



**JACK SPEED**  
ANNUAL REPORT 2016



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## CORPORATE PROFILE

Established in 1993, Jackspeed Corporation Limited (“Jackspeed” or together with its subsidiaries, the “Group”) is a specialist manufacturer of custom-fitted leather trim for automotive seats, and a supplier of leather wrapping for interior parts such as steering wheels, consoles and shift knobs. Headquartered in Singapore, we have a sales office in Australia, a joint venture for the Japanese market and manufacturing facilities in Malaysia and Thailand.

Capitalising on our technical competency, fine craftsmanship and keen attention to details, Jackspeed has successfully penetrated the niche market for leather, polyvinyl chloride and fabric seat customization. Our Group is recognized internationally for high quality automotive products and our commitment to customer satisfaction is the cornerstone of our growing brand premium and forms the foundation of our continued progress in this highly competitive market.

In 2006, Jackspeed leveraged on its experience in the leather trim business and broadened its product portfolio into the automotive accessories sector, supplying, assembling and installing automotive products and non-factory fitted accessories. With our extended product portfolio, we now provide customers with a comprehensive and complementary one-stop range of innovative and functional accessories and services.

In the financial year ended 29 February 2012, Jackspeed expanded its footprint downstream, engaging in the business of selling, leasing and renting of commercial and private motor vehicles.

In the financial year ended 28 February 2013, Jackspeed acquired 100% equity interest in Ultimate Vehicle Pty Ltd and incorporated a joint venture, Jackspeed Euris Japan Pte Ltd, a move to expand the leather business in the Australia and Japan markets.

In the financial year ended 28 February 2014, Dynasty Culture Sdn Bhd, an automotive leather trim manufacturer in Malaysia, joined the Group as a 100%-owned subsidiary, as a result of the Group’s continuous business rationalisation exercise.







## LETTER TO SHAREHOLDERS

### DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the Annual Report for Jackspeed Corporation Limited (the “**Company**” or together with its subsidiaries, the “**Group**”) for the financial year ended 29 February 2016 (“**FY2016**”).

### FINANCIAL PERFORMANCE AND FINANCIAL POSITION

The operating environment in FY2016 was a challenging one for the Group, as a result of global economic slowdown and currency pressures and swings. The Group continued to face rising costs of raw materials and labour.

Despite the challenges, the Group had, consistent with prior year, achieved significant improvement in our FY2016 financial results. The net profit attributable to shareholders had increased by \$5.1 million, from \$2.3 million in FY2015 to \$7.4 million in FY2016. The increase was attributed to higher operating profit of \$0.5 million and the \$4.6 million gain recorded from the disposal of a leasehold property located at 47 Loyang Drive Singapore 508955.

The Group had also maintained its healthy financial position with cash and cash equivalents of \$8.4 million in FY2016.



### DEVELOPMENTS

The Company was placed on the watch-list due to the Minimum Trading Price entry criterion (the “Watch-list”) with effect from 3 March 2016. We are actively considering various options in regards to this. The failure to meet the requirements of the SGX-ST Listing Manual will result in the delisting from the SGX Mainboard in 36 months from 3 March 2016. We shall update our shareholders duly.

### LOOKING AHEAD

With the aim to achieve long term growth in business and to maximise shareholders’ value, we will continue to exercise financial prudence in all aspects of our operations, develop our existing markets and explore new business opportunities.

### APPRECIATION

On behalf of the Board of Directors, we would like to thank our staff for their continued dedication and support. We would also like to express our appreciation to all our shareholders, customers, suppliers, business associates and bankers who have worked closely with us and we look forward to your continued support.

Sincerely,

**YAP KIAN PENG**

Executive Deputy Chairman and Chief Executive Officer

## OPERATIONS REVIEW



### FINANCIAL PERFORMANCE AND FINANCIAL POSITION

FY2016 was concluded with significant improvement in the net profit attributable to shareholders, an increase of \$5.1 million from \$2.3 million in FY2015 to \$7.4 million in FY2016. The increase was attributed to higher operating profit of \$0.5 million and the \$4.6 million gain recorded from the disposal of a leasehold property located at 47 Loyang Drive Singapore 508955.

In FY2016, the Company granted a convertible loan of \$10.0 million (the “Loan”) to Prestige Cars Pte. Ltd. (the “Borrower”). The Loan shall be on-lent by the Borrower to Prestige Cars Group Pte. Ltd. (“PCG”) for the purpose of importing BMW Alpina vehicles and distributing BMW products into the People’s Republic of China (“PRC”).

Having the option to acquire an interest in PCG provides the Company with the opportunity to monitor and assess the business of PCG prior to the Company becoming a shareholder. This allows the Company to enhance its earnings base through expansion into the PRC market, which is in line with the Company’s corporate vision to expand its business beyond Singapore.

In spite of the Loan, the Group had maintained a healthy cash position of \$8.4 million as at FY2016.

### SEGMENTAL CONTRIBUTION

The Leather, Accessories and Automotive segments accounted for 24%, 14% and 62% of the Group’s revenue respectively in FY2016 as compared to 36%, 21% and 43% respectively in the prior year.

The Group shall monitor and review its business segments from time to time and implement necessary changes as and when required.

### LEATHER SEGMENT

The Leather segment recorded higher revenue by \$1.0 million from \$14.5 million in FY2015 to \$15.5 million in FY2016. This was mainly due to an increase in revenue from the trading of automotive spare parts and the supply of seat covers for a new motor vehicle model.

An operating loss of \$0.4 million was recorded (FY2015: operating profit of \$84,000) despite the increase in revenue in FY2016. This was mainly due to higher raw material costs incurred.

### ACCESSORIES SEGMENT

The Accessories segment recorded higher revenue by \$1.2 million from \$8.3 million in FY2015 to \$9.5 million in FY2016. This was mainly due to greater sales demand for existing products.

Operating profit from the Accessories segment increased by \$0.8 million from \$2.3 million in FY2015 to \$3.1 million in FY2016. This was mainly due to higher revenue recorded aforementioned and higher gross profit margin resulting from procurement management.

### AUTOMOTIVE SEGMENT

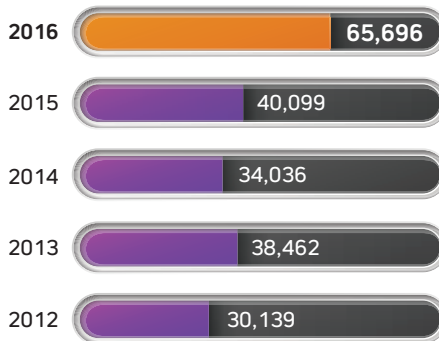
The Automotive segment recorded higher revenue by \$23.4 million from \$17.3 million in FY2015 to \$40.7 million in FY2016. This was mainly due to an increase of the number of used motor vehicles sold and higher proportion of relatively new vehicles sold in FY2016 (these vehicles generally commanded a higher selling price).

Operating profit from the Automotive segment increased by \$1.0 million from \$2.7 million in FY2015 to \$3.7 million in FY2016, as a result of higher revenue recorded aforementioned.

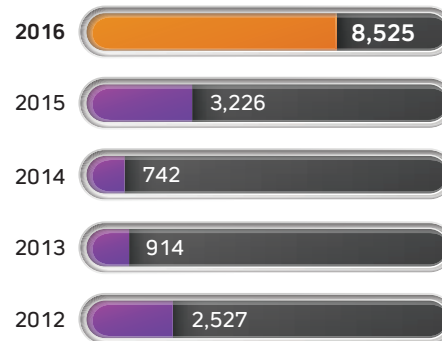
## FINANCIAL HIGHLIGHTS

	2012	2013	2014	2015	2016
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Revenue	30,139	38,462	34,036	40,099	<b>65,696</b>
Profit before tax	2,527	914	742	3,226	<b>8,525</b>
Earnings attributable to equity holders of the company	1,974	585	540	2,313	<b>7,351</b>
Earnings per share (cents)	0.94	0.24	0.22	0.92	<b>2.93</b>

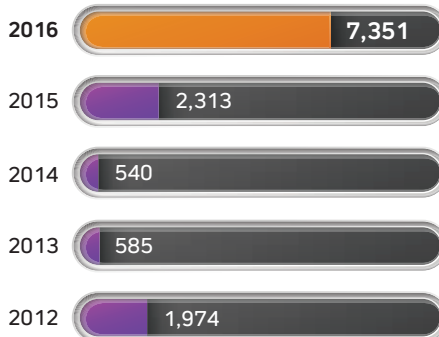
### REVENUE (\$'000)



### PROFIT BEFORE TAX (\$'000)



### EARNINGS ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (\$'000)





## BOARD OF DIRECTORS



### **MR CHIN YEW CHOONG DAVID**

Mr Chin was appointed as the Independent Non-Executive Chairman for the Group on 24 January 2014. He has served as an Independent Director for the Group since 31 May 2011. He is the Chairman of the Remuneration Committee and is also a Member of the Audit Committee and Nominating Committee.

Mr Chin is currently a Director in the Regional Desk Practice of Rajah & Tann Singapore LLP. He was previously with Drew & Napier since 1985 and became a partner in 1992. Upon incorporation in 2001, he was a director of Drew & Napier LLC until 2012. He became a Consultant with Drew & Napier LLC from 2012 until 2015 after which he joined Rajah & Tann Singapore LLP.

Mr Chin graduated with a Bachelor of Laws (Honours) degree from the National University of Singapore and was called to the Bar in 1985.

Mr Chin also serves on the board of M Development Ltd. and Universal Resources and Services Limited, which are listed on the SGX Mainboard.



### **MR YAP KIAN PENG**

Mr Yap was appointed as the Executive Deputy Chairman on 24 January 2014 and Chief Executive Officer for the Group on 2 December 2011. He has served as Executive Chairman for the Group between 16 December 2010 to 24 January 2014. He is responsible for charting and reviewing our corporate direction and business strategies.

Since 2005, Mr Yap has been an Executive Director of Capital Equity Holdings Pte Ltd, a private equity investment company.

Mr Yap joined Oversea-Chinese Banking Corporation Limited in 1992 and was promoted to Assistant Manager before leaving in 1998. From 1998 to 2000, he was a Director of You Yi Glass Contractor Pte Ltd, a company engaged in the business of trading in glass sheets. Mr Yap joined Maybank as a Senior Business Development Manager in 2001 and was subsequently promoted to Team Head of Trade Finance Business Development Group.

Mr Yap graduated from RMIT University, Australia with a Bachelor Degree in Business (Business Administration).

Mr Yap also serves on the board of M Development Ltd. and Seroja Investments Limited, which are listed on the SGX Mainboard, and Soon Lian Holdings Limited, which is listed on the Catalist.





### MR LO YEW SENG

Mr Lo was appointed as the Independent Director of the Company on 7 July 2010. He is the Chairman of the Audit Committee and is also a Member of the Remuneration Committee and Nominating Committee.

Mr Lo is the founder and director of Capella Capital Pte Ltd and Capella Management Pte Ltd, providing venture fund and financial advisory services since 2006. His position encompasses the strategic responsibility of managing the investments of the company as well as sourcing for further opportunities.

Prior to founding the Capella group, Mr Lo was employed by a Swedish listed multi-national company, AXIS Communications in 1996. He was then appointed the Asia Pacific sales and marketing director where he stayed on for 9 years. He has concurrently held the company's Chief Representative position in the China subsidiary located in Shanghai and the director position of the subsidiary/branch in Korea and Taiwan.

Mr Lo has a Bachelor's Degree in Arts and Social Sciences from National University of Singapore (NUS), majoring in Economics. He has also attended the General Management Program at NUS Business School.

Mr Lo also serves on the board of Ban Leong Technologies Limited, which is listed on the SGX Mainboard.



### MR TOH TIONG SAN

Mr Toh was appointed as the Independent Director of the Company on 21 September 2015. He is the Chairman of the Nominating Committee and is also a Member of the Audit Committee and Remuneration Committee.

Mr Toh has more than 20 years of experience in private equity, fund management and corporate finance.

In 1991, Mr Toh joined DBS Bank Ltd.'s private equity arm and was responsible for deal origination, due diligence, deal structuring, valuation, financial modeling, investment monitoring and divestments. He was also in DBS Bank Ltd.'s capital market services arm where he was involved in merger and acquisition activities, financial engineering and securitisation.

In 2000, Mr Toh joined Temasek Holdings as the Director of Investments, responsible for investment of listed and private companies (including companies that were honoured the Enterprise 50 Awards) in industries spanning food and beverage, services, internet to private education.

From 2006 to 2007 and 2009 to 2012, Mr Toh was appointed the Managing Director of Emirates Tarian Asset Management Pte Ltd ("ETAM"), responsible for setting up and running the fund management operations. Mr Toh successfully transformed ETAM into an established boutique fund management outfit before he left in 2012.

Mr Toh, who was awarded a scholarship from DBS Bank Ltd., graduated from the National University of Singapore with an Honours Degree in Electrical Engineering.



### MS CHUA SZE CHYI

Ms Chua was appointed as the Executive Director of the Company on 26 April 2012. She is responsible for overseeing and supervising the Finance Department as well as monitoring the performance of the subsidiaries.

Prior to joining the Company in 2010, Ms Chua has served several years in an international auditing firm.

Ms Chua graduated with a Bachelor of Accountancy (Honours) from the Nanyang Technological University. She is a member of the Institute of Singapore Chartered Accountants.

## KEY MANAGEMENT

**MR CHIEN MING-CHEN** was appointed as the General Manager of Jackspeed Leather Special Manufacturer (M) Sdn Bhd ("JM") in February 2014. He is also the General Manager of Dynasty Culture Sdn Bhd ("Dynasty"), a wholly-owned subsidiary acquired on 23 January 2014. Mr Chien first joined the Group from 1997 to 2005, holding the positions of General Manager of JM and subsequently Chief Operating Officer of the Group. Between 2005 to 2014, Mr Chien started Dynasty, a company which is in the business of manufacturing leather interiors for mainly automotive industry. He obtained a degree in Bachelor of Science in Electrical Engineering from Chung-Yuan Christian University, Taiwan.

**MR LIM KIAN KOK** was appointed as the General Manager of J.V. (Thailand) Co., Ltd in January 2009. He is responsible for overseeing and managing the Accessories Division in Thailand and concurrently overseeing the sales and marketing activities of the Leather Division of the Group. Mr Lim joined the Group in 2001 as a Marketing Executive for our Malaysia factory. In 2004, he was made the Quality Assurance Manager of Malaysia operations and Group's management representative for Quality, Environmental, Occupational Health and Safety management systems, responsible for the Group's quality control procedures and continued compliance with ISO/TS 16949, ISO 14001 and OHSAS 18001 standards. He was promoted in 2005 to Assistant General Manager in charge of Malaysia operations. Mr Lim has a Bachelor in Business Administration from National Cheng Chi University, Taipei and was the Branch Officer-In-Charge at Hong Leong Assurance Bhd when he left in December 2000.



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

Mr Chin Yew Choong David  
*(Independent Non-Executive Chairman)*

Mr Yap Kian Peng  
*(Executive Deputy Chairman and  
Chief Executive Officer)*

Mr Lo Yew Seng  
*(Independent Director)*

Mr Toh Tiong San  
*(Independent Director)*

Ms Chua Sze Chyi  
*(Executive Director and  
Group Financial Controller)*

### COMPANY SECRETARIES

Mr Chew Kok Liang  
Ms Chua Sze Chyi

### AUDIT COMMITTEE

Mr Lo Yew Seng  
*(Chairman)*

Mr Chin Yew Choong David

Mr Toh Tiong San

### REMUNERATION COMMITTEE

Mr Chin Yew Choong David  
*(Chairman)*

Mr Lo Yew Seng

Mr Toh Tiong San

### NOMINATING COMMITTEE

Mr Toh Tiong San  
*(Chairman)*

Mr Chin Yew Choong David

Mr Lo Yew Seng

### REGISTERED OFFICE

221 Henderson Road #06-15  
Singapore 159557  
Tel: (65) 6273 0386  
Fax: (65) 6273 0396  
Website: [www.jackspeed.com](http://www.jackspeed.com)  
Email: [investor@jackspeed.com](mailto:investor@jackspeed.com)

### SHARE REGISTRAR

M & C Services Private Limited  
112 Robinson Road #05-01  
Singapore 068902

### INDEPENDENT AUDITOR

RSM Chio Lim LLP  
8 Wilkie Road  
#03-08 Wilkie Edge  
Singapore 228095

### AUDIT PARTNER-IN-CHARGE

Mr Chow Khen Seng  
Effective from financial year ended  
28 February 2013  
Number of years in-charge: 4 years

### PRINCIPAL BANKERS

Malayan Banking Berhad  
United Overseas Bank Limited  
Hong Leong Bank Berhad  
Oversea-Chinese Banking  
Corporation Limited  
Credit Suisse AG

### REGISTRATION NUMBER

199300300W









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## CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) and Management of Jackspeed Corporation Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) place great importance on high standard of corporate conduct to uphold good corporate governance practices.

This commitment and continuous support of the Code of Corporate Governance 2012 (the “**Code**”), can be seen from the efforts of the Board and Management to promote and maintain values that emphasize transparency, accountability, integrity and proper conduct at all times, in the business operations and dealings of the Group so as to create value for its stakeholders and safeguard the Group’s assets.

The report describes the practices the Company has undertaken with respect to each of the principles and guidelines; and the extent of its compliance with the Code. This report should be read as a whole, instead of being read separately under the different principles of the Code.

### BOARD MATTERS

#### The Board’s Conduct of Affairs

**Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.**

As at 29 February 2016, the Company is headed by an effective Board comprising five directors of whom two are Executive Directors and three are Non-Executive Independent Directors. Their combined wealth and diversity of skills, experience, gender and knowledge of the Company enables them to contribute effectively to the strategic growth and governance of the Group.

The Board sets the overall business direction, provides guidance on the Company’s strategic plans, with particular attention paid to growth and financial performance and oversees the Management of the Company.

The principal functions of the Board include:

- (a) Providing entrepreneurial leadership, approving policies, setting strategies and financial objectives of the Company and monitoring the performance of Management;
- (b) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (c) Approving nominations to the Board, Board committee members and key personnel;
- (d) Approving annual budgets, funding requirements, expansion programmes, capital investments, major acquisitions and divestments proposals;
- (e) Setting the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
- (f) Considering sustainability issues as part of the Group’s strategic formulation.

## CORPORATE GOVERNANCE REPORT

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company.

To ensure the smooth and effective running of the Group and facilitate decision making, the Board has delegated some of its powers and functions to various Committees, namely the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”). These Committees are chaired by Independent Directors and function within clearly defined terms of reference. Such terms of reference will be reviewed by the Board and Board Committee on a regular basis to enhance the effectiveness of these Board Committees. The roles and responsibilities of these Board Committees are provided for in the latter sections of this Corporate Governance Report.

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled half yearly meetings, the Board members meet on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary to review the Group’s business operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company’s Constitution (the “Constitution”) provide for the Board to convene meetings via telephonic and other electronic means. The Board also approves transactions through circular resolutions, which are circulated to the Board together with all relevant information relating to the proposed transaction.

The agenda for meetings is prepared in consultation with the Non-Executive Chairman, the Executive Directors and/or the Chairman of the Board Committees. The agenda and documents are circulated to the Board and Board Committees in advance of the scheduled meetings.

During the financial year, the Board members had met two times. The number of Board Meetings held and the attendance of each Board member at the meetings for the financial year ended 29 February 2016 (“FY2016”) are as follows:

Directors	Number of meetings held	Number of meetings attended
Chin Yew Choong David, Non-Executive Chairman and Independent Director	2	2
Yap Kian Peng, Executive Deputy Chairman and Chief Executive Officer (“CEO”)	2	2
Teo Teng Seng, Non-Executive Independent Director*	2	1
Lo Yew Seng, Non-Executive Independent Director	2	2
Toh Tiong San, Non-Executive Independent Director#	2	1
Chua Sze Chyi, Executive Director	2	2

\* Teo Teng Seng retired as a director of the Company at the Annual General Meeting held on 22 June 2015.

# Toh Tiong San was appointed as a director of the Company on 21 September 2015.

The Directors were appointed based on their experience, stature and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director’s contributions can be reflected in ways other than the reporting of attendances at Board meetings and/or Board Committees meetings.

## CORPORATE GOVERNANCE REPORT

The Company has adopted internal guidelines setting forth matters that require the Board's approval. Matters that specifically require Board's approval are those involving annual budget, major funding and investment proposals, mergers and acquisition transactions, release of results announcements and any other announcements, appointment of Directors and key personnel and all other matters of material importance. The Board will review the guidelines on a periodical basis to ensure their relevance to the operations of the Company. The Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

The Directors are encouraged to make enquiries on any aspects of the Company's operations or business issues from the Management. The Non-Executive Chairman or Executive Deputy Chairman and CEO or the Company Secretary will make the necessary arrangements for briefings, informal discussions or explanations, as and when required.

The Company will conduct induction, orientation and training programs for new directors to familiarise themselves with the Company's structure and organisation, businesses and governance policies. Upon appointment, the Company will provide each newly appointed director a formal letter and will be briefed by the Chief Executive Officer and/or Senior Management of the Company on the business activities of the Group and its strategic directions, as well as setting out their duties and responsibilities as directors. The aim of the orientation program is to give directors a better understanding of the Company's businesses and allow them to assimilate into their new roles. New directors are also informed about matters such as the Code of Dealing in the Company's shares. Changes to regulation and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, the Company provides opportunities for on-going education on Board processes and best practices, as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Singapore Exchange Securities Trading Limited ("SGX-ST") that will affect the Company and/or Directors in discharging their duties. Board members are also encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company may fund the appropriate training and development programmes for the Directors. The Company works closely with professionals to provide its Directors with pertinent information in relation to changes to relevant laws, regulations and accounting standards.

### Board Composition and Guidance

**Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.**

The Company endeavours to maintain a strong and independent element on the Board and will continue to review the Board size to ensure that it is appropriate and effective to facilitate decision making. The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers or its 10% shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment. The NC has reviewed the 'Confirmation of Independence' forms completed by each Independent Director and is satisfied that more than half of the Board comprises of Independent Directors. The Board has adopted the Code's criteria on an Independent Director. The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence.

Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. The decisions are based on collective decision, without any individual or small group of individuals influencing or dominating the decision making process.



## CORPORATE GOVERNANCE REPORT

The Board will review its current size to ensure that it is appropriate and effective to facilitate decision making, taking into account the nature and scope of the Company's operations. Together, the Board members possess an appropriate balance of core competencies and diversity of skills, experience, gender and knowledge to lead the Company. Details of the Board members' qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

Although all the directors bear an equal responsibility for the Group's operations, the Independent Directors play an important role in ensuring that the strategies proposed by the Management are constructively challenged and developed by taking into account the long-term interests of the shareholders. The Independent Directors are encouraged to meet, without the presence of Management in order to facilitate a more effective check on Management.

To-date, none of the Independent Directors of the Company has been appointed as director of the Company's principal subsidiaries, which are based in Singapore.

During FY2016, the composition of Board is as follows:

Directors	Position
Chin Yew Choong David	Non-Executive Chairman and Independent Director
Yap Kian Peng	Executive Deputy Chairman and CEO
Teo Teng Seng*	Non-Executive Independent Director
Lo Yew Seng	Non-Executive Independent Director
Toh Tiong San#	Non-Executive Independent Director
Chua Sze Chyi	Executive Director

\* Teo Teng Seng retired as a director of the Company at the Annual General Meeting held on 22 June 2015.

# Toh Tiong San was appointed as a director of the Company on 21 September 2015.

### Chairman and Chief Executive Officer

**Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.**

The Company has a separate Chairman and CEO to ensure an appropriate balance of power, increased accountability and greater capacity for the Board in terms of independent decision making. Mr Chin Yew Choong David is the Non-Executive Chairman of the Board and is considered Independent. As the Non-Executive Chairman, he exercises control over the quality, quantity and timeliness of information flow between the Management and the Board. He ensures that the Board receives accurate, timely and clear information; and that effective communication is maintained with shareholders. He facilitates constructive discussions within the Board and between the Board and Management and encourages their effective contributions.

## CORPORATE GOVERNANCE REPORT

In addition, the Non-Executive Chairman, ensures that regular Board meetings are held, ad-hoc meetings are convened when necessary, the Board is updated on the Group's affairs, oversees the preparation of the agenda for Board meetings and the Group's compliance with the Code. The Non-Executive Chairman also ensures that the Board members are provided with complete, adequate and timely information and that board papers include sufficient financial, business and corporate information for Board members to appraise on matters to be discussed during Board meetings. He also takes a leading role in promoting high standards of corporate governance.

Mr Yap Kian Peng is both the Executive Deputy Chairman and CEO of the Company. As the CEO, he is involved in the day-to-day business of the Group and leads Management in setting strategies, objectives and is responsible for the development and financial performance of the Group.

All major decisions made by the Board are subject to majority approval of the Board and are reviewed by the AC, whose members comprise only Non-Executive Independent Directors. The Executive Directors' performance and remuneration are reviewed annually by the NC and RC respectively, whose members comprise only Non-Executive Independent Directors of the Company. The Board believes that there are adequate safeguards in place to ensure an appropriate balance of power and authority within the spirit of good corporate governance.

### Board Membership

**Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.**

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment and re-appointment of directors, making recommendations for directors who are due for retirement by rotation to seek re-election at a general meeting and determining the independence of each director.

Currently, the NC comprises three members all of whom, including the Chairman, are Non-Executive Independent Directors.

As at the date of this report, the members of the NC are:

- (1) Toh Tiong San (Chairman) (appointed on 21 September 2015)
- (2) Chin Yew Choong David
- (3) Lo Yew Seng
- (4) Teo Teng Seng (retired on 22 June 2015)

The NC Chairman is also a Director who has no relationship with the Company, its related corporations, its 10% shareholders or its officer and is not directly associated with 10% shareholders. The NC is established for the purposes of ensuring that there is a formal and transparent process for all board appointments. It has adopted written terms of reference defining its membership, administration and duties.

## CORPORATE GOVERNANCE REPORT

The number of NC Meetings held and the attendance of each member at the meetings during FY2016 are as follows:

Names of Members	Number of meeting held	Number of meeting attended
Toh Tiong San	1	1
Chin Yew Choong David	1	1
Lo Yew Seng	1	1

The NC is regulated by its terms of reference and its key functions include:

- (a) Reviewing the Board structure, size and composition;
- (b) Assessing nominees or candidates for appointment or election to the Board and making plans for succession, in particular for the Chairman and the CEO;
- (c) Assessing the effectiveness of the Board and its committees;
- (d) Assessing the contribution, performance and effectiveness of each director, in particular when a Director has multiple board representations and having regard to the Director's contribution and performance;
- (e) Reviewing the independence of the Directors on an annual basis; and
- (f) Deciding whether a Director is able to and has been adequately carrying out his or her duties as a Director of the Company based on internal guidelines such as attendance, contactability and responsiveness.

All directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Regulation 107 of the Company's Constitution requires one-third of the Board to retire and submit themselves to re-election by the shareholders in every Annual General Meeting ("AGM"). A newly appointed director must also subject himself/herself for retirement and re-election at the next AGM immediately following his/her appointment. The Board and the NC had developed a process of evaluation of performance of the Board and Board Committees through establishment of quantifiable performance criteria.

The NC has recommended and the Board has approved the re-election of the Mr Yap Kian Peng, Mr Chin Yew Choong David and Mr Toh Tiong San, who are retiring at the forthcoming AGM. Each member of the NC shall abstain from voting on any resolutions and making recommendation and/or participating in any deliberations of the NC in respect of his re-nomination as a director.

## CORPORATE GOVERNANCE REPORT

The dates of first appointment and last election of each Director, together with their directorships in other listed companies, are as follows:

Name of Directors	Appointment	Date of first appointment	Date of last re-election	Directorships in other listed companies
Chin Yew Choong David	Non-Executive Chairman and Independent Director	31 May 2011	24 June 2014	M Development Ltd. Universal Resources and Services Limited
Yap Kian Peng	Executive Deputy Chairman and CEO	16 December 2010	26 June 2013	M Development Ltd. Seroja Investments Limited Soon Lian Holdings Limited
Teo Teng Seng*	Non-Executive Independent Director	9 June 2010	25 June 2012	–
Lo Yew Seng	Non-Executive Independent Director	7 July 2010	22 June 2015	Ban Leong Technologies Limited
Toh Tiong San#	Non-Executive Independent Director	21 September 2015	N.A.	–
Chua Sze Chyi	Executive Director	26 April 2012	24 June 2014	–

\* Teo Teng Seng retired as a director of the Company at the Annual General Meeting held on 22 June 2015.

# Toh Tiong San was appointed as a director of the Company on 21 September 2015.

There is no independent director who has served on the Board beyond nine years from the date of his first appointment.

Despite some of the directors having multiple Board representation, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company, after taking into consideration the number of listed company board representations and other principal commitments. Currently, the Board has not determined the maximum number of listed board representations which any Director may hold. The NC and the Board will review the requirement to determine the maximum number of listed board representations as and when it deems fit.

### Board Performance

**Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.**

In line with the principles of good corporate governance, the Board has implemented a process to evaluate its performance and its board committees. The performance criterion includes financial targets, the contribution by Directors, their expertise, their sense of independence and their industry knowledge. This encourages constructive feedback from the Board and leads to an enhancement of its performance over time. The NC has met to discuss the evaluation of the performance of the Board and its committees; and has adopted a formal evaluation process to assess the effectiveness of the Board and its committees. Selected performance criteria will not change from year to year unless they are deemed necessary and the Board is able to justify the changes.



## CORPORATE GOVERNANCE REPORT

The NC has decided unanimously, that the Directors will not be evaluated individually but factors taken into consideration for re-nomination are the extent of their attendance, preparedness, participation and contributions in the proceedings of the meetings.

### Access to Information

**Principle 6:** In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is furnished with board papers and any other related materials in advance, prior to any Board meeting. These papers are issued to enable the Directors to obtain additional information or explanations from the Management, if necessary. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

The Board has separate and independent access to the Management team and the Company Secretary on all matters whenever they deemed necessary. The Company Secretary provides the Board with regular updates on the requirements of the Companies Act and all the rules and regulations of the SGX-ST. The Company Secretary or his representatives attend all meetings of the Board and the Board Committees and assist the Chairman of the Board and each Board Committee in ensuring that the relevant procedures are followed and reviewed such that the Board and the Board Committees function effectively.

The appointment and removal of the Company Secretary is a matter for the Board as a whole. Where necessary, the Company will, upon the request of directors in the furtherance of their duties (whether as a group or individual), on a case-to-case basis, provide them with independent and professional advice, to enable them to discharge their duties. The costs of such professional advice may be borne by the Company.

### Procedures for Developing Remuneration Policies

**Principle 7:** There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC currently comprises of three members, all of whom including the Chairman are Non-Executive Independent Directors.

During FY2016, the members of the RC are:

- (1) Chin Yew Choong David (Chairman)
- (2) Lo Yew Seng
- (3) Toh Tiong San (appointed on 21 September 2015)
- (4) Teo Teng Seng (retired on 22 June 2015)

The RC is established for the purposes of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Director. The overriding principle is that no Director should be involved in deciding his/her own remuneration. It has adopted written terms of reference that defines its membership, roles, functions and administration.

## CORPORATE GOVERNANCE REPORT

The number of RC Meetings held and the attendance of each member at the meetings during FY2016 are as follows:

Names of Members	Number of meeting held	Number of meeting attended
Chin Yew Choong David	1	1
Lo Yew Seng	1	1
Toh Tiong San	1	1

The duties of the RC include:

- (a) Reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for Executive Directors, CEO and key executives of the Company;
- (b) Reviewing the remuneration packages of all managerial staff that are related to any of the Executive Directors, CEO or substantial shareholder of the Company or any of its principal subsidiaries; and
- (c) Reviewing and recommending to the Board (in consultation with senior Management and the Chairman of the Board), Employees' Share Option Schemes or any long-term incentive scheme when applicable.

The RC has reviewed the framework of remuneration for the Directors and key management personnel, and has determined specific remuneration packages for the Executive Directors as well as for the key management personnel. The recommendations of the RC are made in consultation with the Non-Executive Chairman and submitted for endorsement by the entire Board.

All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefit-in-kind shall be covered by the RC. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

In structuring and reviewing the remuneration packages, the RC seeks to align the interests of Directors and key management personnel with those of shareholders by linking rewards to corporate and individual performance, as well as roles and responsibilities of each Director.

The RC, in considering the remuneration of all directors, has not sought external professional advice nor appointed independent remuneration consultants.

The Directors' fees to be paid to the Directors are subject to shareholders' approval at the forthcoming AGM.

## CORPORATE GOVERNANCE REPORT

### Level and Mix of Remuneration

**Principle 8:** The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC reviews the remuneration packages for the Executive Directors and key management personnel. In its review, the RC takes into consideration the pay and employment conditions within the industry and comparable companies, as well as the Company's relative performance and the performance of the individual Director and key management personnel when setting remuneration packages so as to attract, retain and motivate them to run the Group successfully.

The Non-Executive Independent Directors and Executive Directors receive Directors' fees. In determining the quantum of Directors' fees, factors such as effort and time spent, and responsibilities of the Directors are taken into account.

The RC ensures that none of the Non-Executive Independent Directors are over-compensated to the extent that their independence may be compromised. The Directors' fees are subject to shareholders' approval at the forthcoming Annual General Meeting. The remuneration policies for key management personnel are based largely on the Company's performance and the responsibilities and performance of each individual key management personnel. The RC recommends the remuneration packages of key management personnel to the Board for approval.

The RC is of the view that the variable component of the remuneration packages of the Executive Directors and key management personnel are moderate. At present, there is no necessity for the Company to institute contractual provisions in the service agreements or employment agreements to reclaim incentive components of remuneration paid in prior years from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

### Disclosure on Remuneration

**Principle 9:** Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Company believes that the disclosure of the remuneration of the Directors and top five key management personnel (executives who are not Directors) in bands of S\$250,000 provides sufficient overview of the remuneration of the Group while maintaining confidentiality of staff remuneration matters and is in the best interests of the Group given the competitive conditions in the industry.

## CORPORATE GOVERNANCE REPORT

The remuneration of Directors for FY2016 is as follows:

Directors	Remuneration Band	Base Salary (%) <sup>(1)</sup>	Bonus (%)	Directors' Fee (%) <sup>(2)</sup>	Allowance (%)	Total (%)
Yap Kian Peng	S\$750,000 to S\$1,000,000	41	55	4	–	100
Chin Yew Choong David	Below S\$250,000	–	–	100	–	100
Teo Teng Seng*		–	–	100	–	100
Lo Yew Seng		–	–	100	–	100
Toh Tiong San <sup>#</sup>		–	–	100	–	100
Chua Sze Chyi		56	29	15	–	100

\* Teo Teng Seng retired as a director of the Company at the Annual General Meeting held on 22 June 2015.

<sup>#</sup> Toh Tiong San was appointed as a director of the Company on 21 September 2015.

(1) Includes employer's Central Provision Fund contributions.

(2) Directors' fees are subjected to Shareholders' approval at the AGM to be held on 20 June 2016.

The range of gross remuneration of the top five key management personnel (executives who are not Directors) of the Company is as follows:

Executives	Remuneration Band	Base Salary (%) <sup>(1)</sup>	Bonus (%)	Allowance (%)	Total (%)
Chien Ming-Chen	Below S\$250,000	100	–	–	100
Eng Kok Siong		65	–	35	100
Lim Kian Kok		92	7	1	100
Phau Soek Ching		100	–	–	100
Pollasate Yimruang		73	27	–	100

(1) Includes employer's Central Provision Fund contributions.

The aggregate total remuneration paid to the top five key management personnel (who are not directors or the CEO) for the year ended 29 February 2016 is approximately S\$371,000.

There is no employee of the Group who is an immediate family member of any Director or the CEO or a controlling shareholder and whose remuneration has exceeded S\$50,000 during the financial year ended 29 February 2016.

## CORPORATE GOVERNANCE REPORT

### Jackspeed Share Award Scheme

The Company had adopted a performance share plan known as the “Jackspeed Share Award Scheme” (the “Scheme”), which was approved at an Extraordinary General Meeting of the Company’s Shareholders held on 26 June 2013. The RC is responsible for the administration of the Scheme.

The Scheme will provide an opportunity for Group employees, Directors of the Group and Non-Executive Directors to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty.

The Scheme is designed to complement the Company’s efforts to reward, retain and motivate employees to achieve better performance. With the Scheme, the Company will have greater flexibility in tailoring reward and incentive packages suitable for Participants and align Participants’ interests with those of Shareholders.

The focus of the Scheme is to inculcate in Participants a stronger and more lasting sense of identification with the Group, and to further strengthen the Company’s competitiveness in attracting and retaining talented employees, especially employees who have the requisite knowledge, technical skills and experience which the Company believes could contribute to the development and growth of the Group.

The Awards given to a particular Participant under the Scheme will be determined at the discretion of the RC who will take into account factors such as the Participant’s capability, scope of responsibility, skill and vulnerability to leaving the employment of the Group. The RC will also consider the compensation and/or benefits to be given to the Participant under the Scheme. The RC may also set specific criteria and performance targets for each of its business units, taking into account factors such as (i) the Company’s and the Group’s business goals and directions for each financial year; (ii) the Participant’s actual job scope and responsibilities; and (iii) the prevailing economic conditions.

The Scheme is a performance incentive scheme which will form an integral part of the Group’s incentive compensation program. The Scheme shall continue in force at the discretion of the RC, subject to a maximum period of ten (10) years commencing on the date which the Scheme is adopted by the Company in general meeting, provided always that it may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Company has not granted any Awards since the date of approval of the Scheme. Accordingly, the disclosure requirements under Rule 852(1)(b), (c) and (d) of the SGX-ST Listing Manual are not applicable.

### **Accountability**

**Principle 10: The Board should present a balanced and understandable assessment of the company’s performance, position and prospects.**

The Board is accountable to the shareholders while the Management is accountable to the Board. As defined in the Code, the Board presents to shareholders a balanced and understandable assessment of the Company’s performance, position and prospects. The Management provides all Board members with management reports and accounts, which reflect a balanced, understandable assessment of the Company’s performance, position and prospects on a regular basis.



## CORPORATE GOVERNANCE REPORT

It is the Board's policy to provide the shareholders with all important and price sensitive information on a timely basis. These are done through the SGXNet in the form of half-yearly announcements, or as and when necessary.

### Risk Management and Internal Controls

**Principle 11:** The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Board is responsible for the overall internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance, information technology risks and the risk management systems. The objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss and assets are safeguarded.

Relying on the reports from the internal and external auditors, the AC carried out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the management on the recommendations made by the internal and external auditors.

The Board also notes that all internal control systems and risk managements systems contain inherent limitations and no system of internal controls or risk management system could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities.

For FY2016, the Board has received assurances from the CEO and the Group Financial Controller of the Company that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the effectiveness of the Group's risk management and internal control systems.

Based on the internal and external auditors' report, the existing management controls put in place and reviews by the Management, the Board with the concurrence of the AC is of the opinion that the Group's internal controls and risk management procedures in addressing financial, operational, information technology controls and risk management systems maintained by the Group during the year are adequate and effective as at 29 February 2016.

## CORPORATE GOVERNANCE REPORT

### Audit Committee

**Principle 12: The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.**

The AC currently comprises of three members, all of whom are Non-Executive Independent Directors.

During FY2016, the members of the AC are:

- (1) Lo Yew Seng (Chairman)
- (2) Chin Yew Choong David
- (3) Toh Tiong San (appointed on 21 September 2015)
- (4) Teo Teng Seng (retired on 22 June 2015)

The AC is established to assist the Board with discharging its responsibility to safeguard the Company’s assets, maintain adequate accounting records and develop and maintain effective systems of internal control. The Board is of the opinion that the members of the AC possess the necessary qualifications and experience in discharging their duties. The details of the Board members’ qualifications and experience are presented in this Annual Report under the heading “Board of Directors”.

The AC is governed by its terms of reference, which was reviewed and amended, where appropriate, to adopt relevant best practices set out in the Guidebook and the Code. The terms of reference is used as a reference to assist the AC in discharging its responsibilities and duties, which include:

- (a) Reviewing the audit plan, system of internal controls and the audit report in consultation with the external auditors and reporting to the Board of Directors at least annually;
- (b) Reviewing the assistance given by the Company’s officers to the external auditors;
- (c) Reviewing the independence and objectivity of the external auditors annually;
- (d) Nominating external auditors for re-appointment;
- (e) Reviewing the half-year and full-year results and the respective announcements before submission to the Board of Directors;
- (f) To give due consideration to the requirements of SGX-ST Listing Manual; and
- (g) Reviewing interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

In discharging the above duties, the AC confirms that it has full access to and co-operation from Management and is given full discretion to invite any Executive Director to attend its meetings. In addition, the AC has also been given reasonable resources to enable it to perform its functions properly.

## CORPORATE GOVERNANCE REPORT

The AC, having reviewed the scope and value of non-audit services provided to the Group by the external auditors, are satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended to the Directors the nomination of RSM Chio Lim LLP for re-appointment as external auditors of the Company at the forthcoming Annual General Meeting.

The Company has paid the following aggregate amount of fees to external auditors, for services rendered for FY2016:

	Group	
	2016 S\$'000	2015 S\$'000
<b>Fees to external auditors</b>		
Audit services (RSM Chio Lim LLP)	115	109
Audit services (other external auditors)	28	27
Non-audit service (RSM Chio Lim LLP)	12	13
<b>Total</b>	<b>155</b>	<b>149</b>

The AC meets with the external auditors, without the presence of the Company's Management, at least once a year.

The AC and the Board of the Company confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with SGX-ST Listing Rules 712 and 716 respectively.

The Company has adopted a Whistle Blowing Policy with the objective of providing a process for staff to raise, in confidence and without fear of retaliation, incidents of possible improprieties in matters of financial reporting or other matters to the Chairman of the AC.

During FY2016, the AC members have met twice and the details of attendance are as follows:

Names of Members	Number of meetings held	Number of meetings attended
Teo Teng Seng*	2	1
Chin Yew Choong David	2	2
Lo Yew Seng	2	2
Toh Tiong San <sup>#</sup>	2	1

\* Teo Teng Seng retired as a director of the Company at the Annual General Meeting held on 22 June 2015.

# Toh Tiong San was appointed as a director of the Company on 21 September 2015.

## CORPORATE GOVERNANCE REPORT

### Internal Audit

**Principle 13:** The company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Board recognizes the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The AC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure coordination between internal auditors, external auditors and Management, and ensure that the internal auditors meets or exceeds the standards set by nationally or internationally recognized professional bodies. The AC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The internal auditors is provided with unfettered access to the Group's properties, information and records for performing their internal audit review.

The AC and the Board recognise the need for a robust and effective system of internal controls. Based on the considerations of the size of the Group, the nature and complexity of its operations as well as cost-effectiveness, the AC recommended to the Board the appointment of BDO LLP as the independent internal auditors of the Company and their primary line of reporting are to the AC. The objective of the internal audit function is to provide an independent review on the adequacy and effectiveness of the Group's internal controls and provide reasonable assurance to the AC on the Group's controls and governance processes. An annual internal audit plan which entails the review of the effectiveness of the Group's controls has been developed by the internal auditor. The AC is satisfied that the internal audit function has been (i) adequately resourced, (ii) staffed by suitably qualified and experienced professionals with the relevant experiences and has the appropriate standing within the Group, (iii) and in accordance with the standards set by professional bodies.

### Shareholder Rights

**Principle 14:** Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act, the Board ensures that all shareholders are equally and on a timely basis, be informed of any developments that would be likely to materially impact the Group. All material and price-sensitive information is released through the SGXNet.

All shareholders will receive the Annual Report together with the notice of AGM by post, which will also be published in the newspaper and via the SGXNet within the mandatory period. Accompanying the notice of AGM will be a copy of the proxy form, which will allow shareholders to appoint a maximum of 2 proxies to attend, vote and question the Board and Management, for and on behalf of the shareholders who are not able to attend the general meeting personally. This encourages and provides shareholders with an opportunity to participate effectively and vote at the general meeting.

## CORPORATE GOVERNANCE REPORT

### Communication with Shareholders

**Principle 15:** Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company endeavours to communicate regularly, effectively and fairly with its shareholders. The Board ensures that materials and information helpful to shareholders are released on a timely basis. The Company does not practice selective disclosure.

Information is communicated to shareholders on a timely basis and is made through:

- (i) annual reports that are prepared and issued to all shareholders;
- (ii) half and full year results announcements; and
- (iii) disclosure to the SGX-ST via SGXNet.

The Company does not have a policy on payment of dividend. The issue of payment of dividend is deliberated by the Board annually having regard to various factors.

### Conduct of Shareholder Meetings

**Principle 16:** Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The AGM is the principal forum for dialogue with shareholders. All shareholders of the Company receive the annual report of the Company and notice of AGM within the stipulated period. Notices of meetings are published in the local newspaper and also made via the SGXNet.

The Company encourages active shareholders' participation. During the AGM, shareholders may raise questions or share their views regarding the proposed resolutions and also the Company's businesses and affairs. Voting procedures and rules that govern general meetings of shareholders are clearly disclosed to the shareholders during the AGM. In addition, the Chairman of the respective Committees and Management will be present at the AGM to address any queries from the shareholders. The Company's independent auditors are also invited to attend the AGM and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of their auditors' report. The Board values shareholders' feedback and input.

The Board also notes that there should be a separate resolution on each substantially separate issue that is to be tabled at the general meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

Resolutions are put to vote by poll and the detailed results of each resolution are announced via SGXNet after the general meetings.



## CORPORATE GOVERNANCE REPORT

### DEALINGS IN SECURITIES

The Company has adopted its own Code of Best Practices on dealing in the securities of the Company and its subsidiaries with regard to dealings in the Company's securities in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST. In compliance with the SGX-ST Listing Manual, the Company, all Directors, officers and employees are prohibited from dealing in the Company's securities during the period commencing one month prior to the announcement of the Company's half year and full year results and ending on the date of announcement of the results. All Directors, officers and employees are prohibited from dealing in the Company's shares on short term consideration.

All Directors and those who are in possession of price sensitive information are also advised to observe insider trading laws at all times even when dealing in the Company's securities within the permitted trading period.

### INTERESTED PERSON TRANSACTIONS

There were no interested person transactions for the financial year ended 29 February 2016.

Names of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholder's mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Nil	Nil	Nil

### MATERIAL CONTRACTS

There were no material contracts made by the Company and its subsidiaries involving the interest of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

### BUSINESS RISK MANAGEMENT

The majority of the Group's revenue is derived from the automobile market. We will continue to seek opportunities to expand our markets as well as products and services.

The Management will continue to identify areas where there are significant business risks and consider the appropriate measures to be taken to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the AC.

## CORPORATE GOVERNANCE REPORT

### INVENTORY RISK MANAGEMENT

The Group continues to derive a significant portion of its sales from the Original Equipment Manufacturer and Distributor markets; therefore, sales of our products are dependent on the consumers' demand of motor vehicles, amongst other factors.

In order to manage our inventory risk, we have to understand our customers by evaluating the markets they operate in, and their modus operandi. We will be able to manage the inventory by having the most practicable level of inventory for certain customers, and at times, we will only place orders for raw materials upon firm orders from customers.

### HUMAN RESOURCE MANAGEMENT

The Company recognizes the importance of human capital within the organization. It has put in place a systematic process to ensure that the employees are competitively rewarded and incentives and bonus are accorded based on the performance of the companies within the Group and individual performance.

### PRODUCTION AND QUALITY RISK

The Group adopts the ISO/TS16949 standards and has put in place certain production process that will minimize errors and ensure the delivery of quality products to our customers. We also have a set of training system and methodologies for new production workers to ensure that they are able to adhere to our stringent standards.

### SAFETY AND EMERGENCY RISK MANAGEMENT

The Group places strong emphasis on the fire prevention and safety aspects in our daily operations. We have a fire prevention and safety committee that ensure preventive measures are adhered to and ensure the readiness of staff from various departments to handle emergency situations.

In addition to the ISO14001 certification, we also have the OHSAS 18001 management system in place.

### FINANCIAL RISK MANAGEMENT

#### (a) Foreign Exchange Risk

From time to time where there is a requirement, the Group enters into foreign currency forward contracts in the normal course of business to manage its exposure against foreign currency fluctuations on sale and purchase transactions denominated in foreign currencies.

#### (b) Credit Risk

Credit risks arise from terms with our customers. The Management monitors the exposure of our credit risks on an on-going basis and has put in place a system that will manage the customer's credit risk exposure. Advance payments and cash terms are requested for new customers, while customers with good credit standing are granted credit terms on a case-by-case basis. Credit risk on balances of cash and cash equivalents is low as they are placed with reputable financial institutions.

## CORPORATE GOVERNANCE REPORT

### (c) Liquidity Risk

The Group's financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance the Group's operations. The Group also ensures availability of bank credit lines to address any short term funding requirement.

The Group's surplus funds are also managed by reputable financial institutions.

### (d) Interest Rate Risk

The Group's exposure to the risk of changes in interest rates arises mainly from the Group's bank borrowings, lease commitments and cash deposits placed with financial institutions. For interest income from cash deposits, the Group manages the interest rate risks by placing cash deposits with reputable financial institutions on varying maturities and interest rate terms. For interest expenses on the Group's borrowings, the Group mitigates interest exposure by fixing interest rates over longer duration through long term borrowings wherever possible.

## 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 29 February 2016.

### 1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; 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 in office at date of statement

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

Chin Yew Choong David

Yap Kian Peng

Lo Yew Seng

Toh Tiong San

(appointed on 21 September 2015)

Chua Sze Chyi

### 3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year were not interested in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act, Chapter 50 (the "Act").

### 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.

## STATEMENT BY DIRECTORS

### 5. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

### 6. Independent auditor

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

### 7. Report of audit committee

The members of the audit committee as at the date of this report are as follows:

Lo Yew Seng	(Chairman of audit committee)
Chin Yew Choong David	(Independent)
Toh Tiong San	(Independent)

The audit committee performs the functions specified by section 201B(5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor on their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report. It also includes an explanation of how independent auditor's objectivity and independence are safeguarded where the independent auditor provides non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as independent auditor at the next annual general meeting of the company.



## STATEMENT BY DIRECTORS

### 8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 29 February 2016.

On behalf of the directors

.....  
Yap Kian Peng  
Director

27 May 2016

.....  
Chua Sze Chyi  
Director

# INDEPENDENT AUDITOR'S REPORT

To the Members of Jackspeed Corporation Limited (Registration No: 199300300W)

## Report on the financial statements

We have audited the accompanying financial statements of Jackspeed Corporation Limited (the “company”) and its subsidiaries (the “group”), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 29 February 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and significant accounting policies and other explanatory information.

## Management's responsibility 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 Singapore Companies Act, Chapter 50 (the “Act”) and Singapore 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.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion, the 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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the group and of the company as at 29 February 2016 and of the financial performance, changes in equity and cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

## INDEPENDENT **AUDITOR'S REPORT**

To the Members of Jackspeed Corporation Limited (Registration No: 199300300W)

### **Report on other legal and regulatory requirements**

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

RSM Chio Lim LLP  
Public Accountants and  
Chartered Accountants  
Singapore

27 May 2016

Partner in charge of audit: Chow Khen Seng  
Effective from year ended 28 February 2013

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year Ended 29 February 2016

	Notes	Group	
		2016 \$'000	2015 \$'000
<b>Revenue</b>	5	65,696	40,099
Cost of sales		(52,901)	(28,814)
<b>Gross profit</b>		12,795	11,285
Interest income		384	392
Other gains	6	5,025	475
Marketing and distribution costs	8	(536)	(523)
Administrative expenses	8	(8,400)	(7,805)
Finance costs – interest expense		(447)	(365)
Other expenses	6	(294)	(231)
Share of loss from equity-accounted associate	15	(1)	–
Share of loss from equity-accounted joint venture	16	(1)	(2)
<b>Profit before tax</b>		8,525	3,226
Income tax expense	9	(639)	(619)
<b>Profit, net of tax</b>		7,886	2,607
<b>Other comprehensive loss</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Fair value loss on available-for-sale financial assets, net of tax	18	(20)	(2)
Reclassification of available-for-sale financial assets resulting from redemption of bonds, net of tax	18	–	(13)
Exchange differences on translating foreign operations, net of tax	25	(872)	(37)
<b>Other comprehensive loss for the year, net of tax</b>		(892)	(52)
<b>Total comprehensive income</b>		6,994	2,555
Profit attributable to owners of the parent, net of tax		7,351	2,313
Profit attributable to non-controlling interests, net of tax		535	294
<b>Profit net of tax</b>		7,886	2,607
Total comprehensive income attributable to owners of the parent		6,459	2,261
Total comprehensive income attributable to non-controlling interests		535	294
<b>Total comprehensive income</b>		6,994	2,555
<b>Earnings per share</b>		Cents	Cents
Basic and diluted	10	2.93	0.92

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

## STATEMENTS OF FINANCIAL POSITION

As at 29 February 2016

	Notes	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Investment property	11	843	972	–	–
Property, plant and equipment	12	9,709	8,728	317	228
Intangible assets	13	902	1,248	–	–
Investments in subsidiaries	14	–	–	10,229	10,229
Investments in associates	15	–	1	–	–
Investment in a joint venture	16	3	4	–	–
Other receivables, non-current	20A	10,000	–	10,000	–
Finance lease receivables, non-current	17	11,662	6,510	–	–
Available-for-sale financial assets, non-current	18	273	254	273	254
Deferred tax assets	9D	9	9	–	–
<b>Total non-current assets</b>		<b>33,401</b>	<b>17,726</b>	<b>20,819</b>	<b>10,711</b>
<b>Current assets</b>					
Inventories	19	4,445	5,784	–	–
Trade and other receivables, current	20B	9,957	8,709	11,580	10,712
Finance lease receivables, current	17	6,318	4,850	–	–
Available-for-sale financial assets, current	18	1,249	503	1,249	503
Other assets, current	21	2,824	1,387	32	40
Cash and cash equivalents	22	8,372	11,167	1,217	6,354
<b>Total current assets</b>		<b>33,165</b>	<b>32,400</b>	<b>14,078</b>	<b>17,609</b>
Non-current asset classified as held-for-sale	23	–	1,808	–	1,808
<b>Total assets</b>		<b>66,566</b>	<b>51,934</b>	<b>34,897</b>	<b>30,128</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	24	31,208	31,208	31,208	31,208
Retained earnings/(accumulated losses)		7,864	513	(131)	(5,440)
Other reserves	25	(1,950)	(1,058)	(16)	4
<b>Equity attributable to owners of the parent</b>		<b>37,122</b>	<b>30,663</b>	<b>31,061</b>	<b>25,772</b>
Non-controlling interests		3,109	2,894	–	–
<b>Total equity</b>		<b>40,231</b>	<b>33,557</b>	<b>31,061</b>	<b>25,772</b>
<b>Non-current liabilities</b>					
Deferred tax liabilities	9D	197	246	–	–
Other financial liabilities, non-current	27	31	236	–	–
<b>Total non-current liabilities</b>		<b>228</b>	<b>482</b>	<b>–</b>	<b>–</b>
<b>Current liabilities</b>					
Income tax payable		309	326	–	–
Trade and other payables, current	26	4,878	4,732	3,343	3,249
Other financial liabilities, current	27	20,920	12,837	493	1,107
<b>Total current liabilities</b>		<b>26,107</b>	<b>17,895</b>	<b>3,836</b>	<b>4,356</b>
<b>Total liabilities</b>		<b>26,335</b>	<b>18,377</b>	<b>3,836</b>	<b>4,356</b>
<b>Total equity and liabilities</b>		<b>66,566</b>	<b>51,934</b>	<b>34,897</b>	<b>30,128</b>

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

## STATEMENTS OF CHANGES IN EQUITY

Year Ended 29 February 2016

Group	Total Equity \$'000	Attributable to Parent, Sub-total \$'000	Share Capital \$'000	Retained	Other Reserves \$'000	Non- Controlling Interests \$'000
				Earnings/ (Accumulated Losses) \$'000		
<b>Current year:</b>						
Opening balance at 1 March 2015	33,557	30,663	31,208	513	(1,058)	2,894
<b>Movements in equity:</b>						
Total comprehensive income/(loss) for the year	6,994	6,459	–	7,351	(892)	535
Dividends paid to non-controlling interests (Note 28)	(320)	–	–	–	–	(320)
<b>Closing balance at 29 February 2016</b>	<b>40,231</b>	<b>37,122</b>	<b>31,208</b>	<b>7,864</b>	<b>(1,950)</b>	<b>3,109</b>
<b>Previous year:</b>						
Opening balance at 1 March 2014	31,242	28,402	31,208	(1,800)	(1,006)	2,840
<b>Movements in equity:</b>						
Total comprehensive income/(loss) for the year	2,555	2,261	–	2,313	(52)	294
Dividends paid to non-controlling interests (Note 28)	(240)	–	–	–	–	(240)
<b>Closing balance at 28 February 2015</b>	<b>33,557</b>	<b>30,663</b>	<b>31,208</b>	<b>513</b>	<b>(1,058)</b>	<b>2,894</b>
<b>Company</b>						
	<b>Total Equity \$'000</b>		<b>Share Capital \$'000</b>	<b>Accumulated Losses \$'000</b>		<b>Other Reserves \$'000</b>
<b>Current year:</b>						
Opening balance at 1 March 2015	25,772		31,208	(5,440)		4
<b>Movement in equity:</b>						
Total comprehensive income/(loss) for the year	5,289		–	5,309		(20)
<b>Closing balance at 29 February 2016</b>	<b>31,061</b>		<b>31,208</b>	<b>(131)</b>		<b>(16)</b>
<b>Previous year:</b>						
Opening balance at 1 March 2014	24,871		31,208	(6,356)		19
<b>Movement in equity:</b>						
Total comprehensive income/(loss) for the year	901		–	916		(15)
<b>Closing balance at 28 February 2015</b>	<b>25,772</b>		<b>31,208</b>	<b>(5,440)</b>		<b>4</b>

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



## CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 29 February 2016

	Group	
	2016	2015
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	8,525	3,226
Adjustments for:		
Interest income	(384)	(392)
Interest expense	447	365
Impairment loss on goodwill of a subsidiary	201	–
Depreciation of property, plant and equipment	2,168	1,873
Depreciation of investment property	23	25
Amortisation of other intangible assets	113	188
Gain on disposal of non-current asset classified as held-for-sale	(4,622)	–
Gain on disposal of plant and equipment	(39)	(55)
Gain on disposal of available-for-sale financial assets	–	(134)
Share of loss from equity-accounted associate	1	–
Share of loss from equity-accounted joint venture	1	2
Operating cash flows before changes in working capital	6,434	5,098
Inventories	2,024	214
Trade and other receivables	(625)	(1,414)
Other assets	(1,527)	(62)
Finance lease receivables	1,246	109
Trade and other payables	264	1,590
Net cash flows from operations before tax	7,816	5,535
Income taxes paid	(614)	(610)
Net cash flows from operating activities	7,202	4,925
<b>Cash flows from investing activities</b>		
Proceeds from disposal of non-current asset classified as held-for-sale	6,430	–
Proceeds from disposal of plant and equipment	85	333
Proceeds from disposal of available-for-sale financial assets	500	3,880
Purchase of property, plant and equipment (Note 22B)	(1,142)	(3,653)
Purchase of available-for-sale financial assets	(1,296)	(3,002)
Other receivables	(10,769)	551
Interest received	384	392
Net cash flows used in investing activities	(5,808)	(1,499)
<b>Cash flows from financing activities</b>		
Dividends paid to non-controlling interests	(320)	(240)
Increase in borrowings	1,003	–
Decrease in other financial liabilities	(1,029)	(82)
Finance lease repayments	(3,126)	(797)
Interest paid	(447)	(365)
Net cash flows used in financing activities	(3,919)	(1,484)
Net (decrease)/increase in cash and cash equivalents	(2,525)	1,942
Cash and cash equivalents, statement of cash flows, beginning balance	11,154	9,133
Effect of exchange rate changes on cash and cash equivalents	(269)	79
Cash and cash equivalents, statement of cash flows, ending balance (Note 22A)	8,360	11,154

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

# NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

## 1. GENERAL

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollars and they cover the company (referred to as “parent”) and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

The principal activities of the company are those of investment holding and the provision of management services. The principal activities of the subsidiaries are disclosed in Note 14.

The company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office address of the company is: 221 Henderson Road #06-15 Singapore 159557. The company is situated in Singapore.

### Accounting convention

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (“FRS”) and the related Interpretations to FRS (“INT FRS”) as issued by the Singapore Accounting Standards Council and the Companies Act, Chapter 50. The financial statements are prepared on a going concern basis under the historical cost convention except where an FRS requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in FRSs may not be applied when the effect of applying them is immaterial. The disclosures required by FRSs need not be made if the information is immaterial. Other comprehensive income comprises items of income and expense (including reclassification adjustments) that are not recognised in the income statement, as required or permitted by FRS. Reclassification adjustments are amounts reclassified to profit or loss in the income statement in the current period that were recognised in other comprehensive income in the current or previous periods.

### 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 in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are 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, including income, expenses and cash flows are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and cease when the reporting entity loses control of the investee. Control exists when the group has the power to govern the financial and operating policies so as to gain benefits from its activities.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 1. GENERAL (CONT'D)

#### Basis of presentation (cont'd)

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted for as available-for-sale financial assets in accordance with FRS 39.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the company's separate statement of profit or loss and other comprehensive income is not presented.

#### 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 judgments in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgments, or areas where assumptions and estimates are significant to the financial statements, are disclosed at the end of this footnote, where applicable.

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

#### 2A. Significant accounting policies

##### Revenue recognition

The revenue amount is the fair value of the consideration received or receivable from the gross inflow of economic benefits during the reporting year arising from the course of the activities of the entity and it is shown net of any related sales taxes, estimated returns and rebates. Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyer, there is neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, and the amount of revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Revenue from rendering of services that are not significant transactions is recognised as the services are provided or when the significant acts have been completed. Interest income from finance leases is recognised using the effective interest method. Rental income from leasing of motor vehicles is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term. Commission income is recognised when the services to which it relates have been completed.

# NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

## 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

### 2A. Significant accounting policies (cont'd)

#### Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it agrees to contribute to an independently administered fund. Certain subsidiaries contribute to defined contribution superannuation funds based on their local requirements. 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 entity is contractually obliged or where there is constructive obligation based on past practice.

#### Income tax

The income taxes are accounted for 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; 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, associates, and joint arrangements except where the reporting entity 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.

#### Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the entity operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At the end of each 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 dates respectively.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Foreign currency transactions (cont'd)

All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when recognised in other comprehensive income and if applicable deferred in equity such as for qualifying cash flow hedges. The presentation currency is 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 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.

##### Segment reporting

The reporting entity 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 is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

##### Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowing of funds. The interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Government grants

A government grant is recognised at fair value when there is reasonable assurance that the conditions attaching to it will be complied with and that the grant will be received. Grants in recognition of specific expenses are recognised as income over the periods necessary to match them with the related costs that they are intended to compensate, on a systematic basis. A grant related to depreciable assets is allocated to income over the period in which such assets are used in the project subsidised by the grant.

##### Investment property

Investment property is property owned or held under a finance lease to earn rentals or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes investment properties in the course of construction. After initial recognition at cost including transaction costs, the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held-for-sale is carried at the lower of carrying amount and fair value.

For disclosure purposes only, the fair values are determined periodically on a systematic basis at least once in 2 to 5 years by external independent valuers having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued.

Leasehold land is depreciated on a straight-line basis over the remaining lease period, that is 2%, whilst buildings are depreciated on a straight-line basis over the estimated useful lives at the annual rate of 2%.

##### Property, plant and equipment

Depreciation is provided on a straight-line basis 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. The annual rates of depreciation are as follows:

Freehold building	–	2%
Leasehold property	–	Over the terms of lease, that are from 2% to 50%
Plant and equipment	–	10% to 100%
Freehold land	–	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.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Property, plant and equipment (cont'd)

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. 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. 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 charges for the current and future periods are adjusted.

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

Cost includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the fair value can be measured reliably, after the initial recognition as an asset at cost, an item of property, plant and equipment (such as land, property, buildings, etc) is carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be measured using fair value at the end of the reporting year and the entire class of property, plant and equipment to which that asset belongs is revalued. When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation surplus except that the increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss. When an asset's carrying amount is decreased, the decrease is recognised in profit or loss. When an asset's carrying amount is decreased, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation surplus. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is derecognised.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is adjusted to the revalued amount. At the date of the revaluation, the asset is restated so that the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses.



## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statements of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### Finance leases of lessor

An amount due from a lessee is recognised as receivables at an amount equal to the net investment in the lease. The recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the lessor's net investment outstanding in respect of the finance leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

##### Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity 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 reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Subsidiaries (cont'd)

In the reporting entity'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 carrying value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

##### Associates

An associate is an entity including an unincorporated entity in which the reporting entity has a significant influence and that is neither a subsidiary nor a joint arrangement of the reporting entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. An investment in an associate includes goodwill on acquisition, which is accounted for in accordance with FRS 103, Business Combinations. However the entire carrying amount of the investment is tested under FRS 36 for impairment, by comparing its recoverable amount (higher of value in use and fair value) with its carrying amount, whenever application of the requirements in FRS 39 indicates that the investment may be impaired.

In the consolidated financial statements, the accounting for investment in an associate is on the equity method. Under the equity method the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The carrying value and the net carrying value of the investment in the associate are not necessarily indicative of the amount that would be realised in a current market exchange. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income. Losses of an associate in excess of the reporting entity's interest in the relevant associate are not recognised except to the extent that the reporting entity has an obligation. Profits and losses resulting from transactions between the reporting entity and an associate are recognised in the financial statements only to the extent of unrelated reporting entity's interests in the associate.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates are changed where necessary to ensure consistency with the policies adopted by the reporting entity. The reporting entity discontinues the use of the equity method from the date that when its investment ceases to be an associate and accounts for the investment in accordance with FRS 39 from that date. Any gain or loss is recognised in profit or loss. Any investment retained in the former associate is measured at fair value at the date that it ceases to be an associate.

In the company's separate financial statements, an investment in an associate is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for an associate 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 carrying value of an investment in the associate are not necessarily indicative of the amount that would be realised in a current market exchange.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Joint arrangements – joint venture

A joint arrangement (that is, either a joint operation or a joint venture, depending on the rights and obligations of the jointly controlling parties to the arrangement), is one in which the reporting entity is a party to an arrangement of which two or more parties have joint control, which is the contractually agreed sharing of control of the arrangement; it exists only when decisions about the relevant activities (that is, activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. In a joint venture, the parties with joint control have rights to the net assets of the arrangement. The reporting interests in joint ventures are recognised using the equity method in accordance with FRS 28, Investments in Associates and Joint Ventures.

Under the equity method, the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

In the company's separate financial statements, an investment in joint venture is stated at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a joint venture 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 carrying value of a joint venture are not necessarily indicative of the amount that would be realised in a current market exchange.

##### Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

##### Non-controlling interests

Non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity 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 parent. 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 parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### 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 FRS 103 (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 FRS 103.

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 and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are 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.

##### Other intangible assets

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Contractual customer relationships	–	40%
Non-contractual customer relationships	–	20% to 28%

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Inventories

Inventories other than motor vehicles are measured at the lower of cost (first in first out method) and net realisable value. Motor vehicles held-for-sale are measured at the lower of cost (specific identification 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. A write down on cost is made where the cost is not recoverable or if the selling prices have declined. 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.

##### Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at 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 other non-financial assets is reviewed at the end of each 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 unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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.

##### Derivatives

All derivatives are initially recognised and subsequently carried at fair value. Certain derivatives are entered into in order to hedge some transactions and all the strict hedging criteria prescribed by FRS 39 are not met. In those cases, even though the transaction has its economic and business rationale, hedge accounting cannot be applied. As a result, changes in the fair value of those derivatives are recognised directly in profit or loss and the hedged item follows normal accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Financial assets

Initial recognition, measurement and derecognition:

A financial asset is recognised on the statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument. The initial recognition of financial assets is at fair value normally represented by the transaction price. The transaction price for financial asset not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial asset. Transaction costs incurred on the acquisition or issue of financial assets classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date. When the settlement date accounting is applied, any change in the fair value of the asset to be received during the period between the trade date and the settlement date is recognised in net profit or loss for assets classified as trading.

Irrespective of the legal form of the transactions performed, financial assets are derecognised when they pass the "substance over form" based on the derecognition test prescribed by FRS 39 relating to the transfer of risks and rewards of ownership and the transfer of control. Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Subsequent measurement:

Subsequent measurement based on the classification of the financial assets in one of the following categories under FRS 39 is as follows:

1. Financial assets at fair value through profit or loss: As at end of the reporting year date, there were no financial assets classified in this category.
2. Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that are for sale immediately or in the near term are not classified in this category. These assets are carried at amortised costs using the effective interest method (except that short-duration receivables with no stated interest rate are normally measured at original invoice amount unless the effect of imputing interest would be significant) minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility. Impairment charges are provided only when there is objective evidence that an impairment loss has been incurred as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The methodology ensures that an impairment loss is not recognised on the initial recognition of an asset. Losses expected as a result of future events, no matter how likely, are not recognised. For impairment, the carrying amount of the asset is reduced through use of an allowance account. The amount of the loss is recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. Typically the trade and other receivables are classified in this category.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Financial assets (cont'd)

##### Subsequent measurement (cont'd):

3. Held-to-maturity financial assets: As at end of the reporting year date, there were no financial assets classified in this category.
4. Available-for-sale financial assets: These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. These assets are carried at fair value. Changes in fair value of available-for-sale financial assets (other than those relating to foreign exchange translation differences on monetary investments) are recognised in other comprehensive income and accumulated in a separate component of equity under the heading revaluation reserves. Such reserves are reclassified to profit or loss when realised through disposal. When there is objective evidence that the asset is impaired, the cumulative loss is reclassified from equity to profit or loss as a reclassification adjustment. A significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment. If, in a subsequent period, the fair value of an equity instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss, it is reversed against revaluation reserves and is not subsequently reversed through profit or loss. However for debt instruments classified as available-for-sale impairment losses recognised in profit or loss are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

For non-equity instruments classified as available-for-sale the reversal of impairment is recognised in profit or loss. The weighted average method is used when determining the cost basis of publicly listed equities being disposed of. Usually non-current investments in equity shares and debt securities are classified in this category but it does not include subsidiaries, joint ventures, or associates. Unquoted investments are stated at cost less allowance for impairment in value where there are no market prices, and management is unable to establish fair value by using valuation techniques except that where management can establish fair value by using valuation techniques the relevant unquoted investments are stated at fair value. For unquoted equity instruments impairment losses are not reversed.

##### Cash and cash equivalents

Cash and cash equivalents include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.



## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Financial liabilities

###### Initial recognition and measurement:

A financial liability is recognised on the statements of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument and it is derecognised when the obligation specified in the contract is discharged or cancelled or expires. The initial recognition of financial liability is at fair value normally represented by the transaction price. The transaction price for financial liability not classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition or issue of the financial liability. Transaction costs incurred on the acquisition or issue of financial liability classified at fair value through profit or loss are expensed immediately. The transactions are recorded at the trade date.

###### Subsequent measurement:

Subsequent measurement based on the classification of the financial liabilities in one of the following two categories under FRS 39 is as follows:

1. **Liabilities at fair value through profit or loss:** Liabilities are classified in this category when they are incurred principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a designated and effective hedging instrument) or have been classified in this category because the conditions are met to use the "fair value option" and it is used. Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the greater of (a) the amount measured in accordance with FRS 37 and (b) the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with FRS 18. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as incurred.
2. **Other financial liabilities:** All liabilities, which have not been classified in the previous category fall into this residual category. These liabilities are carried at amortised cost using the effective interest method. Trade and other payables and borrowings are usually classified in this category. Items classified within current trade and other payables are not usually re-measured, as the obligation is usually known with a high degree of certainty and settlement is short-term.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Fair value measurement

Fair value is taken to be 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 (that is, an exit price). It is a market-based measurement, not an entity-specific measurement. When measuring fair value, management uses the assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk. The entity'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. In making the fair value measurement, management determines the following: (a) the particular asset or liability being measured (these are identified and disclosed in the relevant notes below); (b) for a non-financial asset, the highest and best use of the asset and whether the asset is used in combination with other assets or on a stand-alone basis; (c) the market in which an orderly transaction would take place for the asset or liability; and (d) the appropriate valuation techniques to use when measuring fair value. The valuation techniques used maximise the use of relevant observable inputs and minimise unobservable inputs. These inputs are consistent with the inputs a market participant may use when pricing the asset or liability.

The fair value measurements and related disclosures categorise the inputs to valuation techniques used to measure fair value by using a fair value hierarchy of three levels. These are recurring fair value measurements unless stated otherwise in the relevant notes to the financial statements. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. The level is measured on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting year. If a financial instrument measured at fair value has a bid price and an ask price, the price within the bid-ask spread or mid-market pricing that is most representative of fair value in the circumstances is used to measure fair value regardless of where the input is categorised within the fair value hierarchy. If there is no market, or the markets available are not active, the fair value is established by using an acceptable valuation technique.

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.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2A. Significant accounting policies (cont'd)

##### Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

#### 2B. Critical judgments, assumptions and estimation uncertainties

The critical judgments 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 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.

##### Finance and operating leases:

In making an evaluation judgment is used in determining lease classification of motor vehicles into operating leases or finance leases. The motor vehicle title do not pass at the end of the lease term. The rent paid to the owners for the motor vehicles is increased to market rent at regular intervals, and the entity does not participate in the residual value of the motor vehicles. As substantially all the risks and rewards of the motor vehicles are with the owners based on these qualitative factors it was judged that the entire lease is an operating lease. The amount at the end of the reporting year was \$4,645,000 (2015: \$3,467,000).

##### Consolidation of Thailand entity as subsidiary:

The paid-up share capital of the subsidiary, J.V. (Thailand) Co., Ltd. ("JVT"), acquired on 1 March 2006, is made up of Thai Baht 10 million of ordinary shares and Thai Baht 10.41 million of preference shares. The group holds an effective interest of 49% through holding all of the ordinary shares with voting rights. A local Thai national holds the remaining 51% through preference shares with no voting rights. The preference shareholder is entitled to a fixed dividend of 5% of the preference shares value per year. Accordingly, management considers JVT a subsidiary and the group has consolidated 100% of the profits of JVT (net of the preferential dividends) into the group's financial statements from the date of acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2B. Critical judgments, assumptions and estimation uncertainties (cont'd)

Allowance for doubtful finance lease receivables, trade accounts and other receivables:

An allowance is made for doubtful trade accounts and other receivables for estimated losses resulting from the subsequent inability of the customers and debtors to make required payments. If the financial conditions of the customers and debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. To the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. At the end of the reporting year, the finance lease receivables and trade and other receivables carrying amount approximates the fair value and the carrying amounts might change materially within the next reporting year but these changes would not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amounts are disclosed in the Notes 17 and 20 on finance lease receivables and trade and other receivables.

Net realisable value of inventories:

A review is made periodically on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgment and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in Note 19.

Income tax amounts:

The entity recognises tax assets and liabilities based on an estimation of the likely taxes due, which requires significant judgment as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgment is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments.

This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability. As a result, due to their inherent nature assessments of likelihood are judgmental and not susceptible to precise determination. The income tax amounts are disclosed in Note 9.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (CONT'D)

#### 2B. Critical judgments, assumptions and estimation uncertainties (cont'd)

Useful lives of plant and equipment:

The estimates for the useful lives and related depreciation charges for plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and competitor actions in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. 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 balances affected. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is \$5,992,000 (2015: \$4,959,000) and \$317,000 (2015: \$228,000) for the group and the company respectively.

Estimated impairment of subsidiary, joint venture or associate:

Where a subsidiary, joint venture or associate is in net equity deficit and/or has suffered losses a test is made whether the investment in the investee has suffered any impairment, in accordance with the stated accounting policy. This determination requires significant judgment. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. 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 asset or liability affected. The carrying amount of the investment in subsidiaries at the end of the reporting year affected by the assumption is \$2,711,000 (2015: \$2,711,000).

Assessment of impairment of goodwill:

The amount of goodwill is tested annually for impairment. This annual impairment test is significant and the process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgment is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in Note 13A, which explains that small changes in the key assumptions used could give rise to an impairment of the goodwill balance in the future. Actual outcomes could vary from these estimates.

Fair valuation of unquoted investments and convertible loan receivable:

If a financial asset is not traded in an active market or if the quoted price is not readily and regularly available, the fair value is established by using valuation technique that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs. The fair value measurement requires the selection among a range of different valuation methodologies. The carrying amounts are disclosed in Notes 18 and 20.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

FRS 24 on related party disclosures requires the reporting entity 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 Cheng Kwee Kiang.

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances are unsecured without fixed repayment terms and interest unless stated otherwise. For any balances and financial guarantees no interest or charge is imposed unless stated otherwise.

#### 3A. Related companies:

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

#### 3B. Key management compensation:

	Group	
	2016 \$'000	2015 \$'000
Salaries and other short-term employee benefits	1,449	1,189

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

	Group	
	2016 \$'000	2015 \$'000
Remuneration of directors of the company	953	669
Fees to directors of the company	220	162

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

Key management personnel are the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly. The above amounts for key management compensation are for all the directors and other key management personnel.

#### 3C. Other receivables from and other payables to related parties:

The trade transactions and the trade receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

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## 3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONT'D)

## 3C. Other receivables from and other payables to related parties (cont'd):

The movements in other receivables from and other payables to related parties are as follows:

Group	Related parties	
	2016	2015
	\$'000	\$'000
<u>Other receivables/(payables):</u>		
Balance at beginning of the year	554	501
Amounts paid out and settlement of liabilities on behalf of another party	12	53
Amounts received and settlement of liabilities on behalf of the group	(233)	-
Balance at end of the year	<u>333</u>	<u>554</u>
Presented as follows:		
Other receivables (Note 20B)	533	554
Other payables (Note 26)	(200)	-
	<u>333</u>	<u>554</u>
<hr/>		
Company	Subsidiaries	
	2016	2015
	\$'000	\$'000
<u>Other receivables/(other payables):</u>		
Balance at beginning of the year	4,940	2,945
Amounts paid out and settlement of liabilities on behalf of another party	4,884	4,487
Amounts received and settlement of liabilities on behalf of the company	(2,974)	(2,492)
Balance at end of the year	<u>6,850</u>	<u>4,940</u>
Presented as follows:		
Other receivables (Note 20B)	8,354	6,853
Other payables (Note 26)	(1,504)	(1,913)
	<u>6,850</u>	<u>4,940</u>



## NOTES TO THE FINANCIAL STATEMENTS

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### 4 FINANCIAL INFORMATION BY OPERATING SEGMENTS

#### 4A. 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 FRS 108, Operating Segments. This disclosure standard has no impact on the reported results 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) leather, (2) accessories, and (3) automotive. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and 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. They are managed separately because each business requires different strategies.

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

- (a) Leather segment – This segment comprises sales of leather trim to car distributors, dealers, and manufacturers in the automotive and aviation industries.
- (b) Accessories segment – This segment comprises sales of accessories to car distributors, dealers and Original Equipment Manufacturers in the automotive industry.
- (c) Automotive segment – This segment comprises sales from trading, financing and rental of motor vehicles and business of commission agents.

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

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate the 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 interests, income taxes and other unallocated items.

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

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## 4 FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

## 4B. Profit or loss from operations and reconciliations

	Leather	Accessories	Automotive	Adjustments and eliminations	Total
2016	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue:</b>	<b>15,544</b>	<b>9,456</b>	<b>40,696</b>		<b>65,696</b>
External customers					
Inter-segment	919	-	13	(932)	-
Total revenue	<u>16,463</u>	<u>9,456</u>	<u>40,709</u>	<u>(932)</u>	<u>65,696</u>
Operating (loss)/profit	(435)	3,146	3,672		6,383
Interest income	365	12	7		384
Finance costs	(42)	(1)	(404)		(447)
Other gains	4,646	22	44		4,712
Impairment loss on goodwill of a subsidiary	(201)	-	-		(201)
Amortisation expense	-	-	(113)		(113)
Depreciation expense	(506)	(47)	(1,638)		(2,191)
Share of loss from equity-accounted associate	(1)	-	-		(1)
Share of loss from equity-accounted joint venture	(1)	-	-		(1)
Profit before tax	<u>3,825</u>	<u>3,132</u>	<u>1,568</u>		<u>8,525</u>
Income tax expense					<u>(639)</u>
Profit net of tax					<u>7,886</u>
<b>Assets:</b>					
Investment in a joint venture	3	-	-		3
Additions to non-current assets	686	102	2,634		3,422
Total assets	<u>31,732</u>	<u>5,504</u>	<u>29,330</u>		<u>66,566</u>
Total liabilities	<u>3,762</u>	<u>1,750</u>	<u>20,823</u>		<u>26,335</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### 4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

#### 4B. Profit or loss from operations and reconciliations (cont'd)

2015	Leather \$'000	Accessories \$'000	Automotive \$'000	Adjustments and eliminations \$'000	Total \$'000
<b>Revenue:</b>					
External customers	14,495	8,273	17,331		40,099
Inter-segment	453	-	-	(453)	-
<b>Total revenue</b>	<b>14,948</b>	<b>8,273</b>	<b>17,331</b>	<b>(453)</b>	<b>40,099</b>
Operating profit	84	2,271	2,689		5,044
Interest income	380	12	-		392
Finance costs	(38)	-	(327)		(365)
Other gains	213	-	30		243
Amortisation expense	-	-	(188)		(188)
Depreciation expense	(451)	(58)	(1,389)		(1,898)
Share of loss from equity-accounted joint venture	(2)	-	-		(2)
<b>Profit before tax</b>	<b>186</b>	<b>2,225</b>	<b>815</b>		<b>3,226</b>
Income tax expense					(619)
<b>Profit net of tax</b>					<b>2,607</b>
<b>Assets:</b>					
Investments in associates	1	-	-		1
Investment in a joint venture	4	-	-		4
Additions to non-current assets	2,549	50	2,439		5,038
<b>Total assets</b>	<b>27,570</b>	<b>4,264</b>	<b>20,100</b>		<b>51,934</b>
<b>Total liabilities</b>	<b>3,857</b>	<b>1,533</b>	<b>12,987</b>		<b>18,377</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (CONT'D)

#### 4C. Geographical information

The following table provides an analysis of the revenue by geographical market, irrespective of the origin of the goods and services:

	Revenue	
	2016	2015
	\$'000	\$'000
Singapore	46,664	21,565
Europe	5,582	5,797
Malaysia	1,210	1,546
Thailand	9,456	8,273
Australia	1,624	1,675
Others	1,160	1,243
	<b>65,696</b>	<b>40,099</b>

Revenues are attributed to countries on the basis of the customer's location.

The following is an analysis of the non-current assets analysed by the geographical area in which the assets are located:

	Non-current assets	
	2016	2015
	\$'000	\$'000
Singapore	8,171	7,054
Malaysia	2,606	3,019
Thailand	192	145
Australia	488	735
	<b>11,457</b>	<b>10,953</b>

The non-current assets exclude any available-for-sale financial assets, deferred tax assets and finance lease receivables.

#### 4D. Information about major customers

	2016	2015
	\$'000	\$'000
Top 1 customer	8,169	7,471
Top 2 customers	<b>11,904</b>	<b>10,357</b>

## NOTES TO THE FINANCIAL STATEMENTS

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### 5. REVENUE

	Group	
	2016	2015
	\$'000	\$'000
Sale of goods	60,660	35,359
Rental income from leasing of motor vehicles	2,861	2,487
Rendering of services	178	147
Interest income from finance leases	1,174	1,033
Commission income	566	567
Sundry income	257	506
	<b>65,696</b>	<b>40,099</b>

### 6. OTHER GAINS AND (OTHER EXPENSES)

	Group	
	2016	2015
	\$'000	\$'000
Allowance for impairment of other receivables	(1)	-
Allowance for impairment of finance lease receivables	(92)	(156)
Bad debts written off – trade receivables	-	(41)
Bad debts recovered/(written off) – finance lease receivables	18	(34)
Government grant income	51	54
Foreign exchange adjustment gains	295	232
Gain on disposal of plant and equipment	39	55
Gain on disposal of non-current asset classified as held-for-sale	4,622	-
Gain on disposal of available-for-sale financial assets	-	134
Impairment loss on goodwill of a subsidiary	(201)	-
Net	<b>4,731</b>	<b>244</b>
Presented in profit or loss as:		
Other gains	5,025	475
Other expenses	(294)	(231)
Net	<b>4,731</b>	<b>244</b>

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## 7. EMPLOYEE BENEFITS EXPENSE

	Group	
	2016	2015
	\$'000	\$'000
Employee benefits expense	6,650	6,086
Contributions to defined contribution plans	435	386
Total employee benefits expense	<b>7,085</b>	<b>6,472</b>
Allocated as follows:		
Cost of sales	2,922	2,708
Administrative expenses	4,163	3,764
Total employee benefits expense	<b>7,085</b>	<b>6,472</b>

## 8. MARKETING AND DISTRIBUTION COSTS, AND ADMINISTRATIVE EXPENSES

The major components and other selected components include the following:

## Marketing and distribution costs

	Group	
	2016	2015
	\$'000	\$'000
Sales commission	111	154
Travelling expenses	165	132

## Administrative expenses

	Group	
	2016	2015
	\$'000	\$'000
Amortisation of other intangible assets (Note 13B)	113	188
Depreciation of property, plant and equipment (Note 12)	1,966	1,659
Depreciation of investment property (Note 11)	23	25
Employee benefits expense (Note 7)	4,163	3,764
Professional and legal fees	492	411
Rental expenses	674	567
Audit fees to the independent auditor of the company	115	109
Audit fees to the other independent auditors	28	27
Non-audit fees to the independent auditor of the company	12	13

## NOTES TO THE FINANCIAL STATEMENTS

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### 9. INCOME TAX

#### 9A. Components of tax expense recognised in profit or loss include:

	Group	
	2016 \$'000	2015 \$'000
<b>Current tax expense:</b>		
Current tax expense	639	534
Under adjustments to current tax in respect of prior years	35	135
Subtotal	674	669
<b>Deferred tax income:</b>		
Deferred tax income	(25)	(70)
Changes in foreign exchange rates	(14)	-
Over adjustments to deferred tax in respect of prior years	4	20
Subtotal	(35)	(50)
Total income tax expense	639	619

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate. The income tax in profit or loss varied from the amount of income tax determined by applying the Singapore income tax rate of 17.0% (2015: 17.0%) to profit before income tax as a result of the following differences:

	Group	
	2016 \$'000	2015 \$'000
Profit before tax	8,525	3,226
Add: Share of loss from equity-accounted associate	1	-
Add: Share of loss from equity-accounted joint venture	1	2
	8,527	3,228
Income tax expense at the above rate	1,450	549
Not deductible items	309	144
Income not subject to tax	(950)	-
Tax exemptions	(72)	(73)
Deferred tax assets recognised	(64)	(143)
Previously unrecognised deferred tax assets recognised this year	(16)	(70)
Deferred tax adjustments due to changes in foreign exchange rates	(14)	-
Under adjustments to tax in respect of prior years	39	155
Effect of different tax rates in different countries	65	90
Corporate tax rebate	(46)	(24)
Other minor items less than 3% each	(62)	(9)
Total income tax expense	639	619

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



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## 9. INCOME TAX (CONT'D)

## 9B. Deferred tax income recognised in profit or loss includes:

	Group	
	2016 \$'000	2015 \$'000
Excess of tax over book depreciation on property, plant and equipment	(139)	(25)
Excess of book depreciation on property, plant and equipment over tax	-	6
Deferred tax charge relating to intangible assets, and plant and equipment	(62)	(73)
Provisions	14	6
Tax loss carryforwards	(91)	179
Unrecognised deferred tax assets	243	(143)
Total deferred tax income recognised in profit or loss	(35)	(50)

## 9C. Deferred tax income recognised in other comprehensive income includes:

	Group	
	2016 \$'000	2015 \$'000
Deferred tax relating to changes in foreign exchange rates	(14)	-

## 9D. Deferred tax balance in the statements of financial position:

	Group	
	2016 \$'000	2015 \$'000
<u>From deferred tax assets/(liabilities) recognised in profit or loss:</u>		
Excess of tax over book depreciation on property, plant and equipment	194	55
Excess of book depreciation on property, plant and equipment over tax	(43)	(43)
Intangible assets, and plant and equipment	(52)	(114)
Provisions	62	76
Tax loss carryforwards	429	338
Unrecognised deferred tax assets	(710)	(467)
<u>From deferred tax liabilities recognised in other comprehensive income:</u>		
Gains on property revaluation	(82)	(82)
Changes in foreign exchange rates	14	-
Net position	(188)	(237)
Presented in the statements of financial position as follows:		
Deferred tax liabilities	(197)	(246)
Deferred tax assets	9	9
Net position	(188)	(237)

## NOTES TO THE FINANCIAL STATEMENTS

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### 9. INCOME TAX (CONT'D)

#### 9D. Deferred tax balance in the statements of financial position: (cont'd)

It is impracticable to estimate the amount expected to be settled or used within one year.

For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards of \$2,523,000 (2015: \$1,988,000) is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

Temporary differences arising in connection with interests in subsidiaries, joint venture and associates are insignificant.

### 10. EARNINGS PER SHARE

The following table illustrates the numerators and denominators used to calculate basic and diluted amount per share of no par value:

	Group	
	2016 \$'000	2015 \$'000
A. Numerators: profit attributable to owners of the parent	<b>7,351</b>	2,313

	Group	
	2016 Number '000	2015 Number '000
B. Denominators: weighted average number of equity shares	<b>251,044</b>	251,044

The weighted average number of equity shares refers to shares in circulation during the reporting year. The denominators used are the same as those detailed above for diluted profit per share as there were no dilutive instruments.

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. The diluted earnings per share is based on the weighted average number of ordinary shares and dilutive ordinary share equivalents outstanding during each reporting year.

## NOTES TO THE FINANCIAL STATEMENTS

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### 11. INVESTMENT PROPERTY

	Group	
	2016 \$'000	2015 \$'000
<u>Cost:</u>		
At beginning of the year	1,222	1,253
Foreign exchange adjustments	(135)	(31)
At end of the year	<u>1,087</u>	<u>1,222</u>
<u>Accumulated depreciation:</u>		
At beginning of the year	250	231
Depreciation for the year included under administrative expenses	23	25
Foreign exchange adjustments	(29)	(6)
At end of the year	<u>244</u>	<u>250</u>
<u>Net book value:</u>		
At beginning of the year	<u>972</u>	<u>1,022</u>
At end of the year	<u>843</u>	<u>972</u>
<u>Fair value for disclosure purposes only:</u>		
At beginning of the year	<u>1,073</u>	<u>1,100</u>
At end of the year	<u>954</u>	<u>1,073</u>

The details of the investment property held by the group are as follows:

Location	Description	Tenure	Remaining term of lease
Gurun, Kedah, Malaysia	Factory and office	Leasehold	52 years

The fair value of the investment property was measured in March 2015 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by Azmi & Co (Kedah) Sdn Bhd, a firm of independent professional valuers on a systematic basis at least once in 2 to 5 years. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

## NOTES TO THE FINANCIAL STATEMENTS

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### 11. INVESTMENT PROPERTY (CONT'D)

All fair value measurement of investment property is categorised within Level 2 of the fair value hierarchy. The information on the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at Lot 57A, Jalan Industri 3, Kawasan Perindustrian Gurun, 08300 Gurun, Kedah Darul Aman
Fair Value and Fair value hierarchy – Level:	\$954,000 (2015: \$1,073,000). Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range:	Price per square foot. \$3.91 to \$4.74 (2015: \$4.39 to \$5.33)
Relationship of unobservable inputs to fair value:	Not applicable
Sensitivity on management's estimates – 10% variation from estimate	Not applicable

The decrease in fair value is mainly due to foreign exchange adjustments.

The rental income and related direct operating expenses are not significant.

### 12. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold properties \$'000	Leasehold property \$'000	Plant and equipment \$'000	Total \$'000
Cost or valuation:				
At 1 March 2014	2,001	2,404	11,453	15,858
Additions	2,209	–	2,829	5,038
Disposals	–	–	(142)	(142)
Reclassification from leasehold property to plant and equipment	–	(189)	189	–
Reclassification to inventories	–	–	(929)	(929)
Reclassification to non-current asset held-for-sale (Note 23)	–	(2,228)	(366)	(2,594)
Foreign exchange adjustments	(51)	13	5	(33)
At 28 February 2015	4,159	–	13,039	17,198
Additions	254	–	3,168	3,422
Disposals	–	–	(263)	(263)
Reclassification to inventories	–	–	(583)	(583)
Foreign exchange adjustments	(215)	–	(421)	(636)
At 29 February 2016	4,198	–	14,940	19,138

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## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold properties \$'000	Leasehold property \$'000	Plant and equipment \$'000	Total \$'000
<u>Accumulated depreciation:</u>				
At 1 March 2014	361	475	7,334	8,170
Depreciation for the year	40	58	1,775	1,873
Disposals	–	–	(141)	(141)
Reclassification from leasehold property to plant and equipment	–	(124)	124	–
Reclassification to inventories	–	–	(652)	(652)
Reclassification to non-current asset held-for-sale (Note 23)	–	(420)	(366)	(786)
Foreign exchange adjustments	(11)	11	6	6
At 28 February 2015	390	–	8,080	8,470
Depreciation for the year	134	–	2,034	2,168
Disposals	–	–	(217)	(217)
Reclassification to inventories	–	–	(519)	(519)
Foreign exchange adjustments	(43)	–	(430)	(473)
At 29 February 2016	481	–	8,948	9,429
<u>Net carrying value:</u>				
At 1 March 2014	1,640	1,929	4,119	7,688
At 28 February 2015	3,769	–	4,959	8,728
At 29 February 2016	3,717	–	5,992	9,709
Represented by:				
Cost	–	–	5,992	5,992
Valuation	3,717	–	–	3,717
Total	3,717	–	5,992	9,709

Certain items are under finance lease agreements (Note 27B).

Motor vehicles on rental with a carrying amount of \$4,645,000 (2015: \$3,467,000) are classified under property, plant and equipment. When the rental ceases, these assets are reclassified as inventories at the carrying amounts.

## NOTES TO THE FINANCIAL STATEMENTS

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### 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

For the revalued freehold properties, the carrying amount that would have been recognised had the asset been carried under the cost model:

	Group	
	2016	2015
	\$'000	\$'000
Freehold properties:		
Cost	4,234	3,980
Net carrying amount	3,493	3,440

Allocation of the depreciation expense:

	Group	
	2016	2015
	\$'000	\$'000
Cost of sales	202	214
Administrative expenses	1,966	1,659
Total	2,168	1,873

Revaluation of freehold properties:

- (a) The fair value of a freehold property was measured in March 2016 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by OrangeTee.com Pte Ltd., a firm of independent professional valuers on a systematic basis at least once in 2 to 5 years. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

## NOTES TO THE FINANCIAL STATEMENTS

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### 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Revaluation of freehold properties: (cont'd)

For fair value measurements categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at 221 Henderson Road, #06-15 Henderson Building Singapore 159557
Fair Value and Fair value hierarchy – Level:	\$2,100,000 (2015: Nil). Level 2 (2015: Nil).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range:	Price per square foot. \$855.69 (2015: Nil)
Relationship of unobservable inputs to fair value:	Not applicable
Sensitivity on management's estimates – 10% variation from estimate	Not applicable

This property with a carrying value of \$2,344,000 (2015: Nil) was pledged as security for the group's banking facilities (Note 29E).

- (b) The fair value of another freehold property was measured in March 2015 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by PA International Property Consultants Sdn Bhd, a firm of independent professional valuers on a systematic basis at least once in 2 to 5 years. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

For fair value measurements categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at No 118, Jalan 1, Taman Sri Kluang, 86000 Kluang, Johor Darul Takzim
Fair Value and Fair value hierarchy – Level:	\$221,000 (2015:\$188,000). Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range:	Price per square foot. \$64.15 to \$76.11 (2015: \$50.10 to \$58.19)
Relationship of unobservable inputs to fair value:	Not applicable
Sensitivity on management's estimates – 10% variation from estimate	Not applicable

## NOTES TO THE FINANCIAL STATEMENTS

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### 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Revaluation of freehold properties: (cont'd)

- (c) The fair value of the freehold property was measured in March 2015 based on the highest and best use method to reflect the actual market state and circumstances as of the end of the reporting year. The fair value was based on a valuation made by PA International Property Consultants Sdn Bhd, a firm of independent professional valuers on a systematic basis at least once in 2 to 5 years. The firm holds a recognised and relevant professional qualification with sufficient recent experience in the location and category of the investment property being valued. There has been no change to the valuation technique during the year. Management determined that the highest and best use of the asset is the current use and that it would provide maximum value to market participants principally through its use in combination with other assets.

For fair value measurements categorised within the fair value hierarchy below, a description of the valuation techniques and the significant other observable inputs used in the fair value measurement are as follows:

Asset:	Freehold property at No. 21, Jalan 20, Taman Sri Kluang, 86000 Kluang, Johor Darul Takzim
Fair Value and Fair value hierarchy – Level:	\$1,674,000 (2015:\$1,694,000). Level 2 (2015: Level 2).
Valuation technique for recurring fair value measurements:	Comparison with market evidence of recent transaction prices for similar properties.
Significant observable inputs and range:	Price per square foot. \$9.54 to \$19.25 (2015: \$11.38 to \$12.68)
Relationship of unobservable inputs to fair value:	Not applicable
Sensitivity on management's estimates – 10% variation from estimate	Not applicable

Company	Leasehold property \$'000	Plant and equipment \$'000	Total \$'000
<u>Cost:</u>			
At 1 March 2014	2,228	1,039	3,267
Reclassification to non-current asset held-for-sale (Note 23)	(2,228)	(366)	(2,594)
At 28 February 2015	–	673	673
Addition	–	199	199
Disposals	–	(83)	(83)
At 29 February 2016	–	789	789



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## 12. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold property \$'000	Plant and equipment \$'000	Total \$'000
<u>Accumulated depreciation:</u>			
At 1 March 2014	378	688	1,066
Depreciation for the year included under administrative expenses	42	123	165
Reclassification to non-current asset held-for-sale (Note 23)	(420)	(366)	(786)
At 28 February 2015	-	445	445
Depreciation for the year included under administrative expenses	-	107	107
Disposals	-	(80)	(80)
At 29 February 2016	-	472	472
<u>Net carrying value:</u>			
At 1 March 2014	1,850	351	2,201
At 28 February 2015	-	228	228
At 29 February 2016	-	317	317

## 13. INTANGIBLE ASSETS

	Group	
	2016 \$'000	2015 \$'000
Goodwill (Note 13A)	843	1,076
Other intangible assets (Note 13B)	59	172
Total	902	1,248

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. INTANGIBLE ASSETS (CONT'D)

#### 13A. Goodwill

	Group	
	2016	2015
	\$'000	\$'000
<u>Cost:</u>		
Balance at beginning of the year	1,076	1,121
Foreign exchange adjustments	(32)	(45)
Balance at end of the year	1,044	1,076
<u>Accumulated impairment:</u>		
Balance at beginning of the year	-	-
Impairment loss recognised in the year included in other expenses	201	-
Balance at end of the year	201	-
Net carrying value at end of the year	843	1,076

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each primary reporting segment as follows:

	Group	
	2016	2015
	\$'000	\$'000
Leather <sup>(a)</sup>	402	635
Automotive <sup>(b)</sup>	441	441
Net book value at end of the year	843	1,076

(a) In respect of the group's investment in Ultimate Vehicle Pty Ltd.

(b) In respect of the group's investment in Index Credit Pte Ltd.

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. INTANGIBLE ASSETS (CONT'D)

#### 13A. Goodwill (cont'd)

The goodwill was tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. The recoverable amount of an asset or a cash-generating unit ("CGU") is the higher of its fair value less costs of disposal or its value in use. The recoverable amounts of cash-generating units have been measured based on the value in use method. The value is regarded as Level 3 for fair value measurement as the valuation includes inputs for the asset that are not based on observable market data (unobservable inputs).

The value in use was determined by management. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, visible success rates of sales projects and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Management forecast using cash flow forecast based on confirmed and probable projects.

The key assumptions and inputs used by management for the value in use calculations are:

	2016	2015
	%	%
<b>Growth rate:</b>		
Leather	2.50 to 53.10	2.50 to 39.90
Automotive	2.20 to 3.20	2.20 to 4.40
<b>Discount rate:</b>		
Leather	12.38	12.79
Automotive	6.70	6.20

## NOTES TO THE FINANCIAL STATEMENTS

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### 13. INTANGIBLE ASSETS (CONT'D)

#### 13A. Goodwill (cont'd)

##### Sensitivity analysis on management's estimates:

##### Leather:

Actual outcomes could vary from these estimates. If the revised estimated gross margin at the end of the reporting year had been 10% less favourable than management's estimates at the end of the reporting year, there would be a need to reduce the carrying value of goodwill by \$402,000. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% less favourable than management's estimates, there would be a need to reduce the carrying value of goodwill by \$402,000. If the actual gross margin and the pre-tax discount rate had been more favourable than management's estimates, management would not be able to reverse any impairment losses that arose on goodwill because FRS 36 does not permit reversing any impairment loss for goodwill.

During the reporting year, an impairment loss of \$201,000 (2015: Nil) has recognised to write-down the carrying amount of goodwill for the leather segment. The impairment loss has been recognised in profit or loss under the line item "other expenses".

##### Automotive:

Actual outcomes could vary from these estimates. If the revised estimated gross margin at the end of the reporting year had been 10% less favourable than management's estimates at the end of the reporting year, there would be a need to reduce the carrying value of goodwill by \$441,000. If the revised estimated pre-tax discount rate applied to the discounted cash flows had been 10% less favourable than management's estimates, there would be a need to reduce the carrying value of goodwill by \$441,000. If the actual gross margin and the pre-tax discount rate had been more favourable than management's estimates, management would not be able to reverse any impairment losses that arose on goodwill because FRS 36 does not permit reversing any impairment loss for goodwill.

During the reporting year, management has assessed that no impairment loss was recognised for the goodwill for the automotive segment.

## NOTES TO THE FINANCIAL STATEMENTS

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### 13B. Other intangible assets

Group	Contractual customer relationships \$'000	Non- contractual customer relationships \$'000	Total \$'000
<u>Cost:</u>			
At 1 March 2014, 28 February 2015, and 29 February 2016	248	588	836
<u>Accumulated amortisation:</u>			
At 1 March 2014	198	278	476
Amortisation for the year included under administrative expenses	50	138	188
At 28 February 2015	248	416	664
Amortisation for the year included under administrative expenses	-	113	113
At 29 February 2016	<b>248</b>	<b>529</b>	<b>777</b>
<u>Net carrying value:</u>			
At 1 March 2014	50	310	360
At 28 February 2015	-	172	172
At 29 February 2016	<b>-</b>	<b>59</b>	<b>59</b>

### 14. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 \$'000	2015 \$'000
Unquoted shares at cost	20,771	20,771
Less: allowance for impairment	(10,542)	(10,542)
	<b>10,229</b>	10,229
Net carrying value of subsidiaries	<b>18,560</b>	16,937
Analysis of above amount denominated in non-functional currencies:		
United States Dollar	881	881
Malaysian Ringgit	1,868	1,868
Thai Baht	771	771
Euro	38	38
Movements in impairment allowance:		
Balance at beginning and at end of the year	<b>10,542</b>	10,542

## NOTES TO THE FINANCIAL STATEMENTS

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### 14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

The subsidiaries held by the company and its subsidiaries are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Cost		Effective percentage of equity held	
	2016 \$'000	2015 \$'000	2016 %	2015 %
<u>Held by the company</u>				
Jackspeed Leather Special Manufacturer (M) Sdn. Bhd. <sup>(1)</sup> Malaysia Production and sale of automotive leather trim (Crowe Horwath, Malaysia)	1,868	1,868	100	100
Jackspeed Leather Manufacture (Thailand) Co., Ltd. <sup>(1)(2)(3)</sup> Thailand Dormant (Pro Trinity Co., Ltd)	771	771	100	100
Jackson Vehicle Holdings Pte. Ltd. Singapore Investment holding (RSM Chio Lim LLP)	8,713	8,713	100	100
Jackspeed Singapore Pte. Ltd. Singapore Sale of automotive leather trim (RSM Chio Lim LLP)	5,000	5,000	100	100
PT JLS Indonesia <sup>(3)(4)(6)</sup> Indonesia Dormant	— <sup>(10)</sup>	— <sup>(10)</sup>	99.5	99.5
Jackspeed Europe B.V. <sup>(3)(6)</sup> The Netherlands Dormant	38	38	100	100
Jackspeed Leather Manufacturer (Haining) Co., Ltd. <sup>(5)(6)</sup> China Dormant	881	881	100	100
Index Credit Pte Ltd Singapore Finance leasing in new and used motor vehicles, car dealer and rental of motor vehicles (RSM Chio Lim LLP)	3,500	3,500	60	60

## NOTES TO THE FINANCIAL STATEMENTS

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### 14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditors)	Cost		Effective percentage of equity held	
	2016 \$'000	2015 \$'000	2016 %	2015 %
<u>Held by the company (cont'd)</u>				
Ultimate Vehicle Pty Ltd <sup>(6)(12)</sup> Australia Distribution and installation of automotive leather seating, sunroofs, canopies and automotive accessories	— <sup>(10)</sup>	— <sup>(10)</sup>	100	100
Simply Infinity Limited <sup>(6)(12)</sup> British Virgin Islands Investment holding	— <sup>(10)</sup>	— <sup>(10)</sup>	100	100
Jackspeed Australia Pty Ltd <sup>(6)(12)</sup> Australia Distribution and installation of automotive accessories	— <sup>(10)</sup>	— <sup>(10)</sup>	100	100
Simply Investments Pte. Ltd. Singapore Investment holding (RSM Chio Lim LLP)	— <sup>(10)</sup>	— <sup>(10)</sup>	100	100
<u>Held by subsidiaries</u>				
Jackspeed Industries Sdn. Bhd. <sup>(1)(7)</sup> Malaysia Production and sale of automotive leather trim (Crowe Horwath, Malaysia)	158	158	100	100
J.V. (Thailand) Co., Ltd. <sup>(8)(9)</sup> Thailand Manufacture, assembly and supply of automobile component parts (RSM Audit Services (Thailand) Limited)	1,082	1,082	100	100
Index Agency Pte. Ltd. <sup>(11)</sup> Singapore Commission agents of motor vehicles (RSM Chio Lim LLP)	200	200	60	60
Dynasty Culture Sdn. Bhd. <sup>(1)(7)</sup> Malaysia Production and sale of automotive leather trim (Crowe Horwath, Malaysia)	— <sup>(10)</sup>	— <sup>(10)</sup>	100	100

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 14. INVESTMENTS IN SUBSIDIARIES (CONT'D)

- (1) Other independent auditors. Audited by firms of accountants other than member firms of RSM International, of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.
- (2) 6 ordinary shares of 100 Thai Baht each in Jackspeed Leather Manufacture (Thailand) Co., Ltd. are held in trust by certain directors and ex-employees of the group respectively.
- (3) Management accounts were used for purpose of consolidation as it is not considered material.
- (4) In the process of liquidation.
- (5) Subsidiary's reporting year end is 31 December.
- (6) These subsidiaries are exempted from audit by law in the country of incorporation. The management accounts as at 29 February 2016 were used for the purpose of consolidation as they are not considered material.
- (7) This subsidiary is held by Jackspeed Leather Special Manufacturer (M) Sdn. Bhd..
- (8) This subsidiary is held by Jackson Vehicle Holdings Pte. Ltd.. The subsidiary's 104,100 shares of 100 Thai Baht per preference share are held in trust by a preference shareholder of the subsidiary.
- (9) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.
- (10) Cost of investment is less than \$1,000.
- (11) This subsidiary is held by Index Credit Pte Ltd.
- (12) Reviewed by RSM Chio Lim LLP, Singapore for the purposes of consolidation.

As required by Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

There are subsidiaries that have non-controlling interests ("NCI") that are considered material to the reporting entity, and the main additional disclosures on them (amounts before intercompany eliminations) are presented below:

	Group	
	2016 \$'000	2015 \$'000
Name of the subsidiary: <u>Index Credit Pte Ltd</u>		
Profit allocated to NCI of the subsidiary during the reporting year	535	294
Accumulated NCI of the subsidiary at the end of the reporting year	2,679	2,464
The summarised financial information of the subsidiary (not adjusted for the percentage ownership held by the group and amounts before intercompany eliminations) is as follows:		
Dividends paid to non-controlling interests	320	240
Current assets	12,229	8,968
Non-current assets	16,354	10,020
Current liabilities	(21,936)	(12,992)
Non-current liabilities	-	(188)
Revenue	40,709	17,331
Profit for the reporting year	1,638	1,099
Total comprehensive income	1,638	1,099
Operating cash flows, increase	3,544	1,043
Net cash flows, decrease	(51)	(163)



## NOTES TO THE FINANCIAL STATEMENTS

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### 15. INVESTMENTS IN ASSOCIATES

	Group	
	2016 \$'000	2015 \$'000
At beginning of the year	1	1
Share of loss for the year	(1)	-
Carrying amount at end of the year	-	1
Share of net carrying value of associates	-	-

The associates held by the company and its subsidiaries are listed below:

Name of associates, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held	
	2016 %	2015 %
<u>Held by the company</u>		
Aapico Jackspeed Co., Ltd. <sup>(a)</sup> Thailand Manufacturing of automotive accessories	-	40
<u>Held by subsidiary</u>		
Strada Automobil Pte. Ltd. <sup>(b)</sup> Singapore Trading of used motor vehicles	-	30

(a) The associate was wound up with effect from 14 January 2015.

(b) This associate is held by Index Credit Pte Ltd. The associate has ceased operations since 1 March 2013. The associate was deregistered on 13 July 2015.

Share of losses of associates exceeding the amount of the investment is not recognised as losses in the group profit or loss. The reporting entity has not incurred legal or constructive obligations on behalf of these associates.

## NOTES TO THE FINANCIAL STATEMENTS

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### 15. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information of the associates and the aggregated amounts (and not the reporting entity's share of those amounts) based on the financial statements of the associates are as follows. These are not adjusted to reflect adjustments made by the entity when using the equity method.

	Assets \$'000	Liabilities \$'000	Revenue \$'000	Loss for the year \$'000
2016	–	–	–	–
2015	–(a)	–(a)	–(a)	–(a)

(a) Information for Aapico Jackspeed Co., Ltd. is not available. Audited financial statements for the year ended 31 December 2014 are not available. The results of the associate are not considered to be significant to the group and it was in the process of liquidation. The associate was wound up with effect from 14 January 2015.

### 16. INVESTMENT IN A JOINT VENTURE

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At beginning of the year	4	6	–(1)	–(1)
Share of loss for the year	(1)	(2)	–	–
Carrying amount at end of the year	3	4	–(1)	–(1)

(1) Cost of investment is less than \$1,000.

The joint venture held by the company is listed below:

Name of joint venture, country of incorporation, place of operations and principal activities (and independent auditors)	Effective percentage of equity held	
	2016 %	2015 %
Jackspeed Euris Japan Pte. Ltd. <sup>(a)</sup> Singapore Design, distribution and installation of automotive seat covers (Raffles PAC)	50	50

(a) The unaudited management accounts of the joint venture have been used for equity accounting purpose as it is not considered material.

## NOTES TO THE FINANCIAL STATEMENTS

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### 16. INVESTMENT IN A JOINT VENTURE (CONT'D)

The summarised financial information of the joint venture and the aggregated amounts (and not the reporting entity's share of those amounts) based on the financial statements of the joint venture are as follows. These are not adjusted to reflect adjustments made by the entity when using the equity method.

	Assets \$'000	Liabilities \$'000	Revenue \$'000	Loss for the year \$'000
2016	7	2	–	(2)
2015	9	2	–	(3)

### 17. FINANCE LEASE RECEIVABLES

Group	Minimum lease payments \$'000	Finance charges \$'000	Present value \$'000
<u>2016</u>			
Minimum lease payments receivable:			
Due within 1 year	7,249	(931)	6,318
Due within 2 to 5 years	12,472	(1,838)	10,634
Due after 5 years	1,254	(226)	1,028
Total	<u>20,975</u>	<u>(2,995)</u>	<u>17,980</u>
Presented in the statements of financial position as follows:			
Finance lease receivables, current	7,249	(931)	6,318
Finance lease receivables, non-current	13,726	(2,064)	11,662
	<u>20,975</u>	<u>(2,995)</u>	<u>17,980</u>
<u>2015</u>			
Minimum lease payments receivable:			
Due within 1 year	5,581	(731)	4,850
Due within 2 to 5 years	7,247	(1,037)	6,210
Due after 5 years	362	(62)	300
Total	<u>13,190</u>	<u>(1,830)</u>	<u>11,360</u>
Presented in the statements of financial position as follows:			
Finance lease receivables, current	5,581	(731)	4,850
Finance lease receivables, non-current	7,609	(1,099)	6,510
	<u>13,190</u>	<u>(1,830)</u>	<u>11,360</u>

## NOTES TO THE FINANCIAL STATEMENTS

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### 17. FINANCE LEASE RECEIVABLES (CONT'D)

Finance lease receivables are stated after allowance for impairment, as follows:

	Group	
	2016	2015
	\$'000	\$'000
Movements in allowance:		
Balance at beginning of the year	159	–
Reclassification from allowance for impairment of trade receivables (Note 20B)	–	13
Charged to profit or loss	92	156
Written off	(18)	(10)
Balance at end of the year	233	159

The average lease term is 1 to 10 (2015: 1 to 10) years. The average effective interest rate is about 2.28% to 7.00% (2015: 2.18% to 6.75%) per year. All lease obligations are denominated in Singapore dollars. The obligations under lease agreements are secured by the lessor's charge over the leased assets.

The carrying amount of the finance lease receivables is not significantly different from the fair value (Level 3).

### 18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group and Company	
	2016	2015
	\$'000	\$'000
Movements during the year:		
Fair value at beginning of the year	757	1,524
Additions	1,296	3,002
Disposals	(500)	(3,746)
Decrease in fair value (Note 25)	(20)	(2)
Reclassification resulting from redemption of bonds (Note 25)	–	(13)
Others	(11)	(8)
Fair value at end of the year	1,522	757
Presented in the statements of financial position as follows:		
Available-for-sale financial assets, current	1,249	503
Available-for-sale financial assets, non-current	273	254
	1,522	757

The above available-for-sale financial assets pertain to investments in quoted corporate bonds and an investment in an unquoted equity note.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 18. AVAILABLE-FOR-SALE FINANCIAL ASSETS (CONT'D)

The quoted corporate bonds, amounting to \$251,000 and \$998,000 (2015: \$254,000 and \$503,000), are issued in Singapore from the industrial real estate sector and the retail real estate sector respectively. The interest rates were 3.10% and 4.25% (2015: 3.10% and 4.88%) respectively. These are measured at Level 1 of the fair value hierarchy.

The unquoted equity note amounts to \$273,000 (2015: Nil). This is measured at Level 3 of the fair value hierarchy.

### 19. INVENTORIES

	Group	
	2016	2015
	\$'000	\$'000
<u>Statement of financial position:</u>		
Motor vehicles held-for-sale	1,864	2,134
Finished goods and goods held-for-sale	866	1,028
Work in progress	113	82
Raw materials, consumables and supplies	1,602	2,540
	<b>4,445</b>	<b>5,784</b>
<u>Profit or loss:</u>		
Inventories recognised as an expense in cost of sales:	45,487	22,050
Inclusive of the following charges:		
Inventories written down	53	100
Inventories written off	187	-

Certain inventories are financed through floor stocking facilities (Note 27A).

## NOTES TO THE FINANCIAL STATEMENTS

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### 20. TRADE AND OTHER RECEIVABLES

#### 20A. Other receivables, non-current

	Group and Company	
	2016	2015
	\$'000	\$'000
Convertible loan receivable	10,000	–

During the reporting year, the company granted a convertible loan of \$10,000,000 to an external party, Prestige Cars Pte. Ltd. ("PCPL"), for the purposes of importing BMW Alpina vehicles and distributing BMW products to the People's Republic of China ("PRC") by Prestige Cars Group Pte. Ltd. ("PCGPL").

The company has the right, between the 47th month to 54th month from disbursement of the loan, to obtain repayment by converting the outstanding loan and interest into fully paid shares of PCGPL, subject to certain terms and conditions being met. The convertible loan receivable is secured by a corporate guarantee from PCGPL and a personal guarantee from the sole shareholder of PCPL and PCGPL.

In the event that there is no conversion, all outstanding loan and interest shall be repaid in cash by the 55th month from the disbursement of the loan. The interest rate on the loan is 15% per annum. If conversion takes place, the interest rate shall be reduced to 12% per annum.

Management has regarded the convertible loan as a hybrid financial instrument, consisting of the host contract (the loan receivable), and an embedded derivative (the option to convert to equity shares of PCGPL) component.

Management had assessed the fair value of the option to be insignificant (Level 3), and the loan receivable to be \$10,000,000 respectively, as PCGPL is in the preliminary stage of venturing into the PRC market and is still in the start-up phases with unproven track results and the future cash flow cannot be reliably estimated. This is measured at Level 3 of the fair value hierarchy.

Management has assessed that there is no allowance of impairment in the loan receivable from PCGPL of \$10,000,000 as at balance sheet date, as there are no identified indicators for impairment.

As the probability of receiving interest payments is uncertain at the moment, interest is not accrued. Upon the receipt of cash (other than from the realisation of the loan), the overall risk will be re-evaluated and, if appropriate, the non-accrued interest is recovered and taken to profit or loss. The convertible loan is not reclassified as interest accruing until the future payments are reasonably assured.

## NOTES TO THE FINANCIAL STATEMENTS

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### 20. TRADE AND OTHER RECEIVABLES (CONT'D)

#### 20B. Trade and other receivables, current

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Trade receivables:</u>				
Outside parties	4,585	4,150	646	1,208
Less: allowance for impairment	(7)	(12)	–	–
Advances to suppliers	259	145	–	–
Subsidiaries (Note 3)	–	–	1,569	889
Less: allowance for impairment	–	–	(7)	(7)
Net trade receivables – subtotal	<b>4,837</b>	4,283	<b>2,208</b>	2,090
<u>Other receivables:</u>				
Related party (Note 3) <sup>(a)</sup>	533	554	–	–
Subsidiaries (Note 3)	–	–	8,354	6,853
Other receivables <sup>(b)</sup>	4,675	3,960	1,018	1,769
Less: allowance for impairment	(88)	(88)	–	–
Net other receivables – subtotal	<b>5,120</b>	4,426	<b>9,372</b>	8,622
Total trade and other receivables	<b>9,957</b>	8,709	<b>11,580</b>	10,712
<u>Movements in above allowance:</u>				
Balance at beginning of the year	100	108	7	306
Charged to profit or loss	1	–	–	–
Reclassification to allowance for impairment of finance lease receivables (Note 17)	–	(13)	–	–
Reversed for other receivables due from subsidiaries to profit or loss	–	–	–	(299)
Bad debts written off	(2)	(2)	–	–
Foreign exchange adjustments	(4)	7	–	–
Balance at end of the year	<b>95</b>	100	<b>7</b>	7

(a) The loan to a related party bears interest rate at 3% per year in 2015 and 2016. The loan is on a non-recourse basis except for the security held. The loan is partly secured by 104,100 shares of 100 Thai Baht per preference share of the subsidiary, J.V. (Thailand) Co., Ltd.. The related party is a preference shareholder of the subsidiary.

(b) Included in other receivables are:

- (i) an aggregate amount of \$3,113,000 (2015: \$3,380,000) pertaining to loans given to outside parties for real estate projects in the United States. These loans bear interest of 10% (2015: 10%) per annum and are repayable by 30 June 2016, 31 July 2016, and 30 November 2016 (2015: 1 March 2015, 30 June 2015 and 31 July 2016), or earlier; and
- (ii) a loan of \$1,000,000 (2015: Nil) made to an external party. The loan bears interest of 8% per annum for the first three months and 10% per annum for the next three months. The loan is repayable by 31 May 2016.

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### 21. OTHER ASSETS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deposits to secure services	284	298	1	10
Prepayments	2,480	939	31	30
Tax recoverable	60	150	-	-
	<b>2,824</b>	<b>1,387</b>	<b>32</b>	<b>40</b>

### 22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not restricted in use	8,360	11,154	1,217	6,354
Restricted cash <sup>(a)</sup>	12	13	-	-
	<b>8,372</b>	<b>11,167</b>	<b>1,217</b>	<b>6,354</b>
Interest earning balances	179	51	-	-

(a) This is cash pledged for bank facilities.

The interest rates on the interest earning balances were as follows:

	Group		Company	
	2016 %	2015 %	2016 %	2015 %
Interest rates on interest earning balances	2.40	3.40	-	-

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

	Group	
	2016 \$'000	2015 \$'000
Amount as shown above	8,372	11,167
Restricted cash	(12)	(13)
Cash and cash equivalents for statement of cash flows purposes at end of the year	<b>8,360</b>	<b>11,154</b>



## NOTES TO THE FINANCIAL STATEMENTS

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### 22. CASH AND CASH EQUIVALENTS (CONT'D)

#### 22B. Non-cash transactions:

There were acquisitions of plant and equipment with a total cost of \$2,280,000 (2015: \$1,385,000) acquired by means of finance leases.

### 23. NON-CURRENT ASSET CLASSIFIED AS HELD-FOR-SALE

On 27 June 2014, the company entered into an Option to Purchase with a third party purchaser for the proposed sale of its leasehold property at 47 Loyang Drive Singapore 508955 (the "Property") for a sale consideration of \$6,500,000 (the "Proposed Sale"). The Option to Purchase was exercised by the purchaser on 24 July 2014.

Taking into consideration the Proposed Sale, the carrying amount of the Property was reclassified from property, plant and equipment to non-current asset classified as held-for-sale and was presented separately in the statement of financial position as at 28 February 2015.

The Proposed Sale was completed on 4 May 2015. The net gain on disposal of the non-current asset held-for-sale of \$4,622,000 (2015: Nil) was recognised in profit or loss under the line item other gains, after taking into account related expenses of \$70,000 (2015: Nil).

### 24. SHARE CAPITAL

	Group and Company	
	Number of shares issued '000	Share capital \$'000
Ordinary shares of no par value:		
Balance at beginning and end of year	251,044	31,208

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

In order to maintain its listing on the Singapore Stock 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 automatically continue to satisfy that requirement, as it did throughout the year.

## NOTES TO THE FINANCIAL STATEMENTS

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### 24. SHARE CAPITAL (CONT'D)

Management receives a report from the registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the year.

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Net debt:				
All current and non-current borrowings including finance leases	20,951	13,073	493	1,107
Less: cash and cash equivalents	(8,372)	(11,167)	(1,217)	(6,354)
Net debt	12,579	1,906	(724)	(5,247)
Total equity	40,231	33,557	31,061	25,772
Debt-to-adjusted capital ratio	31.27%	5.68%	N.M.	N.M.

N.M.: Not meaningful

The increase in the debt-to-adjusted capital ratio for the reporting year was mainly due to the increase in debts undertaken.

#### Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

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.

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## 25. OTHER RESERVES

	Asset revaluation reserve \$'000	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Total \$'000
<u>Group</u>				
At 1 March 2014	329	19	(1,354)	(1,006)
Fair value loss on available-for-sale financial assets (Note 18)	-	(2)	-	(2)
Reclassification of available-for-sale financial assets resulting from redemption of bonds (Note 18)	-	(13)	-	(13)
Exchange differences on translating foreign operations	-	-	(37)	(37)
At 28 February 2015	329	4	(1,391)	(1,058)
Fair value loss on available-for-sale financial assets (Note 18)	-	(20)	-	(20)
Exchange differences on translating foreign operations	-	-	(872)	(872)
At 29 February 2016	<b>329</b>	<b>(16)</b>	<b>(2,263)</b>	<b>(1,950)</b>
<u>Company</u>				
At 1 March 2014	-	19	-	19
Fair value loss on available-for-sale financial assets (Note 18)	-	(2)	-	(2)
Reclassification of available-for-sale financial assets resulting from redemption of bonds (Note 18)	-	(13)	-	(13)
At 28 February 2015	-	4	-	4
Fair value loss on available-for-sale financial assets (Note 18)	-	(20)	-	(20)
At 29 February 2016	-	<b>(16)</b>	-	<b>(16)</b>

The asset revaluation reserve (net of deferred tax) arises from the revaluation of the property held in Malaysia. It is not distributable until the disposal of the property.

The fair value reserve relates to the changes in fair value of available-for-sale financial assets.

The foreign currency translation reserve accumulates all foreign exchange differences.

## NOTES TO THE FINANCIAL STATEMENTS

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### 26. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	4,011	3,613	1,835	1,007
Trade payables – subtotal	4,011	3,613	1,835	1,007
<u>Other payables:</u>				
Related party <sup>(a)</sup> (Note 3)	200	–	–	–
Outside parties	258	528	4	4
Deposits from outside parties	409	591	–	325
Subsidiaries (Note 3)	–	–	1,504	1,913
Other payables – subtotal	867	1,119	1,508	2,242
Total trade and other payables	4,878	4,732	3,343	3,249

(a) The loan from a related party bears interest rate at 12% per year in 2016 and is repayable on demand. The related party is non-controlling shareholder/director of the subsidiary, Index Credit Pte Ltd.

### 27. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Non-current:</u>				
<u>Financial instruments with fixed interest rates:</u>				
Finance leases (Note 27B)	31	236	–	–
Non-current, total	31	236	–	–
<u>Current:</u>				
<u>Financial instruments with fixed interest rates:</u>				
Trust receipts	493	1,102	493	1,102
Finance leases (Note 27B)	18,541	11,314	–	5
<u>Financial instruments with floating interest rates:</u>				
Bank loans (secured) (Note 27A)	883	421	–	–
Bank loans	1,003	–	–	–
Current, total	20,920	12,837	493	1,107
Total	20,951	13,073	493	1,107
The non-current portion is repayable as follows:				
Due within 2 to 5 years	30	221	–	–
After 5 years	1	15	–	–
Total non-current portion	31	236	–	–

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## 27. OTHER FINANCIAL LIABILITIES (CONT'D)

The range of floating rate interest rates paid was as follows:

	Group	
	2016 %	2015 %
Bank loans	3.23 to 5.00	5.25

## 27A. Bank loans (secured)

Certain floor stocking facilities of a subsidiary are secured by floating charges over the assets of the subsidiary for monies owing over the assets financed by the banks, covered by corporate guarantee from the company and joint and several guarantees from certain directors.

	Group	
	2016 \$'000	2015 \$'000
Inventories under floor stocking facilities	824	518

## 27B. Finance leases

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<b>2016</b>			
Minimum lease payments payable:			
Due within 1 year	19,614	(1,073)	18,541
Due within 2 to 5 years	32	(2)	30
Due after 5 years	1	-	1
Total	19,647	(1,075)	18,572
Finance lease receivables and net carrying value of plant and equipment under finance leases			21,237
<b>2015</b>			
Minimum lease payments payable:			
Due within 1 year	11,844	(530)	11,314
Due within 2 to 5 years	244	(23)	221
Due after 5 years	16	(1)	15
Total	12,104	(554)	11,550
Finance lease receivables and net book value of plant and equipment under finance leases			13,258

## NOTES TO THE FINANCIAL STATEMENTS

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### 27. OTHER FINANCIAL LIABILITIES (CONT'D)

#### 27B. Finance leases (cont'd)

Certain of the group's finance lease receivables and plant and equipment are under finance leases. The average lease term is 1 to 10 (2015: 1 to 10) years. The effective rate of interest for finance leases is about 1.45% to 4.50% (2015: 0.85% to 9.14%) per year. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets. Certain finance leases of a subsidiary are covered by joint and several guarantees by certain directors and corporate guarantee from the company.

The carrying amount of the lease liabilities is not significantly different from the fair value (Level 3).

Although certain finance leases amounting to \$10,924,000 (2015: \$5,888,000) are for a period of 2 years and above (2015: 2 years and above), they have been classified as "current" because under the terms of the credit facilities, the subsidiary does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting year.

Company	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>2015</u>			
Minimum lease payments payable:			
Due within 1 year	6	(1)	5
Net carrying value of plant and equipment under finance leases			151

### 28. DIVIDENDS PAID TO NON-CONTROLLING INTERESTS

	Rate per share		2016 \$'000	2015 \$'000
	2016 \$	2015 \$		
Final dividend paid net of income tax	1.00	0.75	320	240

In respect of the current reporting year, the directors of a subsidiary have declared and paid a final dividend of \$1.00 (2015: \$0.75) per share with a total of \$320,000 (2015: \$240,000) to the non-controlling shareholders of the subsidiary. There are no income tax consequences of the dividends to these non-controlling shareholders.

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

#### 29A. Categories of financial assets and liabilities

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Financial assets</u>				
Cash and cash equivalents	8,372	11,167	1,217	6,354
Loans and receivables	37,678	19,924	21,580	10,712
Available-for-sale financial assets	1,522	757	1,522	757
At end of the year	<b>47,572</b>	<b>31,848</b>	<b>24,319</b>	<b>17,823</b>
<u>Financial liabilities</u>				
Trade and other payables measured at amortised cost	4,469	4,141	3,343	2,924
Other financial liabilities measured at amortised cost	20,951	13,073	493	1,107
At end of the year	<b>25,420</b>	<b>17,214</b>	<b>3,836</b>	<b>4,031</b>

Further quantitative disclosures are included throughout these financial statements.

#### 29B. Financial risk management

The main purpose of holding or issuing financial instruments is to raise and manage the finances for the entity'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, currency risk and price risk exposures. Management has certain practices for the management of financial risks and action to be taken in order to manage the 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:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. 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.
3. All financial risk management activities are carried out and monitored by senior management staff.
4. All financial risk management activities are carried out following good market practices.

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.

The group is exposed to currency and interest rate risks. There are no arrangements to manage such risk exposures through derivatives and other hedging instruments.

## NOTES TO THE FINANCIAL STATEMENTS

29 February 2016

### 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 29C. 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 both 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.

#### 29D. 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 consist principally of cash balances with banks, cash equivalents, receivables and certain other financial assets. The maximum exposure to credit risk is: the total of the fair value of the financial assets; the maximum amount the entity could have to pay if the guarantee is called on; and the full amount of any payable commitments at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. Credit risk on other financial assets is limited because the other parties are entities with acceptable credit ratings. For credit risk on receivables an ongoing credit evaluation is performed on the financial condition of the debtors and a loss from impairment is recognised in profit or loss. The exposure to credit risk with customers is controlled by setting limits on the exposure to individual customers and these are disseminated to the relevant persons concerned and compliance is monitored by management. There is no significant concentration of credit risk on receivables, as the exposure is spread over a large number of counter-parties and debtors unless otherwise disclosed in the notes to the financial statements below.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to non-related trade receivable customers of the group and company is about 30 to 60 (2015: 30 to 60) days. However, a few 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 the reporting year but not impaired:

	Group	
	2016	2015
	\$'000	\$'000
Trade receivables:		
Less than 60 days	760	798
61 to 90 days	116	23
91 to 180 days	16	45
Over 180 days	12	50
At end of the year	904	916



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## 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

## 29D. Credit risk on financial assets (cont'd)

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

	Group	
	2016	2015
	\$'000	\$'000
<u>Trade receivables:</u>		
Over 180 days	7	12
At end of the year	7	12

(c) Finance lease receivable amounts that are past due is \$292,000 (2015: \$282,000), of which \$235,000 (2015: \$159,000) are determined to be impaired as at the end of the reporting year. The allowance is based on individual accounts totalling \$235,000 (2015: \$159,000) that are determined to be impaired at the end of the reporting year. These are not secured.

Concentration of trade receivables customer as at the end of the reporting year:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Top 1 customer	973	1,207	636	1,207
Top 2 customers	1,609	1,888	636	1,207

Concentration of other receivables as at the end of the reporting year:

	Group		Company	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Top 1 counterparty	10,000	1,784	10,000	1,459
Top 2 counterparties	11,516	3,243	11,000	1,719

Cash and cash equivalents as disclosed in Note 22 represent amounts with less than 90 days maturity.

Other receivables are normally with no fixed terms and therefore there is no maturity except as disclosed in Note 20.

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 29E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual and undiscounted cash flows):

Group	Less than 1 year \$'000	2 to 5 years \$'000	After 5 years \$'000	Total \$'000
<b>Non-derivative financial liabilities:</b>				
<u>2016</u>				
Gross borrowing commitments	2,391	–	–	2,391
Gross finance lease obligations	19,614	32	1	19,647
Trade and other payables	4,469	–	–	4,469
At end of the year	26,474	32	1	26,507
<u>2015</u>				
Gross borrowing commitments	1,567	–	–	1,567
Gross finance lease obligations	11,844	244	16	12,104
Trade and other payables	4,141	–	–	4,141
At end of the year	17,552	244	16	17,812
<b>Company</b>				
<b>Non-derivative financial liabilities:</b>				
<u>2016</u>				
Gross borrowing commitments	494	–	–	494
Trade and other payables	3,343	–	–	3,343
Financial guarantee contracts – in favour of certain subsidiaries	41,167	–	–	41,167
At end of the year	45,004	–	–	45,004
<u>2015</u>				
Gross borrowing commitments	1,140	–	–	1,140
Gross finance lease obligations	6	–	–	6
Trade and other payables	2,924	–	–	2,924
Financial guarantee contracts – in favour of certain subsidiaries	36,279	–	–	36,279
At end of the year	40,349	–	–	40,349

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements 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

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### 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 29E. Liquidity risk – financial liabilities maturity analysis (cont'd)

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 paid at their contractual maturity. The average credit period taken to settle trade payables is about 60 (2015: 60) days. The other payables are with short-term durations. In order to meet such cash commitments the operating activity is expected to generate sufficient cash inflows. The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

Bank facilities:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Undrawn borrowing facilities	2,895	2,432	400	400

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

Financial guarantee contracts – For financial guarantee contracts the maximum earliest period in which the guarantee could be called is used. At the end of the reporting year no claims on the financial guarantees are expected. The following table shows the maturity analysis of the contingent liabilities:

Company	Less than 1 year	
	2016 \$'000	2015 \$'000
Financial guarantee contracts – in favour of certain subsidiaries	41,167	36,279

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

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 29F. Interest rate risk

The interest rate risk exposure is mainly from changes in fixed 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 by type of interest rate:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<u>Financial assets with interest:</u>				
Fixed rate	34,344	16,123	12,539	2,238
At end of the year	34,344	16,123	12,539	2,238
<u>Financial liabilities with interest:</u>				
Fixed rate	19,265	12,652	493	1,107
Floating rate	1,886	421	-	-
At end of the year	21,151	13,073	493	1,107

Sensitivity analysis: The effect on pre-tax profit is not significant.

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 29F. Interest rate risk (cont'd)

Analysis of amounts denominated in non-functional currencies:

Group	Euro \$'000	Thai Baht \$'000	United States	Total \$'000
			Dollars \$'000	
<u>2016</u>				
<u>Financial assets</u>				
Cash and cash equivalents	208	– <sup>(1)</sup>	354	562
Loans and receivables	603	533	703	1,839
Total financial assets	811	533	1,057	2,401
<u>Financial liabilities</u>				
Other financial liabilities	–	–	(493)	(493)
Trade and other payables	(78)	–	(267)	(345)
Total financial liabilities	(78)	–	(760)	(838)
Net financial assets at end of the year	733	533	297	1,563
<u>2015</u>				
<u>Financial assets</u>				
Cash and cash equivalents	268	– <sup>(1)</sup>	979	1,247
Loans and receivables	410	554	1,439	2,403
Total financial assets	678	554	2,418	3,650
<u>Financial liabilities</u>				
Other financial liabilities	–	–	(1,102)	(1,102)
Trade and other payables	(205)	(11)	(28)	(244)
Total financial liabilities	(205)	(11)	(1,130)	(1,346)
Net financial assets at end of the year	473	543	1,288	2,304

(1) Amount is less than \$1,000.

## NOTES TO THE FINANCIAL STATEMENTS

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### 29. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (CONT'D)

#### 29G. Foreign currency risks

Company	United States		
	Dollars \$'000	Euro \$'000	Total \$'000
<u>2016</u>			
<u>Financial assets</u>			
Cash and cash equivalents	45	–	45
Loans and receivables	636	–	636
Total financial assets	681	–	681
<u>Financial liabilities</u>			
Other financial liabilities	(493)	–	(493)
Total financial liabilities	(493)	–	(493)
Net financial assets at end of the year	188	–	188
<u>2015</u>			
<u>Financial assets</u>			
Cash and cash equivalents	411	–	411
Loans and receivables	2,917	9	2,926
Total financial assets	3,328	9	3,337
<u>Financial liabilities</u>			
Other financial liabilities	(1,102)	–	(1,102)
Trade and other payables	(89)	–	(89)
Total financial liabilities	(1,191)	–	(1,191)
Net financial assets at end of the year	2,137	9	2,146

There is exposure to foreign currency risk as part of its normal business.

Sensitivity analysis: The effect on pre-tax profit and other comprehensive income is not significant.

### 30. CONTINGENT LIABILITY

A subsidiary signed a settlement agreement with a customer to reimburse the customer concerned for 70% of the cost of rectifying motor vehicles that were recalled. Of the estimated cost of \$580,000 (equivalent to AUD528,000), an amount of \$382,000 (equivalent to AUD331,000) has been fully provided and paid for. The remaining cost of \$198,000 (equivalent to AUD197,000) is uncertain and management has not made any provision in respect of this amount as at 29 February 2016.

## NOTES TO THE FINANCIAL STATEMENTS

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### 31. OPERATING LEASE INCOME COMMITMENTS – AS LESSOR

Operating lease income commitments represent rental from the leasing of motor vehicles to customers for terms ranging from 1 month to 5 years. It is not practical to estimate the operating lease income commitments as the majority of the commitments are short-term leases and the customers generally renew their leases on a short-term basis. Please refer to Note 5 for the rental income.

### 32. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year the total of future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Not later than 1 year	698	865	9	70
Later than 1 year and not later than 5 years	555	1,523	7	276
Later than 5 years	–	2,135	–	2,135
Rental expense for the year	<b>847</b>	<b>669</b>	<b>51</b>	<b>69</b>

Operating lease payments mainly represent rentals payable by the group for its leasehold premises, office and production facilities located at the following locations:

- (a) G802/10 Amata Nakorn Industrial Estate, Thailand;
- (b) Lot B69, B72, B73, B75, AB05 and AB06 Turf City, 210 Turf Club Road, Singapore 287995; and
- (c) 29 Sir Laurence Drive, Seaford, Victoria, Australia.

The lease (a) for office and production facilities in Thailand is for 3 years from 1 October 2014 to 30 September 2017. Rentals are not subject to an escalation clause.

The lease (b) for office facilities in Singapore is for 37 months from 1 February 2015 to 28 February 2018. Rentals are not subject to an escalation clause.

The lease (c) for office, production and warehouse facilities in Australia is for 1 year from 5 October 2015 to 4 October 2016. Rentals are not subject to an escalation clause.

## NOTES TO THE FINANCIAL STATEMENTS

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### 33. EVENT AFTER THE END OF THE REPORTING YEAR

On 6 May 2016, the company entered into a legally binding letter of intent with Lim Wee Li (“Vendor”), pursuant to which the company and the Vendor continued their mutual intention to engage in exclusive negotiation regarding the proposed acquisition by the company from the Vendor up to 72,500 ordinary shares of Wenul Assets (Industrial) Pte. Ltd.. This represents approximately 14.5% of the total number of issued shares in Wenul Assets (Industrial) Pte. Ltd. for a consideration of up to \$3,770,000.

### 34. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS (“INT FRS”) were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any modification of the measurement methods or the presentation in the financial statements.

FRS No.	Title
FRS 1	Amendments to FRS 1: Disclosure Initiative (early application)
Various	Improvements to FRSs (Issued in January 2014). Relating to FRS 103, Business Combinations FRS 108, Operating Segments FRS 113, Fair Value Measurement FRS 24, Related Party Disclosures
Various	Improvements to FRSs (Issued in February 2014). Relating to FRS 103, Business Combinations FRS 113, Fair Value Measurement

### 35. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

For the future reporting years new or revised Singapore Financial Reporting Standards and the related Interpretations to FRS (“INT FRS”) were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in material adjustments to the financial position, results of operations, or cash flows for the following year.

FRS No.	Title	Effective date for periods beginning on or after
FRS 111	Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
FRS 109	Financial Instruments	1 January 2018
FRS 115	Revenue from Contracts with Customers	1 January 2018



## SHAREHOLDINGS STATISTICS

As At 17 May 2016

Total Number of Shares	:	251,043,579
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share (excluding treasury shares)
Treasury Shares	:	Nil

### ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	0	0.00	0	0.00
100 – 1,000	36	6.58	34,110	0.01
1,001 – 10,000	199	36.38	1,211,000	0.48
10,001 – 1,000,000	288	52.65	35,381,300	14.10
1,000,001 and above	24	4.39	214,417,169	85.41
	<b>547</b>	<b>100.00</b>	<b>251,043,579</b>	<b>100.00</b>

### TOP 20 SHAREHOLDERS

No.	Name	No. of Shares	%
1	Bank of Singapore Nominees Pte Ltd	111,430,561	44.39
2	Aapico Investment Pte Ltd	37,522,427	14.95
3	KGI Fraser Securities Pte Ltd	13,631,000	5.43
4	Hong Leong Finance Nominees Pte Ltd	11,137,100	4.44
5	Phillip Securities Pte Ltd	7,886,000	3.14
6	Chiew Poh Cheng	5,154,600	2.05
7	UOB Kay Hian Pte Ltd	3,544,000	1.41
8	Lim Tien Lock Christopher	2,850,000	1.14
9	Steven Widjaja	2,002,000	0.80
10	Ang De Yu	1,892,081	0.75
11	Kao Lee Aluminium Industrial Pte Ltd	1,786,000	0.71
12	DBS Vickers Securities (S) Pte Ltd	1,514,000	0.60
13	Quek Poh Chuan	1,500,000	0.60
14	Wong Kin Tang	1,410,400	0.56
15	OCBC Securities Private Ltd	1,276,000	0.51
16	Raffles Nominees (Pte) Ltd	1,269,000	0.51
17	Lee Wan Ling (Li Wanling)	1,200,000	0.48
18	Manimaran S/O Kamachi	1,130,000	0.45
19	Maybank Kim Eng Securities Pte Ltd	1,110,000	0.44
20	CIMB Securities (S) Pte Ltd	1,061,000	0.42
		<b>210,306,169</b>	<b>83.78</b>

## SHAREHOLDINGS STATISTICS

As At 17 May 2016

### SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 17 May 2016, 40.59% of the issued ordinary shares of the Company is held by the public and therefore Rule 723 of the Listing Manual is complied with.

### SUBSTANTIAL SHAREHOLDERS

	No. of Shares		%
	Direct Interests	Deemed Interests	
Cheng Kwee Kiang	111,230,561	–	44.31
Aapico Investment Pte. Ltd.	37,522,427	–	14.95

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Jackspeed Corporation Limited (the “**Company**”) will be held at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 on Monday, 20 June 2016 at 10 a.m. for the following purposes:–

### AS ORDINARY BUSINESSES

1. To receive and adopt the Directors’ Statements and the Audited Financial Statements of the Company and the Group for the year ended 29 February 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
  
2. To re-elect the following Directors of the Company who are retiring pursuant to Regulation 107 and 117 of the Constitution of the Company:–
 

(i)	Mr Chin Yew Choong David	(Retiring under Regulation 107)	<b>(Resolution 2)</b>
(ii)	Mr Yap Kian Peng	(Retiring under Regulation 107)	<b>(Resolution 3)</b>
(iii)	Mr Toh Tiong San	(Retiring under Regulation 117)	<b>(Resolution 4)</b>

*[See Explanatory Note (i)]*
  
3. To approve the payment of Directors’ fees of S\$265,000 for the year ended 29 February 2016 (2015: S\$188,000). **(Resolution 5)**
  
4. To re-appoint RSM Chio Lim LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
  
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

### AS SPECIAL BUSINESSES

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

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

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

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

## NOTICE OF ANNUAL GENERAL MEETING

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

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

(the “Share Issue Mandate”)

provided that:–

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a *pro rata* basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:–
- (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
- (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (ii)]

(Resolution 7)

## NOTICE OF ANNUAL GENERAL MEETING

### 7. Authority to issue shares under the Jackspeed Share Award Scheme

That pursuant to Section 161 of the Companies Act, the Directors of the Company be authorised and empowered to offer and grant awards (“Awards”) in accordance with the provision of the Jackspeed Share Award Scheme (“ESAS”) and to issue and/or deliver from time to time such number of shares in the capital of the Company (excluding treasury shares) as may be required to be issued and/or delivered pursuant to the ESAS shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company, but subject to the aggregate number of shares available under all schemes including share award/share plans must not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

(Resolution 8)

### 8. Renewal of Share Purchase Mandate

That:-

(a) for the purposes of Sections 76C and 76E of the Companies Act, as may be amended or modified from time to time, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid ordinary shares in the Company (“Shares”) not exceeding in aggregate 10% of the total number of issued Shares of the Company (excluding any shares which are held as treasury shares) and subject to the Companies Act, as at the date of the passing of this Resolution, at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:

- (i) on-market purchase(s) (each a “Market Purchase”) transacted on the SGX-ST through the SGX-ST’s trading system, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (ii) off-market purchase(s) (each an “Off-Market Purchase”) effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act,

and otherwise in accordance with all other laws, regulations and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the “Share Purchase Mandate”).

(b) Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the passing of this Resolution and up to the earliest of:

- (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
- (ii) the date on which purchases or acquisitions of Shares are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by shareholders in general meeting.

## NOTICE OF ANNUAL GENERAL MEETING

(c) in this Resolution:

“**Maximum Price**”, in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter) of the Shares; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as defined hereinafter) of the Shares,

For the above purposes:

“**Average Closing Price**” means the average of the closing market prices of Shares over the last five (5) Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

“**date of the making of the offer**” means the date on which the Company makes an offer for the purchase or acquisition of Shares from holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

(d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution.

*[See Explanatory Note (iv)]*

**(Resolution 9)**

**By Order of the Board**

Chua Sze Chyi/Chew Kok Liang  
Joint Company Secretaries

3 June 2016  
Singapore

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes:-

- (i) Mr Chin Yew Choong David will, upon re-election as Director of the Company, remain as Non-Executive Chairman, Chairman of the Remuneration Committee, a member of the Audit Committee and Nominating Committee and will be considered independent.

Mr Yap Kian Peng will, upon re-election as Director of the Company, remain as an Executive Deputy Chairman and will be considered non-independent.

Mr Toh Tiong San will, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee and will be considered independent.

- (ii) Resolution 7, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a *pro rata* basis to existing shareholders of the Company.

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

- (iii) Resolution 8 above, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the ESAS and other share-based incentive schemes of the Company up to a number not exceeding in total (for the entire duration of the ESAS) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time, but subject to the aggregate number of shares available under all schemes including share award/share plans must not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time.
- (iv) Resolution 9 above relates to the renewal of the mandate, which was first approved by the Shareholders on 26 June 2013 and was renewed at the previous Annual General Meetings of the Company, authorising the Company to purchase its own Shares. Please refer to the Circular dated 3 June 2016 accompanying the Notice of Annual General Meeting for more information.

### Notes:-

1. (a) A member of the Company (other than a Relevant Intermediary\*), entitled to attend, speak and vote at a meeting of the Company, is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where such member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
- (b) A Member who is a Relevant Intermediary\* is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 221 Henderson Road, #06-15 Singapore 159557 not less than 48 hours before the time appointed for holding the Meeting.

## NOTICE OF ANNUAL GENERAL MEETING

\* A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Cap. 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; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

### PERSONAL DATA PRIVACY

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (and/or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (and/or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (and/or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (and/or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (and/or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.



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## JACKSPEED CORPORATION LIMITED

Company Registration No. 199300300W  
(Incorporated In the Republic of Singapore)

### PROXY FORM

(Please see notes overleaf before completing this Form)

#### IMPORTANT:-

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, \_\_\_\_\_ (Name) \_\_\_\_\_ (NRIC/Passport No.)

of \_\_\_\_\_

being a member/members of JACKSPEED CORPORATION LIMITED (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 on Monday, 20 June 2016 at 10 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

No.	Resolutions relating to:-	No. of votes 'For'*	No. of votes 'Against'*
1.	Directors' Statement and Audited Financial Statements for the year ended 29 February 2016		
2.	Re-election of Mr Chin Yew Choong David as Director		
3.	Re-election of Mr Yap Kian Peng as Director		
4.	Re-election of Mr Toh Tiong San as Director		
5.	Approval of Directors' fees amounting to S\$265,000 for the year ended 29 February 2016		
6.	Re-appointment of RSM Chio Lim LLP as Auditors		
7.	Authority to issue new shares pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual		
8.	Authority to issue shares under the Jackspeed Share Award Scheme		
9.	Renewal of Share Purchase Mandate		

\* If you wish to exercise all your votes 'For' or 'Against', please tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

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

\_\_\_\_\_  
Signature of Shareholder(s)  
or Common Seal of Corporate Shareholder



**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 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company (other than a Relevant Intermediary\*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member (other than a Relevant Intermediary\*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 221 Henderson Road, #06-15 Singapore 159557 not less than 48 hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorized. Where the instrument appointing a proxy or proxies 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. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

\* A Relevant Intermediary is:-

- (a) a banking corporation licensed under the Banking Act (Cap. 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; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

**Personal Data Privacy:-**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 June 2016.

**General:-**

The Company shall be entitled to reject the instrument appointing a proxy or proxies 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 a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



**JACKSPEED CORPORATION LIMITED**

Registration No: 199300300W

221 Henderson Road, #06-15, Singapore 159557

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Website: [www.jackspeed.com](http://www.jackspeed.com)

Email: [info@jackspeed.com](mailto:info@jackspeed.com)