statutory reserve fund	691	478	-	-
Fair value reserve	23,375	2,686	23,375	2,686
Foreign currency translation reserve	290	672	-	-
Accumulated losses	(724)	(3,562)	(1,727)	(4,074)
Balance at end of financial year	23,632	274	21,648	(1,388)

Statutory reserve fund

In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), the subsidiary is required to appropriate an amount not less than 10% of its profit after income tax to Statutory Reserve Fund ("SRF") each year until the SRF balances reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or capitalisation as paid-up capital. The SRF is not available for dividend distribution to shareholders. Movement in this account is set out in consolidated statement of changes in equity.

Fair value reserve

The non-distributable fair value reserve represents the cumulative fair value changes, net of tax of $Nil, of available-for-sale financial assets until they are derecognised or impaired. Movement in this account is set out in consolidated statement of changes in equity.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from that of the Group's presentation currency and is non-distributable. Movement in this account is set out in consolidated statement of changes in equity.

19. Revenue

Revenue represents invoiced value of goods sold less returns inwards and discounts allowed, net of goods and services tax.

20. Other income

	Group 2018 $'000	Group 2017 $'000
Bad debts recovered – trade receivables	24	24
Fair value gain on derivative financial instruments	5	-
Gain on disposal of a subsidiary	-	23
Gain on disposal of non-current asset classified as held for sale	2,715	-
Gain on disposal of property, plant and equipment	-	218
Gain on foreign exchange, net	776	-
Government grants	213	400
Interest income	25	28
Rental income	550	541
Write-back of impairment loss for other receivables	-	5
Write-back of impairment loss for trade receivables	-	18
Others	36	26
	4,344	1,283

21. Finance costs

	Group 2018 $'000	Group 2017 $'000
Bank charges	93	107
Interest expenses		
- bank overdraft	25	23
- term and revolving loans	421	402
- trust receipts	134	99
- finance leases	26	137
- imputed interest - other receivables	*	10
	699	778

* denotes amounts less than $1,000

22. Profit before income tax

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

	Group	
	2018	2017
	$'000	$'000
Cost of sales		
Depreciation of property, plant and equipment	1,620	1,749
Inventories written off	50	3
Operating leases	919	904
Reversal of inventories write-down	(245)	(232)
Write-down for inventories obsolescence	556	632
Administrative expenses		
Audit fees		
- auditor of the Company	80	80
- other auditors	72	81
Depreciation of investment property	26	149
Depreciation of property, plant and equipment	725	976
Directors' fees – Directors of the Company	72	78
Directors' remuneration		
- Directors of the Company	705	864
- Directors of subsidiaries	810	602
Operating leases	286	266
Other expenses		
Bad debts written off – other receivables	-	3
Bad debts written off – trade receivables	1	6
Fair value loss on derivative financial instruments	-	29
Impairment loss for trade receivables	1,792	*
Loss on disposal of property, plant and equipment	7	-
Loss on foreign exchange, net	-	77

** denotes amounts less than $1,000*

Profit before income tax also includes:

	Group	
	2018	2017
	$'000	$'000
Employee benefits expenses		
- salaries, bonuses and other benefits	10,960	10,073
- contributions to the defined contribution plan	1,151	947
	12,111	11,020

22. Profit before income tax (Continued)

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

	Group	
	2018	**2017**
	$'000	**$'000**
Cost of sales	5,222	4,570
Administrative expenses*	4,078	3,892
Selling and distribution expenses	2,811	2,558
	12,111	11,020

*The above includes the amounts shown as Directors' remuneration in Note 28 to the financial statements.

23. Income tax expense

	Group	
	2018	**2017**
	$'000	**$'000**
Income tax		
- current financial year	385	395
- over provision in respect of prior financial years	(88)	(329)
	297	66
Deferred income tax		
- current financial year	(37)	(51)
Total income tax expense recognised in profit or loss	260	15

During the previous financial year, one of the subsidiaries in People's Republic of China is recognised as a High and New Technology Enterprises, and obtained a preferential tax treatment for deriving income from the investment in, and the operation of certain High Technology Expertise projects. These projects are eligible for key support from the State, whereby the income tax rate of the subsidiary is charged at 15% during the financial period. The preferential tax treatment covers the period from 1 January 2016 onwards, resulting in the overprovision of tax expense in 2017.

23. Income tax expense (Continued)

Reconciliation of income tax

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit before income tax as a result of the following differences:

	Group	
	2018	**2017**
	$'000	**$'000**
Profit before income tax	3,904	543
Income tax expense at Singapore statutory tax rate of 17%	664	92
Effect of different income tax rates in other countries	191	25
Tax effect of income not subject to income tax	(464)	(122)
Tax effect of expenses not deductible for income tax purposes	194	356
Tax effect on tax incentives	(247)	(102)
Tax effect on tax rebate	(5)	(4)
Singapore's statutory stepped income exemption	(26)	(22)
Deferred tax assets not recognised	109	218
Utilisation of deferred tax assets previously not recognised	(39)	(91)
Over provision of income tax in respect of prior financial years	(88)	(329)
Others	(29)	(6)
	260	15

The Group operates mainly in Singapore, Hong Kong and People's Republic of China, for which the corporate income tax rate applicable is 17% (2017: 17%), 16.5% (2017: 16.5%) and 25% (2017: 25%) respectively.

Unrecognised deferred tax assets

The movements of unrecognised deferred tax assets are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of financial year	412	693
Amount not recognised during financial year	109	218
Utilisation of deferred tax asset previously not recognised	(39)	(91)
Disposal of a subsidiary	-	(412)
Currency translation adjustment	(6)	4
Balance at end of financial year	476	412

23. Income tax expense (Continued)

Unrecognised deferred tax assets (Continued)

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

	Group	
	2018	2017
	$'000	$'000
Accelerated tax depreciation	134	108
Unutilised tax losses	342	304
	476	412

As at 31 August 2018, the Group had unutilised tax losses of approximately $1,587,000 (2017: $1,309,000) 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 expiry dates for tax losses arising in certain foreign tax jurisdictions are as follows:

	Group	
	2018	2017
	$'000	$'000
2018	123	127
2019	91	94
2020	116	120
2021	610	680
2022	3	-
	943	1,021

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 2.18 to the financial statements.

24. Earnings/(Loss) per share

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

	Group	
	2018	2017
Earnings/(Loss) for the financial year attributable to owners of the parent ($'000)	3,051	(182)
Actual number of ordinary shares in issue after share consolidation ('000)	29,905	29,905
Basic and diluted earnings/(loss) per share (in cents)	10.202	(0.609)

24. Earnings/(Loss) per share (Continued)

The basic earnings per share is computed by dividing the profit attributable to owners of the parent in each financial year by the actual number of ordinary shares in issue during the respective financial year.

The diluted loss per share for the relevant periods is equivalent to the basic loss per share, as there are no dilutive potential ordinary shares in the relevant periods.

25. Dividends

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 3.0 cents per ordinary share in respect of profit for the financial year ended 31 August 2018. This would amount to a payout of approximately $1.79 million based on the number of issued shares as at 31 August 2018. 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 2019.

26. Operating lease commitments

When the Group is a lessor

As at the end of the financial year, there were non-cancellable operating lease commitments for rental receivable for premises in subsequent accounting periods as follows:

	Group	
	2018	2017
	$'000	$'000
Not later than one year	-	312
Later than one year and not later than five years	-	312
	-	624

The above lease agreements had been assigned to the party who acquired the investment property (Note 13).

When the Group and the Company are lessees

As at the end of the financial year, there were non-cancellable operating lease commitments for rental payable for office equipment, premises and land rent in subsequent accounting periods as follows:

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Not later than one year	907	1,041	35	35
Later than one year and not later than five years	1,058	2,190	2	37
Later than five years	1,172	1,918	-	-
	3,137	5,149	37	72

26. Operating lease commitments (Continued)

When the Group and the Company are lessees (Continued)

The expiration dates of the above lease agreements are in the range of 1 to 19 years (2017: 1 to 20 years). The current rent payables under the leases are subject to revision after expiry. The leases have varying terms, escalation clauses and renewal rights with no provisions for contingent rent.

27. Capital commitments

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

	Group	
	2018	**2017**
	$'000	**$'000**
Purchase of plant and equipment contracted but not provided for	2,038	593

28. 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
With related parties				
* Sales to	925	904	-	-
** Salaries and other benefits to related party	158	158	-	-
With a director				
Sale of motor vehicle (Note 4)	-	130	-	-

* The related parties are entities where a director is a close family member of a director of the Company.
** The related party is a close family member of certain directors of the Company.

	Company	
	2018	**2017**
	$'000	**$'000**
With subsidiaries		
Bad debts written off to subsidiaries	-	218
Dividend income from a subsidiary	2,999	293
Interest income received from a subsidiary	-	2
Loan from a subsidiary	653	626
Loan to a subsidiary	-	215
Payment on behalf by a subsidiary	182	215

28. Significant related party transactions (Continued)

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.

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Directors' fee	72	78	72	78
Short-term benefits	1,607	1,552	155	148
Post-employment benefits	72	70	8	8
	1,751	1,700	235	234

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Directors of the Company				
Directors' fee	72	78	72	78
Short-term benefits	678	833	-	-
Post-employment benefits	27	31	-	-
	777	942	72	78
Directors of subsidiaries				
Short-term benefits	774	571	-	-
Post-employment benefits	36	31	-	-
	810	602	-	-
	1,587	1,544	72	78

29. 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.

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.

29. Segment information (Continued)

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 summary of 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 and general trading.

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29. Segment information (Continued)

Business segments (Continued)

	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018									
Revenue									
External operating revenue	5,462	2,990	9,557	18,009	46,144	-	-	-	64,153
Inter-segment sales	-	-	-	-	-	-	-	-	-
Total revenue	5,462	2,990	9,557	18,009	46,144	-	-	-	64,153
Segment results	372	(40)	654	986	1,689	1,903	-	-	4,578
Interest income	5	*	*	5	20	-	-	-	25
Finance costs	(230)	(199)	(220)	(649)	(49)	(1)	-	-	(699)
Profit/(Loss) before income tax	147	(239)	434	342	1,660	1,902	-	-	3,904
Income tax credit/(expense)	-	-	-	-	(266)	6	-	-	(260)
Profit/(Loss) after income tax	147	(239)	434	342	1,394	1,908	-	-	3,644
Segment assets	-	-	-	30,996	31,898	59,352	-	(28,271)	93,975
Segment liabilities	-	-	-	17,250	15,479	6,582	-	(2,650)	36,661
Capital expenditure									
Property, plant and equipment	-	-	-	116	1,786	-	-	-	1,902

** denotes amounts less than $1,000*

29. **Segment information** (Continued)

Business segments (Continued)

	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018									
Significant non-cash items									
Depreciation of investment property	-	-	-	-	-	26	-	-	26
Depreciation of property, plant and equipment	-	-	-	150	2,002	193	-	-	2,345
Impairment loss for trade receivables	-	-	-	8	1,784	-	-	-	1,792
Inventories written off	-	-	-	50	-	-	-	-	50
Reversal of inventories write-down	-	-	-	(245)	-	-	-	-	(245)
Write-down for inventories obsolescence	-	-	-	556	-	-	-	-	556

NOTES TO THE FINANCIAL STATEMENTS

For The Financial Year Ended 31 August 2018

29. **Segment information** (Continued)

Business segments (Continued)

	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017									
Revenue									
External operating revenue	4,305	2,997	9,272	16,574	36,639	-	-	-	53,213
Inter-segment sales	53	-	-	53	-	-	-	(53)	-
Total revenue	4,358	2,997	9,272	16,627	36,639	-	-	(53)	53,213
Segment results	122	170	699	991	1,128	(826)	-	-	1,293
Interest income	7	*	*	7	21	2	-	(2)	28
Finance costs	(212)	(180)	(195)	(587)	(192)	(1)	-	2	(778)
Profit/(Loss) before income tax	(83)	(10)	504	411	957	(825)	-	-	543
Income tax credit/(expense)	10	-	-	10	(40)	15	-	-	(15)
Profit/(Loss) after income tax	(73)	(10)	504	421	917	(810)	-	-	528
Segment assets	-	-	-	28,624	26,689	35,926	1,449	(30,723)	61,965
Segment liabilities	-	-	-	16,245	10,655	6,277	99	(5,103)	28,173
Capital expenditure									
Property, plant and equipment	-	-	-	5	1,395	-	-	-	1,400

** denotes amounts less than $1,000*

29. **Segment information** (Continued)

Business segments (Continued)

	Trading of hardware and fasteners				Precision engineering	Others	Unallocated	Eliminations	Consolidated
	Retail	OEM	Export	Total					
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2017									
Significant non-cash items									
Depreciation of investment properties	-	-	-	-	-	26	123	-	149
Depreciation of property, plant and equipment	-	-	-	244	2,238	243	-	-	2,725
Impairment loss for trade receivables	-	-	-	*	-	-	-	-	*
Inventories written off	-	-	-	3	-	-	-	-	3
Reversal of inventories write-down	-	-	-	(232)	-	-	-	-	(232)
Write-back of impairment loss for other receivables	-	-	-	(5)	-	-	-	-	(5)
Write-back of impairment loss for trade receivables	-	-	-	*	(18)	-	-	-	(18)
Write-down for inventories obsolescence	-	-	-	632	-	-	-	-	632

** denotes amounts less than $1,000*

29. Segment information (Continued)

Geographical information

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

	Singapore	Indonesia	Malaysia	China	USA	* Others	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2018							
Total revenue from external customers	12,642	3,475	4,662	36,369	7,108	(103)	64,153
Total non-current assets	7,790	-	-	8,977	-	-	16,767
2017							
Total revenue from external customers	6,738	2,586	5,022	22,732	8,730	7,405	53,213
Total non-current assets	8,038	-	-	9,465	-	-	17,503

* *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, investment property and intangible assets as presented in the statement of financial position of the Group.

Major customers

In the financial year ended 31 August 2018, revenue from the major customers with whom transactions have exceeded 10% of the Group's revenue is as follows:

	Precision engineering		OEM	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Customer A	11,430	11,200	-	-
Customer B	2,683	5,668	306	520
Customer C	10,771	4,067	-	-

30. Financial instruments and financial risks

The Group's and the Company's activities expose them to credit risk, market risks (including interest rate risk and foreign exchange 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.

30. **Financial instruments and financial risks** (Continued)

30.1 Market risks

(i) 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.

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 $'000	Cash and bank balances $'000	Trade and other payables $'000	Interest bearing liabilities $'000	Net financial assets/ (liabilities) $'000	Net liabilities denominated in the respective entities' functional currencies $'000	Currency exposure $'000
Group							
2018							
Singapore dollar	8,080	1,032	(2,196)	(11,727)	(4,811)	(4,908)	97
United States dollar	6,393	3,469	(1,207)	(4,013)	4,642	-	4,642
Euro	89	78	(47)	-	120	-	120
Hong Kong dollar	22	468	(375)	(1,075)	(960)	(960)	-
Chinese renminbi	7,895	531	(12,686)	-	(4,260)	(4,260)	-
Others	1	5	*	-	6	-	6
	22,480	5,583	(16,511)	(16,815)	(5,263)	(10,128)	4,865

*denotes amount less than $1,000

30. **Financial instruments and financial risks** (Continued)

30.1 **Market risks** (Continued)

(i) *Foreign currency risk* (Continued)

	Monetary assets		Monetary liabilities				
	Trade and other receivables	Cash and bank balances	Trade and other payables	Interest bearing liabilities	Net financial assets/ (liabilities)	Net liabilities denominated in the respective entities' functional currencies	Currency exposure
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
2017							
Singapore dollar	4,530	229	(1,477)	(11,953)	(8,671)	(8,784)	113
United States dollar	5,629	1,987	(841)	(3,313)	3,462	-	3,462
Euro	191	-	(6)	-	185	-	185
Hong Kong dollar	-	209	(2,361)	-	(2,152)	(2,152)	-
Chinese renminbi	6,338	562	(6,913)	(332)	(345)	(345)	-
Others	17	5	-	-	22	-	22
	16,705	2,992	(11,598)	(15,598)	(7,499)	(11,281)	3,782

30. Financial instruments and financial risks (Continued)

30.1 Market risks (Continued)

(i) Foreign currency risk (Continued)

Foreign currency sensitivity analysis

The following table details the sensitivity to a change of 4% (2017: 1%) in United States dollar against Singapore dollar. The results of the sensitivity analysis were not significant for currencies other than the United States dollar.

The sensitivity analysis assumes an instantaneous 4% (2017: 1%) 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. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	Increase/(Decrease)	
	Profit or loss	
	2018	2017
	$'000	$'000
Group		
United States dollar		
- strengthens against Singapore dollar	186	35
- weakens against Singapore dollar	(186)	(35)

As at end of the financial year, the Company does not have any exposure to foreign currency risk.

(ii) Interest rate risk

The Group's exposure to market risk for changes in interest rates relate primarily to short term deposits and 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.

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 (2017: 50) basis points lower/higher with all other variables held constant, the Group's profit or loss would have been higher/lower by approximately $78,000 (2017: $76,000), 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.

30. Financial instruments and financial risks (Continued)

30.2 Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in a loss to the Group and the Company.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. To manage credit risk, the Group and the Company have adopted a policy of dealing only with creditworthy counterparties. The Group and the Company also perform ongoing credit evaluation of the counterparties' financial condition and generally do not require collateral.

The Group's and the Company's major classes of financial assets are available-for-sale financial asset, cash and bank balances, and trade and other receivables.

Credit risk arising from bank deposits is minimal as the Group's cash and bank balances are mainly deposits with good credit rating banks.

As such, 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 characteristics of each customer. The default risk of the industry and country in which the customers operate also has an influence on credit risk but to a lesser extent. At the end of the financial year, the Group had 10.2% (2017: 13.0%) of the total trade receivables due from the Group's largest customer and 42.9% (2017: 44.4%) from the five largest debtors, which is considered to be manageable.

The age analysis of trade receivables that are past due is as follows:

	Gross receivables 2018 $'000	Impairment 2018 $'000	Gross receivables 2017 $'000	Impairment 2017 $'000
Group				
Past due 1 to 30 days	1,704	-	1,315	-
Past due 31 to 60 days	-	-	-	-
Past due 31 to 90 days	3,149	-	1,855	-
Past due over 90 days	3,071	(1,971)	2,488	(153)

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group and the Company. The Group and Company has not provided for trade receivables balances of major customers which are past due at the end of the reporting period as there has not been a change in credit quality based on historical experience in the collection of receivables and the amounts are still considered recoverable. The Company does not hold any collateral over the balances.

30. Financial instruments and financial risks (Continued)

30.3 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 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 the Group level, the Company has given financial guarantees of $454,000 (2017: $895,000) to the banks for banking facilities granted to third parties (2017: a third party (former associate) and a related party (former subsidiary)). At the Company level, the Company has given financial guarantees of $17,263,000 (2017: $17,525,000) to the banks for banking facilities taken up by third parties (2017: a third party (former associate), a related party (former subsidiary) and a subsidiary).

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 include both expected interests and principal cash flows.

	Within one year	After one year but within five years	More than five years	Total
	$'000	$'000	$'000	$'000
Group				
2018				
Financial liabilities				
Non-interest bearing	15,972	-	-	15,972
Interest bearing:				
- Fixed	445	784	-	1,229
- Variable	14,288	1,281	1,254	16,823
	30,705	2,065	1,254	34,024
Financial guarantee contracts issued for:				
- a third party (former associate)	183	-	-	183
- a third party (former subsidiary)	271	-	-	271
	454	-	-	454

30. Financial instruments and financial risks (Continued)

30.3 Liquidity risk (Continued)

	Within one year $'000	After one year but within five years $'000	More than five years $'000	Total $'000
Group				
2017				
Financial liabilities				
Non-interest bearing	11,432	-	-	11,432
Interest bearing:				
- Fixed	369	38	-	407
- Variable	12,898	1,915	1,585	16,398
	24,699	1,953	1,585	28,237
Financial guarantee contracts issued for:				
- a third party (former associate)	476	-	-	476
- a related party (former subsidiary)	419	-	-	419
	895	-	-	895
Company				
2018				
Financial liabilities				
Non-interest bearing	3,213	-	-	3,213
Financial guarantee contracts issued for:				
- a third party (former associate)	183	-	-	183
- a third party (former subsidiary)	271	-	-	271
- a subsidiary	16,809	-	-	16,809
	17,263	-	-	17,263

30. Financial instruments and financial risks (Continued)

30.3 Liquidity risk (Continued)

	Within one year $'000	After one year but within five years $'000	More than five years $'000	Total $'000
Company				
2017				
Financial liabilities				
Non-interest bearing	5,148	-	-	5,148
Financial guarantee contracts issued for:				
- a third party (former associate)	476	-	-	476
- a related party (former subsidiary)	419	-	-	419
- a subsidiary	16,630	-	-	16,630
	17,525	-	-	17,525

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 associate), a third party (former subsidiary) (2017: related party (former subsidiary)) and a subsidiary default on the 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 interest bearing liabilities are disclosed in Note 15 to the financial statements.

31. 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, foreign currency translation reserve and accumulated losses 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% (2017: 300%) and a minimum consolidated tangible net worth of not less than $12 million (2017: $12 million) throughout.

As disclosed in Note 18, a subsidiary of the Group is required by the relevant laws and regulations in the PRC to contribute to and maintain a non-distributable statutory reserve fund which utilisation is subject to the approval of the relevant PRC authorities.

31. Capital management policies and objectives (Continued)

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 August 2017 and 2018.

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 and interest bearing liabilities less cash and bank balances. Capital consists of equity attributable to the owners of the parent less statutory reserve fund and fair value reserve.

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade and other payables	16,511	11,598	3,213	5,148
Interest bearing liabilities	16,815	15,598	-	-
Less: Cash and bank balances	(5,583)	(2,992)	(2)	(6)
Net debt	27,743	24,204	3,211	5,142
Equity attributable to owners of the parent	50,332	26,974	48,348	25,312
Less:				
Statutory reserve fund	(691)	(478)	-	-
Fair value reserve	(23,375)	(2,686)	(23,375)	(2,686)
Total capital	26,266	23,810	24,973	22,626
Capital and net debt	54,009	48,014	28,184	27,768
Gearing ratio (%)	51	50	11	19

32. Fair value of financial assets and financial liabilities

Fair value hierarchy

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).

<u>Fair value of financial instruments that are not carried at fair value</u>

The carrying amounts of trade and other receivables, cash and bank balances, trade and other payables and current interest bearing 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.

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

Fair value hierarchy (Continued)

Fair value of financial instruments that are carried at fair value

The fair value of available-for-sale financial assets and derivative financial instruments are disclosed in Note 8 and Note 11 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			
2018			
Financial assets			
Available-for-sale financial assets			
- Unquoted equity shares	-	30,460	-
Derivative financial instruments	-	5	-
2017			
Financial assets			
Available-for-sale financial assets			
- Unquoted equity shares	-	-	6,795
Financial liabilities			
Derivative financial instruments	-	29	-

There have been no transfer between Level 1, Level 2 and Level 3 during 2018 and 2017, except as disclosed below.

Transfer out of Level 3

During the financial year ended 31 August 2018, the Group transferred the available-for-sale unquoted equity shares from Level 3 to Level 2 of the fair value hierarchy. The carrying amount of the available-for-sale financial assets transferred was $30,460,000.

The available-for-sale unquoted equity shares was transferred from Level 3 to Level 2 as information was available with reference to the recent acquisitions and disposals of the equity instruments between the independent third parties of the available-for-sale unquoted equity shares during the financial year (Note 8). Prior to the transfer, the fair value of the financial asset was determined using valuation model incorporating significant unobservable inputs. Since the transfer, the fair value of the financial asset is determined based on most recent agreed sales consideration of the available-for-sale unquoted equity shares with no significant changes to the operation of investee company that may have an impact to the fair value from the respective date of disposal to financial year ended 31 August 2018.

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

Fair value hierarchy (Continued)

Fair value of financial instruments that are carried at fair value (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.

In 2017, the valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial Instrument	Valuation techniques used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
Unquoted equity shares	Income approach based on discounted cash flow analysis	– Revenue is forecasted with an average growth rate of 59% from FY2018 to FY2020, normalised revenue for FY2021 to FY2023 with an average growth rate of 11% from FY2021 to FY2023	- A slight increase in the long term revenue growth rate would result in an increase in the fair value.
		– Average gross profit margin of 29% from FY2018 to FY2023	- A slight increase in the average gross profit margin would result in an increase in the fair value.
		– Terminal value growth rate of 3%	- A slight increase in the terminal value growth rate would result in an increase in the fair value.
		– Weighted average cost of capital of 13% to 15%	- A slight increase in the weighted average cost of capital would result in a decrease in the fair value.
		– Minority discount rate of 23%	- A slight increase in the minority discount rate would result in a decrease in the fair value.
		– Marketability discount rate of 30%	- A slight increase in the marketability discount rate would result in a decrease in the fair value.

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

Fair value hierarchy (Continued)

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

Management of the Group oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 *Fair Value Measurement* guidance.

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

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

33. Contingent liabilities

As at the end of the financial year, there were contingent liabilities in respect of corporate guarantees of $31,917,000 (2017: $29,317,000) given by the Company for credit facilities granted to the Group's subsidiary, third party (former subsidiary) and third party (former associate) (2017: Group's subsidiary, a related party (former subsidiary) and a third party (former associate)). 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 $454,000 (2017: $895,000) and $17,263,000 (2017: $17,525,000) 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.

34. Event subsequent to the reporting date

The Group has a 57.48% interest in GD Tech (H.K.) Private Co., Limited ("GD Tech HK"), as disclosed in Note 7. On 7 October 2018, the Company entered into a Sale and Purchase agreement with a shareholder and the director of GD Tech HK for the disposal of its entire shareholding of 16,900,000 shares in GD Tech HK for a cash consideration of $6,500,000. The Company has received a non-refundable deposit of $1,000,000 on 9 October 2018. The disposal is expected to be completed by March 2019.

The Group will deconsolidate certain subsidiaries, GD Tech HK and its directly held subsidiaries namely GD Tech (Dongguan) Co., Ltd, GD Tech (Zhuzhou) Co., Ltd, GD Precision (Shanghai) Co., Ltd and GD Tech Pte. Ltd. upon completion subsequent to financial year end.

As at 31 August 2018, the financial effect of the disposal is estimated with a loss on disposal of $2,647,000 and net cash inflow of $1,921,000 assuming the deconsolidation is at the end of current financial year.

STATISTICS OF SHAREHOLDINGS

As At 30 November 2018

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	5,650	73.67	91,830	0.31
100 - 1,000	1,287	16.78	428,988	1.43
1,001 - 10,000	588	7.67	2,014,751	6.74
10,001 - 1,000,000	137	1.79	13,043,796	43.62
1,000,001 AND ABOVE	7	0.09	14,325,857	47.90
TOTAL	**7,669**	**100.00**	**29,905,222**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	3,966,450	13.26
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	PEH HUAN HENG	1,484,000	4.96
6	TEO ENG THIAN	1,477,500	4.94
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,172,907	3.92
8	ONG BEE MOI	978,000	3.27
9	ONG AH PIAN OR TAN MEE HONG	946,800	3.17
10	CITIBANK NOMINEES SINGAPORE PTE LTD	874,241	2.92
11	TOH CHIN HENG	857,500	2.87
12	TOH SIEW LAN	784,200	2.62
13	LOH SUAN LEN	526,375	1.76
14	TAN AH SONG	436,400	1.46
15	CHEN RONGLI	408,500	1.37
16	WU JIAN	401,250	1.34
17	LOW SIEW SIEW (LIU XIUXIU)	400,000	1.34
18	TOH CHIN WAH (ZHUO ZHENHUA)	373,250	1.25
19	SOH LIAN EU	369,500	1.24
20	RAFFLES NOMINEES (PTE) LIMITED	313,486	1.05
	TOTAL	**21,995,359**	**73.56**

STATISTICS OF SHAREHOLDINGS

As At 30 November 2018

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 2018

	Direct Interest		Deemed Interest	
	No. of Shares	**%**	**No. of Shares**	**%**
Ong Tze King	–	–	1,495,758(1)	5.002
Low Chin Kwee & Ng Ban Low	–	–	2,370,000(2)	7.925
Teo Teck Leong	20	0.000	2,586,400(3)	8.649
Teo Eng Hwee	1,925,000	6.437	–	–
Teo Eng Shing	1,925,000	6.437	–	–

(1)	1,495,758	held in the name of DBS Nominees Pte Ltd for Ong Tze King
(2)	2,370,000	held in the name of DBS Nominees Pte Ltd for Low Chin Kwee & Ng Ban Low
(3)	199,400	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.*
	2,586,400	

* 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 57.93% 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 Twenty-Ninth Annual General Meeting of Shinvest Holding Ltd. (the "Company") will be held at RELC International Hotel, Room 503, Level 5, 30 Orange Grove Road (off Orchard Road), Singapore 258352 on Friday, 28 December 2018 at 10.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 August 2018. **Resolution 1**

2. To declare a first & final tax exempt (one-tier) dividend of 3 cents per ordinary share for the financial year ended 31 August 2018. **Resolution 2**

3. To declare a special tax exempt (one-tier) dividend of 3 cents per ordinary share for the financial year ended 31 August 2018. **Resolution 3**

4. To re-elect Mr Teo Eng Thian, the Director who retires pursuant to Article 87 of the Constitution of the Company and being eligible, will offer himself for re-election. **Resolution 4**

5. To approve Directors' fees of S$71,923.28 (2017: S$77,500) for the financial year ended 31 August 2018 **Resolution 5**

6. To re-appoint BDO LLP as Independent Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

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

AS SPECIAL BUSINESS

8. To consider and, if thought fit, to pass, with or without modifications, the following resolution as an Ordinary Resolution:- **Resolution 7**

   Authority to issue shares

   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.

By Order of the Board

Voo Kim Seng
Company Secretary

Singapore
13 December 2018

NOTES

1. A Member entitled to attend and vote at the Annual General Meeting ("AGM") is entitled to appoint not more than two proxies to attend and vote in his/her stead. Such proxy need not be a Member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.

2. A member who is a relevant intermediary (as defined in Section 181 of the Companies Act) is entitled to appoint more than two proxies to attend and vote at the AGM but each proxy must be appointed to exercise the rights attached to a different share(s) held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

3. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office at 3, Kian Teck Crescent, Singapore 628881, not less than 48 hours before the time for holding the above AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED

The proposed Ordinary Resolution 7, 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.

PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy 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"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

SHINVEST HOLDING LTD.
(Incorporated in the Republic of Singapore)
Company Reg. No. 198905519R

IMPORTANT:

1. *Pursuant to Section 181 of the Companies Act, Relevant intermediary may appoint more than two (2) proxies to attend the Annual General Meeting.*
2. *For CPF/SRS investors who have used their CPF monies to buy ordinary shares in the capital of Shinvest Holding Ltd. ("Shares"), this report is forwarded to them at the request of their CPF Agent Banks and is sent solely FOR INFORMATION ONLY.*
3. *This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.*
4. *A CPFSRS investor who wishes to attend the Annual General Meeting as proxy has to submit his request to his CPF Agent Bank so that his CPF Agent Bank may appoint him as its proxy within the specified timeframe.*

Personal Data Privacy

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

PROXY FORM
Annual General Meeting

I/We, ______________________________ (Name)

of ______________________________ (Address)
being a member/members of the abovenamed Company, hereby appoint

	Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)
(a)				
and/or (delete as appropriate)				
(b)				

or failing him/them, the Chairman of the Annual General Meeting ("AGM") as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM of the Company to be held at RELC International Hotel, Room 503, Level 5, 30 Orange Grove Road (off Orchard Road), Singapore 258352 on Friday, 28 December 2018 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain from voting as he/they may think fit, as he/they will on any other matter arising at the AGM.

All Resolutions put to the vote at the AGM shall be decided by poll.

No.	Resolutions relating to:	No. of votes For	No. of votes Against
1	Adoption of Directors' Statement and Financial Statements		
2	First & final dividend		
3	Special dividend		
4	Re-election of Mr Teo Eng Thian as Director		
5	Approval of Directors' fees		
6	Re-appointment of BDO LLP as Independent Auditors		
7	Authority to Directors to issue shares		

* Please indicate your vote "For" or "Against" each Resolution with a tick (ü) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" the relevant Resolution.

Dated this __________ day of ____________________ 2018

Total number of shares Held	

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

IMPORTANT: PLEASE READ NOTES ON THE REVERSE

Notes:

1. A member of the Company entitled to attend and vote at the above meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company and where there is more than one proxy, the number of Shares to be represented by each proxy must be stated.

2. A member who is a relevant intermediary (as defined in Section 181 if the Companies Act) is entitled to appoint more than two proxies to attend and vote at the AGM but each proxy must be appointed to exercise the rights attached to a different share(s) held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy. In relation to a Relevant Intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of Shares and percentage) in relation to which the proxy has been appointed. CPF Agent Bank who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

3. This Proxy Form must be signed by the appointor or his/her duly authorised attorney or, if the appointor is a body corporate, signed by a duly authorised officer or his attorney and affixed with its common seal thereto.

4. This instrument appointing a proxy [together with the power of attorney (if any) under which it is signed or a certified copy thereof], must be deposited at the registered office of the Company at 3, Kian Teck Crescent, Singapore 628881 not less than 48 hours before the time fixed for holding the AGM.

fold along this line (1)

Please affix postage stamp

The Company Secretary
Shinvest Holding Ltd.
3, Kian Teck Crescent
Singapore 628881

fold along this line (2)

5. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), 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. However, if you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the proxy form shall be deemed to relate to all the Shares held by you (in both the Depository Register and the Register of Members).

6. The Company shall be entitled to reject this instrument of proxy if it is incomplete, not properly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument of proxy. In addition, in the case of members whose shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company may reject any instrument of proxy lodged if such member is not shown to have shares entered against his name in the Depository Register 72 hours before the time fixed for holding the Annual General Meeting as certified by CDP to the Company.

SHINVEST HOLDING LTD.
旭阳控股有限公司

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Singapore 628881

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