



BROADWAY INDUSTRIAL GROUP LIMITED

SCALING NEW HEIGHTS

ANNUAL
REPORT
2020



TABLE OF CONTENTS



01	CORPORATE PROFILE
02	CHAIRMAN'S STATEMENT AND EXECUTIVE REVIEW
05	BOARD OF DIRECTORS & CEO
07	FINANCIAL HIGHLIGHTS
08	CORPORATE INFORMATION
09	CORPORATE GOVERNANCE REPORT
30	STATEMENT BY DIRECTORS
36	INDEPENDENT AUDITOR'S REPORT
41	FINANCIAL STATEMENTS
115	STATISTICS OF SHAREHOLDINGS
117	NOTICE OF ANNUAL GENERAL MEETING
126	ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION
128	APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING
	PROXY FORM

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



Listed on the Mainboard of the Singapore Exchange Securities Trading Limited since 1994, Broadway Industrial Group Limited (the “Company”) is one of the leaders in the manufacture of precision components and assemblies. Through its wholly-owned subsidiary, BGL Asia Pte. Ltd., and its subsidiaries (together with the Company, “BGL”), BGL is a key provider of actuator arms, assemblies and other related parts mainly for the global hard disk drive (“HDD”) industry. BGL is a trusted partner and has grown with our customers, who are recognised leaders in the HDD industry, for the past 25 years. Headquartered in Singapore, BGL has 4 manufacturing facilities in China and Thailand and employs about 3,500 people.

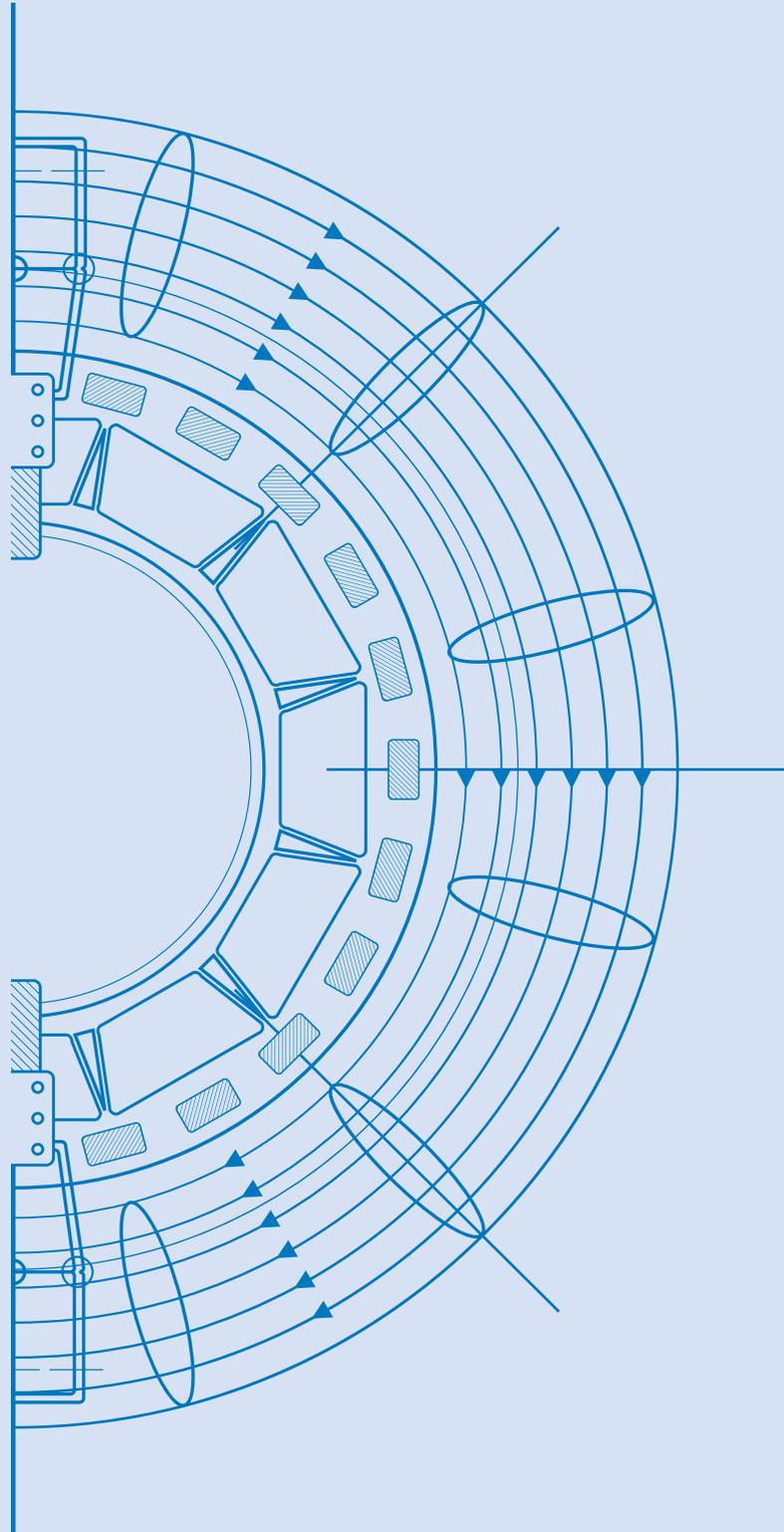


In 2020, the Company entered into an equity purchase agreement to acquire a 55% equity stake in Beijing Ant Brothers Technology Co., Ltd. (“BAB”) registered in Zhongguancun Science and Technology Park of Mentougou outer suburban district of Beijing. BAB develops light weight, low-power consumption and high-efficiency cleaning robots for large glass facades on building exterior.

BAB is leveraging on BGL’s chain and manufacturing competencies to enhance its robot design and efficiencies for the cleaning service industry, encompassing office and commercial building facades, other architectural glass curtain walls and solar panels. It will expand the application of big data technology in robot service processes and utilise artificial intelligence (“AI”) to optimise the potential of AI robot cleaning.

CHAIRMAN'S STATEMENT AND EXECUTIVE REVIEW

Against the backdrop of the declining HDD business, the Company announced on 31 December 2020 the signing of a conditional sale and purchase agreement for the proposed disposal of the Group's HDD business. Taking into consideration the longer-term prospects of the HDD business and the financial position of the Group, we believe that the proposed disposal presents a good opportunity to unlock value in the best interest of the Company and shareholders.



CHAIRMAN'S STATEMENT AND EXECUTIVE REVIEW

DEAR SHAREHOLDERS,

GENERAL REVIEW

2020 was a challenging year for many businesses globally. The hard disk drive (“HDD”) industry was not spared from the COVID-19 pandemic which impacted lives, livelihoods and operations. During the early days of the outbreak and lockdowns, most HDD operations globally had to shut down, including our operations in China. As a result, the HDD industry's supply chain was greatly disrupted. Despite the negative outlook and the uncertainty then, the Group was able to mitigate the impacts of the pandemic by reducing costs, streamlining processes, improving productivity and strengthening quality performance through the restructuring and consolidation of our HDD operations. The Group's financial and operational performances improved significantly during the year, returning to profitability. In addition, since the onset of the COVID-19 pandemic, one of the main priorities of the Group was to implement stringent measures to safeguard the health and safety of our employees. The Group is glad to note that there has been no report of infection among our staff to-date.

The HDD industry has been declining both in volume and revenue for several years, as a result of the advent of solid state drive which has replaced HDD in a variety of computer systems. Against the backdrop of the declining HDD business, the Company announced on 31 December 2020 the signing of a conditional sale and purchase agreement for the proposed disposal of the Group's HDD business. Taking into consideration the longer-term prospects of the HDD business and the financial position of the Group, we believe that the proposed disposal presents a good opportunity to unlock value in the best interest of the Company and shareholders.

In 2020, to help mitigate business risk through diversification, the Company entered into an equity purchase agreement to acquire a 55% equity stake in Beijing Ant Brothers Technology Co., Ltd. (“BAB”) registered in Zhongguancun Science and Technology Park of Mentougou outer suburban district of Beijing. BAB develops light weight, low-power consumption and high-efficiency cleaning robots for large glass facades on building exterior. Despite having to overcome challenges during the COVID-19 pandemic, the Company's plans to launch its robotic cleaning business in the first half of 2021 remain on schedule.

FINANCIAL REVIEW

The Group's revenue, which was primarily generated by its HDD business, increased by 30.7% from S\$306.6 million in FY2019 to S\$400.7 million in FY2020, mainly due to higher average selling prices from product mix shift towards higher value enterprise and nearline products. The volume of enterprise and nearline products grew by 33% year-on-year to about 40% of the total volume sold by the Group.

The Group's gross profit margin increased from 3.4% in FY2019 to 6.9% in FY2020, as a result of continued cost reduction, productivity and efficiency improvements made in the HDD manufacturing operations, and better working capital management.

The earnings before interest, tax, depreciation and amortisation (“EBITDA”) for the Group came in at S\$29.9 million in FY2020 as compared to a negative S\$0.5 million in FY2019. The Group's core EBITDA excluding net foreign currency exchange gains/losses and all exceptional items was S\$30.4 million in FY2020 as compared to S\$11.9 million in FY2019. The improvement in EBITDA is a direct result of the improved operating profit from the HDD business.

The Group recorded net cash from operating activities of S\$42.3 million in FY2020 as compared to S\$18.1 million in FY2019. The higher net cash from operating activities in FY2020 was mainly due to higher operating profit and improvement in working capital from the HDD business. Net cash used in investing activities, which was mainly for capital expenditure for the HDD business, was S\$3.4 million in FY2020 as compared to S\$6.7 million in FY2019. Net cash used in financing activities was S\$17.5 million in FY2020 as compared to S\$16.1 million in FY2019 mainly due to higher repayment of bank borrowings in the HDD business.

The Group returned from a negative working capital of S\$26.2 million as at 31 December 2019 to a positive working capital of S\$55.0 million as at 31 December 2020. The working capital was S\$9.0 million as at 31 December 2020 without the accounting reclassification of current assets and liabilities related to the proposed disposal of the HDD business.

The Net Asset Value per share of the Group increased to 15.92 cents as at 31 December 2020 from 13.21 cents as at 31 December 2019.

CHAIRMAN'S STATEMENT AND EXECUTIVE REVIEW

OUTLOOK AND FUTURE PROSPECTS

Although the COVID-19 pandemic has normalised remote work and learning which drove increased demand for HDD during FY2020, the HDD industry continues to show a long-term downward trend in shipment units. According to a report by TrendFocus, Inc., the total HDD shipment volume for FY2020 fell a sharp 18.2% from 317.51 million units to 259.81 million units. The HDD total available market is forecast to fall to about 220 million units by 2024.

Following the proposed disposal, with a stronger balance sheet, the Company will be able to explore more fully the various options available to the Company and shareholders while accelerating the execution of its business plans for the robotic cleaning business and exploring new markets to launch the business. We believe that BAB has the potential to lead positive transformation in the cleaning industry as a market leader. Using artificial intelligence cleaning robot, BAB aspires to mitigate the impacts of the cleaning industry, which is labour intensive and costly, particularly in countries where wages are high, and it can be difficult to deploy workers who are willing to perform such high risk jobs. We are confident that with a sizeable market potential of the building façade cleaning business, the Chinese market will provide an anchored platform to launch our business plans. The Group also has plans to launch its robotic cleaning business in Singapore and other overseas markets.

As part of its diversification effort to help change the profile of the Group's business and bring value to shareholders, the Company will actively find new opportunistic strategic investments.

CHALLENGES FOR THE GROUP

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

On another front, the COVID-19 pandemic slowed down our product development and sales and marketing in BAB in FY2020. During this period, BAB focused on completing its R&D and carrying out testing while staying prudent in managing its operating expenses. Despite the challenges in FY2020 and that of a start-up company, BAB is on track for commercialisation in the first half of 2021. As a pioneer in the robotic cleaning industry, it is expected that BAB will face challenges in its growth plan. However, we believe that with BAB leveraging on the Company's supply chain network and manufacturing competencies, it will emerge as a long-term valuable key player in the cleaning industry.

APPRECIATION

In these unforeseen uncertain times, our survival and success are dependent on the support of our customers, suppliers and other business partners, whom we sincerely thank. We would also like to thank our management staff and employees for their hard work and dedication. We are equally grateful to our Board members for their support and guidance during a trying year. We would like to express our sincere appreciation to Mr Ng Ah Hoy who retired as a Non-Executive Director at the last Annual General Meeting, and to Mr Lee Chow Soon who is retiring as the Lead Independent Director at this coming Annual General Meeting, for their invaluable contributions over the years. Finally, we also thank our bankers and shareholders for staying with us through these challenging times.

LEW SYN PAU

Chairman

TAN CHOON HOONG

Chief Executive Officer

MR LEW SYN PAU

Non-Independent Non-Executive Chairman
Member, Audit Committee
Member, Remuneration Committee
Member, Nomination Committee

Mr Lew Syn Pau was appointed as our Independent Director on 2 November 2011 and was re-designated as our Non-Independent Non-Executive Chairman on 1 January 2019. He was last re-elected on 26 April 2019.

A Singapore Government Scholar, Mr Lew began his career with the Singapore Government Administrative Service. He was a Member of Parliament from 1988 to 2001 and the President of The Singapore Manufacturers' Federation from July 2002 to June 2006. His prior work experience included being General Manager and Senior Country Officer of Banque Indosuez, Singapore Branch, Executive Director of NTUC Fairprice Co-operative Limited, Managing Director of NTUC Comfort Co-operative Limited and Assistant Secretary-General of NTUC. He is the Independent Chairman of SUTL Enterprise Limited and an Independent Director of Golden Agri-Resources Ltd, Golden Energy and Resources Limited and Sinarmas Land Limited.

Mr Lew holds a Master of Engineering from Cambridge University, United Kingdom and a Master of Business Administration from Stanford University, United States of America.

MR LEE CHOW SOON, BBM

Lead Independent Director
Chairman, Audit Committee
Member, Remuneration Committee
Member, Nomination Committee

Mr Lee Chow Soon joined the Board on 24 October 1994 and was appointed as our Lead Independent Director on 1 January 2019. He was last re-elected on 26 April 2019.

Mr Lee has been practising as an Advocate and Solicitor and is currently a Senior Partner of Messrs Tan Lee & Partners. He is the Chairman of the Board of Trustee of the Woodbridge Hospital Charity Fund and a Director of Woodbridge Hospital Charity Fund Limited. He is also a Member of the Complaints Committee of the Traditional Chinese Medical Practitioners Board and the Management Committee of Lejia Society. He is a Racing Steward with the Singapore Turf Club and an Adjudicator with Financial Industry Disputes Resolution Centre Limited. He served as a Justice of the Peace from 2003 to 2018 and was awarded PBM in 1998 and BBM in 2006.

Mr Lee holds a Degree in Law from the University of London and an Honours Degree in Law from the University of Singapore.

MR EU YEE MING RICHARD, PBM

Independent Director
Chairman, Remuneration Committee
Chairman, Nomination Committee
Member, Audit Committee

Mr Eu Yee Ming Richard was appointed as our Independent Director on 15 September 2005. He was last re-elected on 27 April 2018.

Mr Eu is the Chairman of Eu Yan Sang International Ltd and SGX-listed Tuan Sing Holdings Limited. He also sits on the boards of other private sector companies as well as non-profit organisations such as the Singapore University of Social Sciences and the Thye Hua Kwan Moral Charities. Prior to his more than 30-year career with the Eu Yan Sang Group, Mr Eu worked in diverse industries such as merchant banking, computer distribution and investment. He has been given several awards including the EY Entrepreneur of the Year 2011 (Singapore) and the Singapore Corporate Awards 2010 CEO of the Year of SGX-listed companies with a market capitalisation of under S\$300 million.

Mr Eu holds a Bachelor of Laws from the University of London, United Kingdom.

BOARD OF DIRECTORS & CEO

MR BASIL CHAN

Independent Director
Member, Audit Committee
Member, Remuneration Committee
Member, Nomination Committee

Mr Basil Chan was appointed as our Independent Director on 1 December 2019. He was last re-elected on 26 June 2020.

Mr Chan has more than 35 years of audit, financial and general management experience having held senior finance positions in both private and public companies. He is the Founder and Managing Director of MBE Corporate Advisory Pte. Ltd. He is currently an Independent Director of AEM Holdings Ltd., Grand Banks Yachts Limited, Memories Group Limited and Nera Telecommunications Ltd. He was a former Council Member and Board Director of the Singapore Institute of Directors (“**SID**”), where he served for 12 years and was a member of the Corporate Governance Committee in 2001 that developed the Singapore Code of Corporate Governance. He was formerly the Deputy Chairman of the Corporate Governance Committee of the Institute of Singapore Chartered Accountants (“**ISCA**”) and a Member of the Accounting Standards Committee and Auditing & Assurance Standards Committee of ISCA.

Mr Chan holds a Bachelor of Science (Economics) degree majoring in Business Administration from the University of Wales Institute of Science and Technology, United Kingdom. He is a Fellow Member of the Institute of Chartered Accountants in England and Wales as well as a Fellow Chartered Accountant of ISCA. He is also a Fellow of the SID.

MS WONG YI JIA

Non-Independent Non-Executive Director
Member, Remuneration Committee
Member, Nomination Committee

Ms Wong Yi Jia was appointed as our Non-Executive Director on 30 March 2015. She was last re-elected on 26 June 2020.

Ms Wong was the Corporate Legal Counsel of the Group from July 2012 to March 2015 and was also the Joint Company Secretary of the Company. She is currently a Partner at Allen & Gledhill LLP.

Ms Wong holds a Bachelor of Laws from King’s College London and a Master of Laws from University College London.

MR TAN CHOON HOONG

Chief Executive Officer

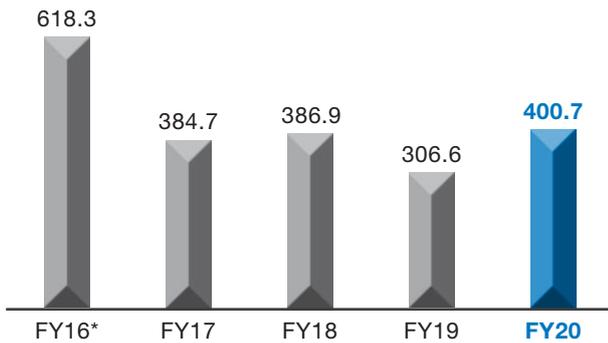
Mr Tan Choon Hoong was appointed as our Chief Executive Officer on 5 August 2019. He is responsible for providing leadership in the development of strategic plans to advance the Group’s mission and objectives. He is also accountable for achieving the revenue, profitability and growth targets of the Group and ensuring production efficiency, quality, service and cost-effective management of resources. He is also on the boards of our various subsidiaries.

Mr Tan started his career with Seagate Technology and has since amassed more than 30 years of experience in the hard disk drive (“**HDD**”) industry covering a wide scope including setup and management of operations, sales, marketing and business development activities, and strategic planning and management. He has also managed HDD component manufacturing operations in Singapore, Thailand and China.

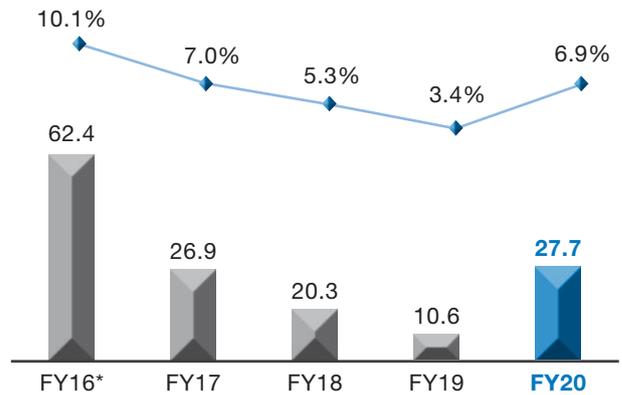
Mr Tan holds a Master of Business Administration from Preston University, a Diploma in Marketing Management from the Singapore Management Institute and a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

FINANCIAL HIGHLIGHTS

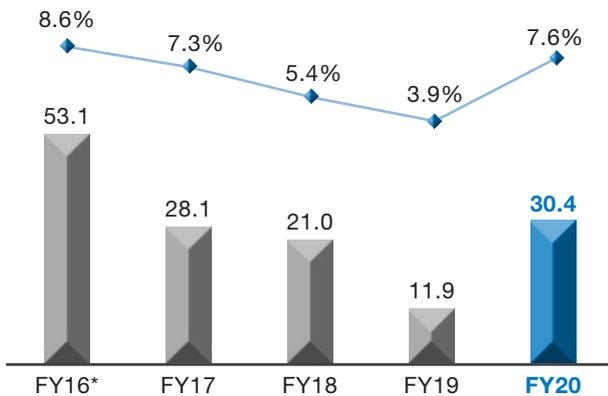
TURNOVER (\$\$' MIL)



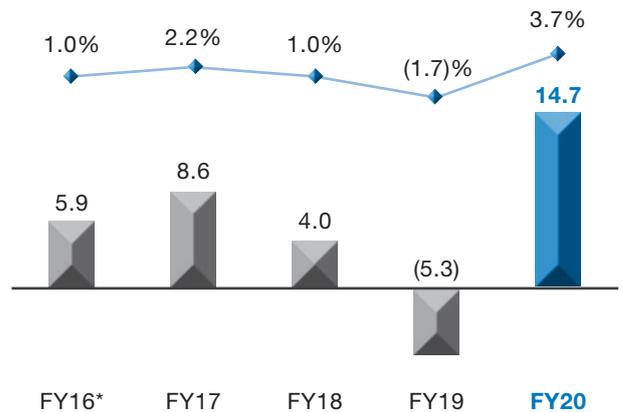
GROSS PROFIT (\$\$' MIL)



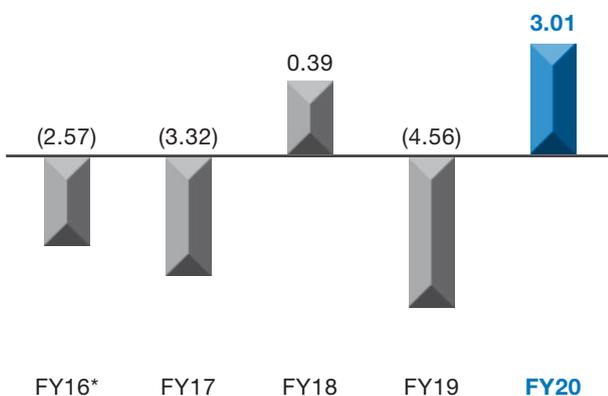
CORE EBITDA EXCLUDING NET FOREX GAIN/LOSSES AND ALL EXCEPTIONAL ITEMS (\$\$' MIL)



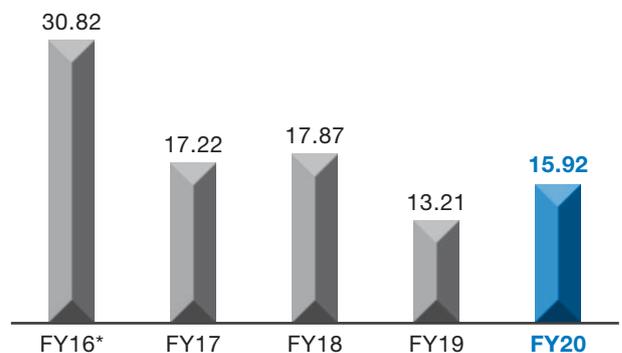
CORE PATMI EXCLUDING NET FOREX GAIN/LOSSES AND ALL EXCEPTIONAL ITEMS (\$\$' MIL)



EPS (\$\$ CENTS)



NAV PER SHARE (\$\$ CENTS)



* Includes the 2 divisions that were disposed in 2016.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lew Syn Pau	Non-Independent Non-Executive Chairman
Lee Chow Soon	Lead Independent Director
Eu Yee Ming Richard	Independent Director
Basil Chan	Independent Director
Wong Yi Jia	Non-Independent Non-Executive Director

AUDIT COMMITTEE

Lee Chow Soon (*Chairman*)
Lew Syn Pau
Eu Yee Ming Richard
Basil Chan

REMUNERATION COMMITTEE

Eu Yee Ming Richard (*Chairman*)
Lew Syn Pau
Lee Chow Soon
Basil Chan
Wong Yi Jia

NOMINATION COMMITTEE

Eu Yee Ming Richard (*Chairman*)
Lew Syn Pau
Lee Chow Soon
Basil Chan
Wong Yi Jia

REGISTERED OFFICE

3 Fusionopolis Way
#13-26 Symbiosis
Singapore 138633
Tel: (65) 6236 0088
Fax: (65) 6226 6119
Email: ir@bigl.com.sg
Website: www.bw-grp.com

JOINT COMPANY SECRETARIES

Ho Yu Han, Genevieve
Gan Lee Teng

AUDITORS

RSM Chio Lim LLP

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

Audit Partner-in-charge:
Tan Wei Ling

*(appointed with effect from the financial year ended
31 December 2019)*

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355

CORPORATE GOVERNANCE REPORT

Broadway Industrial Group Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) are committed to upholding high standards of corporate governance. The Board of Directors of the Company (the “**Board**”) has established, as far as practicable, various self-regulating and monitoring mechanisms for the Group to ensure that effective corporate governance is practised in line with the Code of Corporate Governance 2018 (the “**Code**”) and relevant rules in the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

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

BOARD MATTERS

The Board’s Conduct of its Affairs

Principle 1

The Company is headed by an effective Board which is collectively responsible and works with management (“**Management**”) for the long-term success of the Company.

Provision 1.1 Board’s Role

The primary role of the Board is to provide entrepreneurial leadership, set the Group’s strategic plans and objectives, identify principal risks of the Group’s businesses, ensure the implementation of appropriate internal controls and risk management systems to manage these risks, and review the financial performance of the Group. The Board also identifies key stakeholder groups such as shareholders, lenders, suppliers, customers, Management and employees and recognises that their perceptions may affect the Group’s reputation.

The Board sets appropriate tone-from-the-top and desired organisational culture, supervises the management of the businesses and affairs of the Group and holds Management accountable for the Group’s performance. The Board has put in place internal policies to ensure that there is transparency and accountability within the Group and regularly reviews these policies.

All Directors objectively discharge their duties and responsibilities as fiduciaries and act honestly with due care and diligence in the best interests of the Group. When faced with conflicts of interest, Directors recuse themselves from discussions and decisions involving issues of conflict in line with the Company’s Conflicts of Interest Policy which was reviewed and updated by the Board during the financial year ended 31 December 2020 (“**FY2020**”). The policy sets out the applicable guidelines when dealing with instances of potential or actual conflicts of interest to protect the interests of the Group, such as a duty to disclose any personal, professional or business interests that may interfere or have the potential of interfering with that of the Group’s and avoid competing interests. The policy also sets out non-exhaustive situations in which there may be a conflict of interests.

CORPORATE GOVERNANCE REPORT

Provision 1.2 **Directors' Duties and Responsibilities**

All Directors are provided with opportunities and trainings to understand the Group's businesses and their directorship duties. When new Directors are appointed to the Board, they are provided with a formal letter setting out their duties, obligations and responsibilities. Newly appointed Directors attend orientation programmes where they are briefed on the Group's policies, processes, business activities, strategic direction and regulatory environment in which the Group operates. Newly appointed Directors are also introduced to Management and invited to tour the Group's manufacturing facilities.

On an ongoing basis, Directors and Management are updated on new laws that may affect the Group's businesses and changes in regulatory requirements and financial reporting standards. They are encouraged to undergo relevant training, at the Company's expense, to enhance their skills and knowledge particularly on new laws and regulations affecting the Group's operations and governance practices. They also regularly receive details of relevant seminars and events conducted by third party institutions such as the Singapore Institute of Directors. These ensure that the Directors are kept abreast on matters that may affect and/or enhance their performance as Directors.

During FY2020, all the Directors and Management had received updates on regulatory and reporting requirements such as corporate governance, financial reporting and changes in regulations.

Provision 1.3 **Matters Requiring Board Approval**

The Company has implemented internal guidelines governing matters that require the Board's approval which have been clearly communicated to Management. The Board approves transactions which exceed certain threshold limits, while delegating authority for transactions below the prescribed limits to the Board Committees, namely the Audit Committee ("**AC**"), Remuneration Committee ("**RC**") and Nomination Committee ("**NC**"), and Management.

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

Provision 1.4 **Delegation of Authority to Board Committees**

The Board is supported by the Board Committees that have been established to assist in the execution of its responsibilities. Each of the Board Committees operates under delegated authority from the Board, with the Board retaining oversight and ultimate responsibility, and has its own written terms of reference setting out its composition, authorities and duties. The terms of reference and any changes thereof must be approved by the Board.

CORPORATE GOVERNANCE REPORT

The Board Committees are authorised by the Board to investigate any matter within their respective terms of reference and have full access to, and cooperation of Management. The Board Committees have full discretion to invite any Director or Management to attend their meetings and are provided with adequate resources, at the Company's expense, to enable them to discharge their duties properly. Through the respective Chairmen, the Board Committees provide regular updates of their activities to the Board. All resolutions and minutes of meetings of Board Committees are also provided to the Board.

Information on the Board Committees including their authorities and a summary of their activities is set out further in this report.

Provision 1.5

Attendance at Board and Board Committee Meetings

The Board meets at least once quarterly. The schedule of Board and Board Committee meetings, as well as the Annual General Meeting ("AGM"), for each calendar year is set and issued to Directors well in advance. Ad hoc meetings are convened when there are matters which require the Board's decision.

All Directors, including those with multiple board representations, attend and actively participate in the Board and Board Committee meetings, and ensure that sufficient time and attention are given to the affairs of the Company. The number of Board and Board Committee meetings as well as general meetings held in FY2020 and the attendance of Directors during these meetings are tabled as follows:

Meetings	Board Meetings	AC Meetings	NC Meetings	RC Meetings	General Meetings
Number of Meetings held	6	4	1	4	1
Directors					
Lew Syn Pau	6	4	1	4	1
Lee Chow Soon	6	4	1	4	1
Eu Yee Ming Richard	6	4	1	4	1
Basil Chan ⁽¹⁾	6	4	0	3	1
Wong Yi Jia	6	4*	1	4	1
Ng Ah Hoy ⁽²⁾	3	2*	–	–	1

Notes:

* By invitation

- (1) Mr Basil Chan was appointed as a member of the NC and the RC on 24 February 2020.
- (2) Mr Ng Ah Hoy retired as a Director of the Company on 26 June 2020.

The Company's Constitution permits Board meetings to be held by way of telephone or video conference or any other electronic means of communication by which all persons participating in the meeting are able, contemporaneously, to hear and be heard by all other participants. All Directors receive the relevant Board and Board Committee papers even if they may not be able to attend the meetings. Besides meetings where the minutes are circulated to members for review and confirmation, the Board and Board Committees also approve matters through circulating resolutions.

CORPORATE GOVERNANCE REPORT

Provision 1.6 **Access to Information**

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

The Board and Board Committee papers are generally circulated to Directors prior to the meetings to provide them with sufficient time to obtain further explanations, where necessary, in order to prepare for and participate effectively during the meetings. Sensitive matters may be tabled at the meetings or discussed without papers being circulated or tabled. Directors also have full access to the Group's records and are provided with additional information as needed for them to make informed decisions and discharge their duties and responsibilities.

Provision 1.7 **Access to Management, Company Secretary and External Advisers**

The Board has separate and independent access to Management and the Company Secretaries at all times through telephone, email and face-to-face meetings.

The Company Secretaries are responsible for, *inter alia*, ensuring that Board procedures are observed and that the relevant rules are complied with. The Company Secretaries assist the Chairmen of the Board and Board Committees in the development of the agendas of meetings, attend all such meetings and prepare minutes of meetings. The Company Secretaries also assist the Chairman and the Board in implementing and strengthening corporate governance practices and processes, with a view to enhancing long-term shareholders' value. The appointment and removal of the Company Secretaries is a decision of the Board as a whole.

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

Board Composition and Guidance

Principle 2

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

CORPORATE GOVERNANCE REPORT

Provisions 2.1, 2.2 and 2.3 Board Composition

The Board currently comprises five Directors, of whom three are Independent Directors and two are Non-Independent Non-Executive Directors. The composition of the Board and Board Committees is tabled as follows:

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

Currently the Independent Directors make up a majority of the Board where the Chairman is not independent, and all Directors are non-executive.

The independence of each Director is assessed and reviewed annually by the NC. In its deliberation as to each Director's independence, the NC takes into account examples of relationships in the Code and considered whether a Director has business relationships with the Group, its substantial shareholders or its officers and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment in the interest of the Group. All Independent Directors also complete a confirmation of independence form annually based on the Code.

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

Mr Lee Chow Soon and Mr Eu Yee Ming Richard have served on the Board for more than nine years. The NC had rigorously assessed the independence of these two Directors, as well as their judgment and conduct in carrying out their duties as Directors of the Company. During FY2020, the Company received professional services rendered from Messrs Tan Lee & Partners where Mr Lee is the Senior Partner. The NC is of the view that the value of the said services was insubstantial and not material and the business relationship with Messrs Tan Lee & Partners has not interfered with the exercise of Mr Lee's independent business judgment in the interest of the Group. Based on its assessment, the NC has determined Mr Lee and Mr Eu to be independent, noting that in the discharge of their duties as Directors they have continued to demonstrate independent mindedness and conduct in the best interest of the Group, despite their extended tenure in office.

CORPORATE GOVERNANCE REPORT

The NC is of the view and the Board concurs that all the 3 Independent Directors, namely Mr Lee Chow Soon, Mr Eu Yee Ming Richard and Mr Basil Chan are independent for FY2020, with Directors abstaining from voting on their respective independence. The NC and the Board are satisfied that there is a strong and independent element on the Board, enhancing its capability to exercise objective judgment on corporate affairs of the Group. However, in view of the amendments to the SGX-ST's Listing Rules which will come into effect from 1 January 2022, requiring the re-appointment of Independent Directors who have served on the Board beyond nine years from the date of their appointment to be subjected to a two-tier shareholders voting, the Company is in the process of reviewing the Board renewal process in line with its succession plans. As part of the Company's succession planning, Mr Lee is retiring as a Director at the forthcoming AGM and will not offer himself for re-election.

Provision 2.4 Board Diversity

The Board has implemented a Board Diversity Policy setting out the framework and objectives for promoting diversity which includes the use of key considerations (such as skills, experiences, gender, age and other distinguishing qualities of the Board members) for evaluation of new board candidates and succession planning. The Company believes that a diverse Board enhances the decision-making of the Board and reflects a range of viewpoints which increases the quality of the Company's performance and supports the attainment of its strategic objectives in the best interest of its stakeholders.

The NC and the Board have assessed and are satisfied that the current structure, size, balance and diversity of the Board are appropriate to facilitate effective decision-making. As a group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, law, business management, strategic planning and customer service. The profile of each Director, including details of their academic and professional qualifications, date of first appointment and date of last re-appointment, is set out in the "Board of Directors & CEO" section of the Annual Report.

Provision 2.5 Regular Meetings of Non-Executive Directors and/or Independent Directors

The Independent Directors, led by the Lead Independent Director, meet amongst themselves at least once a year without the presence of the Non-Independent Directors and Management. The feedback and views are communicated to the Board, Chairman or Management as appropriate.

Chairman and Chief Executive Officer

Principle 3

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provisions 3.1 and 3.2

Separation of Roles of Chairman and Chief Executive Officer

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities between the Chairman and the Chief Executive Officer (“CEO”), as set out in writing, are held by separate individuals who are not immediate family members. The separation of the roles of the Chairman and the CEO ensures that there is a healthy professional relationship between the Board and Management and facilitates effective deliberations on the business activities of the Group.

The Non-Executive Chairman, Mr Lew Syn Pau, leads the Board and manages its workings and proceedings. He plays a crucial role in fostering constructive dialogue with shareholders at the Company’s general meetings, as well as between the Board and Management. The CEO, Mr Tan Choon Hoong, heads the management of the Group and oversees the execution of the Group’s corporate and business strategies and policies, and the conduct of its businesses, as approved by the Board.

Provision 3.3

Lead Independent Director

Mr Lee Chow Soon is the Lead Independent Director of the Company. He co-ordinates and leads the Independent Directors, provides non-executive perspectives and contributes well balanced viewpoints. He meets with the other Independent Directors to discuss on matters concerning the Group, where necessary, and provides feedback to the Board, Chairman or Management as appropriate. Mr Lee also provides leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. He is available to shareholders when they have any concerns relating to matters when contact through the normal channels to the Chairman has failed to resolve, or where such contact is inappropriate or inadequate.

Board Membership

Principle 4

The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 and 4.2

Nomination Committee

The NC comprises the following members, the majority of whom (including the Chairman) are Independent Directors:

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

CORPORATE GOVERNANCE REPORT

Mr Lee, the Lead Independent Director of the Company, is a member of the NC.

The NC is regulated by a set of written terms of reference setting out its duties and responsibilities. The key functions of the NC are as follows:

- (a) to review the structure, size, balance and diversity of the Board;
- (b) to make recommendations to the Board on all Board appointments, re-appointments and re-nominations;
- (c) to assess the independence of the Directors;
- (d) to decide whether Directors with multiple board representations and principal commitments are able to and have been adequately carrying out their duties as Directors;
- (e) to evaluate the performance and effectiveness of the Board, Board Committees and individual Directors;
- (f) to review succession plans for the Directors, Chairman, CEO and key management personnel (“**Key Management Personnel**”); and
- (g) to review training and professional development programmes for the Board and its Directors.

Provision 4.3

Selection, Appointment and Re-appointment of Directors

The search and nomination process for new Directors is conducted through contacts, recommendations and executive search firms. The NC meets with the shortlisted candidates with the appropriate profile to review and assess suitability and to ensure that the candidates understand the Group’s businesses and expectation and level of commitment, before nominating the most suitable candidate to the Board for approval. The NC takes into consideration the skills and experiences required to support the Group’s business activities or strategies and the current structure, size, balance and diversity of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors as well as Directors with the right profile of expertise, skills and attributes.

New Directors are appointed by the Board by way of written resolutions, after taking into consideration the recommendation of the NC. In accordance with the Company’s Constitution, new Directors are required to submit themselves for re-election at the next AGM of the Company following their appointment. The Constitution also requires one-third of the Directors for the time being to retire by rotation at every AGM. All Directors who are subject to retirement are eligible for re-election at the AGM. As recommended by the NC, the Board had nominated Mr Lee Chow Soon and Mr Eu Yee Ming Richard, being the longest in office, for retirement at the forthcoming AGM. At the forthcoming AGM, Mr Lee will be retiring as a Director and will not offer himself for re-election while Mr Eu will be seeking re-election. More information is contained in the Notice of AGM and “Additional Information on Director seeking Re-election” section of the Annual Report.

Provision 4.4 **Independence of Directors**

As disclosed in Principle 2 above, after taking into account the NC's assessment, the Board is of view that Mr Lee Chow Soon, Mr Eu Yee Ming Richard and Mr Basil Chan are considered independent, and that no individual or small group of individual dominates the Board's decision-making process.

Provision 4.5 **Multiple Directorships**

The Company currently does not have any alternate Directors. All Directors are aware that they should commit sufficient time, attention, resources and expertise to the affairs of the Group. They declare their board representations and principal commitments to the Company as and when there are changes and on an annual basis.

The NC reviews annually each Director's board representations, principal commitments, and contributions to the Company. As recommended by the NC, the Board agrees that no guidelines on a reasonable and maximum number of board representations and principal commitments are required. Instead, each Director will be assessed on a case-by-case basis. Although some Directors have multiple board representations and principal commitments that are not within the Group, the NC and the Board are satisfied that sufficient time and attention has been given by the Directors to the affairs of the Group, taking into account their attendance at Board and Board Committee meetings, active participation and transparent disclosure of board representations and principal commitments, and are of the view that such multiple board representations and principal commitments do not hinder them from carrying out their duties as Directors of the Company.

Information on the Directors' board representations and principal commitments is set out in "Board of Directors & CEO" section of the Annual Report.

Board Performance

Principle 5

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

Provisions 5.1 and 5.2 **Assessment of Board Performance**

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

CORPORATE GOVERNANCE REPORT

Annually, each Director is required to complete a Board Performance Evaluation Questionnaire to assess the overall effectiveness of the Board. The areas under evaluation include board composition, board information, board processes, internal controls and risk management, board accountability, CEO and Key Management Personnel and standards of conduct. The NC evaluates the responses and provides its comments and recommendations to the Board on any changes that would help the Board discharge its duties more effectively. The Board performance evaluation process is conducted by the in-house Company Secretary. No external facilitator was engaged for the Board performance evaluation for FY2020.

The NC currently does not carry out individual evaluation for each Director as there are various ways to evaluate a Director such as attendance and participation at meetings. Based on the results, the NC and the Board are satisfied as to the effectiveness of the Board as a whole, and of each Board Committee separately. The NC and the Board will continue to review, on an ongoing basis, and recommend appropriate changes if deemed appropriate.

REMUNERATION MATTERS

Procedures for Development of Remuneration Policies

Principle 6

The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and Key Management Personnel. No Director is involved in deciding his or her own remuneration.

Provisions 6.1, 6.2 and 6.3 Remuneration Committee

The RC comprises the following members, a majority of whom (including the Chairman) are Independent Directors:

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

All members of the RC are Non-Executive Directors.

The RC has adopted written terms of reference setting out its duties and responsibilities. The RC's primary function is in attracting, retaining and rewarding well-qualified persons to serve the Group by pegging remuneration and benefits at competitive market rates. The RC reviews and makes recommendations to the Board on the framework of remuneration for the Board and Key Management Personnel and the specific remuneration packages for each Director and Key Management Personnel to ensure they are at sufficiently competitive levels.

CORPORATE GOVERNANCE REPORT

The RC considers all aspects of remuneration, which includes Directors' fees, salaries, allowances, bonuses and benefits-in-kind, to ensure they are fair. The RC reviews the annual increments and variable bonuses to be granted to the Key Management Personnel. The RC also reviews the Group's obligations arising in the event of termination of the Key Management Personnel to ensure that the employment contracts contain fair and reasonable termination clauses which are not overly generous. Each of the Key Management Personnel has an employment contract with the Group which can be terminated by either party by giving notice of resignation or termination. Each employment is on a long-term basis and there are no onerous removal clauses in the employment contract.

Provision 6.4 **Remuneration Consultants**

No Director decides his or her own remuneration and Directors' fees are paid only after approval by shareholders at the Company's AGM. Where required, the RC may from time to time seek independent professional advice on the Directors' remuneration and executive compensation at the Company's expense.

The RC engaged Messrs Robinson Consulting Pte. Ltd. to provide an independent review of the Company's executive compensation for FY2020. The remuneration consultants are independent and are not related to the Group or any of its Directors. The RC and the Board took into consideration the results of the review for the annual increment for the Key Management Personnel for FY2020.

Level and Mix of Remuneration

Principle 7

The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Provisions 7.1, 7.2 and 7.3 **Disclosure on Remuneration of Directors and Key Management Personnel**

Non-Executive Directors do not have service agreements with the Company. Their terms in office are specified in the Constitution. Each of the Non-Executive Directors receives a base Director's fee and additional fees in respect of each Board Committee that they serve on, with the Chairmen of the Board Committees receiving a higher fee in respect of their service as Chairman of the respective Board Committees.

When reviewing the structure and level of Directors' fees, the RC ensures that it is appropriate to the level of the Non-Executive Directors' contributions to the Group. The RC and the Board are of the view that the remuneration of the Non-Executive Directors is appropriate to their level of contribution, taking into account factors such as their effort and time spent, their roles and responsibilities, and that the specific remuneration package for each Director does not compromise his or her independence.

CORPORATE GOVERNANCE REPORT

The Company does not prohibit or require Directors to acquire its shares. However, Directors are encouraged to align their interests with that of the shareholders but are advised to acquire shares of the Company with due care and within a limit that does not compromise their independence.

The compensation packages for the Key Management Personnel comprise a fixed basic salary and allowances as well as a variable annual bonus. The RC reviews the remuneration of the Key Management Personnel to ensure that it commensurates with their individual performance and that of the Group. This is to align their remuneration with the interests of the shareholders and link rewards to corporate and individual performance to promote the long-term sustainability of the Group.

Following the review of the remuneration framework and specific remuneration packages, the RC and the Board are satisfied that the remuneration is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and the Key Management Personnel to successfully manage the Company for the long term.

Disclosure on Remuneration

Principle 8

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1

Disclosure of Remuneration of Directors and Key Management Personnel

The RC and the Board are of the view that full disclosure on remuneration of the Directors and Key Management Personnel will not benefit the Company, as remuneration matters are highly sensitive and confidential. This is especially so for remuneration for Key Management Personnel, due to the competitive industry and human resource environment in which the Group operates in. The Group operates primarily in the highly competitive high-tech precision component industry. The industry has been reduced to a handful of players due to the continued consolidation in recent years. In such a small and competitive industry, the disclosure of highly sensitive remuneration information of our Key Management Personnel may lead to staff poaching by competitors. Any loss of Key Management Personnel will have a detrimental effect to both of the Group's operations and business.

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

Name of Director	Directors' Fees %	Salary ⁽¹⁾ %	Bonus ⁽¹⁾ %	Allowance ⁽²⁾ %	Total %
Up to S\$250,000					
Lew Syn Pau	100	–	–	–	100
Lee Chow Soon	100	–	–	–	100
Eu Yee Ming Richard	100	–	–	–	100
Basil Chan	100	–	–	–	100
Wong Yi Jia	100	–	–	–	100
Ng Ah Hoy ⁽³⁾	100	–	–	–	100

CORPORATE GOVERNANCE REPORT

Name of Key Management Personnel ⁽⁴⁾	Directors' Fees %	Salary ⁽¹⁾ %	Bonus ⁽¹⁾ %	Allowance ⁽²⁾ %	Total %
Above S\$250,000 to S\$500,000					
Tan Choon Hoong	–	81.06	13.99	4.95	100
Tiong Chi Sieng	–	80.29	12.25	7.46	100
Lek Yew Sen	–	78.69	12.37	8.94	100
Leow Yong Kim	–	84.97	9.47	5.56	100
Up to S\$250,000					
Khoo Cheng Hoe Richard	–	82.11	9.48	8.41	100

Notes:

- (1) Included provident fund contribution by employer.
- (2) Comprised overseas living, housing and transport allowances, where applicable.
- (3) Mr Ng Ah Hoy retired as a Director of the Company on 26 June 2020.
- (4) The Company has identified the CEO and 4 employees as Key Management Personnel for FY2020.

The total amount of Directors' fees for FY2020 is S\$475,410, as recommended by the Board for approval by the shareholders at the AGM of the Company. The total amount of remuneration paid to the Key Management Personnel for FY2020 is S\$1,734,699.

Provision 8.2

Disclosure of Remuneration of Employees who are Substantial Shareholders or Immediate Family Members of a Director or the CEO

Ms Wong Yi Ning, the sister of Ms Wong Yi Jia, a Non-Executive Director of the Company and the daughter of Mdm Lau Leok Yee, a substantial shareholder of the Company, is employed by the Group as Senior Manager, Financial Planning & Analysis. The total remuneration paid to Ms Wong Yi Ning for FY2020 was within the band of S\$100,000 to S\$199,999.

Mr Wong Yi Chun, the brother of Ms Wong Yi Jia, a Non-Executive Director of the Company and the son of Mdm Lau Leok Yee, a substantial shareholder of the Company, resigned as a Senior Project Manager with the Group on 31 October 2020. The total remuneration paid to Mr Wong Yi Chun for FY2020 was below S\$100,000.

Provision 8.3

Employee Share Schemes

The BIGL Share Option Scheme 2001 of the Company (the "**Scheme**"), which had expired on 7 November 2011, was used as a long-term incentive plan. All options granted under the Scheme had forfeited/lapsed and there are no outstanding options. The subsequent BIGL Share Plan of the Company (the "**Plan**"), which had expired on 27 July 2020, was implemented to reward, retain and motivate employees of the Group and/or associated companies who had excelled in their performance and encourage greater dedication, loyalty and higher standards of performance. There are outstanding share awards under the Plan. There were no shares issued under the Plan during FY2020.

The Scheme and the Plan are administered by the RC. More information regarding the Plan is set out in the Financial Statements.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Provision 9.1

Management of Significant Risks

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy, effectiveness and integrity of those systems on an annual basis. Management performs the internal control and risk management functions and reports to the AC for review. Through the AC, the Board ensures that Management maintains a sound system of risk management and internal controls and discusses with Management on risks identified by Management.

The Company has put in place internal policies for risk management and internal controls. Management regularly reviews the Group's business and operational activities to identify areas of significant business risks and appropriate measures to control and mitigate these risks. Management also reviews all significant control policies and procedures and highlights all significant matters to the AC. The AC reviews the Group's system of internal controls, including financial, operational, compliance and information technology controls and risk management systems, to ensure that such controls are sound and adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Group in safeguarding shareholders' interests and the Group's assets.

In performing the statutory audit of the financial statements of the Group, the external auditors perform tests on operating effectiveness of certain accounting controls that are relevant to the audit and that the auditors intend to rely on. The AC reviews the audit processes, internal and external audit plans and any significant issues arising thereon. The AC also reviews the findings of the auditors and ensures that Management follows up on the auditors' recommendations raised, if any, during the audit process. Any material internal control matters noted by the external auditors in the course of their statutory audit are discussed with the AC and the Board.

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Provision 9.2

Board's Comment on Adequacy and Effectiveness of Internal Controls

For FY2020, the Board has received written assurances from the CEO and the Chief Financial Officer ("**CFO**"):

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and
- (b) that the Group's risk management and internal control systems are effective and adequate.

Based on the Group's internal controls and risk management framework, work performed by the internal and external auditors and reviews performed by the Management and the AC, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls including financial, operational, compliance, and information technology controls and risk management systems, are adequate and effective for FY2020.

While the system of internal controls includes safeguarding of assets, maintenance of proper accounting records, reliability of financial information, compliance with appropriate legislation, regulations and best practices, identification and containment of financial, business and compliance risks, the Board notes that no system of internal controls can provide absolute assurance against material financial misstatements, poor judgment in decision-making, human error, losses, fraud or other irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and could provide only reasonable and not absolute assurance against misstatement or loss. For FY2020, the AC and the Board have not identified any material weakness in the internal controls and risk management systems of the Group.

Audit Committee

Principle 10

The Board has an Audit Committee which discharges its duties objectively.

CORPORATE GOVERNANCE REPORT

Provisions 10.1, 10.2 and 10.3 Audit Committee

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

Lee Chow Soon (Chairman)
Lew Syn Pau
Eu Yee Ming Richard
Basil Chan

The composition of the AC is in compliance with Section 201B of the Companies Act, Chapter 50, which prescribes that a majority of the AC must not be Executive Directors of the Company or any of its related corporations. In addition, the AC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation. The Board is of the view that all the AC members have the requisite qualifications and experiences to discharge their responsibilities and are suitably qualified with accounting, finance and manufacturing backgrounds to assist the Board in the areas of internal controls, financial and accounting matters, compliance and risk management, including overseeing the Management in the design, implementation and monitoring of risk management and internal control systems, and are able to perform the AC's role and functions independently.

The AC has the authority to investigate any activity within its written terms of reference, having unrestricted access to information relating to the Group, both internal and external auditors, Management and employees. The AC also has full discretion to invite any Director or Management to attend its meeting and has adequate resources to enable it to discharge its functions properly.

The key functions of the AC are as follows:

- (a) reviewing the quarterly, half-year and full year results announcements and financial statements of the Company and consolidated financial statements of the Group, monitoring their integrity and reviewing significant reporting issues and judgments contained therein, before submission to the Board for approval for the release of any announcements relating to the Company's financial performance to the SGX-ST;
- (b) evaluating the adequacy and effectiveness of internal controls and risk management systems, including financial, operational, compliance and information technology controls of the Group;
- (c) reviewing the assurances from the CEO and the CFO on the financial records and financial statements;
- (d) recommending to the Board on the proposals to the shareholders on the appointment or re-appointment and removal of the external auditors, and the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the Company's internal audit function, their audit plans and the assistance given by Management to the auditors;
- (f) approving the hiring, removal, evaluation and compensation of the accounting/auditing firm or corporation to which the internal audit function is outsourced;

CORPORATE GOVERNANCE REPORT

- (g) meeting with the internal and external auditors, in each case, without the presence of Management at least once annually;
- (h) reviewing accounting policies;
- (i) reviewing any interested person transactions; and
- (j) reviewing arrangements by which staff of the Group may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters.

The Company has in place a whistleblowing policy which provides the mechanism for which employees of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. This is to ensure that shareholders' interests and the assets and reputation of the Group are safeguarded. During FY2020, the AC has reviewed and the Board has approved the implementation of an updated Whistleblowing Policy. The policy sets out, *inter alia*, the principles and the process for reporting an incident as well as examples of reportable incidents. All concerns raised will be independently reviewed by the AC and all information provided will be kept strictly confidential, except as necessary and appropriate to conduct any relevant investigation. The AC will report to the Board on such matters at Board meetings or as and when the circumstances warrant. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board will take appropriate action after taking professional advice where necessary. There was no genuine whistleblowing incident reported in FY2020. The policy is uploaded on the Company's website and is disseminated to employees.

The AC is regularly updated and briefed by Management and the external auditors, Messrs RSM Chio Lim LLP ("**RSM**"), on any changes to the accounting standards and issues which have a direct impact on the financial statements of the Group.

In appointing RSM as the external auditors of the Group, the Board is satisfied that the Group has complied with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST. The AC has assessed the performance of the external auditors based on factors such as the performance and quality of their audit and their independence, and that they have the adequate resources and experience to audit the Group. The AC has also reviewed the aggregate amount of fees paid for or payable to the external auditors for FY2020 and the non-audit services rendered by the external auditors for FY2020, and is satisfied that the independence of the external auditors has not been impaired and compromised. The aggregate amount of fees paid to the external auditors of the Group for FY2020 is disclosed under Note 8 to the Financial Statements.

In addition, the external auditors have affirmed that the firm and audit team are independent in respect of the audit of the Group in accordance with the Accounting and Corporate Regulatory Authority's Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities together with the ethical requirements that are relevant to the audit. Accordingly, the AC has recommended to the Board, and the Board has concurred for RSM to be nominated for re-appointment as the external auditors of the Group for the financial year ending 31 December 2021 at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Provision 10.4 Internal Audit

The Company has engaged Messrs Yang Lee & Associates (“**Yang Lee**”) as the Group’s internal auditors for FY2020. The primary objective of the internal audit function is to provide reasonable, independent and objective assurance that the existing system of internal controls are adequate and operating effectively to safeguard shareholders’ investments and the Group’s assets.

The internal auditors report directly to the AC on internal audit matters. The AC reviews and approves the annual internal audit plan, reports and activities on an ongoing basis. The AC also reviews the results of internal audits and Management’s action in resolving any audit issues reported. The AC is satisfied that the internal audit team from Yang Lee is staffed by suitably qualified and experienced professionals and is independent, effective and adequately resourced to discharge its responsibilities, and that the internal audit function is effective and adequate in meeting the needs of the Group. The internal auditors are a member of The Institute of Internal Auditors Singapore, a professional internal auditing body.

Provision 10.5 Meeting with External and Internal Auditors

The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least once a year. Such private meetings enable the AC to obtain feedback on the competency and adequacy of the Group’s finance function and inquire if there are any material weaknesses or control deficiencies over the Group’s financial reporting process. The meetings also enable the external and internal auditors to highlight to the AC any issues faced during their audits.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders’ rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provisions 11.1, 11.2, 11.3, 11.4 and 11.5 General Meetings

General meetings are the principal forum for dialogue with shareholders where they are provided the opportunity to share their views and ask Directors and Management questions regarding the Group’s business activities and financial performance. As such, shareholders are encouraged to attend and participate at the Company’s general meetings to ensure that they have a better understanding of the Group’s plans and developments for the future.

CORPORATE GOVERNANCE REPORT

To enable shareholders to participate effectively in and vote at general meetings, the Company ensures that all shareholders receive its annual reports, circulars and notices of general meetings within the mandatory periods prescribed by applicable laws and regulations with adequate, timely and sufficient information, and brief shareholders of the rules governing the general meetings. The Company also ensures that separate resolutions are tabled at general meetings on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are bundled or made inter-conditional on each other, the Company provides clear explanations in the notice of meeting.

All Directors, Management, external auditors and Company Secretaries attend the AGM. External auditors are present to address shareholders' queries on the conduct of the audit and the preparation and content of their report. The Chairmen of the Board Committees are present to address shareholders' queries relating to the activities of the Board Committees. Management is also present to respond to operational questions from shareholders.

The Company currently does not implement absentia-voting methods by mail, email or fax, until issues on security and integrity are satisfactorily resolved. The Company allows the appointment of a proxy, attorney or in the case of a corporation, a corporate representative, to cast their votes in their stead. Each shareholder who is entitled to attend, speak and vote may vote in person or appoint not more than two proxies. Corporations which provide nominee or custodial services are allowed to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.

In view of the COVID-19 pandemic, all Directors, Management, external auditors and Company Secretaries attended the AGM in FY2020 which was held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Shareholders participated in the AGM via electronic means, and their questions in relation to the resolutions set out in the notice of AGM were sent to the Company in advance of the AGM. The Company addressed all substantial and relevant questions submitted in advance of the AGM during the AGM.

All resolutions at general meetings are put to vote by poll. The results of each resolution, with details of percentages in favour and against, are announced after the meeting via SGXNet and uploaded on the Company's website.

The Company publishes minutes of general meetings on its corporate website as soon as practicable. The minutes include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management.

Provision 11.6 **Dividend Policy**

The Company currently does not have a formal dividend policy. In making recommendation for the declaration and payment of future dividends, the Board considers, among other things, the Group's capital structure, cash requirements, future plans and general financial condition, and absence of any circumstances which may reduce the amount of reserves available to pay dividends.

Notwithstanding the proposed disposal of the Group's hard disk drive business, given the financial position of the Group and the Board's cautious view on the Group's prospects for the ensuing year, no final dividend has been recommended or declared in respect of FY2020.

CORPORATE GOVERNANCE REPORT

Engagement with Shareholders

Principle 12

The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Provisions 12.1, 12.2 and 12.3

Communication with Shareholders

The Group believes in upholding a strong culture of continuous disclosure and transparent communication with all stakeholders and does not practise selective disclosure. All material and price-sensitive information relating to the Group are released in a timely manner and equally to the general public and shareholders by way of public releases or announcements through SGXNet. Where material information is inadvertently disclosed, the Company will disclose publicly to all others as promptly as possible via SGXNet.

The investor relations function of the Company is managed by the in-house team. The team is guided by the principles and practices as set out in the Investor Relations Policy which was approved by the Board during FY2020. The policy aims to facilitate an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with its current and prospective investors. Investors may contact the investor relations team through the Company's general line at +65 6236 0088 or email address at ir@bigl.com.sg. The team endeavours to attend to all genuine queries and feedback as soon as practicable.

MANAGING STAKEHOLDERS' RELATIONSHIPS

Engagement with Stakeholders

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

Provisions 13.1, 13.2 and 13.3

Communication with Stakeholders

The Company has a corporate website at www.bw-grp.com to communicate with its stakeholders and engages its stakeholders to manage and improve on its relationships with these groups. The Board ensures that the business interests of the Group are aligned with those of the shareholders for long-term growth. The Board considers and balances the needs and interests of material stakeholders, as part of its overall responsibility to secure the long-term future of the Group.

As part of the Company's sustainability framework that outlines its sustainability efforts, the Company recognises not only its obligations to shareholders but also the interests of its key stakeholders including suppliers, customers and employees who have been identified as those who are impacted by and are able to impact the Group's business and operations. The Company's sustainability efforts focus on creating sustainable value for its key stakeholders and prioritise resources for its sustainability initiatives. Please refer to the Company's Sustainability Report for FY2020 which will be separately published.

CORPORATE GOVERNANCE REPORT

OTHER CORPORATE GOVERNANCE MATTERS

Dealing with Securities

The Company takes a serious stance on appropriate handling of inside information and failure to comply with laws, regulations and corporate policies and will investigate all genuine concerns or irregularities raised. During FY2020, the Board had revised the internal code and put in place a Securities Trading Policy for all Directors and employees of the Group. The policy complies with the applicable regulations under the Securities and Futures Act and the Listing Manual of the SGX-ST with respect to dealings in securities of the Company. The policy sets out, *inter alia*, examples of possible inside information, identification of privy persons, situations where trading is prohibited, and obligations to declare all dealings in the Company's securities.

Reminders are sent to all Directors and employees to remind them not to trade during prohibited periods. The Company and Directors and employees of the Group are not allowed to deal in the Company's securities within two weeks before the announcement of its financial result for each of the first three quarters of its financial year and one month before the announcement of its full year results. Directors and employees are also reminded not to deal in the Company's securities on consideration of a short-term nature or when they are in possession of unpublished material and price-sensitive information. Directors and officers are expected to observe the insider trading laws at all times when dealing in shares of the Company within permitted trading periods.

Interested Person Transactions

There were no interested person transactions ("**IPT**") entered with the Group that amounted to more than S\$100,000 in FY2020.

During FY2020, to enhance its internal procedure to track IPT of the Group, the AC has reviewed, and the Board has approved a revised IPT policy to ensure that any IPT between an entity at risk and an interested person are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. The policy sets out, *inter alia*, the relevant definitions and the review, approval and disclosure requirements under the Listing Manual of the SGX-ST.

Material Contracts

There were no material contracts of the Group involving the interests of the Directors, CEO or controlling shareholders, which are either still subsisting at the end of the FY2020 or, if not then subsisting, were entered into since the end of the previous financial year.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are drawn up so as to give a true and fair view of the financial position of the group and of the company as at 31 December 2020 and of the financial performance, changes in equity and cash flows of the group and changes in equity of the company for the reporting year ended on that date; and
- (b) at the date of the statement, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

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

2. Directors

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

Lew Syn Pau
Lee Chow Soon
Basil Chan
Eu Yee Ming Richard
Wong Yi Jia

3. Directors' interests in shares and debentures

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

Name of directors and companies in which interests are held	Direct interest	
	At beginning of the reporting year	At end of the reporting year
<u>The company</u>	<u>Number of shares of no par value</u>	
Lew Syn Pau	44,572,639	44,572,639
Lee Chow Soon	453,333	453,333
Eu Yee Ming Richard	147,333	147,333

The directors' interest as at 21 January 2021 were the same as those at the end of the reporting year.

STATEMENT BY DIRECTORS

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

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

5. Share options

The BIGL Share Option Scheme 2001 (the “Scheme”) of the company was approved and adopted by its members at an Extraordinary General Meeting held on 8 November 2001. The Scheme expired on 7 November 2011.

Other information regarding the Scheme is set out below:

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

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

Date of grant	Exercise price per share \$	Options outstanding as at 1 January 2020	Options forfeited in 2020	Options outstanding as at 31 December 2020	Number of option holders as at 31 December 2020	Exercise period
3 March 2010	0.450	140,000	(140,000)	–	–	03/03/2011 to 03/03/2020

STATEMENT BY DIRECTORS

5. Share options (Continued)

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

Name of director	Aggregate options granted since commencement of Scheme to 31 December 2020	Aggregate options exercised since commencement of Scheme to 31 December 2020	Aggregate options forfeited since commencement of Scheme to 31 December 2020	Aggregate options outstanding as at 31 December 2020
Lee Chow Soon	500,000	(200,000)	(300,000)	–
Eu Yee Ming Richard	365,000	(65,000)	(300,000)	–

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

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

6. Share plan

The BIGL Share Plan (the “Plan”) of the company was approved and adopted by its members at an Extraordinary General Meeting held on 28 July 2010. The Plan expired on 27 July 2020.

The Plan is administered by the company’s Remuneration Committee, comprising five directors, Eu Yee Ming Richard (Chairman), Lew Syn Pau, Lee Chow Soon, Basil Chan and Wong Yi Jia.

The Plan was intended to reward, retain and motivate participants whose contributions were essential to the long-term success and development of the group and who excelled in their performance, and to encourage greater dedication, loyalty and higher standards of performance.

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

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

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

STATEMENT BY DIRECTORS

6. Share plan (Continued)

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

Date of grant	Share awards not released as at 1 January 2020	Share awards vested in 2020	Share awards forfeited in 2020	Share awards not released as at 31 December 2020
4 April 2016	20,000	–	–	20,000
4 May 2016	65,000	(20,000)	–	45,000
4 June 2016	10,000	(10,000)	–	–
4 June 2017	75,000	(20,000)	(15,000)	40,000
4 June 2018	140,000	(25,000)	(55,000)	60,000
	310,000	(75,000)	(70,000)	165,000

Since the commencement of the Plan, no share awards had been granted to the non-executive directors of the company, controlling shareholders and their associates and no participant had been granted 5% or more of the total share awards available under the Plan.

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

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

Except for the Scheme and the Plan as disclosed above, there were no unissued shares of the company or its subsidiaries under options granted and shares awards granted by the company or its subsidiaries as at the reporting year ended 31 December 2020.

7. Audit committee

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

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

STATEMENT BY DIRECTORS

7. **Audit committee** (Continued)

The Audit Committee performs its functions specified in Section 201B(5) of the Act, the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the Code of Corporate Governance. Among other functions, the Audit Committee performed the following:

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

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

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

In relation to the appointment of the external auditor, the company is compliance with Rules 712, 715 and 716 of the SGX-ST’s Listing Manual.

8. **Independent auditor**

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

STATEMENT BY DIRECTORS

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 26 February 2021, which would materially affect the group's and the company's operating and financial performance as of the date of this statement.

On behalf of the directors

Lee Chow Soon
Director

Lew Syn Pau
Director

6 April 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Broadway Industrial Group Limited (the “company”) and its subsidiaries (collectively, the “group”), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)”) so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity, consolidated cash flows of the group, and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current reporting year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(1) Impairment assessment of the company’s cost of investment in BIGL Asia Pte. Ltd. (“BIGL Asia”)

As at 31 December 2020, the net carrying amount of the company’s cost of investment in BIGL Asia and receivables from BIGL Asia amounted to \$91,400,000 and \$13,338,000 respectively.

The group’s core business segment relates to the manufacturing and distribution of actuator arms and related assembly for the hard disk industry (“HDD Business”), which is held through BIGL Asia.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

Key audit matters (Continued)

(1) Impairment assessment of the company's cost of investment in BIGL Asia Pte. Ltd. ("BIGL Asia") (Continued)

As disclosed in Note 19, selected assets and liabilities of the HDD Business are classified as held for sale at the end of the reporting year pursuant to the conditional sale and purchase agreement entered into by the group. The remaining significant asset of the HDD Business not presented as held for sale at the end of the reporting year relates to a property in Shenzhen ("Shenzhen Property").

Management applied the fair value less cost of disposal method to determine the recoverable amount of the company's investment in BIGL Asia. The recoverable amount of the company's investment in BIGL Asia is based on (a) net proceeds from the impending disposal of the HDD Business; and (b) the fair value of the Shenzhen Property. The fair value of the Shenzhen Property is based on an independent valuation.

We reviewed the conditional sale and purchase agreement of the HDD Business and assessed the appropriateness of the assumptions applied by management by comparing against generally acceptable market practices.

We assessed management's processes for the selection of its appointed external valuation expert, including the determination of the scope of work to be performed by the expert. We also evaluated the competency of the external valuation expert by considering the expert's qualifications and relevant work experience. We tested management's key inputs to the valuation by comparing them against available industry data.

We reviewed the adequacy of the disclosures in the financial statements.

(2) Accounting for the group's investment in Beijing Ant Brothers Technology Co., Ltd.

On 21 January 2020, the group entered into an equity purchase agreement with Beijing Ant Brothers Technology Co., Ltd. ("BAB"), Weijie Wang, and Beijing Ant Home Information Consulting Center (Limited Partnership), pursuant to which the group will subscribe for a 55% equity interest in BAB for the total subscription price of \$5.1 million (the "Subscription Price"), payable by the group in four tranches.

BAB is a limited liability company established in the People's Republic of China and it is developing a robotic cleaning machine targeted at the building façade cleaning market.

As at the reporting year end, the group had paid three out of four tranches of the Subscription Price amounting to \$4,048,000, and held 49% equity interests in BAB. Subsequent to the end of the reporting year, the group paid the fourth Subscription Price (being the last instalment of the Subscription Price).

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

Key audit matters (Continued)

(2) Accounting for the group's investment in Beijing Ant Brothers Technology Co., Ltd. (Continued)

Management exercised significant judgement in determining whether the group has control over BAB. Management has considered the terms set out in the equity purchase agreement, the shareholders' agreement and the agreement regarding KPIs for BAB signed between the group, BAB and Beijing Ant Home Information Consulting Center (Limited Partnership); and BAB's constitution. According to BAB's constitution, the board of BAB shall comprise of 7 board seats, and the group has the right to nominate 4 directors to the board of BAB. It was also specified in BAB's constitution that the group shall have the final decision over BAB's important financial and operational matters. Management has assessed and determined that the group has control over BAB. Accordingly, management has accounted for its investment in BAB as a subsidiary.

As part of our audit procedures, we discussed with management their assessment and basis of conclusion. We read the equity purchase agreement, shareholders' agreement and the agreement regarding KPIs for Beijing Ant Brothers signed between the group, BAB and Beijing Ant Home Information Consulting Center (Limited Partnership); and BAB's constitution to obtain an understanding of the key terms and conditions, and considered the nature and extent of powers that the group has under the agreements and constitution. We reviewed the status of BAB's operations and assessed the group's ability to direct the business activities of BAB.

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

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

Responsibilities of management and directors for the financial statements (Continued)

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BROADWAY INDUSTRIAL GROUP LIMITED

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

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

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

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Tan Wei Ling.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

6 April 2021

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

REPORTING YEAR ENDED 31 DECEMBER 2020

	Notes	2020 \$'000	2019 \$'000 (Reclassified)
Revenue	4	400,673	306,649
Cost of sales		(372,950)	(296,087)
Gross profit		27,723	10,562
Other income	5	4,436	3,413
Distribution expenses		(1,573)	(2,410)
Administrative expenses		(10,877)	(12,993)
Sales and marketing expenses		(483)	(682)
Research and development expenses		(675)	–
Other expenses	5	(3,784)	(13,628)
Finance income	6	20	36
Finance costs	7	(1,181)	(1,974)
Profit/(loss) before income tax	8	13,606	(17,676)
Income tax expense	10	(41)	(3,807)
Profit/(loss) for the year		13,565	(21,483)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations, net of tax		(1,420)	(546)
Total comprehensive income/(loss)		12,145	(22,029)
Profit/(loss) for the year arising from:			
Continuing operations		(1,462)	(1,316)
Discontinued operations	11	15,027	(20,167)
		13,565	(21,483)
Profit/(loss) for the year attributable to:			
Owners of the parent		14,113	(21,374)
Non-controlling interests		(548)	(109)
		13,565	(21,483)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		12,700	(21,929)
Non-controlling interests		(555)	(100)
		12,145	(22,029)
Earnings/(loss) per share		2020 Cents	2019 Cents
<i>Basic</i>	12		
Continuing operations		(0.20)	(0.28)
Discontinued operations		3.21	(4.28)
Total		3.01	(4.56)
<i>Diluted</i>	12		
Continuing operations		(0.20)	(0.28)
Discontinued operations		3.21	(4.28)
Total		3.01	(4.56)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	18,624	89,588	55	72
Right-of-use assets	14	263	8,129	263	408
Goodwill	15	2,374	-	-	-
Investments in subsidiaries	16	-	-	91,400	91,400
Other investments	17	-	101	-	47
Other receivables, non-current	18	-	-	5,314	-
Total non-current assets		21,261	97,818	97,032	91,927
Current assets					
Assets of a disposal group classified as held for sale	19	164,021	-	-	-
Financial derivative assets	20	-	29	-	-
Inventories	21	-	35,829	-	-
Trade and other receivables	22	5,498	50,408	13,355	22,218
Other assets	23	444	762	1	1
Cash and cash equivalents	24	10,617	8,722	1,777	455
Total current assets		180,580	95,750	15,133	22,674
Total assets		201,841	193,568	112,165	114,601
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	25	113,164	113,163	113,164	113,163
Accumulated losses	26	(22,969)	(37,082)	(3,204)	(1,000)
Other reserves	27	(15,668)	(14,251)	27	31
Equity, attributable to owners of the parent		74,527	61,830	109,987	112,194
Non-controlling interests		1,666	24	-	-
Total equity		76,193	61,854	109,987	112,194
Non-current liabilities					
Other liabilities	29	-	1,496	-	-
Lease liabilities, non-current	30	117	6,459	117	268
Other payables, non-current	31	-	1,802	-	-
Total non-current liabilities		117	9,757	117	268
Current liabilities					
Liabilities of a disposal group classified as held for sale	19	108,778	-	-	-
Income tax payable		3,668	7,507	5	5
Loans and borrowings	32	-	28,505	-	-
Lease liabilities, current	30	135	1,647	135	107
Trade and other payables	33	12,950	84,298	1,921	2,027
Total current liabilities		125,531	121,957	2,061	2,139
Total liabilities		125,648	131,714	2,178	2,407
Total equity and liabilities		201,841	193,568	112,165	114,601

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

STATEMENTS OF CHANGES IN EQUITY

REPORTING YEAR ENDED 31 DECEMBER 2020

Group	Share capital \$'000	Accumulated losses \$'000	Other reserves \$'000	Attributable to parent sub-total \$'000	Non-controlling interests \$'000	Total equity \$'000
Current year:						
Opening balance at 1 January 2020	113,163	(37,082)	(14,251)	61,830	24	61,854
Total comprehensive income/(loss) for the year	-	14,113	(1,413)	12,700	(555)	12,145
Share-based payment (Notes 27A and 27C)	1	-	(4)	(3)	-	(3)
Acquisition of a subsidiary (Note 16B)	-	-	-	-	2,197	2,197
Closing balance at 31 December 2020	113,164	(22,969)	(15,668)	74,527	1,666	76,193
Previous year:						
Opening balance at 1 January 2019	113,155	(15,708)	(13,639)	83,808	(1,572)	82,236
Total comprehensive loss for the year	-	(21,374)	(555)	(21,929)	(100)	(22,029)
Purchase of treasury shares (Note 27A)	-	-	(42)	(42)	-	(42)
Share-based payment (Notes 27A and 27C)	8	-	(15)	(7)	-	(7)
Acquisition of non-controlling interests without change in control	-	*	-	*	*	-
Disposal of subsidiary (Note 16C)	-	-	-	-	1,696	1,696
Closing balance at 31 December 2019	113,163	(37,082)	(14,251)	61,830	24	61,854

* Denotes less than \$1,000

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

STATEMENTS OF CHANGES IN EQUITY

REPORTING YEAR ENDED 31 DECEMBER 2020

Company	Share capital \$'000	Accumulated losses \$'000	Other reserve \$'000	Total equity \$'000
Current year:				
Opening balance at 1 January 2020	113,163	(1,000)	31	112,194
Total comprehensive loss for the year	–	(2,204)	–	(2,204)
Share-based payment (Notes 27A and 27C)	1	–	(4)	(3)
Closing balance at 31 December 2020	113,164	(3,204)	27	109,987
Previous year:				
Opening balance at 1 January 2019	113,155	10,258	88	123,501
Total comprehensive loss for the year	–	(11,258)	–	(11,258)
Purchase of treasury shares (Note 27A)	–	–	(42)	(42)
Share-based payment (Notes 27A and 27C)	8	–	(15)	(7)
Closing balance at 31 December 2019	113,163	(1,000)	31	112,194

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

CONSOLIDATED STATEMENT OF CASH FLOWS

REPORTING YEAR ENDED 31 DECEMBER 2020

	2020 \$'000	2019 \$'000
		(Reclassified)
Cash flows from operating activities		
Profit/(loss) before income tax	13,606	(17,676)
Allowance for inventory obsolescence	(891)	1,030
Club membership written-off	101	-
Depreciation of property, plant and equipment	13,391	13,398
Depreciation of right-of-use assets	1,715	1,856
Equity-settled share-based payment transactions	(3)	(7)
Fair value losses/(gains) on financial derivatives, net	30	(264)
(Gain)/loss on disposal of property, plant and equipment	(47)	63
Gain arising from exercising put option	-	(880)
Inventories written-off	-	1,533
Loss on disposal of discontinued operations, net of tax	-	2,153
Property, plant and equipment written off	-	27
Provision for costs associated with product quality	207	833
(Write-back of)/allowance for doubtful receivables	(96)	686
Interest expense	1,181	1,974
Interest income	(20)	(36)
Operating cash flows before changes in working capital	29,174	4,690
Inventories	8,339	(17,977)
Trade and other receivables	(8,622)	21,561
Other assets	(391)	233
Trade and other payables	17,410	9,305
Other liabilities	328	540
Net cash flows from operations	46,238	18,352
Income tax paid	(3,899)	(240)
Net cash flows from operating activities	42,339	18,112
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,658)	(6,674)
Proceeds from disposal of property, plant and equipment	382	5
Acquisition of a subsidiary, net of cash acquired (Note 16B)	(141)	-
Interest income received	20	36
Disposal of a subsidiary	-	(53)
Net cash flows used in investing activities	(3,397)	(6,686)
Cash flows from financing activities		
Proceeds from bank borrowings	115,156	259,435
Repayment of bank borrowings	(130,029)	(271,671)
Payment of finance lease liabilities	-	(10)
Payment for principal portion of lease liabilities	(1,407)	(1,884)
Repurchase of own shares	-	(42)
Interest expense paid	(1,181)	(1,974)
Net cash flows used in financing activities	(17,461)	(16,146)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

REPORTING YEAR ENDED 31 DECEMBER 2020

	2020 \$'000	2019 \$'000
		(Reclassified)
Net increase/(decrease) in cash and cash equivalents	21,481	(4,720)
Cash and cash equivalents, beginning balance	8,717	11,522
Effect of exchange rate fluctuations on cash held	(1,208)	1,915
Cash and cash equivalents, ending balance (Note 24A)	28,990	8,717

Note:

	2020 \$'000	2019 \$'000
Cash flows from discontinued operations are as follows:		
Net cash flows from operating activities	43,800	18,386
Net cash flows used in investing activities	(3,238)	(6,691)
Net cash flows used in financing activities	(17,439)	(16,079)
Net increase/(decrease) in cash and cash equivalents	23,123	(4,384)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. GENERAL

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

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

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

The company is an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 16 below.

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

Uncertainties relating to the Covid-19 pandemic

The Covid-19 pandemic and the aftermath of the pandemic has caused and continues to cause disruptions resulting in uncertainties surrounding the group’s business, including affecting its relationships with its existing and future customers, suppliers and employees, and which had and may continue to have an adverse effect on its financial position, financial performance of operations, cash flows and prospects for the foreseeable future. Other entities are also evolving. These uncertainties gave rise to difficulties in making an accurate assessment by management of the future financial impacts on the company. Management will continue to closely monitor the further economic development and its impact.

Statement of compliance with financial reporting standards

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

1. GENERAL (CONTINUED)

Accounting convention

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

Basis of preparation of the financial statements

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

Basis of presentation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

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

Sale of goods

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

Provision of services

Revenue from provision of cleaning and other related services is recognised when the company satisfies the performance obligation at a point in time generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions revenue is recognised as the services are provided.

Other income

Interest income is recognised using the effective interest method.

Government grants

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The group's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan).

Pursuant to relevant regulations of the People's Republic of China ("PRC") government, the subsidiaries in the PRC have participated in a local municipal government retirement benefits scheme (the "Scheme"), whereby the subsidiaries in the PRC are required to contribute to a certain percentage to the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of those employees of the group.

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

For employee leave entitlement, the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the group is contractually obliged or where there is constructive obligation based on past practice.

Share-based compensation

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Share-based compensation (Continued)

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

Borrowing costs

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

Foreign currency transactions

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

Translation of financial statements of other entities

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Income tax

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

Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

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

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

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

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

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

Right-of-use assets

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

Buildings and office	–	1 to 6 years (period of lease)
----------------------	---	--------------------------------

Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Subsidiaries (Continued)

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

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments.

As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

Non-controlling interests

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Inventories

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

Financial instruments

Recognition and derecognition of financial instruments

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

Classification and measurement of financial assets

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment classified as measured at FVTOCI: There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at FVTPL: All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Financial instruments (Continued)

Classification and measurement of financial liabilities

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

Cash and cash equivalents

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

Derivative financial instruments

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

Leases of lessee

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2A. Significant accounting policies (Continued)

Fair value measurement

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

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

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

2B. Other explanatory information

Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

2B. Other explanatory information (Continued)

Assets classified as held-for-sale

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

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

Treasury shares

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

2C. Critical judgements, assumptions and estimation uncertainties

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

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

Impairment assessment of the company's investment in BIGL Asia Pte. Ltd. ("BIGL Asia")

The company assesses at each statement of financial position date whether there is any objective evidence that the company's investment in BIGL Asia is impaired. Where there is objective evidence of impairment, management will determine the recoverable amount of BIGL Asia based on the fair value less costs of disposal method. As detailed in Note 16D, the recoverable amount of the company's investment in BIGL Asia is based on (a) net proceeds from the impending disposal of the HDD Business; and (b) the fair value less cost of disposal of the Shenzhen Property. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the subsidiary. The carrying amount of the company's cost of investment in BIGL Asia is disclosed in Note 16 below.

Accounting for investment in Beijing Ant Brothers Technology Co., Ltd. ("BAB")

On 21 January 2020, the group entered into an equity purchase agreement whereby it will subscribe for 55% equity interests in BAB for \$5.1 million. As at the reporting year end, the group had paid \$4,048,000 and held 49% equity interests in BAB. Management has considered the terms set out in the equity purchase agreement, the shareholders' agreement and the agreement regarding KPIs for BAB signed between the group, BAB and Beijing Ant Home Information Consulting Center (Limited Partnership); and BAB's constitution. According to BAB's constitution, the board of BAB shall comprise of 7 board seats, and the group has the right to nominate 4 directors to the board of BAB. It was also specified in BAB's constitution that the group shall have the final decision over BAB's important financial and operational matters. Management has determined that the group has control over BAB via its control over BAB's board of directors, and has accounted for BAB as a subsidiary. The details of the accounting for the acquisition of BAB is disclosed in Note 16B below.

Impairment assessment of the group's goodwill

An assessment is made annually whether goodwill has suffered any impairment loss. The assessment process is complex and highly judgmental and is based on assumptions that are affected by current and expected technological advancement, market or economic conditions. Judgement is required in determining the valuation approach and the assumptions used in determining the recoverable amount of goodwill. A description of the valuation process adopted and the assumptions made are disclosed in Note 15 below. Actual outcomes could vary from these estimates.

Contingent liabilities – tax

The group derives a substantial amount of its profit from manufacturing and trading activities across several countries before the sale of final products to ultimate customers and is therefore subject to income taxes in several jurisdictions. Significant judgement is required in determining the taxable profit in each of the tax jurisdictions during the estimation of the provision for taxes. If the tax authorities disagree with the tax treatment and position adopted by the group on such intra-group transactions, the group may be imposed tax adjustments of up to 10 years of the operations under review. The group has recognised tax liabilities based on its assessment of whether it is probable, that additional taxes and interests will be due, as the group believes that certain positions may not be fully substantiated upon review by tax authorities, despite its belief that its tax return positions are supportable.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

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

3A. Related party transactions

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

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

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

	Group	
	2020	2019
	\$'000	\$'000
Fees payable to firms of which the directors are members	<u>144</u>	<u>34</u>

3B. Key management compensation

	Group	
	2020	2019
	\$'000	\$'000
Directors' fees	475	384
Salaries and other short-term employee benefits	2,512	1,265
Post-employment benefits	115	57
Share-based payments	-	4
	<u>3,102</u>	<u>1,710</u>

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

	Group	
	2020	2019
	\$'000	\$'000
Directors' fees	475	384
Remuneration of directors of the company	<u>-</u>	<u>503</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

3B. Key management compensation (Continued)

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

Further information about the remuneration of individual directors is provided in the report on corporate governance in the Annual Report.

3C. Balances with subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Other receivables, non-current		
Balance at beginning of the year	-	-
Loans to subsidiary	5,284	-
Accrued interest income	30	-
Balance at end of the year (Note 18)	5,314	-

	Company	
	2020 \$'000	2019 \$'000
Other receivables, current		
Balance at beginning of the year	22,201	23,794
Amounts paid in and settlement of liabilities on behalf of the company	(8,863)	(1,593)
Balance at end of the year (Note 22)	13,338	22,201

4. REVENUE

	Group	
	2020 \$'000	2019 \$'000
<i>Continuing operations</i>		(Reclassified)
Provision of services	25	-
<i>Discontinued operations</i>		
Sale of goods	400,648	306,649
Total revenue	400,673	306,649

Revenue from the provision of services is recognised at a point in time and all the contracts are less than 12 months. The customers are mainly commercial corporations.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

5. OTHER INCOME AND (OTHER EXPENSES)

	Group	
	2020 \$'000	2019 \$'000
		(Reclassified)
<i>Continuing operations</i>		
Allowance for doubtful receivables – reversal/(loss) (Note 22)	96	(686)
Club membership written off	(101)	–
Foreign currency exchange losses, net	(62)	(437)
Government grant income	239	4
Unrealised fair value (losses)/gains on financial derivatives, net	(30)	264
Others	45	1
Sub-total	<u>187</u>	<u>(854)</u>
<i>Discontinued operations</i>		
Allowance for inventory obsolescence (Note 21)	(194)	(1,030)
Foreign currency exchange losses, net	(2,088)	(4,730)
Gain arising from exercising put option	–	880
Gain/(loss) on disposal of property, plant and equipment	47	(63)
Government grant income	830	661
Impairment loss on property, plant and equipment	–	(27)
Inventories written off (Note 21)	–	(1,533)
Loss on disposal of discontinued operations, net of tax (Note 16C)	–	(2,153)
Property, plant and equipment written off	–	(27)
Provision for costs associated with product quality	(207)	(833)
Provision for housing fund contribution for prior years	(594)	–
Redundancy costs	(508)	(895)
Reversal of provision for claims	1,421	–
Reversal of provision for restructuring costs	620	–
Scrap income	1,130	1,280
Tax penalties	–	(1,241)
Others	8	323
Sub-total	<u>465</u>	<u>(9,361)</u>
Total other income/(other expenses), net	<u>652</u>	<u>(10,215)</u>
Presented in profit or loss as follows:		
Other income	4,436	3,413
Other expenses	(3,784)	(13,628)
	<u>652</u>	<u>(10,215)</u>

Included in government grant income is an amount of \$221,000 (2019: Nil) which relates to the Jobs Support Scheme (“JSS”). The JSS is to provide wage support to employers to retain their local employees during this period of economic uncertainty amid Covid-19 for 17 months from April 2020 to August 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

6. FINANCE INCOME

	Group	
	2020 \$'000	2019 \$'000
		(Reclassified)
<i>Continuing operations</i>		
Interest income on fixed deposits	4	12
<i>Discontinued operations</i>		
Interest income on fixed deposits	16	24
Total finance income	20	36

7. FINANCE COSTS

	Group	
	2020 \$'000	2019 \$'000
		(Reclassified)
<i>Continuing operations</i>		
Interest expense on lease liabilities	8	2
Others	2	-
Sub-total	10	2
<i>Discontinued operations</i>		
Factoring charges	170	748
Interest expense on bank loans	684	1,165
Interest expense on lease liabilities	317	51
Others	-	8
Sub-total	1,171	1,972
Total finance costs	1,181	1,974

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

8. ITEMS IN PROFIT OR LOSS

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

	Group	
	2020	2019
	\$'000	\$'000
	(Reclassified)	
<i>Continuing operations</i>		
Audit fees to:		
– independent auditor of the company	10	9
– other auditors*	1	–
Energy costs	4	3
Professional fees	151	159
Repair and maintenance charges	<u>3</u>	<u>1</u>
<i>Discontinued operations</i>		
Audit fees to:		
– independent auditor of the company	107	97
– other auditors*	176	135
Non-audit fees to other auditors*	6	4
Energy costs	8,016	8,491
Professional fees	324	1,954
Repair and maintenance charges	<u>3,283</u>	<u>4,639</u>

* Include the network of member firms of RSM International and SBA Stone Forest CPA Ltd.

There are no non-audit fees paid to the independent auditor of the company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

9. EMPLOYEE BENEFITS EXPENSE

	Group	
	2020 \$'000	2019 \$'000
	(Reclassified)	
<i>Continuing operations</i>		
Salaries, bonuses and other costs	911	183
Contributions to defined contribution plans	84	12
Equity-settled share-based payment transactions	-	(1)
Sub-total	<u>995</u>	<u>194</u>
<i>Discontinued operations</i>		
Salaries, bonuses and other costs	44,929	47,342
Contributions to		
– defined benefit plans	379	580
– defined contribution plans	2,396	4,917
Equity-settled share-based payment transactions	(3)	(6)
Sub-total	<u>47,701</u>	<u>52,833</u>
Total employee benefits expense	<u>48,696</u>	<u>53,027</u>
Included in profit or loss as follows:		
Cost of sales	41,984	46,955
Administrative expenses	5,886	5,494
Sales and marketing expenses	392	578
Research and development expenses	434	-
	<u>48,696</u>	<u>53,027</u>

10. INCOME TAX

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

	Group	
	2020 \$'000	2019 \$'000
	(Reclassified)	
<i>Continuing operations</i>		
Current income tax expense	16	1
Over adjustments to current tax in respect of prior years	(96)	-
Sub-total	<u>(80)</u>	<u>1</u>
<i>Discontinuing operations</i>		
Current income tax expense	121	17
Under adjustments to current tax in respect of prior years	-	3,789
Sub-total	<u>121</u>	<u>3,806</u>
Total income tax expense	<u>41</u>	<u>3,807</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

10. INCOME TAX (CONTINUED)

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

The reconciliation of income taxes is determined below by applying the Singapore corporate tax rate. The income tax in profit or loss varied from the amount determined by applying the Singapore corporate tax rate of 17% (2019: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2020 \$'000	2019 \$'000
		(Reclassified)
Profit/(loss) before income tax		
– Continuing operations	(1,542)	(1,315)
– Discontinuing operations	15,148	(16,361)
	13,606	(17,676)
Income tax expense/(income) at the above rate	2,313	(3,005)
Effect of different tax rates in different countries	1,819	(274)
Expenses not deductible for tax purposes	844	1,112
Income not subject to tax	(562)	(991)
Income taxed at preferential tax rates outside Singapore	(2,484)	2,822
Deferred tax assets not recognised	316	814
Utilisation of previously unrecognised tax losses	(2,109)	(460)
(Over)/under adjustments to current tax in respect of prior years	(96)	3,789
Total income tax expense	41	3,807

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

Tax sparing credits are available to a subsidiary incorporated in the Republic of Mauritius, BIGL Asia Pacific Ltd., whereby the subsidiary is entitled to a tax credit equivalent to the higher of the actual foreign tax paid and a deemed credit of 80% of the tax on its foreign source income, thus reducing its effective tax rate to 3% (2019: 3%).

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

10. INCOME TAX (CONTINUED)

10B. Unrecognised deferred tax assets

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

	Group	
	2020 \$'000	2019 \$'000
Expiring within:		
Within one year	19,796	14,541
Between one and three years	6,417	19,941
Between three and five years	6,280	8,254
More than five years	16,742	17,046
	49,235	59,782

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

10C. Unrecognised deferred tax liabilities

A deferred tax liability of approximately \$1,382,000 (2019: \$1,091,000) has not been recognised for taxes that would be payable on the undistributed earnings of the group's foreign subsidiaries as the group is able to control the timing of the reversal of the taxable temporary difference and has determined that these undistributed earnings will not be distributed in the foreseeable future.

11. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX

11A. Proposed Disposal of the Hard Disk Drive Business

On 31 December 2020, the group has entered into a conditional sale and purchase agreement (the "Agreement") with Suzhou Gefan Hardware and Plastic Industrial Co., Ltd. (the "Purchaser") and Seksun Technology (Suzhou) Co., Ltd. to sell the group's business in the manufacturing and sale of actuator arms and related parts used in hard disk drive (the "HDD Business") for an aggregate cash consideration of US\$50 million ("Proposed Disposal").

The Proposed Disposal is conducted through the group's wholly-owned subsidiaries, namely

- (a) BIGL Technologies (Shenzhen) Co., Ltd. ("BIGL Shenzhen");
- (b) BIGL Technologies (Chongqing) Co., Ltd. ("BIGL Chongqing");
- (c) BIGL Technologies (Thailand) Co., Ltd. ("BIGL Thailand"); and
- (d) BIGL Technologies (Wuxi) Co., Ltd. ("BIGL Wuxi").

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

11. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (CONTINUED)

11A. Proposed Disposal of the Hard Disk Drive Business (Continued)

Pursuant to the Agreement, the Purchaser will acquire:

- (a) all of the issued share capital or registered capital of each of BIGL Chongqing, BIGL Wuxi and BIGL Thailand (the “Target Companies”), comprising:
 - (i) US\$14,000,000 in registered capital issued by BIGL Chongqing;
 - (ii) US\$5,000,000 registered capital issued by BIGL Wuxi; and
 - (iii) 2,180,000 ordinary shares of par value THB100 each in the share capital of BIGL Thailand (collectively, the “Target Shares”); and
- (b) selected assets of BIGL Shenzhen as set out in the Agreement (the “Target Assets”). The Target Assets shall not include:
 - (i) any accounts receivable arising from the conduct of business by BIGL Shenzhen, whether or not in the ordinary course of business;
 - (ii) any cash owned by BIGL Shenzhen, provided that such cash is not accrued from any sale or disposal of any Target Asset set out in the Agreement or any activity outside ordinary course of business not consistent with past practice; and
 - (iii) the land and buildings situated at Pingshan Street, Longgang district, Shenzhen as described in Shenzhen Title Certificate No. 0227103.

The Proposed Disposal is subject to the completion of certain conditions, including the approval from the shareholders and regulatory authorities, as well as the financial condition that the net asset value of the Target Companies and the Target Assets as at 31 December 2020 based on the respective entities’ audited financial statements for the reporting year ended 31 December 2020 on a pro forma basis shall not be less than US\$40 million (the “Minimum Net Asset Value”), determined with reference to and in accordance with the Agreement.

The Proposed Disposal will result in the group disposing its HDD Business in its entirety. Consequently, the entire results of HDD Business have been presented separately on the consolidated statement of profit or loss and other comprehensive income as “Discontinued operations” in 2020.

11B. ComTech Manufacturing Solutions LLC (“CMS”)

On 22 July 2019, the group disposed its 48% equity interests in CMS to the non-controlling interests for \$1. CMS constitutes majority of the group’s operations in United States of America, consequently it has been presented separately on the consolidated statement of profit or loss and other comprehensive income as “Discontinued operations” in 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

11. PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS, NET OF TAX (CONTINUED)

11C. Foam Plastics Solutions and Flow Control Device businesses

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

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

On 6 December 2019, the group received a tax notice from the tax authorities of the People's Republic of China in relation to the underpayment of the 2007 to 2016 tax liabilities of a subsidiary within the Disposed Businesses amounting to RMB19 million (approximately \$3.7 million) plus interest and penalties amounting to RMB6 million (approximately \$1.2 million). The underpayment of tax liabilities, plus interest and penalties had been presented separately on the consolidated statement of profit or loss and other comprehensive income as "Discontinued operations" in 2019.

The financial performance of the discontinued operations are as follows:

	Group	
	2020	2019
	\$'000	\$'000
		(Reclassified)
Revenue	400,648	306,649
Cost of sales	(372,949)	(296,087)
Gross profit	27,699	10,562
Other income	4,056	3,144
Distribution expenses	(1,573)	(2,410)
Administrative expenses	(9,979)	(12,523)
Sales and marketing expenses	(309)	(681)
Other expenses	(3,591)	(12,505)
Finance income	16	24
Finance costs	(1,171)	(1,972)
Profit/(loss) before income tax	15,148	(16,361)
Income tax expense	(121)	(3,806)
Profit/(loss) from discontinued operations, net of tax	15,027	(20,167)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

12. EARNINGS/(LOSS) PER SHARE

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

	Group	
	2020 \$'000	2019 \$'000
	(Reclassified)	
Numerators:		
Profit/(loss) attributable to owners of the parent		
– Continuing operations	(914)	(1,316)
– Discontinuing operations	15,027	(20,058)
	14,113	(21,374)
Denominators:		
Weighted average number of equity shares (basic)	468,191	468,609
Unreleased share awards effect	217	444
Weighted average number of equity shares (diluted)	468,408	469,053

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

The dilutive effect derives from transactions such as share options (Note 28A) and share awards (Note 28B). The diluted amount per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year. The ordinary share equivalents included in these calculations are: (1) the average number of ordinary shares assumed to be outstanding during the reporting year and (2) shares of ordinary share issuable upon assumed exercise of share options which (if any) would have a dilutive effect.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land		Leasehold land		Buildings		Leasehold improvements		Plant and machinery		Office equipment and furniture		Motor vehicles		Construction-in-progress		Total	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost:																		
At 1 January 2019	1,742	-	-	3,787	30,791	209,750	4,442	488	14,181	265,181								
Additions	-	-	-	-	284	3,190	92	-	2,032	5,598								
Disposals	-	-	-	-	(254)	(10,823)	(636)	(230)	-	(11,943)								
Reclassifications	-	-	-	-	790	7,430	-	80	(8,300)	-								
Transfer from																		
Assets held for sale	-	1,342	-	21,672	6,015	-	-	-	-	-	-	-	-	-	-	-	-	29,029
Written off	-	-	-	-	(5)	(60)	(9)	-	-	(74)								
Foreign exchange adjustments	(23)	(16)	(309)	(479)	(2,704)	(48)	(5)	(101)	(3,685)									
At 31 December 2019	1,719	1,326	25,150	37,142	206,783	3,841	333	7,812	284,106									
Additions	-	-	-	90	1,632	28	43	788	2,581									
Disposals	-	-	-	-	(4,159)	(64)	(560)	-	(4,783)									
Reclassifications	-	-	-	-	8,258	1	-	(8,259)	-									
Arising from acquisition of a subsidiary	-	-	-	-	5	13	-	-	18									
Transfer to																		
Assets held for sale	(1,688)	-	(3,670)	(30,612)	(211,160)	(3,051)	(307)	(500)	(250,988)									
Foreign exchange adjustments	(31)	(24)	(459)	(681)	(998)	(49)	(5)	159	(2,088)									
At 31 December 2020	-	1,302	21,021	5,939	361	223	-	-	28,846									

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land		Leasehold land		Buildings		Leasehold improvements		Plant and machinery		Office equipment and furniture		Motor vehicles		Construction-in-progress		Total		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Accumulated depreciation and impairment losses:																			
At 1 January 2019	-	-	-	2,584	11,255	168,005	4,128	369	-	-	-	-	-	-	-	-	-	186,341	
Depreciation for the year	-	-	-	189	1,484	11,505	169	51	-	-	-	-	-	-	-	-	-	13,398	
Disposals	-	-	-	-	(254)	(10,737)	(634)	(224)	-	-	-	-	-	-	-	-	-	(11,849)	
Transfer from																			
Assets held for sale	-	252	-	4,073	4,873	-	-	-	-	-	-	-	-	-	-	-	-	9,198	
Written off	-	-	-	-	(3)	(37)	(7)	-	-	-	-	-	-	-	-	-	-	(47)	
Foreign exchange adjustments	-	(3)	(84)	(219)	(44)	(2,170)	(3)	(64)	-	-	-	-	-	-	-	-	-	(2,523)	
At 31 December 2019	-	249	6,762	17,136	3,612	166,566	3,612	193	-	-	-	-	-	-	-	-	-	194,518	
Depreciation for the year	-	30	677	1,860	126	10,656	126	42	-	-	-	-	-	-	-	-	-	13,391	
Disposals	-	-	-	-	-	(3,824)	(559)	(64)	-	-	-	-	-	-	-	-	-	(4,447)	
Arising from acquisition of a subsidiary	-	-	-	-	-	*	*	-	-	-	-	-	-	-	-	-	-	*	
Transfer to																			
Assets held for sale	-	-	(2,871)	(13,585)	(2,934)	(172,776)	(169)	-	-	-	-	-	-	-	-	-	-	(192,335)	
Foreign exchange adjustments	-	(6)	(152)	(388)	(49)	(308)	(2)	-	-	-	-	-	-	-	-	-	-	(905)	
At 31 December 2020	-	273	4,416	5,023	314	166,566	196	119	47	47	27	196	119	-	-	-	-	10,222	
Carrying value:																			
At 1 January 2019	1,742	-	1,203	19,536	314	41,745	314	119	14,181	14,181	14,181	14,181	14,181	14,181	14,181	14,181	14,181	78,840	
At 31 December 2019	1,719	1,077	18,388	20,006	229	40,217	229	140	7,812	7,812	7,812	7,812	7,812	7,812	7,812	7,812	7,812	89,588	
At 31 December 2020	-	1,029	16,605	916	47	47	27	-	-	-	-	-	-	-	-	-	-	18,624	

* Denotes less than \$1,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold improvement \$'000	Plant and machinery \$'000	Office equipment and furniture \$'000	Total \$'000
<u>Cost:</u>				
At 1 January 2019	–	49	227	276
Additions	59	–	13	72
At 31 December 2019	59	49	240	348
Written off	–	(49)	(130)	(179)
At 31 December 2020	59	–	110	169
<u>Accumulated depreciation:</u>				
At 1 January 2019	–	49	224	273
Depreciation for the year	–	–	3	3
At 31 December 2019	–	49	227	276
Depreciation for the year	11	–	6	17
Written off	–	(49)	(130)	(179)
At 31 December 2020	11	–	103	114
<u>Carrying value:</u>				
At 1 January 2019	–	–	3	3
At 31 December 2019	59	–	13	72
At 31 December 2020	48	–	7	55

Allocation of the depreciation expense:

	Group	
	2020 \$'000	2019 \$'000
<u>Continuing operations</u>		
Administrative expenses	2	–
Research and development expenses	6	–
Sub-total	8	–
<u>Discontinued operations</u>		
Cost of sales	13,180	13,139
Distribution expenses	40	31
Administrative expenses	163	228
Sub-total	13,383	13,398
Total depreciation expense	13,391	13,398

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

13. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Security

The carrying values of the group's property, plant and equipment that have been pledged as securities for financing activities (Note 32) are as follows:

	Group	
	2020 \$'000	2019 \$'000
Land and buildings	-	11,897

Impairment assessment

The group assesses at each end of the reporting year whether there is any objective evidence that the carrying value of its property, plant and equipment are impaired. The group's property, plant and equipment remaining at the end of the reporting year relates mainly to a property in Shenzhen (the "Shenzhen Property"), whose details are as follows:

Location	Area (sq m)	Description	Tenure
No 5 North Luyin Road Pingshan District Shenzhen District	19,991	Land use right (for industrial use)	Leasehold (50 years expiring 12 September 2055)
	36,509	Building with structures	

As at 31 December 2020, the recoverable amount of the group's property, plant and equipment which was based on its fair value less costs to sell, was higher than its carrying value as at 31 December 2020. Consequently, there was no impairment loss recognised in 2020 (2019: Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

14. RIGHT-OF-USE ASSETS

	Buildings and office \$'000
<u>Group</u>	
<u>Costs:</u>	
At 1 January 2019	10,475
Additions	430
Disposals	(1,184)
Foreign exchange adjustments	(121)
At 31 December 2019	9,600
Disposals	(198)
Transferred to Assets held for sale	(8,816)
Foreign exchange adjustments	(156)
At 31 December 2020	430
<u>Accumulated depreciation:</u>	
At 1 January 2019	–
Depreciation for the year	1,856
Disposals	(367)
Foreign exchange adjustments	(18)
At 31 December 2019	1,471
Depreciation for the year	1,715
Disposals	(198)
Transferred to Assets held for sale	(2,731)
Foreign exchange adjustments	(90)
At 31 December 2020	167
<u>Carrying value:</u>	
At 1 January 2019	10,475
At 31 December 2019	8,129
At 31 December 2020	263

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

14. RIGHT-OF-USE ASSETS (CONTINUED)

	Office \$'000
<u>Company</u>	
<u>Costs:</u>	
At 1 January 2019	225
Additions	430
Disposal	(225)
At 31 December 2019 and 31 December 2020	430
<u>Accumulated depreciation:</u>	
At 1 January 2019	–
Depreciation for the year	247
Disposal	(225)
At 31 December 2019	22
Depreciation for the year	145
At 31 December 2020	167
<u>Carrying value:</u>	
At 1 January 2019	225
At 31 December 2019	408
At 31 December 2020	263

Allocation of the depreciation expense:

	Group	
	2020 \$'000	2019 \$'000
<u>Continuing operations</u>		
Administrative expenses	15	25
<u>Discontinued operations</u>		
Cost of sales	1,537	1,514
Administrative expenses	163	317
Sub-total	1,700	1,831
Total depreciation expense	1,715	1,856

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

	Buildings and office	
	2020	2019
Number of right-to-use assets	1	7
Remaining term – range	1.75 years	1 – 6 years
Remaining term – average	1.75 years	3.5 years
Number of leases with extension options	–	2
Number of leases with termination options	–	1

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

15. GOODWILL

	Group	
	2020 \$'000	2019 \$'000
Movements in cost:		
Balance at beginning of the year	–	–
Arising from acquisition of subsidiary (Note 16B)	2,374	–
Balance at end of the year	2,374	–

Goodwill is allocated to cash-generating units (“CGU”) for the purpose of impairment testing. The CGU below represents the group’s investment in the subsidiary:

	Group	
	2020 \$'000	2019 \$'000
Name of subsidiary:		
Beijing Ant Brothers Technology Co., Ltd.	2,374	–

Impairment assessment

The goodwill was tested for impairment at the end of the reporting year. The group’s goodwill arose from the acquisition of BAB during the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a CGU exceeds its recoverable amount.

In determining the recoverable amount, management has considered the fact that BAB is a early-stage and pre-revenue start-up technology company with minimal short-term future earnings. Hence management is unable to gauge the probability and financial impact of the success or failure of BAB and to make reliable cash flow forecasts.

Notwithstanding the above, management considered the milestones as set out in the agreement regarding KPIs for BAB signed between the group, BAB and Beijing Ant Home Information Consulting Center (Limited Partnership) (“KPI agreement”), the impact of the current Covid-19 pandemic on the progress of the research and development activities undertaken by BAB, and the fluidity of the business plans of BAB.

Management assessed and has determined that BAB has achieved the overall objective of the milestones set out in the KPI agreement. Consequently, management concluded that the carrying amount of goodwill is not impaired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES

	Group	
	2020 \$'000	2019 \$'000
Unquoted equity shares at cost	125,456	125,456
Less: Allowance for impairment	(34,056)	(34,056)
Net carrying value	91,400	91,400
<u>Movements in cost:</u>		
Balance at beginning and end of the year	125,456	125,456
<u>Movements in allowance for impairment:</u>		
Balance at beginning of the year	34,056	25,456
Impairment loss charged to profit or loss	–	8,600
Balance at end of the year	34,056	34,056

16A. Significant subsidiaries of the group

Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditor	Cost of investment		Effective equity held	
	2020	2019	2020	2019
	\$'000	\$'000	%	%
<i>Held by the company</i>				
BIGL Asia Pte. Ltd. ^(a) Singapore Investment holding	125,456	125,456	100	100
BIGL Enterprises (Singapore) Pte. Ltd. ^(a) (Incorporated on 6 January 2020) Singapore Investment holding	*	–	100	–
	125,456	125,456		

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16A. Significant subsidiaries of the group (Continued)

Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditor	Effective equity held	
	2020 %	2019 %
<i>Held through BIGL Asia Pte. Ltd.</i>		
BIGL Asia Pacific Ltd. ^(b) Republic of Mauritius People's Republic of China Distribution of precision machined components	100	100
BIGL Technologies (Thailand) Co., Ltd. ^(b) Thailand Manufacturer of precision machined components and the sub-assembly of actuator arms	99.99	99.99
BIGL Technologies (Shenzhen) Co., Ltd. ^(c) People's Republic of China Manufacturer of precision machined components	100	100
BIGL Technologies (Wuxi) Co., Ltd. ^(c) People's Republic of China Manufacturer of precision machined components and the sub-assembly of actuator arms	100	100
BIGL Technologies (Chongqing) Co., Ltd. ^(d) People's Republic of China Manufacturer of precision components	100	100
BIGL Technologies (Suzhou) Co., Ltd. ^(d) ^ People's Republic of China Manufacturer of precision machined components	100	100
Compart Engineering, Inc. ^(d) United States of America Investment holding	100	100
BIGL Holdings Pte. Ltd. ^(a) Singapore Business and management consultancy services	100	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16A. Significant subsidiaries of the group (Continued)

Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditor	Effective equity held	
	2020 %	2019 %
<i>Held through BIGL Enterprises (Singapore) Pte. Ltd.</i>		
BIGL Enterprise Management (Beijing) Co., Ltd. ^(c) (Incorporated on 19 January 2020) People's Republic of China Enterprise and business management	100	–
<i>Held through BIGL Holdings Pte. Ltd.</i>		
BIGL Technologies (Thailand) Co., Ltd. ^(b) Thailand Manufacturer of precision machined components and the sub-assembly of actuator arms	#	#
BIGL Management Consultancy (Shenzhen) Co., Ltd. ^(d) People's Republic of China Business and management consultancy services	100	100
<i>Held through BIGL Enterprise Management (Beijing) Co., Ltd.</i>		
Beijing Ant Brother Technology Co., Ltd. ^{(c)@} People's Republic of China Provision of technical services, technology transfer, technology development, technology promotion, technical consultation and sales of computer software and accessory devices	49	–

* Denotes less than \$1,000.

^ Owns 40% (2019: 40%) equity interests in Shanghai Kiddy Children's Products Co., Ltd, incorporated in People's Republic of China, which is not material to the group.

Holds less than 0.01% pursuant to an acquisition from non-controlling interests for Nil consideration.

@ Accounted for as a 55% equity interest subsidiary as the group has control over BAB via its control over BAB's board of directors.

(a) Audited by RSM Chio Lim LLP, a member firm of RSM International.

(b) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Audited by SBA Stone Forest CPA Ltd, an affiliated firm of RSM Chio Lim LLP, for consolidation purpose.

(d) Not audited as these subsidiaries are not material to the group.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16B. Acquisition of a subsidiary in 2020

On 21 January 2020, management announced that the group had entered into an Equity Purchase Agreement (“EPA”) to subscribe up to 55% equity interest in Beijing Ant Brothers Technology Co., Ltd. (“BAB”) for \$5.1 million.

BAB’s principal activities are the provision of technical services, technology transfer, technology development, technology promotion, technical consultation and sales of computer software and accessory devices. For the current reporting year, BAB is developing a robotic cleaning machine targeted at the building façade cleaning market.

The group’s investment in BAB is split into four tranches as follows:

- (a) the first tranche of \$1.5 million shall be paid in 2 instalments, namely, (i) \$0.5 million to be paid within seven (7) business days of signing the EPA; and (ii) \$1.0 million to be paid within 15 days from the date of receipt by the group of the payment notice to be issued by BAB upon the fulfilment of certain conditions;
- (b) the second tranche of \$1.5 million shall be paid within 15 days from the date of receipt by the group of the payment notice to be issued by BAB upon the fulfilment of certain conditions;
- (c) the third tranche of \$1.0 million shall be paid within 15 days from the date of receipt by the group of the payment notice to be issued by BAB upon the fulfilment of certain conditions; and
- (d) the fourth tranches of \$1.0 million shall be paid within 15 days from the date of receipt by the group of the payment notice to be issued by BAB upon the fulfilment of certain conditions.

In view of the investment in BAB, the group incorporated a subsidiary in Singapore, namely BIGL Enterprises (Singapore) Pte. Ltd., with an initial cost of investment of \$2 to subscribe for the equity interests in BAB.

As at the end of the reporting year, the group has invested \$4,048,000 in BAB. The fourth and final tranche of \$1,012,000 was paid subsequent to the reporting year end.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16B. Acquisition of a subsidiary in 2020 (Continued)

Details of the consideration paid, the assets and liabilities of BAB acquired, and the effects on the cash flows of the group, based on the finalised purchase price allocation exercise, are as follows:

	Pre-acquisition book value \$'000	Fair value \$'000
Property, plant and equipment	18	18
Trade and other receivables	25	25
Other assets	13	13
Cash and cash equivalents	4,919	4,919
Trade and other payables	(92)	(92)
Net identifiable assets	<u>4,883</u>	4,883
Less: Non-controlling interests		(2,197)
		2,686
Goodwill recognised		<u>2,374</u>
Consideration		<u>5,060</u>
Consideration		5,060
Less: cash and cash equivalents acquired		<u>(4,919)</u>
		<u>141</u>

The goodwill is not deductible for tax purposes.

The contributions from the acquired subsidiary for the period between the date of acquisition and the end of the reporting year were as follows:

Group	From date of acquisition to end of reporting year \$'000	For the reporting year \$'000
Revenue	25	25
Loss before income tax	<u>(1,219)</u>	<u>(1,402)</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

16C. Disposal of a subsidiary in 2019

On 22 July 2019, the group disposed its 48% equity interests in ComTech Manufacturing Solutions LLC to the non-controlling interests for \$1.

Details of the consideration received, the assets and liabilities of ComTech Manufacturing Solutions LLC disposed, and the effects on the cash flows of the group, are as follows:

	Net carrying amounts \$'000
Property, plant and equipment	25
Right-of-use assets	807
Trade and other receivables	319
Inventories	484
Cash and cash equivalents	53
Trade and other payables	(368)
Other liabilities	(863)
Net identifiable assets disposed	457
Less: Non-controlling interests	1,696
Share of net identifiable assets disposed	2,153
Less: Loss on disposal (Note 5)	(2,153)
Consideration received/receivable	*
Less: cash and cash equivalents disposed	(53)
Net cash outflows on disposal	(53)

* Denotes less than \$1,000.

16D. Impairment assessment

The group's HDD Business is held through BIGL Asia. In view of the impending disposal of the HDD Business as disclosed in Note 11A, management performed an impairment assessment on the carrying value of the company's investment in BIGL Asia.

As disclosed in Note 19, selected assets and liabilities of the HDD Business are classified as held for sale at the end of the reporting year pursuant to the conditional sale and purchase agreement entered into by the group. The remaining significant asset of the HDD Business not presented as held for sale at the end of the reporting year relates to a property in Shenzhen ("Shenzhen Property").

Management applied the fair value less cost of disposal method to determine the recoverable amount of the company's investment in BIGL Asia. The recoverable amount of the company's investment in BIGL Asia is based on (a) net proceeds from the impending disposal of the HDD Business; and (b) the fair value less cost of disposal from the Shenzhen Property.

As at the reporting year end, the recoverable amount of the company's investment in BIGL Asia was higher than its carrying value. Consequently, there was no impairment loss recognised in 2020 (2019: \$8,600,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

17. OTHER INVESTMENTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Transferable club memberships	-	101	-	47

18. OTHER RECEIVABLES, NON-CURRENT

	Company	
	2020 \$'000	2019 \$'000
Loan receivable from a subsidiary	5,284	-
Accrued interest income	30	-
Total other receivables, non-current (Note 3)	5,314	-

The loan receivable from subsidiary bears interest ranging from 0.81% to 1.97% (2019: Nil) per annum and is due, together with the accrued interest income, in April 2023. The loan is carried at amortised cost using the effective interest method over 3 years. The fair value of the loan is a reasonable approximation of its carrying amount as the loan is a floating rate instrument that is frequently re-priced to market interest rates.

19. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As disclosed in Note 11A above, the group has entered into a conditional sale and purchase agreement to sell the group's HDD Business for an aggregate cash consideration of US\$50.0 million. The proceeds of disposal are expected to exceed the net carrying amount of the assets and liabilities and accordingly, no impairment loss has been recognised in the current reporting year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

19. ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

Accordingly, management has presented the carrying amount of the assets and liabilities comprising the disposal group as held for sale at the end of the reporting year as follows:

	2020 \$'000
<u>Assets:</u>	
Property, plant and equipment	58,653
Right-of-use assets	6,085
Inventories	27,921
Trade and other receivables	52,288
Other assets	696
Cash and cash equivalents	18,378
Total assets	164,021
<u>Liabilities:</u>	
Other liabilities	1,783
Lease liabilities, non-current	5,041
Other payables, non-current	888
Loans and borrowings, non-current	11,017
Loans and borrowings, current	2,204
Lease liabilities, current	1,317
Trade and other payables	86,528
Total liabilities	108,778
Net carrying amount	55,243

20. FINANCIAL DERIVATIVES

	Group	
	2020 \$'000	2019 \$'000
Foreign currency exchange contracts:		
Assets – contracts with positive fair values	-	29

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

20. FINANCIAL DERIVATIVES (CONTINUED)

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

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

	Maturity	Notional amount \$'000	Net fair value gain \$'000
<u>2019</u>			
– Buy Chinese Renminbi and sell United States Dollar	June 2020	48,481	<u>29</u>

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

21. INVENTORIES

	Group	
	2020 \$'000	2019 \$'000
Raw materials	–	12,401
Work-in-progress	–	3,764
Finished goods	–	19,238
Spare parts and others	–	426
	<u>–</u>	<u>35,829</u>

Inventories are stated after allowance for obsolescence as follows:

Balance at beginning of the year	1,017	14
Reversed to profit or loss included in cost of sales	(1,085)	–
Charged to profit or loss included in other expenses (Note 5)	194	1,030
Transferred to Assets held for sale	(144)	–
Foreign exchange adjustments	18	(27)
Balance at end of the year	<u>–</u>	<u>1,017</u>
Included in cost of sales:		
Changes in inventories – decrease/(increase)	8,782	(15,478)
Purchases of inventories	276,875	209,634
Included in other expenses:		
Write-down of inventories (Note 5)	<u>–</u>	<u>1,533</u>

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

22. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Trade receivables:</u>				
Outside parties	4,765	48,200	-	-
Less: Allowance for impairment	(610)	(678)	-	-
Subtotal	4,155	47,522	-	-
<u>Other receivables:</u>				
Outside parties	1,293	2,310	-	-
Subsidiaries (Note 3)	-	-	13,338	22,201
Deposits	50	576	17	17
Subtotal	1,343	2,886	13,355	22,218
Total trade and other receivables	5,498	50,408	13,355	22,218
<u>Movements in allowance for impairment:</u>				
Balance at beginning of year	678	13	-	-
(Reversal)/charged to profit or loss included in other income/(other expenses) (Note 5)	(96)	686	-	-
Foreign exchange adjustments	28	(21)	-	-
Balance at end of year	610	678	-	-

As at the end of the reporting year, trade receivables totaled Nil (2019: \$27,987,000) were sold to banks. These trade receivables have been derecognised as they were sold without recourse.

22A. Impairment assessment

Trade receivables

The group has only a few customers which can be graded as low credit risk individually. These trade receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses ("ECL") which uses a lifetime expected loss allowance for all trade receivables.

The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. At the end of the reporting year, a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

22A. Impairment assessment (Continued)

Trade receivables (Continued)

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. A write-back of loss allowance of \$96,000 (2019: loss allowance of \$686,000) based on the lifetime expected credit losses on the amount is recognised as there has been significant changes in credit risk.

Other receivables

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

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

22B. Credit risk

Trade receivables

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 60 days (2019: 60 days). But some customers take a longer period to settle the amounts:

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

	Group	
	2020	2019
	\$'000	\$'000
Less than 31 days	-	455
Past due 31 – 120 days	302	115
Past due over 120 days	67	232
	369	802

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

22B. Credit risk (Continued)

Trade receivables (Continued)

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

	Group	
	2020 \$'000	2019 \$'000
Past due over 120 days	<u>610</u>	<u>678</u>

The allowance which is disclosed in the note on trade receivables is based on individual accounts totalling \$610,000 (2019: \$678,000) that are determined to be impaired at the end of reporting year.

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

Prior to the proposed disposal of the HDD Business, the top 2 customers of the group represented more than 90% of the group's trade receivables in 2019.

Other receivables

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

23. OTHER ASSETS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Prepayments	<u>444</u>	<u>762</u>	<u>1</u>	<u>1</u>

24. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not restricted in use	<u>10,612</u>	<u>8,717</u>	<u>1,777</u>	<u>455</u>
Cash pledged as security	<u>5</u>	<u>5</u>	<u>-</u>	<u>-</u>
	<u>10,617</u>	<u>8,722</u>	<u>1,777</u>	<u>455</u>

The interest earning balances are not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

24. CASH AND CASH EQUIVALENTS (CONTINUED)

24A. Cash and cash equivalents in the consolidated statement of cash flows

	Group	
	2020 \$'000	2019 \$'000
Amount as shown above	10,617	8,722
Cash and cash equivalents as presented within Assets held for sale	18,378	–
Subtotal	28,995	8,722
Less: Cash pledged for bank facilities	(5)	(5)
	28,990	8,717

24B. Reconciliation of liabilities arising from financing activities

Group	At beginning of the year \$'000	Net cash flows \$'000	Non-cash changes \$'000	Notes	At end of the year \$'000
<u>2020</u>					
Loans and borrowings	28,505	(14,873)	(13,632)	(a)	–
Lease liabilities	8,106	(1,407)	(6,447)	(b)	252
	36,611	(16,280)	(20,079)		252
<u>2019</u>					
Loans and borrowings	39,397	(12,236)	1,344	(c)	28,505
Lease liabilities	10,415	(1,884)	(425)	(d)	8,106
	49,812	(14,120)	919		36,611

(a) Comprise of (i) foreign exchange movements of \$411,000 and (ii) amounts transferred to Liabilities held for sale of \$13,221,000.

(b) Comprise of (i) foreign exchange movements of \$89,000 and (ii) amounts transferred to Liabilities held for sale of \$6,358,000.

(c) Comprise of foreign exchange movements of \$1,344,000.

(d) Comprise of (i) new leases signed of \$397,000 and (ii) termination of leases of \$822,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

25. SHARE CAPITAL

	Group and Company	
	Number of shares issued '000	Share capital \$'000
Ordinary shares of no par value:		
Balance at 1 January 2019	471,914	113,155
Shares issued under BIGL Share Plan (Notes 28A and 28B)	–	8
Balance at 31 December 2019	471,914	113,163
Shares issued under BIGL Share Plan (Notes 28A and 28B)	–	1
Balance at 31 December 2020	471,914	113,164

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

Capital management:

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

	Group	
	2020 \$'000	2019 \$'000
Profit/(loss) before income tax	13,606	(17,676)
Finance income	(20)	(36)
Finance costs	1,181	1,974
Net operating income/(expense)	14,767	(15,738)
Equity attributable to owners of the parent	74,527	61,830
	2020	2019
	%	%
Average return on capital	20	(25)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

25. SHARE CAPITAL (CONTINUED)

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

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

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

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

26. ACCUMULATED LOSSES

As at the end of the reporting year, the group's accumulated losses included amounts relating to statutory reserve and legal reserve in the subsidiaries in the People's Republic of China and Thailand of \$3,377,000 (2019: \$3,377,000) and \$431,000 (2019: \$431,000) respectively. The statutory reserve and legal reserve are not available for cash dividends.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

27. OTHER RESERVES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Treasury shares (Note 27A)	(396)	(404)	(396)	(404)
Capital reserve (Note 27B)	2,924	2,924	-	-
Share-based payment reserve (Note 27C)	423	435	423	435
Foreign currency translation reserve (Note 27D)	(18,619)	(17,206)	-	-
	(15,668)	(14,251)	27	31

Other reserves are not available for cash dividends unless realised.

27A. Treasury shares

	Group and Company	
	Number of shares '000	Reserve \$'000
Balance at 1 January 2019	(2,958)	(386)
Shares acquired	(992)	(42)
Shares issued to under BIGL Share Plan (Notes 25 and 28B)	182	24
Balance at 31 December 2019	(3,768)	(404)
Shares issued to under BIGL Share Plan (Notes 25 and 28B)	75	8
Balance at 31 December 2020	(3,693)	(396)

Treasury shares were acquired by the company to serve the share option and/or share plan programme as shares awards to employees (Note 28). The reserve for the company's own shares comprises the cost of the company's shares held by the group.

27B. Capital reserve

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

27. OTHER RESERVES (CONTINUED)

27C. Share-based payment reserve

	Group and Company	
	2020	2019
	\$'000	\$'000
Balance at beginning of the year	435	474
Exercised during the year	(9)	(32)
Expense recognised in profit or loss, net	(3)	(7)
Balance at end of the year	423	435

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

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

27D. Foreign currency translation reserve

	Group	
	2020	2019
	\$'000	\$'000
Balance at beginning of the year	(17,206)	(16,651)
Exchange differences on translating foreign operations, net	(1,413)	(555)
Balance at end of the year	(18,619)	(17,206)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

28. SHARE-BASED PAYMENT

28A. Share option programme (equity-settled)

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

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

Grant date	2020	2019	Vesting conditions	Contractual life of options
3 March 2010	–	140,000	1 year's service	10 years

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

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

	Weighted average exercise price		Number of options	
	2020	2019	2020	2019
	\$	\$		
Outstanding at 1 January	0.45	0.43	140,000	376,000
Forfeited during the year	0.45	0.42	(140,000)	(236,000)
Outstanding at 31 December	–	0.45	–	140,000
Exercisable at 31 December	–	0.45	–	140,000

The options outstanding at 31 December 2020 have exercise prices of Nil (2019: \$0.45) and a weighted average remaining contractual life of Nil (2019: 0.17 years).

No options were exercised in 2020 and 2019.

28B. Share Plan (equity-settled)

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

28. SHARE-BASED PAYMENT (CONTINUED)

28B. Share Plan (equity-settled) (Continued)

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

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

Date of grant	Fair value at grant date \$	Granted and not released at beginning of year	Vested during the year	Forfeited during the year	Granted and not released at end of the year
<u>2020</u>					
4 April 2016	0.138	20,000	–	–	20,000
4 May 2016	0.136	65,000	(20,000)	–	45,000
4 June 2016	0.132	10,000	(10,000)	–	–
4 June 2017	0.139	75,000	(20,000)	(15,000)	40,000
4 June 2019	0.109	140,000	(25,000)	(55,000)	60,000
		310,000	(75,000)	(70,000)	165,000
<u>2019</u>					
4 April 2015	0.178	40,000	(40,000)	–	–
4 May 2015	0.205	40,000	(10,000)	(30,000)	–
4 June 2015	0.225	50,000	(50,000)	–	–
4 April 2016	0.138	75,000	(10,000)	(45,000)	20,000
4 May 2016	0.136	112,500	(37,500)	(10,000)	65,000
4 June 2016	0.132	15,000	(5,000)	–	10,000
4 June 2017	0.139	220,000	(30,000)	(115,000)	75,000
4 June 2019	0.109	240,000	–	(100,000)	140,000
		792,500	(182,500)	(300,000)	310,000

The measurement of the fair values at grant date of the share plan is based on the company's share price at grant date.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

29. OTHER LIABILITIES

	Group	
	2020 \$'000	2019 \$'000
Provision for employee benefit costs	–	1,496
Movements are as follows:		
Balance at beginning of the year	1,496	975
Net benefit expense recognised in profit or loss	379	580
Payments for the year	(70)	(134)
Foreign exchange adjustments	(22)	75
Transferred to Liabilities held for sale	(1,783)	–
Balance at end of the year	–	1,496

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

On 5 April 2020, pursuant to the new Thailand Labor Protection Act (No. 7) B.E. 2562 which stipulates additional legal severance pay rates for employees who have worked for an uninterrupted period of twenty years or more, with such employees entitled to receive not less than 400 days' compensation at the latest wage rate, the group had accounted for the change as a post-employment benefits plan amendment, and recognised the past service costs as expenses in the profit or loss during the reporting year.

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

The principal actuarial assumptions used for the purpose of the actuarial valuation at 31 December 2020 and 31 December 2019 are as follows:

	Group			
	2020		2019	
	Monthly staff	Daily staff	Monthly staff	Daily staff
Discount rate	–	–	1.96%	1.96%
Salary increase rate	–	–	4%	1%
Turnover rate	–	–	0 – 20%	0 – 32%

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

30. LEASE LIABILITIES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current	135	1,647	135	107
Non-current	117	6,459	117	268
	252	8,106	252	375
Movements of lease liabilities for the reporting year are as follows:				
At beginning of the year	8,106	10,415	375	195
Additions	-	397	-	397
Disposals	-	(822)	-	-
Accretion of interest	325	53	8	2
Lease payments – principal portion paid	(1,407)	(1,884)	(123)	(217)
Interest expense paid	(325)	(53)	(8)	(2)
Foreign exchange adjustments	(89)	-	-	-
Transferred to liabilities held-for-sale	(6,358)	-	-	-
At end of the year	252	8,106	252	375

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

30. LEASE LIABILITIES (CONTINUED)

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

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>Group</u>			
<u>2020</u>			
Due within one year	139	(4)	135
Due within 2 to 5 years	118	(1)	117
	257	(5)	252
Net book value of plant and equipment under right-of-use assets			263
<u>2019</u>			
Due within one year	1,709	(62)	1,647
Due within 2 to 5 years	7,287	(828)	6,459
	8,996	(890)	8,106
Net book value of plant and equipment under right-of-use assets			8,129
<u>Company</u>			
<u>2020</u>			
Due within one year	139	(4)	135
Due within 2 to 5 years	118	(1)	117
	257	(5)	252
Net book value of plant and equipment under right-of-use assets			263
<u>2019</u>			
Due within one year	108	(1)	107
Due within 2 to 5 years	280	(12)	268
	388	(13)	375
Net book value of plant and equipment under right-of-use assets			408

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

30. LEASE LIABILITIES (CONTINUED)

The future cash outflows commitments to which the lessee is potentially exposed are not reflected in the measurements of lease liabilities above. This arise from leases not yet commenced to which the lessee is committed. At the reporting year end date, total commitments on leases that had not yet commenced were as follows:

	Group	
	2020 \$'000	2019 \$'000
Buildings	<u>189</u>	<u>–</u>

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

	Group	
	2020 \$'000	2019 \$'000
Expenses relating to short-term leases included in:		
<i>Discontinued operations</i>		
Administrative expenses	79	9
<i>Discontinued operations</i>		
Cost of sales	635	905
Administrative expenses	<u>250</u>	<u>278</u>
	<u>964</u>	<u>1,192</u>

31. OTHER PAYABLES, NON-CURRENT

	Group	
	2020 \$'000	2019 \$'000
Outside parties for purchase of plant and machinery	<u>–</u>	<u>1,802</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

32. LOANS AND BORROWINGS

	Group	
	2020 \$'000	2019 \$'000
Secured bank loans	-	28,505

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

	Nominal interest rate		Year of maturity		Group	
	2020 %	2019 %	2020	2019	2020 \$'000	2019 \$'000
Secured bank loans (USD)	-	4.69 – 5.71	-	2020	-	2,624
Secured bank loans (THB)	-	3.40 – 3.59	-	2020	-	25,881
					-	28,505

Secured bank loans and lease liability of the group amounting to Nil (2019: \$28,505,000) are secured by legal charges over the group's property, plant and equipment with a carrying amount of Nil (2019: 11,897,000) (Note 13) and guarantees issued by certain subsidiaries.

33. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Trade payables</u>				
Outside parties and accrued liabilities	11,335	78,326	1,903	2,009
<u>Other payables</u>				
Outside parties	1,615	5,972	18	18
Total trade and other payables	12,950	84,298	1,921	2,027

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

34. CONTINGENT LIABILITIES – TAX

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

Under the Sale and Purchase Agreement entered between the company and the Purchaser, the company provided certain warranties and the indemnities to the Purchaser, among which include the tax liabilities of the Disposed Businesses prior to 30 December 2016. The purchaser has up to six years after the date of completion (i.e. 30 December 2016) to submit its tax related claims.

On 6 December 2019, a tax notice was received from the tax authorities of the People’s Republic of China in relation to the underpayment of the 2007 to 2016 tax liabilities of a subsidiary within the Disposed Businesses amounting to RMB19 million (approximately \$3.7 million) plus interest and penalties amounting to RMB6 million (approximately \$1.2 million). These tax liabilities, plus interest and penalties, were settled by the group in 2020.

The group has not received any tax notices from the other tax authorities, other than as mentioned above. As the Purchaser has up to six years after the date of completion (i.e. 30 December 2016) to submit its tax related claims, the group is not able to reasonably estimate the probable obligations in relation to such claims under the Sale and Purchase Agreement. Accordingly, no provision for any liabilities has been made in the financial statements.

35. CAPITAL COMMITMENTS

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

	Group	
	2020	2019
	\$'000	\$'000
Commitment to invest in BAB	1,000	–
Commitment to purchase property, plant and equipment	105	43

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

36. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

36A. Categories of financial assets and liabilities

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial assets:				
At amortised costs	16,115	59,130	15,132	22,673
At fair value through profit or loss	-	29	-	-
	16,115	59,159	15,132	22,673
Financial liabilities:				
At amortised costs	13,202	124,207	2,173	2,402

Further quantitative disclosures are included throughout these financial statements.

36B. Financial risk management

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

The guidelines include the following:

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

36C. Fair values of financial instruments

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

36D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally of cash balances with banks and receivables. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks is limited because the counter-parties are entities with acceptable credit ratings.

For expected credit losses (“ECL”) on financial assets, the three-stage approach in the financial reporting standard on financial instruments is used to measure the impairment allowance. Under this approach, the financial assets move through the three stages as their credit quality changes. However, a simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a day one loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Cash and cash equivalents disclosed in Note 24 are amounts with less than 90 days maturity. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

36E. Liquidity risk – financial liabilities maturity analysis

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

The average credit period taken to settle trade payables is about 74 days (2019: 74 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

36E. Liquidity risk – financial liabilities maturity analysis (Continued)

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

	Less than 1 year \$'000	1 – 5 years \$'000	Total \$'000
<u>Group</u>			
<u>2020:</u>			
Gross lease liabilities	139	118	257
Trade and other payables	12,950	–	12,950
	13,089	118	13,207
<u>2019:</u>			
Gross loans and borrowings	28,686	–	28,686
Gross lease liabilities	1,709	7,287	8,996
Trade and other payables	84,298	1,802	86,100
	114,693	9,089	123,782
<u>Company</u>			
<u>2020:</u>			
Gross lease liabilities	139	118	257
Trade and other payables	1,921	–	1,921
	2,060	118	2,178
<u>2019:</u>			
Gross lease liabilities	108	280	388
Trade and other payables	2,027	–	2,027
	2,135	280	2,415

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

36E. Liquidity risk – financial liabilities maturity analysis (Continued)

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

	2020	2019
	\$'000	\$'000
<u>Group</u>		
Financial guarantee contracts – in favour of subsidiaries	50,681	92,811

36F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed rate and floating interest rates. The interest from financial assets including cash balances is not significant. The following table analyses the breakdown of the significant financial instruments (excluding derivatives) by type of interest rate:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
<u>Financial liabilities:</u>				
Fixed rates	252	8,106	252	375
Floating rates	–	28,505	–	–
	252	36,611	252	375

The floating rate debt obligations are with interest rates that are re-set regularly at one, three or six month intervals. The interest rates are disclosed in Notes 30 and 32.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

36G. Foreign currency risk

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

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

	United States Dollar \$'000	China Renminbi \$'000	Thai Baht \$'000	Total \$'000
<u>Group</u>				
<u>2020:</u>				
<u>Financial assets:</u>				
Cash and cash equivalents	2,325	1,135	-	3,460
Loans and receivables	-	1,470	-	1,470
Total financial assets	2,325	2,605	-	4,930
<u>Financial liabilities:</u>				
Trade and other payables	-	(7,237)	-	(7,237)
Net financial assets/(liabilities)	2,325	(4,632)	-	(2,307)
<u>2019:</u>				
<u>Financial assets:</u>				
Cash and cash equivalents	197	4,854	611	5,662
Loans and receivables	-	3,244	583	3,827
Derivative financial instruments	-	29	-	29
Total financial assets	197	8,127	1,194	9,518
<u>Financial liabilities:</u>				
Trade and other payables	-	(17,958)	(7,616)	(25,574)
Lease liabilities	-	(2,733)	(4,997)	(7,730)
Loans and borrowings	-	-	(25,881)	(25,881)
Total financial liabilities	-	(20,691)	(38,494)	(59,185)
Net financial assets/(liabilities)	197	(12,564)	(37,300)	(49,667)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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

36G. Foreign currency risk (Continued)

Sensitivity analysis:

	Group	
	2020	2019
	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the United States Dollar with all other variables held constant would have an unfavourable effect on profit before income tax of	(233)	(20)
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the China Renminbi with all other variables held constant would have a favourable effect on profit before income tax of	463	1,256
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the Thai Baht with all other variables held constant would have a favourable effect on profit before income tax of	-	3,730

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

37. FINANCIAL INFORMATION BY OPERATING SEGMENTS

37A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standards on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the group.

For management purposes, the group is organised into the following major strategic operating segments that offer different products and services: (1) hard disk drive (“HDD”); (2) robotic cleaning; and (3) non-HDD. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance.

The segments and the types of products and services are as follows:

- (1) HDD segment – This segment comprises the manufacturing and distribution of actuator arms and related assembly for the hard disk industry.
- (2) Robotic cleaning segment – This segment comprises the provision of technical services, technology transfer, technology development, technology promotion, technical consultation and sales of computer software and accessory devices for the robotic cleaning industry.
- (3) Non-HDD segment – This segment comprises the investment holding.

Inter-segment sales are measured on the basis that the group actually used to price the transfers. Internal transfer pricing policies of the group are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment’s operating results comprises two major indicators: (1) earnings from operations before depreciation and amortisation, interests and income taxes, and (2) operating results before income taxes.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

37. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

37B. Profit or loss from operation and reconciliations

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

	Discontinuing Operations			Continuing Operations		Total \$'000
	HDD \$'000	FCD & FPS# \$'000	Sub-total \$'000	Robotic Cleaning \$'000	Others \$'000	
<u>2020</u>						
Revenue:						
External customers	400,648	–	400,648	25	–	400,673
EBITDA	29,820	1,421	31,241	(1,349)	(19)	29,873
Net finance costs	(1,155)	–	(1,155)	(1)	(5)	(1,161)
Depreciation expense	(14,938)	–	(14,938)	(6)	(162)	(15,106)
Profit/(loss) before tax	13,727	1,421	15,148	(1,356)	(186)	13,606
Income tax (expense)/ income	(121)	–	(121)	–	80	(41)
Profit/(loss), net of tax	13,606	1,421	15,027	(1,356)	(106)	13,565
<u>2019</u>						
Revenue:						
External customers	306,649	–	306,649	–	–	306,649
EBITDA	1,352	(761)	591	–	(1,075)	(484)
Net finance (costs)/income	(1,948)	–	(1,948)	–	10	(1,938)
Depreciation expense	(15,004)	–	(15,004)	–	(250)	(15,254)
Loss before tax	(15,600)	(761)	(16,361)	–	(1,315)	(17,676)
Income tax expense	(91)	(3,715)	(3,806)	–	(1)	(3,807)
Loss, net of tax	(15,691)	(4,476)	(20,167)	–	(1,316)	(21,483)

This segment has been disposed off in prior years. Refer to Note 11C for details.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

37. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

37C. Assets, liabilities, other material items and reconciliations

	Discontinuing operations			Continuing operations		Total \$'000
	HDD \$'000	FCD & FPS# \$'000	Sub-total \$'000	Robotic Cleaning \$'000	Others \$'000	
<u>2020</u>						
Total assets for reportable segments	164,021	–	164,021	6,329	31,491	201,841
Total liabilities for reportable segments	108,778	1,293	110,071	178	15,399	125,648
Capital expenditure	2,560	–	2,560	21	–	2,581
<u>2019</u>						
Total assets for reportable segments	159,810	–	159,810	–	33,758	193,568
Total liabilities for reportable segments	107,934	8,375	116,309	–	15,405	131,714
Capital expenditure	5,526	–	5,526	–	72	5,598

This segment has been disposed off in prior years. Refer to Note 11C for details.

37D. Geographical information

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

In presenting information on the basis of geographical segments, revenue is attributable to countries on the geographical location of customers as follows:

	Group	
	2020 2\$'000	2019 \$'000
<u>Revenue</u>		
Thailand	271,775	187,044
People's Republic of China	128,543	118,208
Singapore	19	177
Other countries	336	1,220
	400,673	306,649

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

37. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONTINUED)

37D. Geographical information (Continued)

The non-current assets are analysed by the geographical area in which the assets are located:

	Group	
	2020 \$'000	2019 \$'000
<u>Non-current assets</u>		
Thailand	–	59,041
People's Republic of China	20,940	38,193
Singapore	321	584
Total	<u>21,261</u>	<u>97,818</u>

38. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Following the proposed disposal of the group's HDD Business as disclosed in Note 11A, the entire results of HDD Business have been reclassified and presented separately on the consolidated statement of profit or loss and other comprehensive income as "Discontinued operations".

In prior years, the financial performance of the Continuing and Discontinued operations of the group has been presented separately on the face of the consolidated statement of profit or loss and other comprehensive income.

Following the proposed disposal of the group's HDD Business, management has considered and deemed it more appropriate to present the aggregated performance of the Continuing and Discontinuing operations on the face of the consolidated statement of profit or loss and other comprehensive income.

The financial performance of the Discontinued operations of the group has been disclosed in Note 11 to the financial statements. Accordingly the reclassifications arising from the proposed disposal of the group's HDD Business, as shown in the table below, have been presented in Note 11 to the financial statements.

	Reclassifications		
	After \$'000	Before \$'000	Difference \$'000
<u>2019 Consolidated statement of profit or loss and other comprehensive income:</u>			
Revenue	306,649	976	305,673
Cost of sales	(296,087)	(817)	(295,270)
Other income	3,144	887	2,257
Distribution expenses	(2,410)	(103)	(2,307)
Administrative expenses	(12,523)	(230)	(12,293)
Sales and marketing expenses	(681)	(28)	(653)
Other expenses	(12,505)	(3,394)	(9,111)
Finance income	24	–	24
Finance costs	(1,972)	(14)	(1,958)
Income tax expense	(3,806)	(3,716)	(90)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

38. RECLASSIFICATIONS AND COMPARATIVE FIGURES (CONTINUED)

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

39. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

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

SFRS (I) No.	Title
SFRS (I) 3	Definition of a Business – Amendments
SFRS (I) 1–1 and 1–8	Definition of Material – Amendments
SFRS (I) PS 2	SFRS(I) Practice Statement 2 Making Materiality Judgements The Conceptual Framework for Financial Reporting
SFRS (I) 16	Covid-19 Related Rent Concessions – Amendments (effective from 1 June 2020)

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

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

SFRS (I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 3	Definition of a Business – Reference to the Conceptual Framework – Amendments	1 January 2022
SFRS (I) 9	Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (Annual Improvement Project)	1 January 2022
SFRS (I) 1–16	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
SFRS (I) 1-37	Onerous Contracts – Costs of Fulfilling a Contracts – Amendments	1 January 2022
Various	Annual Improvements to SFRS(I)s 2018 – 2020	1 January 2022
SFRS (I) 1–1	Presentation of Financial Statements – amendment relating to Classification of Liabilities as Current or Non-current	1 January 2023

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

STATISTICS OF SHAREHOLDINGS

AS AT 19 MARCH 2021

Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per Share
Number of Issued Shares	:	471,914,611
Number and percentage of Treasury Shares	:	3,693,050 (0.78%)
Number of Issued Shares (less Treasury Shares)	:	468,221,561
Number and percentage of Subsidiary Holdings*	:	Nil

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	23	1.06	734	0.00
100 – 1,000	45	2.07	27,266	0.00
1,001 – 10,000	772	35.56	4,202,990	0.90
10,001 – 1,000,000	1,300	59.88	101,176,481	21.61
1,000,001 and above	31	1.43	362,814,090	77.49
TOTAL	2,171	100.00	468,221,561	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

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

Notes:

- (1) Percentage is calculated based on total issued shares of the Company less treasury shares and subsidiary holdings (i.e. 468,221,561).
(2) Mdm Lau Leok Yee is the beneficial owner of the 90,317,468 ordinary shares held by Citibank Nominees Singapore Pte Ltd.

STATISTICS OF SHAREHOLDINGS

AS AT 19 MARCH 2021

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	102,855,874	21.97
2	LAU LEOK YEE	59,851,142	12.78
3	LEW SYN PAU	44,572,639	9.52
4	PHILLIP SECURITIES PTE LTD	27,358,691	5.84
5	DBS NOMINEES (PRIVATE) LIMITED	26,056,749	5.57
6	RAFFLES NOMINEES (PTE.) LIMITED	14,039,283	3.00
7	POH GEOK HUA (FU YUHUA)	11,579,700	2.47
8	HSBC (SINGAPORE) NOMINEES PTE LTD	10,571,200	2.26
9	BON SIAN HWANG	10,172,000	2.17
10	UOB KAY HIAN PRIVATE LIMITED	6,934,133	1.48
11	LAM SENG HANG LTD	6,570,000	1.40
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,707,029	1.01
13	OCBC SECURITIES PRIVATE LIMITED	4,680,626	1.00
14	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	3,609,766	0.77
15	CHUA KENG LOY	3,600,000	0.77
16	OH SUAN GEK TERESA	3,000,000	0.64
17	IFAST FINANCIAL PTE. LTD.	2,048,700	0.44
18	ANG BAN SIONG	2,000,000	0.43
19	YEO LAY SUAN ANGELA	1,789,800	0.38
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,733,458	0.37
TOTAL		347,730,790	74.27

PUBLIC SHAREHOLDING

Based on the information available to the Company as at 19 March 2021, approximately 58.04% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the Annual General Meeting (“**AGM**”) of Broadway Industrial Group Limited (the “**Company**”) will be convened and held by way of electronic means on Thursday, 29 April 2021 at 3.00 p.m. (Singapore time) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 31 December 2020 and the Independent Auditor’s Report thereon.
[Resolution 1]
2. To re-elect Mr Eu Yee Ming Richard retiring as a Director pursuant to Regulation 109 of the Company’s Constitution.
[See Explanatory Note (a)] **[Resolution 2]**
3. To note the retirement of Mr Lee Chow Soon as a Director pursuant to Regulation 109 of the Company’s Constitution.
[See Explanatory Note (b)]
4. To approve the payment of Directors’ fees of S\$475,410 for the financial year ended 31 December 2020 (FY2019: S\$384,167).
[Resolution 3]
5. To re-appoint Messrs RSM Chio Lim LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration.
[Resolution 4]

AS SPECIAL BUSINESS

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

6. Authority to Issue Shares

That pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Companies Act**”), Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and the Constitution of the Company, the Directors of the Company be and are hereby authorised to:

NOTICE OF ANNUAL GENERAL MEETING

- (a) (i) issue shares in the capital of the Company (“**Shares**” and each a “**Share**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

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

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

provided that:

- (1) 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 Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 20% of the Company’s total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in sub-paragraph (2) below). Unless prior Shareholder approval is required under the Listing Manual of the SGX-ST, an issue of treasury shares will not require further Shareholder approval, and will not be included in the aforementioned limits;
- (2) (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 (1) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of convertible securities;
 - (ii) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

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

[See Explanatory Note (c)]

[Resolution 5]

7. Authority to Issue Shares under the BIGL Share Plan

That pursuant to Section 161 of the Companies Act, Rule 806 of the Listing Manual of the SGX-ST and the Constitution of the Company, the Directors be and are hereby authorised to issue from time to time fully-paid Shares as may be required to be issued pursuant to the vesting of the awards granted under the BIGL Share Plan (the “**Plan**”), provided that the aggregate number of Shares to be issued pursuant to the Plan and any other applicable share based schemes which the Company may have in place, shall not exceed 15% of the total number of Shares (excluding treasury shares and subsidiary holdings) from time to time and that such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (d)]

[Resolution 6]

8. AUTHORITY TO RENEW SHARE BUY-BACK MANDATE

That:

- (a) for the purposes of the Companies Act, the authority conferred on the Directors of the Company to exercise all the powers of the Company:
- (i) to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Limit (as defined below), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as defined below), whether by way of:
- (aa) on-market purchase(s) on the SGX-ST transacted through the SGX-ST trading system (each an “**On-Market Purchase**”); and/or
- (bb) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act (each an “**Off-Market Purchase**”),

and otherwise in accordance with the Companies Act and all other laws and regulations and rules of the SGX-ST as may for the time being be applicable (the “**Share Buy-Back Mandate**”); and

NOTICE OF ANNUAL GENERAL MEETING

(ii) to deal with the Shares acquired or purchased by the Company under the Share Buy-Back Mandate in accordance with the Constitution of the Company (as amended or modified from time to time), whether to:

(aa) deem such Shares as cancelled upon acquisition or purchase;

(bb) hold such Shares as treasury shares; and/or

(cc) otherwise deal with such Shares in the manner provided and to the fullest extent permitted under the Companies Act,

be and is hereby approved generally and unconditionally;

(b) the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

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

(ii) the date on which purchases and acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or

(iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company at a general meeting;

(c) in this Resolution:

“Average Closing Market Price” means the average of the closing market prices of the Shares over the last five (5) days on which the SGX-ST is open for trading of securities (**“Market Days”**), on which transactions in the Shares were recorded, before the date of the On-Market Purchase by the Company, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs during the relevant five (5)-day period and the day on which the purchases are made;

“date of the making of the offer” means the date on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

NOTICE OF ANNUAL GENERAL MEETING

“**Maximum Limit**” means the number of Shares representing 10% of the total number of Shares as at the date of the passing of this Resolution (excluding any treasury shares that may be held by the Company from time to time); unless the Company has, at any time during the relevant period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered after such capital reduction. Any Shares which are held as treasury shares will be disregarded for the purposes of computing the 10% limit;

“**Maximum Price**” in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, applicable goods and services tax and other related expenses) to be paid for a Share, which shall not exceed:

- (i) in the case of an On-Market Purchase, 5% above the Average Closing Market Price; and
 - (ii) in the case of an Off-Market Purchase, 20% above the Average Closing Market Price; and
- (d) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary or expedient to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (e)]

[Resolution 7]

By Order of the Board

Ho Yu Han, Genevieve
Gan Lee Teng
Joint Company Secretaries

Singapore
14 April 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes to Resolutions:

- (a) **Resolution 2** is to re-elect Mr Eu Yee Ming Richard who will be retiring by rotation under Regulation 109 of the Company's Constitution and if he is re-elected, he will continue to serve as an Independent Director of the Company, the Chairman of the Nomination Committee and the Remuneration Committee, and a Member of the Audit Committee. Mr Eu is considered independent for the purpose of Provision 2.1 of the Code of Corporate Governance 2018. Detailed information on Mr Eu can be found in the "Board of Directors & CEO" and "Additional Information on Director Seeking Re-election" sections of the Company's Annual Report.
- (b) Mr Lee Chow Soon has indicated that he will not be seeking re-election as Director of the Company and will retire at the conclusion of the AGM. Upon Mr Lee's retirement, he will cease as the Lead Independent Director, the Chairman of the Audit Committee and a Member of the Nomination Committee and the Remuneration Committee. Mr Basil Chan will be appointed as the Lead Independent Director and the Chairman of the Audit Committee, upon conclusion of the AGM.
- (c) **Resolution 5** is to empower the Directors of the Company from the date of the above AGM until the next AGM to issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) of which the total number of Shares and convertible securities issued other than on a *pro rata* basis to existing Shareholders shall not exceed 20% of the Company's total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of the SGX-ST provides that the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) for this purpose shall be the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed (after adjusting for new Shares arising from the conversion or exercise of convertible securities or share options in issue at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares).
- (d) **Resolution 6** is to empower the Directors of the Company to issue from time to time fully-paid Shares as may be required to be issued pursuant to the vesting of the awards granted under the Plan subject to the maximum number of Shares prescribed under the terms and conditions of the Plan, provided that the aggregate number of Shares to be issued pursuant to the Plan and any other applicable share based schemes, shall not exceed 15% of the total number of Shares (excluding treasury shares and subsidiary holdings) from time to time.
- (e) **Resolution 7** is to empower the Directors of the Company to buy-back ordinary shares of the Company by way of On-Market Purchases and/or Off-Market Purchases of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the Maximum Price, as defined in the Appendix to the Notice of AGM (the "**Appendix**").

The Company intends to use its internal sources of funds and external borrowings to finance its purchase or acquisition of its Shares. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, *inter alia*, the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.

Based on the total number of issued Shares as at 15 March 2021 (the "**Latest Practicable Date**"), the purchase by the Company of 10% of its issued Shares (excluding treasury shares and subsidiary holdings) will result in the purchase or acquisition of 46,822,156 Shares.

NOTICE OF ANNUAL GENERAL MEETING

Assuming that the Company purchases or acquires the 46,822,156 Shares at the Maximum Price on the Latest Practicable Date, the maximum amount of funds required is approximately:

- (i) in the case of On-Market Purchases of Shares, S\$6.3 million based on S\$0.134 for each Share (being the price equivalent to 5% above the Average Closing Market Price of the Shares traded on the SGX-ST over the last five (5) Market Days preceding the Latest Practicable Date); and
- (ii) in the case of Off-Market Purchases of Shares, S\$7.2 million based on S\$0.153 for each Share (being the price equivalent to 20% above the Average Closing Market Price of the Shares traded on the SGX-ST over the last five (5) Market Days preceding the Latest Practicable Date).

The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Share Buy-Back Mandate on the audited financial statements of the Group for the financial year ended 31 December 2020, based on certain assumptions, are set out in Paragraph 2.7.3 of the Appendix. Please refer to the Appendix for more information.

Notes:

1. The AGM is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM dated 14 April 2021 will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's website at https://www.bw-grp.com/investor_relations_home.htm and will also be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions (if any) to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM.
3. Members who wish to observe and/or listen to the AGM proceedings through a live audio-visual webcast or live audio-only stream must pre-register at the Company's pre-registration website by **3.00 p.m. on 26 April 2021** to enable the Company to verify their status as members.

Following the verification, authenticated members will receive a confirmation email, which will contain the user ID and password details as well as instructions on how to access the live audio-visual webcast and live audio-only stream of the AGM proceedings, by **28 April 2021**. Members who do not receive an email by **28 April 2021** but have registered by the 26 April 2021 deadline should contact the Company at (65) 6236 0088 or the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at (65) 6536 5355 during office hours for assistance.

4. Members may also submit questions related to the resolutions to be tabled for approval at the AGM to the Chairman of the AGM, in advance of the AGM. In order to do so, their questions must be submitted in the following manner by **3.00 p.m. on 26 April 2021**:
 - (a) if submitted by post, be lodged at the Company's registered office at 3 Fusionopolis Way, #13-26 Symbiosis, Singapore 138633; or
 - (b) if submitted electronically, be submitted:
 - (i) via the Company's pre-registration website at https://us02web.zoom.us/webinar/register/WN_Z1xgBPRqTxa8dlQOpQTuCQ; or
 - (ii) via email to ir@bigl.com.sg.

NOTICE OF ANNUAL GENERAL MEETING

Members who submit questions must provide the following information:

- (i) the member's full name;
- (ii) the member's NRIC/FIN/Passport/Company Registration Number;
- (iii) the member's address; and
- (iv) the manner in which the members hold shares in the Company (e.g. via CDP, scrip, CPF or SRS).

The Company's Chairman will conduct the proceedings of the AGM. The Company will endeavour to address all substantial and relevant questions submitted in advance of the AGM prior to or during the AGM. The Company will publish the minutes of the AGM on the Company's website and on SGXNET, and the minutes will include the responses to the substantial and relevant questions which are addressed during the AGM.

Members will not be able to ask questions at the AGM during the live audio-visual webcast or live audio-only stream, and therefore it is important for members who wish to ask questions to submit their questions (if any) in advance of the AGM.

5. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. This Proxy Form may be accessed at the Company's website at https://www.bw-grp.com/investor_relations_home.htm, and will also be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>. Printed copies of the Proxy Form will not be sent to members.

In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

6. The Proxy Form must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the Company's registered office at 3 Fusionopolis Way, #13-26 Symbiosis, Singapore 138633; or
 - (b) if submitted electronically, be submitted via email to ir@bigl.com.sg,

in either case, by **3.00 p.m. on 27 April 2021**, being no later than 48 hours before the time fixed for the AGM.

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

7. Persons who hold shares of the Company through relevant intermediaries (as defined below), including CPF and SRS members, and who wish to participate in the AGM by (a) observing and/or listening to the AGM proceedings through live audio-visual webcast or live audio-only stream; (b) submitting questions (if any) in advance of the AGM; and/or (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary (which would include, in the case of CPF and SRS members, their respective CPF Agent Banks or SRS Operators) through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM. In addition, CPF and SRS members who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes by **5.00 p.m. on 19 April 2021**, being seven (7) working days before the AGM on 29 April 2021.

NOTICE OF ANNUAL GENERAL MEETING

“**relevant intermediary**” means:

- (i) a banking corporation licensed under the Banking Act, Chapter 19, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (ii) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289, and who holds shares in that capacity; or
 - (iii) the Central Provident Fund Board (“**CPF Board**”) established by the Central Provident Fund Act, Chapter 36, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
8. The Chairman of the AGM, as proxy, need not be a member of the Company.
9. The Company’s Annual Report 2020 has been published on the Company’s website and may be accessed at https://www.bw-grp.com/annual_reports.htm under “Annual Report 2020” and is also made available on the SGX website at <https://www.sgx.com/securities/annual-reports-related-documents>.

Personal Data Privacy:

By pre-registering for the live audio-visual webcast or live audio-only stream and/or submitting an instrument appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member’s personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

AS AT 19 MARCH 2021

The following table sets out the additional information on a Director seeking re-appointment at the Annual General Meeting pursuant to Rule 720(6) of the SGX-ST's Listing Manual:

Name of Director	Eu Yee Ming Richard
Date of appointment	15 September 2005
Date of last re-appointment (if applicable)	27 April 2018
Age	73
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Nomination Committee's recommendation and assessment on Mr Eu's background, experience, independence and commitment in the discharge of his duties as a Director of the Company, and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job Title	<ul style="list-style-type: none"> • Independent Director • Chairman, Remuneration Committee • Chairman, Nomination Committee • Member, Audit Committee
Professional qualifications	Bachelor of Laws (LLB) Hons, University of London, 1971
Working experience and occupation(s) during the past 10 years	Eu Yan Sang International Ltd October 2017 – Present: Group Chairman (Non-Executive) 2002 – September 2017: Group CEO
Shareholding interest in the listed issuer and its subsidiaries	147,333 ordinary shares in the Company
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No
Conflict of interest (including any competing business)	No

ADDITIONAL INFORMATION ON DIRECTOR SEEKING RE-ELECTION

AS AT 19 MARCH 2021

Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Other Principal Commitments Including Directorships – Past (for the last 5 years)	<ul style="list-style-type: none"> • Eu Yan Sang International Ltd, Group CEO • National Museum of Singapore (Advisory Board), Chairman • National Heritage Board, Board Member
Other Principal Commitments Including Directorships – Present	<ul style="list-style-type: none"> • Eu Yan Sang International Ltd, Group Chairman (Non-Executive) • Tuan Sing Holdings Limited, Non-Executive Chairman • Singapore University of Social Sciences, Non-Executive Director and Chairman • Thye Hua Kwan Moral Charities Limited, Non-Executive Director • Thye Hua Kwan Nursing Home Limited, Non-Executive Director and Chairman • Ang Mo Kio Thye Hua Kwan Hospital Ltd., Non-Executive Director • Nippon Life India Asset Management (Singapore) Pte. Ltd., Non-Executive Director • Vanda Global Capital Pte. Ltd., Executive Director • Dragonfly Education Group Pte. Ltd., Non-Executive Director • Dragonfly Education Holdings Pte. Ltd., Non-Executive Director
Information required under items (a) to (k) of Appendix 7.4.1 of the SGX-ST's Listing Manual	Mr Eu's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST's Listing Manual are all "No".

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

If you have any doubt as to the action you should take, you should consult your stockbroker or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of Broadway Industrial Group Limited, you should immediately forward the Notice of Annual General Meeting and this Appendix to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward delivery to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the correctness of any of the statements made or opinions expressed in the Annual Report, the Notice of Annual General Meeting and this Appendix.



APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING DATED 14 APRIL 2021 IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK MANDATE

1. INTRODUCTION

- 1.1. Summary.** The Directors (the “**Directors**”) of Broadway Industrial Group Limited (the “**Company**”) are convening an annual general meeting to be held on 29 April 2021 (the “**AGM**”) to seek, among other matters, the approval of the shareholders¹ of the Company (“**Shareholders**”) for the renewal of the mandate (the “**Share Buy-Back Mandate**”) enabling the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company (the “**Shares**”).
- 1.2. Appendix.** The purpose of this Appendix is to provide Shareholders with information relating to the proposal for the renewal of the Share Buy-Back Mandate, to be tabled at the AGM.

¹ Refers to registered holders of the Shares, except that where the registered holder is The Central Depository (Pte) Limited (“**CDP**”), the term “**Shareholders**” shall, in relation to such Shares, mean the persons to whose securities accounts maintained with CDP are credited with the Shares.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2. THE RENEWAL OF THE SHARE BUY-BACK MANDATE

- 2.1. Background.** Shareholders had renewed the share buy-back mandate approved on 26 April 2019 (the “**Existing Share Buy-Back Mandate**”) at the annual general meeting of the Company held on 26 June 2020 (the “**2020 AGM**”). The authority and limitations of the Existing Share Buy-Back Mandate were set out in the circular dated 1 June 2020 issued prior to the 2020 AGM. The Existing Share Buy-Back Mandate was expressed to continue in force until the next annual general meeting of the Company and, as such, will be expiring on 29 April 2021, being the date of the AGM. It is proposed that the Existing Share Buy-Back Mandate be renewed at the AGM. This proposal will be tabled as an Ordinary Resolution for Shareholders’ approval at the AGM.
- 2.2. Rationale.** The Share Buy-Back Mandate will give the Company the flexibility to undertake purchases or acquisitions of its Shares at any time, subject to market conditions, during the period that the Share Buy-Back Mandate is in force. Share purchases or acquisitions provide the Company with a mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner. Furthermore, it allows the Directors to exercise greater control over the Company’s share capital structure, dividend payout and cash reserves.

The proposed Share Buy-Back Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued.

The Shares which are purchased or acquired under the Share Buy-Back Mandate may be held as treasury shares which may be used for prescribed purposes such as selling treasury shares for cash, transferring them as consideration for the acquisition of assets or transferring them pursuant to an employees’ share scheme. The use of treasury shares in lieu of issuing new Shares will also mitigate the dilution impact on existing Shareholders.

Whilst the Share Buy-Back Mandate will authorise a purchase or acquisition of Shares up to the said 10% limit during the period referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate may not be carried out to the full 10% limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate will be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or affect the listing status of the Company on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.3. Authority and Limitations. The authority and limitations on the purchase or acquisition of Shares by the Company under the Share Buy-Back Mandate are summarised below:

2.3.1. Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate is limited to that number of Shares representing not more than 10% of the total number of Shares (excluding treasury shares and subsidiary holdings²) as at the date of the AGM unless the Company has, at any time during the Relevant Period (as defined in paragraph 2.3.2 below), reduced its share capital in accordance with the applicable provisions of the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), in which event the total number of Shares shall be taken to be the total number of Shares as altered after such capital reduction. Under the Companies Act, any subsidiary holdings and any Shares which are held as treasury shares shall be disregarded for the purposes of computing the 10% limit.

Purely for illustrative purposes, on the basis of 468,221,561 Shares (being 471,914,611 Shares excluding 3,693,050 treasury shares and there being no subsidiary holdings) as at 15 March 2021, being the latest practicable date prior to the publication of this Appendix (the “**Latest Practicable Date**”) and assuming that between the Latest Practicable Date and the date of the AGM (i) no new Shares are issued, (ii) no further Shares are repurchased by the Company and cancelled or held as treasury shares and (iii) no treasury shares are cancelled or used by the Company for any of the prescribed purposes, then not more than 46,822,156 Shares (representing 10% of the total number of Shares as at that date, excluding treasury shares and subsidiary holdings) may be purchased or acquired by the Company pursuant to the Share Buy-Back Mandate during the period when the Share Buy-Back Mandate is in force as set out in paragraph 2.3.2 below.

2.3.2. Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the AGM, at which the Share Buy-Back Mandate is approved, up to:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held (“**Relevant Period**”);
 - (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied,
- whichever is the earliest.

² “**Subsidiary holdings**” is defined in the Listing Manual of the SGX-ST (“**Listing Manual**”) to mean shares referred to in Section 21(4), (4B), (6A) and (6C) of the Companies Act.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.3.3. Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares may be made by way of:

- (i) on-market purchases (“**On-Market Purchases**”); and/or
- (ii) off-market purchases (“**Off-Market Purchases**”).

On-Market Purchases refer to purchases or acquisitions of Shares by the Company effected on the SGX-ST, through one or more duly licensed stockbrokers appointed by the Company for the purpose.

Off-Market Purchases refer to purchases or acquisitions of Shares by the Company made under an equal access scheme (“**equal access scheme**”) or schemes for the purchase or acquisition of Shares from Shareholders pursuant to Section 76C of the Companies Act. The Directors may impose such terms and conditions which are not inconsistent with the Share Buy-Back Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. Under the Companies Act, an Off-Market Purchase must, however, satisfy all the following conditions:

- (a) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (b) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (c) the terms of all the offers shall be the same, except that there shall be disregarded: (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Additionally, the Listing Manual provides that, in making an Off-Market Purchase, the Company must issue an offer document to all Shareholders which must contain, *inter alia*:

- (A) the terms and conditions of the offers;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed Share purchases;
- (D) the consequences, if any, of Share purchases by the Company that will arise under The Singapore Code on Take-overs and Mergers (the “**Take-over Code**”) or other applicable take-over rules;
- (E) whether the Share purchases, if made, would have any effect on the listing of the equity securities on the SGX-ST;

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

- (F) the details of any Share purchases made by the Company in the previous 12 months (whether by way of On-Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
- (G) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4. Purchase Price

The purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for a Share will be determined by the Directors. However, the maximum purchase price (the “**Maximum Price**”) to be paid for the Shares as determined by the Directors must not exceed:

- (i) in the case of an On-Market Purchase, 5% above the Average Closing Market Price; and
- (ii) in the case of an Off-Market Purchase, 20% above the Average Closing Market Price.

For the above purposes:

“**Average Closing Market Price**” means the average of the closing market prices of the Shares over the last five (5) days on which the SGX-ST is open for trading of securities (“**Market Days**”), on which transactions in the Shares were recorded, before the date of the On-Market Purchase by the Company, or as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted in accordance with the listing rules of the SGX-ST for any corporate action which occurs during the relevant five (5)-day period and the day on which the purchases are made; and

“**date of the making of the offer**” means the date on which the Company makes an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4. Status of Purchased or Acquired Shares. Under the Companies Act, the Shares purchased or acquired by the Company shall, unless held in treasury in accordance with Section 76H of the Companies Act, be deemed to be cancelled immediately on purchase or acquisition, and all rights and privileges attached to those Shares will expire on cancellation. The total number of Shares will be diminished by the number of Shares purchased or acquired by the Company which are cancelled and are not held as treasury shares.

The Company may decide to cancel Shares which have been purchased or acquired by the Company or hold such Shares as treasury shares, depending on whether it is in the interests of the Company to do so. It is presently intended by the Company that Shares which are purchased or acquired by the Company will be held as treasury shares, up to the maximum number of treasury shares permitted by law to be held by the Company.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.5. Treasury Shares. Under the Companies Act, the Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below.

2.5.1. Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of Shares. In the event that the Company holds more than 10% of the total number of its Shares as treasury shares, the Company shall dispose of or cancel the excess treasury shares in the manner set out under paragraph 2.5.3 below within six (6) months beginning with the day on which that contravention occurs, or such further period as the Registrar of Companies may allow.

2.5.2. Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights. In addition, no dividend may be paid and no other distribution of the Company's assets may be made to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus Shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller amount is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.5.3. Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time but subject always to the Take-over Code:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the treasury shares as consideration for the acquisition of Shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.5.4. Under the Listing Manual, immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the “Usage”). Such announcement must include details such as the date of the Usage, the purpose of the Usage, the number of treasury shares subject to the Usage, the number of treasury shares before and after the Usage, the percentage of the number of treasury shares subject to the Usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the Usage, and the value of the treasury shares subject to the Usage.

2.6. Source of Funds. In purchasing or acquiring Shares pursuant to the Share Buy-Back Mandate, the Company may only apply funds legally available for such purchase or acquisition in accordance with its Constitution and applicable laws. Under the Companies Act, any payment made by the Company in consideration of the purchase or acquisition of its Shares may be made out of the Company’s capital and/or profits. The Company may not purchase or acquire Shares on the SGX-ST for a consideration other than in cash or, in the case of an On-Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST. The Company intends to use internal sources of funds and external borrowings to finance purchases or acquisitions of its Shares. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and its subsidiaries (the “Group”). The Company will only exercise the Share Buy-Back Mandate in the interest of the Group without causing adverse financial impact to the Group. **In particular, the Company will have regard to any relevant financial covenants which are applicable to the Company or the Group under any agreements for banking and credit facilities which may be granted by a financial institution to the Company or the Group from time to time. The Company will not purchase or acquire any Shares if such purchases would lead to any breaches of the relevant financial covenants.**

2.7. Financial Effects. The financial effects on the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buy-Back Mandate will depend on, *inter alia*, whether the Shares are purchased or acquired out of capital and/or profits of the Company, the aggregate number of Shares purchased or acquired, and the consideration paid at the relevant time. The financial effects on the Group based on the audited financial statements of the Group for the financial year ended 31 December 2020 are based on the assumptions set out below.

2.7.1. Purchase or Acquisition Out of Capital and/or Profits

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company’s capital and/or profits so long as the Company is solvent.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding brokerage, commission, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

2.7.2. **Maximum Price Paid for Shares Acquired or Purchased**

Based on 468,221,561 Shares (excluding treasury shares and subsidiary holdings) as at the Latest Practicable Date, the purchase by the Company of 10% of such Shares will result in the purchase or acquisition of 46,822,156 Shares.

Assuming that the Company purchases or acquires the 46,822,156 Shares at the Maximum Price on the Latest Practicable Date, the maximum amount of funds required is approximately:

- (i) in the case of On-Market Purchases of Shares, S\$6.3 million based on S\$0.134 for each Share (being the price equivalent to 5% above the Average Closing Market Price of the Shares traded on the SGX-ST over the last five (5) Market Days preceding the Latest Practicable Date); and
- (ii) in the case of Off-Market Purchases of Shares, S\$7.2 million based on S\$0.153 for each Share (being the price equivalent to 20% above the Average Closing Market Price of the Shares traded on the SGX-ST over the last five (5) Market Days preceding the Latest Practicable Date).

2.7.3. **For illustrative purposes only,** on the basis of the assumptions set out above as well as the following:

- (i) the Share Buy-Back Mandate had been effective on 1 January 2020;
- (ii) the purchase of Shares took place at the beginning of the financial year on 1 January 2020;
- (iii) there was no issuance of Shares after the Latest Practicable Date; and
- (iv) the Share purchases were funded entirely by internal resources,

the financial effects on the audited financial statements of the Group for the financial year ended 31 December 2020 would have been as follows:

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

Purchases made entirely out of capital and cancelled

As at 31 December 2020

	Group		
	Before Share Buy-Back	After Share Buy-Back assuming On-Market Share Buy-Back ⁽⁵⁾	After Share Buy-Back assuming Off-Market Share Buy-Back ⁽⁶⁾
S\$'000			
Shareholders' Funds ⁽¹⁾	74,527	68,253	67,363
Net Assets ⁽²⁾	74,527	68,253	67,363
Current Assets	180,580	174,306	173,416
Current Liabilities	125,531	125,531	125,531
Total Borrowings	–	–	–
Cash and Cash Equivalents	10,617	4,343	3,453
Profit attributable to Owners of the Company	14,113	14,113	14,113
No. of issued Shares ('000)			
Ordinary Shares	471,915	425,092	425,092
Less: Treasury Shares	(3,693)	(3,693)	(3,693)
Less: Subsidiary holdings	–	–	–
No. of issued Shares (net of Treasury Shares)	468,222	421,399	421,399
Weighted average number of Shares	468,222	421,399	421,399
Financial Ratios:			
Net Assets per Share (in cents) ⁽³⁾	15.92	16.20	15.99
Basic Earnings per Share (in cents) ⁽⁴⁾	3.01	3.35	3.35

Notes:

- (1) "Shareholders' Funds" represents the aggregate amount of share capital, treasury shares, capital reserve, share-based payment reserve, translation reserve and accumulated losses.
- (2) "Net assets" as disclosed above excludes non-controlling interests.
- (3) "Net assets per Share" equals Shareholders' Funds divided by number of Shares excluding treasury shares and subsidiary holdings.
- (4) "Basic earnings per Share" is calculated based on profit attributable to owners of the Company divided by the weighted average number of Shares, assuming the Share Buy-Back took place on 1 January 2020.
- (5) Assumes that the Company purchases the 46,822,156 Shares at the maximum price of S\$0.134 for one Share, which is 5 % above the Average Closing Price of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 46,822,156 Shares is S\$6.3 million.
- (6) Assumes that the Company purchases the 46,822,156 Shares at the maximum price of S\$0.153 for one Share, which is 20% above the average closing price of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 46,822,156 Shares is S\$7.2 million.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

Purchases made entirely out of capital and held as treasury shares

As at 31 December 2020

	Group		
	Before Share Buy-Back	After Share Buy-Back assuming On-Market Share Buy-Back ⁽⁵⁾	After Share Buy-Back assuming Off-Market Share Buy-Back ⁽⁶⁾
S\$'000			
Shareholders' Funds ⁽¹⁾	74,527	68,253	67,363
Net Assets ⁽²⁾	74,527	68,253	67,363
Current Assets	180,580	174,306	173,416
Current Liabilities	125,531	125,531	125,531
Total Borrowings	–	–	–
Cash and Cash Equivalents	10,617	4,343	3,453
Profit attributable to Owners of the Company	14,113	14,113	14,113
No. of issued Shares ('000)			
Ordinary Shares	471,915	471,915	471,915
Less: Treasury Shares	(3,693)	(50,515)	(50,515)
Less: Subsidiary holdings	–	–	–
No. of issued Shares (net of Treasury Shares)	468,222	421,399	421,399
Weighted average number of Shares	468,222	421,399	421,399
Financial Ratios:			
Net Assets per Share (in cents) ⁽³⁾	15.92	16.20	15.99
Basic Earnings per Share (in cents) ⁽⁴⁾	3.01	3.35	3.35

Notes:

- (1) "Shareholders' Funds" represents the aggregate amount of share capital, treasury shares, capital reserve, share-based payment reserve, translation reserve and accumulated losses.
- (2) "Net assets" as disclosed above excludes non-controlling interests.
- (3) "Net assets per Share" equals Shareholders' Funds divided by number of Shares excluding treasury shares and subsidiary holdings.
- (4) "Basic earnings per Share" is calculated based on profit attributable to owners of the Company divided by the weighted average number of Shares, assuming the Share Buy-Back took place on 1 January 2020.
- (5) Assumes that the Company purchases the 46,822,156 Shares at the maximum price of S\$0.134 for one Share, which is 5 % above the Average Closing Price of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 46,822,156 Shares is S\$6.3 million.
- (6) Assumes that the Company purchases the 46,822,156 Shares at the maximum price of S\$0.153 for one Share, which is 20% above the average closing price of a Share over the last five Market Days on which transactions in the Shares were recorded immediately preceding the Latest Practicable Date and accordingly, the maximum amount of funds required for the purchase of the 46,822,156 Shares is S\$7.2 million.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

SHAREHOLDERS SHOULD NOTE THAT THE FOREGOING FINANCIAL EFFECTS ARE BASED ON THE AUDITED FINANCIAL STATEMENTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 AND ARE FOR ILLUSTRATION ONLY. THE RESULTS OF THE GROUP AND THE COMPANY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 MAY NOT BE REPRESENTATIVE OF FUTURE PERFORMANCE.

It should be noted that although the Share Buy-Back Mandate would authorise the Company to purchase or acquire up to 10% of the total number of Shares (excluding treasury shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10%. In addition, the Company may cancel or hold in treasury all or part of the Shares purchased or acquired. The Company will take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

- 2.8. Taxation.** Shareholders who are in doubt as to their respective tax positions or any tax implications, or who may be subject to tax in a jurisdiction outside Singapore, should consult their own professional advisers.
- 2.9. Listing Status of the Shares.** The Listing Manual requires a listed company to ensure that at least 10% of the total number of its issued shares (excluding treasury shares, subsidiary holdings, preference shares and convertible equity securities) in a class that is listed is held by public shareholders at all times. The “**public**”, as defined in the Listing Manual, are the persons other than the Directors, Chief Executive Officer, substantial shareholders or controlling shareholders (as defined in the Listing Manual) of a listed company and its subsidiaries, as well as associates (as defined in the Listing Manual) of such persons.

As at the Latest Practicable Date, approximately 271,774,846 Shares, representing 58.04% of the total number of Shares (excluding treasury shares and subsidiary holdings), are in the hands of the public. Assuming that (i) the Company purchases its Shares up to the full 10% limit pursuant to the Share Buy-Back Mandate from the public (as defined in the Listing Rules); and (ii) all Shares purchased by the Company are held as treasury shares, the number of Shares in the hands of the public would be reduced to 224,952,690 Shares, representing 53.38% of the total number of Shares (excluding treasury shares and subsidiary holdings). Accordingly, the Company is of the view that there is a sufficient number of Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its Shares up to the full 10% limit pursuant to the proposed Share Buy-Back Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through On-Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases or acquisitions, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.10. Listing Rules. The Listing Manual restricts a listed company from purchasing shares by way of on-market purchases at a price per share which is more than 5% above the “**average closing market price**”, being the average of the closing market prices of the shares over the last five (5) Market Days on which transactions in the shares were recorded, before the day on which the purchases were made, and deemed to be adjusted for any corporate action that occurs during the relevant five (5)-day period and the day on which the purchases are made. The Maximum Price for a Share in relation to On-Market Purchases referred to in paragraph 2.3.4(i) above complies with this requirement. Although the Listing Manual does not prescribe a maximum price in relation to purchases of shares by way of off-market purchases, the Company has set a cap of 20% above the Average Closing Market Price of a Share as the maximum price for a Share to be purchased or acquired by way of an Off-Market Purchase.

While the Listing Rules do not expressly prohibit the purchase or acquisition of shares by a listed company during any particular time(s), because a listed company would be considered an “**insider**” in relation to any proposed purchase or acquisition of its issued shares, the Company will not purchase or acquire any Shares pursuant to the Share Buy-Back Mandate at any time after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time as the price-sensitive information has been publicly announced. In particular, in line with Rule 1207(19) of the Listing Manual, the Company will not purchase or acquire any Shares through On-Market Purchases during the period of:

- (a) two (2) weeks before the announcement of the Company’s financial statements for each of the first three (3) quarters of its financial year and one (1) month before the announcement of the Company’s full year financial statements (if the Company announces its quarterly financial statements, whether required by the SGX-ST or otherwise); or
- (b) one (1) month before the announcement of the Company’s half year and full year financial statements (if the Company does not announce its quarterly financial statements).

The Company is required under Rule 723 of the Listing Manual to ensure that at least 10% of the total number of Shares (excluding treasury shares and subsidiary holdings) are in the hands of the public. The “**public**”, as defined under the Listing Manual, are persons other than the Directors, Chief Executive Officer, substantial shareholders or controlling shareholders (as defined in the Listing Manual) of the Company and its subsidiaries, as well as the associates (as defined in the Listing Manual) of such persons.

2.11. Reporting Requirements. The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (i) in the case of an On-Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (ii) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form prescribed by the Listing Manual) must include details of the date of the purchase, the total number of shares purchased, the number of shares cancelled, the number of shares held as treasury shares, the number of subsidiary holdings, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the total consideration (including stamp duties and clearing charges) paid or payable for the shares, the number of shares purchased as at the date of announcement (on a cumulative basis), the number of shares excluding treasury shares and excluding subsidiary holdings, the number of treasury shares held after the purchase and the number of subsidiary holdings held after the purchase.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.12. Take-over implications. Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.12.1. Obligation to make a Take-over Offer

Under Rule 14 of the Take-over Code, a person will be required to make a general offer for a public company if:

- (a) he acquires 30% or more of the voting rights of the company; or
- (b) he holds between 30% and 50% of the voting rights of the company and he increases his voting rights in the company by more than 1% in any six (6)-month period.

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.12.2. Persons Acting in Concert

Under the Take-over Code, persons acting in concert ("**concert parties**") comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed under the Take-over Code to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated company of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights; and
- (b) a company with any of its directors (together with their close relatives, related trusts and any company controlled by any of the directors, their close relatives and related trusts).

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.12.3. Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or in the event that such Directors and their concert parties hold between (and including) 30% and 50% of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to 30% or more, or, if such Shareholder holds between (and including) 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Buy-Back Mandate.

SHAREHOLDERS WHO ARE IN DOUBT AS TO THEIR OBLIGATIONS, IF ANY, TO MAKE A MANDATORY TAKE-OVER OFFER UNDER THE TAKE-OVER CODE AS A RESULT OF ANY PURCHASE OR ACQUISITION OF SHARES BY THE COMPANY SHOULD CONSULT THE SECURITIES INDUSTRY COUNCIL (THE "SIC") AND/OR THEIR PROFESSIONAL ADVISERS AT THE EARLIEST OPPORTUNITY.

2.12.4. Shareholding interests of Ms Wong Yi Jia and parties acting in concert with her

Ms Wong Yi Jia is a Non-Independent Non-Executive Director of the Company. As at the Latest Practicable Date, Ms Wong Yi Jia and parties acting in concert with her, being her mother, Mdm Lau Leok Yee, and her uncles and aunts, Ms Hwang Bon Sian, Dr Wong Seung Tang, Mr Lau Huan Yeong and Ms Lau Seik Yee, have an aggregate interest (direct and deemed) in 170,873,410 Shares, representing approximately 36.50% of the total voting rights of the Company. The shareholdings of Ms Wong Yi Jia and parties acting in concert with her in the Company as at the Latest Practicable Date are set out in paragraph 2.12.8 of this Appendix.

Assuming that there is no change in the number of Shares held or deemed to be held by Ms Wong Yi Jia and parties acting in concert with her from the Latest Practicable Date, in the event that the Company undertakes Share Buy-Backs of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) within any six (6)-month period as permitted by the Share Buy-Back Mandate, the total shareholding interest of Ms Wong Yi Jia and parties acting in concert with her may be increased by more than 1% within a period of six (6) months as a result of the Share Buy-Backs undertaken by the Company. As a consequence, Ms Wong Yi Jia and parties acting in concert with her would prima facie be required to make a general offer for the Shares held by the other Shareholders under Rule 14 of the Take-over Code.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.12.5. Conditions for exemption from having to make a take-over offer

Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, Ms Wong Yi Jia and parties acting in concert with her will be exempted from the requirement to make an offer for the Shares held by the other Shareholders pursuant to Rule 14 of the Take-over Code as a result of the Company purchasing or acquiring the Shares pursuant to the Share Buy-Back Mandate, subject to the following conditions:

- (a) this Appendix contains advice to the effect that by voting for the adoption of the Share Buy-Back Mandate, Shareholders are waiving their right to a general offer at the required price from Ms Wong Yi Jia and parties acting in concert with her who, as a result of the Company buying back its Shares, would increase their voting rights by more than 1% in any period of six (6) months, and the names of Ms Wong Yi Jia and parties acting in concert with her, their voting rights at the time of the resolution relating to the Share Buy-Back Mandate (which is the date of the AGM) and after the proposed Share Buy-Back are disclosed in this Appendix;
- (b) the resolution to authorise the Share Buy-Back Mandate is approved by a majority of those Shareholders present and voting at the AGM on a poll who could not become obliged to make an offer for the Company as a result of the Share Buy-Back;
- (c) Ms Wong Yi Jia and parties acting in concert with her shall abstain from voting for, and Ms Wong Yi Jia shall abstain from recommending Shareholders to vote in favour of, the resolution relating to the Share Buy-Back Mandate;
- (d) within seven (7) days after the passing of the resolution relating to the Share Buy-Back Mandate, Ms Wong Yi Jia shall submit to the SIC a duly signed form as prescribed by the SIC; and
- (e) Ms Wong Yi Jia and parties acting in concert with her have not acquired and will not acquire any Shares between the date on which they know that the announcement of the proposed adoption of the Share Buy-Back Mandate is imminent and the earlier of:
 - i. the date on which the authority of the Share Buy-Back Mandate expires; and
 - ii. the date on which the Company announces it has bought back such number of Shares as authorised by Shareholders at the AGM or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with those purchased or acquired by the Company under the Share Buy-Back Mandate, would cause their aggregate voting rights to increase by more than 1% in the preceding six (6) months.

As such, if the aggregate voting rights held by Ms Wong Yi Jia and parties acting in concert with her increase by more than 1% solely as a result of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate, and none of them has acquired any Shares during the relevant six (6)-month period, then Ms Wong Yi Jia and parties acting in concert with her would be eligible for the exemption from the requirement to make a general offer under Rule 14 of the Take-over Code, or where such exemption had been granted, would continue to enjoy the exemption.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

If the Company ceases to buy back its Shares and the increase in the aggregate voting rights held by Ms Wong Yi Jia and parties acting in concert with her as a result of the Share Buy-Back at such time is less than 1% in any six (6)-month period, Ms Wong Yi Jia and parties acting in concert with her may acquire further voting Shares in the Company. However, any increase in their percentage voting rights as a result of the Share Buy-Back will be taken into account together with any voting Shares acquired by Ms Wong Yi Jia and parties acting in concert with her (by whatever means) in determining whether Ms Wong Yi Jia and parties acting in concert with her have increased their aggregate voting rights in the Company by more than 1% in any six (6)-month period.

2.12.6. Advice to Shareholders

Shareholders should note that by voting to approve the Share Buy-Back Mandate, they are waiving their right to a take-over offer by Ms Wong Yi Jia and parties acting in concert with her in the circumstances set out above. Such a take-over offer, if required to be made and had not been exempted by the SIC, would have to be made in cash or be accompanied by a cash alternative at the higher of (a) the highest price (excluding related expenses) paid by Ms Wong Yi Jia and parties acting in concert with her for any Shares within the preceding six (6) months and (b) the highest price paid by the Company for its shares in the preceding six (6) months.

Save as disclosed above, the Directors are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory take-over offer under the Take-over Code as a result of any Share Buy-Back should consult the SIC and/or their professional advisers at the earliest opportunity.

2.12.7. Form 2 Submission to the SIC

Form 2 (Submission by Directors and their concert parties pursuant to Appendix 2) is the prescribed form to be submitted to the SIC by a Director and persons acting in concert with him pursuant to the conditions for exemption (see condition (d) of paragraph 2.12.5 above headed "Conditions for exemption from having to make a take-over offer") from the requirement to make a take-over offer under Rule 14 of the Take-over Code as a result of the buy-back of shares by a listed company under its share buy-back mandate.

As at the Latest Practicable Date, Ms Wong Yi Jia has informed the Company that she will be submitting a Form 2 to the SIC within seven (7) days after the passing of the resolution relating to the Share Buy-Back Mandate.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

2.12.8. Voting Rights of Ms Wong Yi Jia and Persons Acting in Concert with her before and after Share Buy-Back

Based on the shareholdings of Ms Wong Yi Jia and parties acting in concert with her as at the Latest Practicable Date, and assuming that:

- (a) there is no change in their direct holdings of Shares between the Latest Practicable Date and the date of the resolution to be passed in relation to the Share Buy-Back Mandate (being the date of the AGM); and
- (b) no new Shares are issued by the Company between the Latest Practicable Date and the date of the resolution to be passed in relation to the Share Buy-Back Mandate (being the date of the AGM), the respective holdings of Shares of Ms Wong Yi Jia and parties acting in concert with her as at the date of the resolution to be passed in relation to the Share Buy-Back Mandate (being the date of the AGM) and after the purchase or acquisition by the Company of 10% of the total number of Shares (excluding treasury shares and subsidiary holdings) pursuant to the Share Buy-Back Mandate are as follows:

	Before the Share Buy-Back (as at the date of AGM)		After the Share Buy-Back	
	Number of Shares	% of total Shares ⁽¹⁾	Number of Shares	% of total Shares ⁽²⁾
Ms Wong Yi Jia	–	–	–	–
Mdm Lau Leok Yee	150,168,610	32.07%	150,168,610	35.64%
Ms Hwang Bon Sian	10,172,000	2.17%	10,172,000	2.41%
Dr Wong Seung Tang	10,000,000	2.14%	10,000,000	2.37%
Ms Lau Seik Yee	531,000	0.11%	531,000	0.13%
Mr Lau Huan Yeong	1,800	n.m. ⁽³⁾	1,800	n.m. ⁽³⁾

Notes:

- (1) As a percentage of 468,221,561 Shares (excluding 3,693,050 treasury shares) in issue as at the Latest Practicable Date. There are no subsidiary holdings in the Company.
- (2) As a percentage of 421,399,405 Shares (assuming that the Company purchases the maximum number of 46,822,156 Shares under the Share Buy-Back Mandate).
- (3) Not meaningful

2.13. Particulars of Shares Purchased in the Past Year

No purchases of Shares have been made by the Company in the 12 months preceding the Latest Practicable Date.

APPENDIX TO THE NOTICE OF ANNUAL GENERAL MEETING

3. DIRECTORS' RECOMMENDATION

For the reasons set out in paragraph 2.2 above, the Directors (other than Ms Wong Yi Jia) are of the opinion that the Share Buy-Back Mandate is in the interests of the Company. They accordingly recommend that Shareholders vote in favour of the Share Buy-Back Mandate at the AGM.

Ms Wong Yi Jia (in accordance with the conditions referred to in paragraph 2.12.5(c) above), has abstained from making any recommendation to Shareholders on the Share Buy-Back Mandate.

4. VOTING RESTRICTIONS

In accordance with the conditions referred to in paragraph 2.12.5(c) above, Ms Wong Yi Jia and parties acting in concert with her will abstain from voting on the resolution relating to the proposed renewal of the Share Buy-Back Mandate at the AGM.

5. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-Back Mandate, and the Company and its subsidiaries which are relevant to the proposed renewal of the Share Buy-Back Mandate, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

This page has been intentionally left blank

**BROADWAY INDUSTRIAL GROUP LIMITED**

(Company Registration Number: 199405266K)

(Incorporated in Singapore)

PROXY FORM**Annual General Meeting****IMPORTANT:**

1. The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM dated 14 April 2021 will not be sent to members. Instead, the Notice of AGM will be sent to members by electronic means via publication on the Company's website at https://www.bw-grp.com/investor_relations_home.htm and will also be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions (if any) to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions prior to or during the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 14 April 2021. This announcement may be accessed at the Company's website, and will also be made available on the SGX website.
3. **Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.**
4. **Please read the AGM notes overleaf which contain instructions on, *inter alia*, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**
5. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), including CPF and SRS members, and who wish to appoint the Chairman of the AGM as proxy, should approach the relevant intermediary (which would include, in the case of CPF and SRS members, their respective CPF Agent Banks or SRS Operators) to submit their votes by **5.00 p.m. on 19 April 2021**, being seven (7) working days before the AGM on 29 April 2021.

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2021.

I/We, _____ (Name) _____ (NRIC/Passport/Company Registration Number)

of _____ (Address)

being a member/members of **Broadway Industrial Group Limited** (the "**Company**"), hereby appoint the Chairman of the AGM as my/our proxy to attend, speak and vote for me/us on my/our behalf at the AGM of the Company to be convened and held by way of electronic means on **Thursday, 29 April 2021 at 3.00 p.m. (Singapore time)** and at any adjournment thereof in the following manner:

No.	Resolutions relating to:	For*	Against*	Abstain*
As Ordinary Business				
1	To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2020 and the Independent Auditor's Report thereon			
2	To re-elect Mr Eu Yee Ming Richard who is retiring as a Director pursuant to Regulation 109 of the Company's Constitution			
3	To approve the payment of Directors' fees of S\$475,410 for the financial year ended 31 December 2020			
4	To re-appoint Messrs RSM Chio Lim LLP as the Company's Auditors and to authorise the Directors to fix their remuneration			
As Special Business				
5	To authorise Directors to issue shares			
6	To authorise Directors to issue shares under the BIGL Share Plan			
7	To authorise Directors to renew the Share Buy-Back Mandate			

* Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to vote all shares "For" or "Against" the relevant resolution, please indicate with an "X" or a "√" in the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the relevant number of shares as appropriate. If you wish the Chairman of the AGM as your proxy to abstain from voting on a resolution, please indicate with an "X" or "√" in the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the relevant number of shares as appropriate. **In the absence of specified directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

Dated this _____ day of _____ 2021

Total Number of Shares Held

Signature or Common Seal of Member(s)

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have 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, this Proxy Form shall be deemed to relate to all the shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, members will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.** This Proxy Form may be accessed at the Company's website at https://www.bw-grp.com/investor_relations_home.htm and will also be made available on the SGX website at <https://www.sgx.com/securities/company-announcements>. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in this Proxy Form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
3. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act, Chapter 50), including CPF and SRS members, and who wish to appoint the Chairman of the AGM as proxy, should approach the relevant intermediary (which would include, in the case of CPF and SRS members, their respective CPF Agent Banks or SRS Operators) to submit their votes by **5.00 p.m. on 19 April 2021**, being seven (7) working days before the AGM on 29 April 2021.
4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. This Proxy Form must be submitted to the Company in the following manner:
 - (a) if submitted by post, be lodged at the Company's registered office at 3 Fusionopolis Way, #13-26 Symbiosis, Singapore 138633; or
 - (b) if submitted electronically, be submitted via email to ir@bigl.com.sg, in either case, by **3.00 p.m. on 27 April 2021**, being no later than 48 hours before the time fixed for the AGM.
6. A member who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above. **In view of the COVID-19 restriction orders in Singapore and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.**
7. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the AGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. Any reference to a time of day is made by reference to Singapore time.
9. The Company shall be entitled to reject an instrument appointing or treated as appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing or treated as appointing the Chairman of the AGM as proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing or treated as appointing the Chairman of the AGM as proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing the chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2021.

Affix
Postage
Stamp

The Company Secretary
BROADWAY INDUSTRIAL GROUP LIMITED
3 Fusionopolis Way
#13-26 Symbiosis
Singapore 138633



BROADWAY INDUSTRIAL GROUP LIMITED

Company Registration No.: 199405266K

3 Fusionopolis Way, #13-26 Symbiosis, Singapore 138633

Tel : (65) 6236 0088 | Fax : (65) 6226 6119

