



# Building transparency, establishing trust

## Illustrative Annual Report 2019

# About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 157 countries with more than 223,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com).

PwC Singapore operates on a collaborative basis with PwC China, Hong Kong and Taiwan, subject to local applicable laws. Collectively, we have around 850 partners and a strength of 21,000 people. As a leading professional services firm, we count among our clients, top-tier companies listed on the stock exchanges in the respective cities, including the Singapore Exchange, multinationals and emerging local companies.

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# Publication Guide

## Scope

This publication illustrates the consolidated financial statements of a fictitious Singapore-incorporated company listed on the Mainboard of the Singapore Exchange Limited (“SGX”), PwC Holdings Ltd (the “Company”) and its subsidiaries (the “Group”) for the year ended 31 December 2019. The consolidated financial statements comply with Singapore Financial Reporting Standards (International) (“SFRS(I)”).

This publication also illustrates the disclosures that are required when the Group adopts the new accounting standard, SFRS(I) 16 *Leases*.

The names of people and entities included in this publication are fictitious. Any resemblance to a person or entity is purely coincidental.

## Disclosures not illustrated

The disclosures in the illustration below do not cover every potential transactions that entities may have to disclose, but rather, those which are relevant to the circumstances of PwC Holdings Ltd.

Depending on individual facts and circumstances, other disclosures may be relevant that are not applicable to PwC Holdings Ltd. Certain disclosures are included in these financial statements merely for illustrative purposes only, even though they may be regarded as items or transactions that are not material for the Group.

The sample disclosures in this illustrative annual report should not be considered to be the only acceptable form of presentation. The form and content of each reporting entity’s annual report are the responsibility of the entity’s directors/management and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in the Singapore Companies Act, SGX Securities Trading Listing Manual and SFRS(I).

The illustrative financial statements contained in this annual report are not substitutes for reading the legislation or standards themselves, or for professional judgement as to fairness of presentation. They do not cover all possible disclosures required by the Singapore Companies Act, SGX Securities Trading Listing Manual and SFRS(I). Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws, accounting standards and stock exchange regulations in Singapore.

## Effective date

The standards applied in these illustrative financial statements are based on the SFRS(I) version in issue as at 30 September 2019 and effective for annual periods beginning on 1 January 2019. SFRS(I) issued as at 30 September 2019 but not yet effective for annual periods beginning after 1 January 2019 have not been early adopted in these illustrative financial statements.

We remind users to check for any changes in the standards that are mandatory for application or can be early applied which are updated between 30 September 2019 and at the end of the entity’s reporting period, and ensure that these are appropriately reflected in the financial statements.

## Guidance notes

Direct references to the source of disclosure requirements are included in the reference column on each page of the illustrative financial statements. Guidance notes are provided where additional matters may need to be considered in relation to a particular disclosure. These notes are inserted within the relevant section or note. Illustrations of new requirements arising from the adoption of SFRS(I) 16 are highlighted in orange.

Similarly, the corporate governance disclosures illustrated in this annual report are not meant to be templates for all reporting entities. The board of directors/management for each reporting entity should formulate the corporate strategies and control measures tailored to the entity's particular circumstances and corporate governance processes. It therefore follows that corporate governance disclosures in annual reports will necessarily differ from one reporting entity to the other.

## Seek professional advice

The information in this publication does not constitute professional advice. If professional advice is required, the services of a competent professional should be sought. Neither PricewaterhouseCoopers LLP (Singapore) nor any employee of the firm shall be liable for any damage or loss of any kind on any ground whatsoever suffered as a result of any use of or reliance on this publication.

# Foreword

## Confidence in the Future: Building trust and transparency

2019 continues to be a year of change with the revised Code of Corporate Governance (“the Revised Code”) and new lease accounting standard – SFRS(I) 16 Leases, which were both effective on 1 January 2019.

The Revised Code highlighted the need for more disclosures in areas such as board independence, diversity and remuneration. Under the new lease accounting standard, the comparability of financial statements would improve as nearly all off-balance sheet accounting for lessees would be eliminated.

These changes aim to build transparency in the annual report and help organisations to succeed by establishing trust through transparency. We recognise the importance of relevant and reliable information, and we are confident of managing these changes with you.

## Financial Reporting

SFRS(I) 16 Leases is effective for financial periods commencing 1 January 2019 and almost all leases are recognised on the balance sheet. Lease liability is recorded on the balance sheet with a corresponding right-of-use asset. Additional disclosures required under this new standard allow financial statement users to better understand the leasing activities of companies. In this publication, you will find a comprehensive illustration of a SGX listed Group for the financial year ended 31 December 2019, along with disclosures that would be required when the Group adopts the SFRS(I) 16 Leases.

## Corporate Governance

The Revised Code is applicable to all listed companies in Singapore effective 1 January 2019. The Revised Code has been streamlined, and clarifies the expectations of the comply-or-explain regime relating to listed companies' corporate governance disclosures. This publication takes all these into account, incorporating the updates into the report illustrated.



## Our Commitment

The 2019 edition of PwC's Illustrative Annual Report entitled "Building transparency, establishing trust" is developed with the aim to assist company directors, audit committee members, management and preparers of financial statements to better understand and implement the new financial reporting standards and revised corporate governance code to produce robust, relevant and reliable financial reporting for informed decision-making.

We, at PwC, are committed to being your trusted advisor. As market leaders, we constantly pioneer the delivery of value, confidence and insights to your business and stakeholders, even more so in today's complex and fast-evolving environment.

This publication will serve as an excellent resource to assist you in the preparation of your company's annual report, ensuring completeness and fair presentation of information to users of your financial statements.

We encourage you to consult with your regular PwC contact, should you have any questions or comments regarding this publication, or the implementation of the new accounting standards, the Revised Code and sustainability reporting.

### Marcus Lam

Singapore Assurance Leader  
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### Abbreviation used

References are made in this publication to the legislation, guideline or listing rule that requires a particular disclosure. The abbreviation used to identify the source of authority are as follows:

ACGC	Audit Committee Guidance Committee – Guidebook for Audit Committee in Singapore
CA	Singapore Companies Act, Chapter 50
CCG	Code of Corporate Governance Guidance Notes
SFRS(I)	Singapore Financial Reporting Standard (International)
SFRS(I) INT	Singapore Financial Reporting Standard (International) Interpretations
SGX	Singapore Exchange Securities Trading Listing Manual Requirements
SSA	Singapore Standards on Auditing

Where the illustrated disclosure is not specifically required by any of the sources listed above, the following abbreviation is used to indicate that such disclosure is made on a voluntary basis.

DV	Disclosure in voluntary
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# Corporate Governance

Board of Directors  
Corporate Governance Report



## PwC Holdings Ltd and its Subsidiaries

Reference

**Board of Directors**

As at 24 April 2020

**Mr Tan Cheng Eng**  
Independent, Non-executive Director

Years on Board: 7  
Aged 58, Singaporean

SGX  
1207(4)  
(b)(iii)

- Chairman of Board of Directors
- Chairman of Remuneration Committee
- Member of Audit Committee

Mr Tan Cheng Eng was appointed to the Board on 1 February 2013 and appointed as the Chairman of the Board and of the Remuneration Committee on 13 September 2015. He is also a non-executive Chairman of Data Bank Holding Ltd and an executive director of Homegrown Securities Ltd, both of which are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Tan was last re-elected as a director of the Company on 24 January 2019.

Mr Tan holds a Master's degree in Financial Engineering from Harvard University, USA and a Bachelor of Arts (Mathematics) degree from University College London. He has 30 years of experience in the finance industry, of which 17 years were in the securities industry. He also serves on the council of the Society of Financial Advisory Consultants and on the boards of the National Symposium Council and the Singapore Music Conservatory.

**Mr Balachandran Nair**  
Independent, Non-executive Director

Years on Board: 5  
Aged 46, Singaporean

- Member of Board of Directors
- Chairman of Audit Committee
- Member of Nominating Committee
- Member of Remuneration Committee

Mr Balachandran Nair joined the Board on 4 July 2015 and was last re-elected on 3 July 2018. He is also the Chairman of the Audit Committee.

Mr Nair graduated with a Bachelor of Accountancy degree from National University of Singapore. He is a Fellow of the Institute of Chartered Accountants in England and Wales and a fellow of the Institute of Singapore Chartered Accountants ("ISCA").

He has 20 years of experience in finance and management. He was the Head of Internal Audit Department of Telecommunication Ltd, a listed company on Singapore Stock Exchange, between 2010 and 2013. He is the Chief Financial Officer of the Asia Pacific operations of Computer Networks Ltd, a company listed on the New York Stock Exchange since 2013. He is also the Chairman of the Trustees of Singapore Healthcare Fund since 2011.

## PwC Holdings Ltd and its Subsidiaries

Reference

**Board of Directors**

As at 24 April 2020

**Madam Wan Oon Kee**  
Independent, Non-executive Director

Years on Board: 6  
Aged 51, Singaporean

- Member of Board of Directors
- Member of Audit Committee
- Member of Nominating Committee
- Chairman of Risk Committee

Madam Wan Oon Kee was appointed to the Board on 30 July 2014 and was last re-elected on 31 July 2019.

Madam Wan holds a Bachelor of Science (Building Control) degree from the University of London and a Master of Business Administration from Harvard Business School, USA. She is currently a member of the Royal Institution of Chartered Surveyors, United Kingdom and a Council Member of the Singapore Institute of Surveyors and Valuers.

She has more than 20 years of experience in the real estate industry. Beginning her career at Singapore Land Authority, she joined Leading Real Estate Marketing Pte Ltd as a Chief Operating Officer in 2000. She has been the managing director of Leading Real Estate Marketing Pte Ltd since 2009.

**Mr Michael Philip White**  
Independent, Non-executive Director

Years on Board: 8  
Aged 52, Norwegian

- Member of Board of Directors
- Member of Audit Committee
- Chairman of Nominating Committee

Mr Michael Philip White joined the Board on 4 July 2012. He was re-elected as a Director and appointed as the Chairman to the Nominating Committee on 3 May 2018.

Mr White graduated from Stavanger University College, Norway with a Master of Technology and Commerce degree. He subsequently obtained a Master in Business Administration (Human Resource) from Newcastle University, United Kingdom. He is also a fellow of the Singapore Computer Society.

He started his career with a multinational group of telecommunication companies in Norway. He was subsequently employed to head the Asia Pacific operations of Datacom, a company listed on the Norway-Oslo Stock Exchange in 1993. In 2008, he became the managing director of Moonstar Ltd, a telecommunication company listed on the Singapore Stock Exchange.

PwC Holdings Ltd and its Subsidiaries

Reference

**Board of Directors**

As at 24 April 2020

Mr Lee Chee Wai  
Independent, Non-executive Director

Years on Board: 3  
Aged 44, Singaporean

- Member of Board of Directors
- Member of Remuneration Committee
- Member of Risk Committee

Mr Lee Chee Wai joined the Board on 3 May 2017.

He graduated with a Bachelor of Law (Hons) degree from National University of Singapore.

He began his career with an international law firm in 2003, and was subsequently employed as the Company Secretary and Legal Advisor of a multinational group of companies in Singapore in 2006. He commenced his professional practice in 2013 and is currently an Advocate & Solicitor of Lee, Lim & Tan, a legal firm.

Mr David Grey  
Non-independent, Non-executive Director

Years on Board: 8  
Aged 61, English

- Member of Board of Directors
- Member of Audit Committee

Mr David Grey joined the Board on 17 May 2012 and was last re-elected on 18 May 2018. He is also an executive director of PwC Global Ltd, the ultimate holding corporation of PwC Holdings Ltd.

Mr Grey holds a Master of Science from London School of Business, United Kingdom and PhD in Bioinformatics from Imperial College London. He has more than 30 years of experience in the pharmaceutical industry. He has served as the Chairman of the European Union Biotechnology Board, a company listed on the London Stock Exchange since 2004 and was a Council Member of the Institute of Biomedical Practitioners, United Kingdom between 2009 and 2013.



## PwC Holdings Ltd and its Subsidiaries

Reference

**Board of Directors**

As at 24 April 2020

Mr Ang Boon Chew Chief Executive Officer and Executive Director	Years on Board: 4 Aged 47, Singaporean
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- Member of Board of Directors

Mr Ang Boon Chew was appointed to the Board on 17 February 2016 and was last re-elected on 18 May 2019. He joined PwC Components (Singapore) Pte Ltd, a subsidiary of PwC Holdings Ltd, in 1998 and became its Chief Executive Officer on 1 October 2013. He was subsequently appointed as the General Manager of PwC Holdings Ltd on 2 November 2016 and became its Chief Executive Officer on 17 February 2019.

Mr Ang graduated from the National University of Singapore with a Bachelor of Engineering (Electrical and Electronics) degree. He is a Fellow of the Institute of Engineers, Singapore and a Board member of the National Fire Prevention Council. He has more than 20 years of experience in the telecommunication industry.

Dr Ran Jedwin Gervasio Executive Director	Years on Board: - Aged 41, American
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- Member of Board of Directors
- Member of Risk Committee

Dr Ran Jedwin Gervasio joined the Board on 27 February 2020. He is the founding member of Visionary Component Inc. (now known as PwC Components (Philippines) Pte Ltd), a subsidiary of PwC Holdings Ltd.

Dr Ran holds a PhD in Data Science from University of North Carolina, USA. He has 15 years of experience in the digital industry, including four years as an associate professor in University of Michigan, USA. He has served as an honorary professor of the University of Philippines since 2012, and a non-executive director of Routers Electronics Inc., a corporation listed on the New York Stock Exchange since 2010.

## Corporate Governance Report

For the financial year ended 31 December 2019

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The corporate governance report is prepared for illustrative purposes and describes the Group's corporate governance practices and structures, with specific reference to the principles and provisions of the Code. Listed companies must comply with the principles of the Code and where practices vary from any provisions of the Code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the practices it had adopted are consistent with the intent of the relevant principle.

SGX  
Mainboard  
Listing Rule  
710/ SGX  
Catalist  
Listing Rule  
710

The Board of Directors (the "Board") is committed in ensuring that the highest standards of corporate governance are practised throughout PwC Holdings Ltd (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

SGX  
Mainboard  
Listing Rule  
710/ SGX  
Catalist  
Listing Rule  
710

The Monetary Authority of Singapore ("MAS") issued the revised Code of Corporate Governance (the "Code") on 6 August 2018 effective for financial years beginning on or after 1 January 2019.

The Code is not mandatory, but Listed Companies are required under the Singapore Exchange Listing Rules to disclose their corporate governance practices and give explanations for deviations from the Code in their Annual Reports.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2019, with specific reference to the principles and provisions of the Code, and as applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Singapore Companies Act.

The Board confirms the Group has adhered to all principles and provisions set out in the Code as set out below.

This Corporate Governance Report is divided into five main sections, namely:

- (A) Board Matters
- (B) Remuneration Matters
- (C) Accountability and Audit
- (D) Shareholder Rights and Engagement
- (E) Managing Stakeholder Relationships

## Corporate Governance Report

For the financial year ended 31 December 2019

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### (A) BOARD MATTERS

The Board of Directors as at 24 April 2020 comprises:

Mr Tan Cheng Eng (Chairman and Independent Director)  
Mr Balachandran Nair (Independent Director)  
Madam Wan Oon Kee (Independent Director)  
Mr Michael Philip White (Independent Director)  
Mr Lee Chee Wai (Independent Director)  
Mr David Grey (Non-independent Non-executive Director)  
Mr Ang Boon Chew (CEO and Executive Director)  
Dr Ran Jedwin Gervasio (Executive Director)

SGX  
Mainboard  
Listing Rule  
1207(10B)/  
SGX  
Catalist  
Listing Rule  
1204(10B)

A description of the background of each director is presented in the "Board of Directors" section of this annual report.

#### Principle 1: The Board's Conduct Of Affairs

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

##### CG Provision 1.1

Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

##### CG Provision 1.3

The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.

##### CG Provision 1.4

Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.

## Corporate Governance Report

For the financial year ended 31 December 2019

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The Board objectively makes decisions in the best interests of the Group. The Board has clear policies and procedures for dealing with conflicts of interest. Where the director faces a conflict of interest, he or she discloses and recuses himself or herself from meetings and decisions involving the issue. Directors are subjected to an annual declaration of conflict of interests.

CG  
Provisions  
1.1, 1.3 and  
1.4

Matters requiring board approval has been clearly communicated to Management in writing and is set out further in this report.

The Board has delegated specific responsibilities four Board Committees, namely the Audit, Nominating, Remuneration and Risk Committees. Information on each of the four Committees is set out further in this report. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

### CG Provision 1.2

Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense<sup>1</sup>. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.

<sup>1</sup>Rule 210(5)(a) of the SGX Listing Rules (Mainboard) / Rule 406(3)(a) of the SGX Listing Rules (Catalist) requires any director who has had no prior experience as a director of a listed company to undergo training in the roles and responsibilities of a listed company director.

## Corporate Governance Report

For the financial year ended 31 December 2019

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The Company conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices. The Company also ensures that for any director who has had no prior experience as a director of a listed company to undergo training in the roles and responsibilities of a listed company director. A manual containing the Group's policies and procedures relating to its business, corporate governance, risk management, interests in securities, and price-sensitive information, is updated yearly and provided to each director.

CG  
Provision  
1.2,

SGX  
Mainboard  
Listing Rule  
210(5)(a) /  
SGX  
Catalist  
Listing Rule  
406(3)(a)

During the year, the directors took up the following training opportunities at the company's expense, to develop and maintain knowledge in specific areas:

- Singapore Institute of Directors (SID) Directors Conference
- Financial Reporting Standards Updates
- Legal and Regulatory Updates
- Training on Revised Risk Management Standards COSO ERM 2017 and ISO 31000: 2018
- IT Governance and Cybersecurity Training

The Company Secretary periodically recommends training opportunities to the NC. Directors however may themselves search for and pursue opportunities which help them to keep pace with their area of professional expertise.

### CG Provision 1.5

The number of meetings of the Board and Board Committees held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's Annual Report.

**Corporate Governance Report**

For the financial year ended 31 December 2019

The number of Board and Board Committee meetings held in the current financial year and the attendance of directors during these meetings are as follows:

CG Provision  
1.5

	Board of Directors Number of meetings <sup>(1)</sup>		Audit Committee Number of meetings <sup>(1)</sup>		Nominating Committee Number of meetings <sup>(1)</sup>		Remuneration Committee Number of meetings <sup>(1)</sup>		Risk Committee Number of meetings <sup>(1)</sup>	
	Position		Position		Position		Position		Position	
<u>Executive Director</u>	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Ang Boon Chew	M	8	8	-	-	-	-	-	-	-
Andrew Lloyd <sup>(2)</sup>	-	1	1	-	-	-	-	-	-	3
Ran Jedwin Gervasio <sup>(3)</sup>	M	-	-	-	-	-	-	-	M	-
<u>Non-executive Director</u>										
Tan Cheng Eng	C	8	8	M	4	4	-	-	C	2
David Grey	M	8	7	M	4	3	-	-	-	-
Balachandran Nair	M	8	8	C	4	4	M	3	2	-
Michael Philip White	M	8	7	M	4	3	C	3	3	-
Wan Oon Kee	M	8	8	M	4	4	M	3	2	C
Lee Chee Wai	M	8	8	-	-	-	-	-	M	2

Denotes:

C – Chairman as at 24 April 2020

M – Member as at 24 April 2020

<sup>(1)</sup> Number of meetings held/attended during the financial year/period from 1 January 2019 (or from date of appointment of Director, where applicable) to 31 December 2019

<sup>(2)</sup> Resigned on 5 January 2020

<sup>(3)</sup> Appointed on 27 February 2020

**CG Provision 1.6**

Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

## Corporate Governance Report

For the financial year ended 31 December 2019

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All directors receive a set of Board papers prior to the Board meetings. The Board papers are uploaded to the Board portal at least five working days prior to the meeting to ensure that directors have sufficient time to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

CG  
Provision  
1.6, CG  
Practice  
Guidance 1

- Minutes of the previous Board meeting;
- Minutes of meetings of all Committees of the Board held since the previous Board meeting;
- Background or explanations on matters brought before the Board for decision or information, including issues being dealt with by management, and relevant budgets, forecasts and projections. In respect of budgets and monthly financial statements, any material variance between the budgets and projections and actual results is disclosed and explained to the Board;
- Major operational and financial issues;
- Statistics on key performance indicators;  
and
- Statistics on customer satisfaction

### **CG Provision 1.7**

Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.



## Corporate Governance Report

For the financial year ended 31 December 2019

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### Access to Management

CG  
Provision  
1.7, CG  
Practice  
Guidance 1

The directors have separate and independent access to the Group's senior management, including the CEO, the CFO and other key management, as well as the Group's internal and external auditors. Queries by individual directors on circulated papers are directed to management who will respond accordingly. Where relevant, directors' queries and management's responses are circulated to all Board members for their information.

### Access to external advisors

The Board has also approved a procedure for directors, whether as a full Board or in their individual capacities, to take independent professional advice, where necessary in the furtherance of their duties, at the Group's expense. The details of this procedure are articulated in the Director Manual.

### Access to the Company Secretary

All directors have separate and independent access to the advice and services of the Company Secretary. The Board has approved the terms of reference defining the role and responsibilities of the Company Secretary. The Company Secretary attends all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with.

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

## Corporate Governance Report

For the financial year ended 31 December 2019

### Principle 2: Board Composition and Guidance

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

#### CG Provision 2.1

An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporation<sup>2</sup>, its substantial shareholders<sup>3</sup> or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company<sup>4</sup>.

#### CG Provision 2.2

Independent directors make up a majority of the Board where the Chairman is not independent<sup>5</sup>.

#### CG Provision 2.3

Non-executive directors make up a majority of the Board.

<sup>2</sup>The term "related corporation", in relation to the company, has the same meaning as currently defined in the Companies Act (Chapter 50) of Singapore, i.e. a corporation that is the company's holding company, subsidiary or fellow subsidiary.

<sup>3</sup>A "substantial shareholder" is a shareholder who has an interest or interests in one or more voting shares (excluding treasury shares) in the company and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all voting shares (excluding treasury shares) in the company, in line with the definition set out in section 2 of the Securities and Futures Act (Chapter 289) of Singapore.

<sup>4</sup>A director who falls under the circumstances described in Rule 210(5)(d) of the SGX Listing Rules (Mainboard) / Rule 406(3)(d) of the SGX Listing Rules (Catalist) is not independent.

<sup>5</sup>The Chairman is not independent when (i) he or she is not an independent director, (ii) he or she is also the CEO, (iii) he or she and the CEO are immediate family members as defined in the Listing Manual of the Singapore Exchange (i.e. the person's spouse, child, adopted child, step-child, brother, sister and parent), (iv) he or she and the CEO have close family ties with each other (i.e. a familial relationship between two parties which extends beyond immediate family members and could influence the impartiality of the Chairman) as determined by the Nominating Committee, or (v) he or she is part of the Management team.

## Board Composition and Independent Directors

The Board comprises eight members, six of whom are non-executive directors (including the Chairman). There are five independent directors— Mr Tan Cheng Eng (Board Chairman), Mr Balachandran Nair, Madam Wan Oon Kee, Mr Michael Philip White and Mr Lee Chee Wai.

CG  
Provisions  
2.1, 2.2 and  
2.3,

In consideration of the independence of each independent director, the NC and the Board have considered the circumstances under SGX Listing Rules and the Code's Practice Guidance 2 in which a director should be deemed to be non-independent as well as any other circumstance or relationship which might impact a director's independence, or the perception of his or her independence.

SGX  
Mainboard  
Listing Rule  
210(5)(c) /  
SGX  
Catalist  
Listing Rule  
406(3)(c),

The five independent directors have no relationship with the Company, its related companies, its substantial shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group, and they are able to exercise objective judgement on corporate affairs independently from management and its substantial shareholders.

CG Practice  
Guidance 2

### CG Provision 2.4

The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.

The Board reviews the size and composition of the Board on an annual basis, and considers the present Board size of eight adequate for the current scope and nature of the Group's operations.

CG  
Principle 2,  
CG  
Provision  
2.4

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, strategic planning and customer service relevant to the direction of a large, expanding group. Mr Tan Cheng Eng and Mr Balachandran Nair are trained in finance and management. Mr Ang Boon Chew has experience specifically in the electrical component parts industry, the core business of the Group. Madam Wan Oon Kee, Dr Ran Jedwin Gervasio and Mr Lee Chee Wai have experience in risk governance and enterprise risk management. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

## Corporate Governance Report

For the financial year ended 31 December 2019

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### CG Guideline 2.5

Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

The non-executive directors and/or Independent Directors, led by the independent Chairman, Mr Tan Cheng Eng, meet regularly without the presence of the other directors to discuss matters of significance, such as constructively challenge and help develop proposals on strategy, review the performance of management in meeting agreed goals and objectives, and monitor the reporting of performance, which are subsequently reported to the Board.

CG  
Provision  
2.5

### Principle 3: Chairman and Chief Executive Officer

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

#### CG Provision 3.1

The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making<sup>7</sup>.

#### CG Provision 3.2

The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.

<sup>7</sup>Rule 1207(10A) of the SGX Listing Rules (Mainboard) / Rule 1204(10A) of the SGX Listing Rules (Catalist) requires the Board to disclose the relationship between the Chairman and the CEO if they are immediate family members.

## Corporate Governance Report

For the financial year ended 31 December 2019

### Chairman

The roles of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The independent Board Chairman, Mr Tan Cheng Eng is responsible for leading the Board and facilitating its effectiveness. He stimulates a robust yet collegiate setting, sets the right ethical and behavioural tone, promotes a culture of openness and debate and provides leadership to the Board. The CEO, Mr Ang Boon Chew, is an executive director responsible for the business direction and operational decisions of the Group. The Chairman and CEO are not related. The division of responsibilities between the Chairman and the CEO has been set out in a set of guidelines reviewed and approved by the Board.

CG  
Principle 3,  
CG  
Provisions  
3.1 and 3.2

SGX  
Mainboard  
Listing Rule  
1207(10A) /  
SGX  
Catalist  
Listing  
Rule1204(1  
0A)

#### CG Provision 3.3

The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

### Lead Independent Director

The Chairman is independent absolving the need for appointment of a lead independent director. However, the Board has in place a process for appointment of a lead independent director should the Chairman be no longer independent. Shareholders with concerns may contact him directly through channels as described on the company website, when contact through the normal channels via the CEO or CFO has failed to provide satisfactory resolution, or when such contact is inappropriate.

CG  
Provision  
3.3

## Corporate Governance Report

For the financial year ended 31 December 2019

### Principle 4

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

### CG Provision 4.1

The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:

- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel<sup>8</sup>;
- (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;
- (c) the review of training and professional development programmes for the Board and its directors; and
- (d) the appointment and re-appointment of directors<sup>9</sup> (including alternate directors, if any)

### CG Provision 4.2

The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.

<sup>8</sup>The term "key management personnel" shall mean the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the company.

<sup>9</sup>Rule 720(5) of the SGX Listing Rules (Mainboard) / Rule 720(4) of the SGX Listing Rules (Catalist) requires all directors to submit themselves for re-nomination and re-election at least once every three years.

SGX  
Mainboard  
Listing Rule  
210(5)(e) /  
SGX  
Catalist  
Listing Rule  
406(3)(e)

## Nominating Committee

The Nominating Committee comprises the following independent and non-executive directors:

Mr Michael Philip White (Committee Chairman)  
Madam Wan Oon Kee  
Mr Balachandran Nair

CG  
Principle 4,  
CG  
Provisions  
1.4 and 4.2

## Corporate Governance Report

For the financial year ended 31 December 2019

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The Nominating Committee was set up on 1 April 2007. The Committee held three meetings during the financial year. All members of this Committee are independent and non-executive directors.

### Roles and Responsibilities of the Nominating Committee

The Nominating Committee has a written Charter endorsed by the Board that sets out its duties and responsibilities. Amongst them, the Nominating Committee is responsible for:

CG  
Principle 4,  
CG  
Provisions  
1.4 and 4.1

- making recommendations to the Board on all board appointments;
- evaluation of performance of the Board, its committees, members and directors;
- reviewing the adequacy of the Board's training and professional development programmes; and
- reviewing the Board's succession plans for directors, in particular for the Chairman and the CEO.

#### CG Provision 4.3

The company discloses the process for the selection, appointment and reappointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.

### Selection, Appointment and Re-appointment of Directors

In the search, nomination and selection process for new directors, the Nominating Committee identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. The matrix of attributes includes relevant experience, skillsets, technological expertise as well as diversity in competencies, age, gender and geography. After endorsement by the Board of the key attributes, the Nominating Committee taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, recommendations from the Singapore Institute of Directors are considered and executive recruitment agencies are appointed to assist in the search process.

CG  
Principle 4,  
CG  
Provision  
4.3,  
CG Practice  
Guidance 4



## Corporate Governance Report

For the financial year ended 31 December 2019

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Interviews are set up with potential candidates for Nominating Committee to assess them, before a decision is reached. The Nominating Committee also oversees the re-appointment of directors as and when their tenure of appointment is due. In assessing the directors for re-appointment, the Nominating Committee evaluates several criteria including qualifications, contributions and independence of the directors.

The Nominating Committee does not have a practice of appointing alternate directors except for limited periods in exceptional cases such as when a director has a medical emergency and is unable to perform his duties for a considerable amount of time. There were no alternate directors in this financial year.

### CG Provision 4.4

The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.

### Independence of Directors

The Nominating Committee is also responsible for determining annually, the independence of directors. In doing so, the Nominating Committee takes into account the circumstances set forth in the Code and any other salient factors. Following its annual review, the Nominating Committee has endorsed the following independence status of the directors:

CG  
Provision  
4.4

#### Independent

Mr Tan Cheng Eng  
Mr Balachandran Nair  
Mr Michael Philip White  
Madam Wan Oon Kee  
Mr Lee Chee Wai

#### Non-independent

Mr Ang Boon Chew  
Mr David Grey  
Dr Ran Jedwin Gervasio

## Corporate Governance Report

For the financial year ended 31 December 2019

### CG Provision 4.5

The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments<sup>10</sup> of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

<sup>10</sup>The term "principal commitments" shall include all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

### Multiple directorships

The information on each director's listed company directorships and other principal commitments is presented in the "Board of Directors" and "Directors' Statement" section of this annual report.

CG  
Provision  
4.5

### Sufficient Time and Attention by Directors

The Nominating Committee is satisfied that sufficient time and attention was given by the directors to the affairs of the Group, taking into consideration the director's number of board representations (including non-listed board representations) and other principal commitments.

CG  
Principle 4,  
CG  
Provision  
4.5

The Group has guidelines in place to address the competing time commitments faced by directors serving on multiple boards and/or having multiple principal commitments. The Board has determined that the maximum number of listed company board representations which any director may hold is three. All directors of the Company currently do not hold more than three listed company board representations.

CG Practice  
Guidance 4

### Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

## Corporate Governance Report

For the financial year ended 31 December 2019

### Guideline 5.1

Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and its Board Committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board.

### Guideline 5.2

The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.

## Assessing Board Performance

The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by the Chairman and each director to the effectiveness of the Board.

A consulting firm specialising in board evaluation and human resources was appointed by the Nominating Committee to help to design and implement the process. The consulting firm is not related to the Group or any of its directors. This is the seventh year in which this board evaluation process has been performed.

CG  
Provision  
5.1 and 5.2,  
CG Practice  
Guidance 5

The Board assessment as a whole considered the following key performance criteria (which have not changed from prior years):

- Board size and composition;
- Effectiveness of Board processes;
- Board information and accountability;
- Board performance in discharging principle functions;
- Board committee performance;
- Board's strategy in driving performance

The assessment of individual directors considered the following key performance criteria (which have not changed from prior years):

- Directors duties (including role in Board Committees);
- Level of commitment (including availability at and preparation for meetings);
- Knowledge
- Effectiveness of contribution;
- Inter-personnel relationships with other directors and senior management

## Corporate Governance Report

For the financial year ended 31 December 2019

### (B) REMUNERATION MATTERS

#### Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

#### CG Provision 6.1

The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:

- (a) a framework of remuneration for the Board and key management personnel; and
- (b) the specific remuneration packages for each director as well as for the key management personnel.

#### CG Provision 6.2

The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.

#### CG Provision 6.3

The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.

SGX  
Mainboard  
Listing Rule  
210(5)(e) /  
SGX  
Catalist  
Listing Rule  
406(3)(e)

### Remuneration Committee

The Remuneration Committee comprises the following non-executive and independent directors:

Mr Tan Cheng Eng (Committee Chairman)  
Mr Balachandran Nair  
Mr Lee Chee Wai

CG  
Principle 6,  
CG  
Provision  
1.4

## Corporate Governance Report

For the financial year ended 31 December 2019

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### Roles and Responsibilities of the Remuneration Committee

The principal responsibilities of the Remuneration Committee are:

- (a) Recommending to the Board for endorsement, a framework for computation of directors' fees of the Board (both executive and non-executive directors) and senior management of Senior Vice President grade or its equivalent and above. For executive directors and other senior management, the framework covers all aspects of executive remuneration (including but not limited to directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits in kind) and termination terms;
- (b) Recommending the specific remuneration packages and termination terms, for each director and other senior management of Senior Vice President grade or its equivalent and above; and
- (c) Administering the PwC Employee Share Option Scheme.

CG  
Principle 6,  
CG  
Provisions  
1.4, 6.1 and  
6.3,  
CG Practice  
Guidance 6

#### CG Provision 6.4

The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.

## Corporate Governance Report

For the financial year ended 31 December 2019

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The Remuneration Committee from time to time seeks advice from external remuneration consultants, who are unrelated to the directors or any organisation they are associated with, as well as confidentially from selected senior management, including the Director (Human Resource), at its discretion.

CG  
Provision  
6.4

### **Principle 7: Level and Mix of Remuneration**

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

#### **CG Provision 7.1**

A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.

#### **CG Provision 7.3**

Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

## Corporate Governance Report

For the financial year ended 31 December 2019

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### Remuneration of Executive Directors and Key Management Personnel

The remuneration package of executive directors and other senior management of senior vice president grade or its equivalent and above ("Senior Management") consists of the following components:

#### (A) Fixed and Variable

The fixed component comprises of basic salary, Central Provident Fund ("CPF") contribution and annual wage supplement. To ensure that key executives' remuneration is consistent and comparable with market practice, the Remuneration Committee regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

CG  
Principle  
7 and 8,  
CG  
Provisions  
7.1 and 7.3,  
CG Practice  
Guidance 7  
and 8

The variable component comprises variable bonus based on the Group's and the individual's performance, as well as the monthly variable component of the basic salary. To link rewards to sustained performance and value creation, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation. A comprehensive and structured assessment of the performance of Senior Management, which includes 360-degree assessments and measuring their performance against selected key performance indicators, is undertaken each year. Bonuses payable to Senior Management are reviewed by the Remuneration Committee and approved by the Board to ensure alignment of their interests with those of shareholders and promote the long-term success of the Group.

## Corporate Governance Report

For the financial year ended 31 December 2019

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The selected key performance metrics and breakdown of variable component are as follows:

### **Financial Performance Measures**

- i. Earnings Per Share
- ii. Return on Equity
- iii. Total Shareholder Return

CG  
Principle 7,  
CG  
Provision  
7.1 and 7.3

### **Non-Financial Performance Measures**

- i. Customer retention and growth
- ii. Employee Productivity

Targets are set for performance indicators and the pay-outs can be achieved for hitting or exceeding performance targets.

### **(B) Benefits**

Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowance, club benefits and housing subsidy. Eligibility for these benefits will depend on individual salary grade and length of service.

#### **CG Provision 8.3**

The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.



**Corporate Governance Report**

For the financial year ended 31 December 2019

**(C) Share Options**

Management staff with more than three years of service are eligible for the grant of options under the PwC Employee Share Option Scheme. The options granted will vest only on completion of another two years of service with the Group, commencing from the grant date. The directors and other management are encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability. More information on the PwC Employee Share Option Scheme is set out in the Directors' Statement and the Annual Remuneration Report.

CG  
Provisions  
7.3 and 8.3

**CG Provision 7.2**

The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

**Remuneration of Non-Executive Directors**

The Remuneration Committee reviews the scheme put in place by the Company for rewarding the non-executive directors to ensure the compensation is commensurate with effort, time and role of the non-executive directors. Contracts with Directors and Senior Management contain "claw back" termination clauses to safeguard the Group's interests in the event of exceptional circumstances of misstatement of financial statements, misconduct resulting in financial loss or fraud by executive directors and key management personnel.

CG  
Provision  
7.2,  
CG Practice  
guidance 7

The fees and allowances proposed to be paid to directors for the current financial year are determined based on the same formula applied in the previous year as follows:

TYPE OF APPOINTMENT	PROPOSED FEE
	\$
<b>Board of Directors</b>	
Basic Fee	50,000
Board Chairman's Allowance	32,000

**Corporate Governance Report**For the financial year ended 31 December 2019

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**Audit Committee**

Committee Chairman's Allowance	27,000
Member's Allowance	13,500

**Risk Committees**

Committee Chairman's Allowance	20,000
Member's Allowance	11,000

**Other Board Committees**

Committee Chairman's Allowance	13,500
Member's Allowance	9,000

**Attendance fee**

Per Board meeting in Singapore	1,000
Per Audit Committee meeting in Singapore	800
Per Other Board Committee meeting in Singapore	600
Per Board meeting overseas	3,000
Per Audit Committee meeting overseas	2,000
Per Other Board Committee meeting overseas	1,500

Besides the basic fee, every director will receive:

- The Chairman's allowance if he is Chairman of the Board;
- The relevant allowance (depending on whether he is Chairman or a member of the relevant Board Committee) for each position he holds in the Board Committee during the financial year; and
- The relevant attendance fee for each Board and Board Committee meeting he attends during the financial year.

If he occupies a position for part of the financial year, the fee or allowance payable will be prorated accordingly.

**Corporate Governance Report**

For the financial year ended 31 December 2019

**Disclosure on Remuneration of individual Director****Principle 8: Disclosure on Remuneration**

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

**CG Provision 8.1**

The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

- (a) each individual director and the CEO; and
- (b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S\$250,000 and in aggregate the total remuneration paid to these key management personnel.

**The Annual Remuneration Report**

	Basic salary <sup>(1)</sup>	Fees <sup>(1)</sup>	Benefits- in-kind	Bonus	Termination benefit	Fair value of share options granted <sup>(2)</sup>	2019 Total	2018 Total	Total Fair Value of Options granted in <sup>(5)</sup> 2019 2018	CG Principle 8, CG Provision 8.1, CG Practice Guidance 8
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000 \$'000	
<b>Executive Directors</b>										
Ang Boon Chew	286	32 <sup>(3)</sup>	420	36	-	86	860	855	100 100	
Andrew Lloyd <sup>(4)</sup>	276	32	357	15	100	-	780	674	- -	
Ran Jedwin Gervasio <sup>(5)</sup>	-	-	-	-	-	-	-	-	- -	
<b>Non-executive Directors</b>										
Tan Cheng Eng	-	95	-	-	-	-	95	95	- -	
David Grey	-	70	-	-	-	-	70	70	- -	
Balachandran Nair	-	65	-	-	-	-	65	65	- -	
Michael Philip White	-	56	-	-	-	-	56	56	- -	
Wan Oon Kee	-	44	-	-	-	-	44	44	- -	
Lee Chee Wai	-	41	-	-	-	-	41	41	- -	
	562	435	777	51	100	86	2,011	1,900	100 100	

**Corporate Governance Report**

For the financial year ended 31 December 2019

Key Management Personnel

	2019	Basic salary <sup>(1)</sup>	Benefits- in-kind	Bonus	Fair value of share options granted <sup>(5)</sup>	Total
≥\$1,000,001	Tracy	45%	43%	3%	9%	100%
– \$1,250,000	Phung					
≥\$500,001	Ran	41%	44%	3%	11%	100%
– \$750,000	Jedwin Gervasio					
	<sup>(5)</sup>					
≥\$250,000	Abdul	43%	45%	2%	9%	100%
– \$500,000	Rahmat, Raju Samy, Henry Heng					

The total remuneration paid to the top five key management personnel for the financial year was \$4.12 million (2018: \$4.05 million). All key management personnel have achieved the target performance indicators and are eligible for bonus payout. There was no payment of any termination, retirement and post-employment benefits for the financial year.

*Denotes:*

- <sup>(1)</sup> Includes allowances and contributions to Central Provident Fund (where applicable).
- <sup>(2)</sup> Refers to the expense on share options granted to the executive directors/senior management recognised in the financial statements.
- <sup>(3)</sup> Includes fees paid/payable for directorship in subsidiary/subsidiaries.
- <sup>(4)</sup> Resigned as a director on 5 January 2020. In appreciation of Mr Andrew Lloyd's service to the Group for the past 15 years, the Board approved the payment of \$100,000 as termination benefits to him.
- <sup>(5)</sup> Refers to the total fair value of share options granted to the executive directors/senior management during the financial year. The fair value of the options was estimated using the Binomial Option Pricing model.
- <sup>(6)</sup> Joined the Group as a key executive on 1 March 2017 (upon the acquisition of PwC Components (Philippines) Pte Ltd) and was appointed as a director of PwC Holdings Ltd on 27 February 2020.

## Corporate Governance Report

For the financial year ended 31 December 2019

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### CG Provision 8.2

The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S\$100,000 during the year, in bands no wider than S\$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

### Disclosure on Remuneration of employees who are substantial shareholder of the company, or immediate family members of a director, the CEO or substantial shareholder of the company

CG  
Provision  
8.2

Ms Ang Sue-Anne, the daughter of Mr Ang Boon Chew, the CEO and an Executive Director of PwC Holdings Ltd, was employed by PwC Property (Singapore) Pte Ltd, a subsidiary of the Group, as a Financial Controller and has received remuneration comprising salary and annual bonus amounting to \$168,000 in that capacity during this financial year.

## Risk Management and Internal Controls

### Principle 9

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

### CG Provision 9.1

The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board (through the Audit Committee and the Risk Committee) approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

CG  
Principle 9

## Corporate Governance Report

For the financial year ended 31 December 2019

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### Risk Committee

The Risk Committee consists of the following three Directors:

- Madam Wan Oon Kee (Committee Chairman)
- Mr Lee Chee Wai
- Dr Ran Jedwin Gervasio

CG  
Provision  
1.4 and 9.1

The Risk Committee assists the Board in its oversight of risk management. The Risk Committee is independent from management.

The Group Risk Management Framework, approved by the Board, is aligned with the ISO 31000:2018 Risk Management framework and the Committee of Sponsoring Organisations of the Treadway Commission (COSO) 2017 Enterprise Risk Management – Integrated Framework.

### Roles and Responsibilities of the Risk Committee

The Risk Committee has written Terms of Reference which is endorsed by the Board and sets out the Committee's duties and responsibilities. During the meetings of the Risk Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its terms of reference, which include the following:

CG  
Principle 9,  
CG  
Provision  
1.4 and 9.1,  
CG Practice  
Guidance 9

- reviews and recommends updates to the Group's risk governance approach, Risk Management Framework and core risk management process;
- reviews the significant strategic, financial, operational, regulatory/ compliance, and information technology risks of the Group, and conducts horizon scanning to further identify emerging risks in these categories;
- reviews Management's assessment of risks and Management's action plans to mitigate such risks;
- supports the Board in the setting of risk appetite for top risks;
- reviews reports of any material breaches of risk tolerances;
- reports to the Board and the Audit Committee on matters, findings and recommendations relating to risk management;
- reviews the adequacy and effectiveness of the Group's risk management systems; and
- reviews, together with the Audit Committee, the adequacy and effectiveness of the Group's internal controls addressing financial, operational, regulatory/ compliance and information technology risks.

## Corporate Governance Report

For the financial year ended 31 December 2019

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### Management's Responsibility in Risk Management

Management is responsible for adequately designing, implementing and monitoring the risk management and internal control systems in accordance with the policies on risks management and internal controls. The Group has a Risk Manager who co-ordinates the Group's risk management efforts.

SID BRC  
Guide  
Appendix  
1C

The strategic planning cycle is conducted at the beginning of each financial year to identify risk relevant to the business of the company. Having identified the risks arising from strategic business objectives, mitigating actions are designed to manage each significant risk. Management will also promptly bring to the attention of the Board if any changes to risk or emerging risks are identified. Information such as the types of risks, the controls and processes for managing risks is subsequently summarised in a Group Risk Register, which is reviewed by Management, the Risk Committee and the Audit Committee.

Management also conducted an annual training on risk management and a risk discussion forum to heighten risk awareness for staff at middle management level. Management is responsible for day-to-day monitoring of these risks and highlighting significant events arising thereon to the Risk Committee and the Board.

### Risk Appetite and Risk Tolerance

At the start of every financial year, the Board establishes the risk appetite of the Group, having considered the extent of risk which needs to be taken to achieve its strategic objectives. Risk tolerance limits are then established by Management under the Risk Committee's guidance for the different classes of risk. Subsequently, Management monitors the extent of risk the Group is exposed to through a set of Key Risk Indicators agreed with the Risk Committee. Breaches of risk tolerance limits are escalated to the Risk Committee, and where relevant the Audit Committee, for their direction on how the risk management strategy should be adjusted.

CG  
Principle 9,  
Provision  
9.1

SID BRC  
Guide 4.4

### Risk Identification, Assessment Management and Monitoring process

The Risk Committee conducted four dialogue sessions with management to understand the process to identify, assess, manage and monitor risks within the Group. At Risk Committee meetings held during the year, the Risk Committee provided feedback to Management on its proposed top risks, risk treatment plans and actual performance against agreed Key Risk Indicators (KRIs). The top risks identified for the Group for the financial year are as follows:

CG  
Provision  
9.1 and  
10.1(b),

SGX  
Mainboard /  
Catalist  
Listing Rule  
719(1)

- Financial – Investment asset risk and credit risk;
- Operational – Supply chain risk;

## Corporate Governance Report

For the financial year ended 31 December 2019

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- Compliance – Telecommunication Act, Workplace Safety and Health Act and Personal Data Protection Act;
- Information technology – Cyber Security and Data Protection.

In assessing emerging risks for the Group over a horizon of five years, the Risk Committee has identified the following key risks:

- Supply chain and market risks amidst on-going trade wars;
- Regulatory risks as the Group ventures into emerging economies;
- Cyber threats as the economy moves towards a hyper connected digital future.

In addition, the Risk Committee also engaged an external risk management consultant, ABC LLP, during the year to conduct an independent review on the effectiveness, adequacy and robustness of the Group's risk management policies and processes and to make recommendations to enhance the internal controls over the risk management process. Adequacy and effectiveness of the Group's risk management framework and systems, identify gaps with leading practices, and recommend how such gaps may be remediated.

Management presented semi-annual reports to the Risk Committee and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:

- assessment of the Group's key risks by major business units and risk categories;
- identification of specific risk owners who are responsible for the risks identified;
- description of the processes and systems in place to identify and assess risks to the business

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them.

- and how risk information is collected on an ongoing basis;
- ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps;
- status and changes in plans undertaken by management to manage key risks; and
- description of the risk monitoring and escalation processes and also systems in place.



## Corporate Governance Report

For the financial year ended 31 December 2019

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### Risk Response

The Board has reviewed and approved the business continuity plan to deal with events that can cause business operational disruptions such as information technology failures and loss of business premises so as to mitigate the negative impact on the Group's operations.

SID BRC  
Guide 4.11

The approved plan was endorsed by the Risk Committee which addressed the following:

- identification of critical business functions and their operational arrangement;
- impact on the closure of business operation sites and availability of alternate offices;
- communication with business partners on revised operational protocols;
- measures to reduce spread of a pandemic outbreak;
- crisis management procedures; and
- business continuity plans.

Management has conducted semi-annual tests on the business continuity plan and reported the results of these tests to the Board and the Audit Committee.

### Commentary on Adequacy of the Group's Internal Controls

The Board with the assistance of the Risk Committee and the Audit Committee, has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems (addressing financial, operational, regulatory/ compliance and information technology risks). The assessment considered issues dealt with in reports reviewed by the Risk Committee, the Audit Committee and the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year ended 31 December 2019.

SGX  
Mainboard  
Listing Rule  
610(5) and  
719(1) /  
SGX  
Catalist  
Listing Rule  
407(4)(b)  
and 719(1)

## Corporate Governance Report

For the financial year ended 31 December 2019

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The Board's annual assessment in particular considered:

- the changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the system of internal controls and the work of its internal audit function and other providers of assurance;
- the extent and frequency of the communication of the results of the monitoring to the Risk Committee and the Audit committee; and
- any incidence of significant internal controls weaknesses that were identified during the financial year.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the view that the Group's internal controls including financial, operational, compliance and information technology controls, were adequate and no material weaknesses were identified as at 31 December 2019.

### CG Provision 9.2

The Board requires and discloses in the company's annual report that it has received assurance from:

- (a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

The Board has obtained written assurance from the CEO and CFO:

- a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- b) regarding the effectiveness of the Group's risk management and internal control systems.

CG  
Provision  
9.2

## Corporate Governance Report

For the financial year ended 31 December 2019

### Audit Committee

#### Principle 10: Audit Committee

The Board has an Audit Committee ("AC") which discharges its duties objectively.

#### CG Provision 10.1

The duties of the AC include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;
- (c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;
- (d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;
- (e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and
- (f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

SGX  
Mainboard  
Listing Rule  
210(5)(e) /  
SGX  
Catalist  
Listing Rule  
406(3)(e)

### Roles and Responsibilities of the Audit Committee

The Audit Committee has written Terms of Reference, approved by the Board, which sets out its composition, authority and duties. The Audit Committee is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and cooperation of management, with full discretion to invite any director or executive officer to attend its meetings.

CG  
Principle 10,  
CG  
Provisions  
1.4 and 10.1

**Corporate Governance Report**

For the financial year ended 31 December 2019

During the meetings of the Audit Committee held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
- reviewing the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually;
- reviewing the adequacy, effectiveness and independence of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
- reviewing the scope, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditor;
- reviewing the external auditor's audit plan, audit report and the external auditor's evaluation of the system of internal accounting controls with the external auditor, as well as the assistance given by management to the external auditor;
- reviewing the nature and extent of the external auditor's non-audit services to the Group as well as the extent of reliance placed by the external auditor on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
- making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor;
- reviewing the quarterly, half-yearly and full-year financial reports of the Group, prior to their submission to the Board; and
- coordinate with the Risk Committee on its oversight on risk management matters.
- reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

**Guidance notes****Financial Matters - AC commentary**

1. Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and the Singapore Exchange ("SGX") have jointly issued a letter to Audit Committees ("ACs") of all Singapore listed companies, in relation to the inclusion of commentary from ACs on key financial reporting matters. ACs are encouraged to make such disclosure in the annual report.

Provision  
10.1(a)

**Corporate Governance Report**

For the financial year ended 31 December 2019

**Financial Matters**

In its review of the financial statements, the Audit Committee has discussed with management the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were reviewed by the Audit Committee and discussed with the management and the external auditor:

<b>Significant Matter</b>	<b>How the Audit Committee reviewed these matter</b>
Impairment assessment on goodwill	<p>The Audit Committee considered the approach and methodology applied to the valuation model in goodwill impairment assessment. The Audit Committee also reviewed the reasonableness of the gross margin, weighted average growth rate and discount rate and concurred with management regarding the estimates.</p> <p>The impairment assessment of goodwill was also included by the external auditor as a key audit matter in its audit report for the financial year ended 31 December 2019.</p>
Revenue recognition and provision for onerous loss-making specialised equipment contracts	<p>The Audit Committee considered the approach and assessed the reasonableness of management's estimated total contract cost to complete the contracts. Based on its understanding of the various contracts including discussions with the project managers for certain larger contracts, the Audit Committee was satisfied that management had adopted and consistently applied appropriate accounting treatment in the financial statements to ensure that revenue and provision for onerous contracts were recorded appropriately.</p> <p>This matter was also an area of focus for the external auditor and reported as a key audit matter in the independent auditor's report for the financial year ended 31 December 2019.</p>
Adoption of SFRS(I) 16 Leases	<p>The Audit Committee considered the new controls and processes relating to the application of SFRS(I) 16 and the significant judgement applied by management in determining whether facts and circumstances created economic incentive for lease extension options to be exercised. Based on its understanding of the various lease agreements, the importance of the leased assets to the Group's business, historical lease periods for similar assets and the cost of obtaining replacement assets, the Audit Committee was satisfied that management had applied appropriate accounting treatment in the financial statements to ensure that the right-of-use assets and lease liabilities were recorded appropriately.</p> <p>The adoption of SFRS(I) 16 was also an area of focus for the external auditor and reported as a key audit matter in the independent auditor's report for the financial year ended 31 December 2019.</p>

**Corporate Governance Report**

For the financial year ended 31 December 2019

**Independence of external auditors**

The AC assesses the independence of the external auditors annually. The aggregate amount of fees paid for the external auditors of the Group for the financial year ended 31 December 2019 was:

CG  
Provision  
10.1(d) and  
10.1(e),  
CG Practice  
Guidance  
10

	\$'000
Audit fees	850
Non-audit fees	335
Total fees	1,185

The Audit Committee has reviewed the non-audit services rendered by the external auditors for the financial year ended 31 December 2019 as well as the fees paid, and is satisfied that the independence of the external auditors have not been impaired.

**Whistle Blowing**

The Group has a zero tolerance approach for unethical practices, as set out in its Code of Ethics. The Group has a whistle-blowing policy in place which encourages the reporting of matters of fraud, corruption or dishonest and unethical practices. The whistle blowing policy is communicated to all staff and covered during staff training. The whistle-blowing policy also extends to the public who wish to report similar matters to a hotline and the Group's website that is independently managed by an external service provider.

CG  
Provision  
10.1(f)

The Group undertakes to investigate complaints of suspected fraud and unethical behaviour in an objective manner and has put in place, with the Audit Committee's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. All such investigations are undertaken by a Compliance Manager who reports his findings directly to the Chairman of the Audit Committee.

**Corporate Governance Report**For the financial year ended 31 December 2019

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**Interested Person Transactions**

The Audit Committee reviewed the Group's Interested Person Transactions ("IPT") to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders. The Audit Committee is satisfied that there were no material contracts involving the interests of the CEO, Directors or the controlling shareholders and their subsidiaries.

Management reported that the internal control procedures for determining the transaction prices of IPT had not changed since the date of the last Annual General Meeting, at which time the shareholders' mandate for IPT was last renewed. The Audit Committee is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPT was effective. Management accordingly recommended that the Company not appoint an independent financial advisor to review the IPT methods and procedures in the current financial year. Pursuant to the provisions under SGX-ST Listing Rule 920(1), the Audit Committee concurred with management's recommendations.

**CG Provision 10.2**

The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

The Audit Committee comprises the following Directors:

Mr Balachandran Nair (Committee Chairman)  
Mr Tan Cheng Eng  
Mr David Grey  
Mr Michael Philip White  
Madam Wan Oon Kee

CG  
Principle 10,  
CG  
Provision  
10.2

All the members of the Audit Committee including the Chairman are non-executive directors. Except for Mr David Grey who was an Executive Director of PwC Global Limited, the ultimate holding corporation of the Group, all members are independent. As a sub-committee of the Board, the Audit Committee is responsible for assisting the Board in discharging its statutory and other responsibilities relating to internal controls, financial and other accounting matters as well as matters pertaining to regulatory compliance.

## Corporate Governance Report

For the financial year ended 31 December 2019

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The Board is of the view that all the members of the Audit Committee are appropriately qualified to discharge their responsibilities. Two members of the Audit Committee, namely Mr Michael Philip White and Mr Tan Cheng Eng, as well as the Audit Committee Chairman Mr Balachandran Nair, have recent and relevant financial management expertise and experience. One of the Audit Committee members, Mr Michael Philip White is knowledgeable about Information Technology ("IT") systems and controls.

CG  
Provision  
1.4

During the year, the Audit Committee attended at least eight hours of trainings organised by management and also attended external seminars on financial, corporate governance, regulatory and other business related topics.

### CG Provision 10.3

The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

None of the members nor the Chairman of the Audit Committee are former partners or directors of the Group's auditing firm.

CG  
Provision  
10.3

### CG Provision 10.4

The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.



**Corporate Governance Report**

For the financial year ended 31 December 2019

**Internal Audit Department (“IAD”)**

The IAD provides assurance to the Board and Audit Committee, based on internal audit activities it undertakes, over the adequacy and effectiveness of the Group’s internal controls. The Head of IAD has a direct and primary reporting line to the Chairman of the Audit Committee. The appointment, assessment and compensation of the Head of IAD are approved by the Audit Committee. Overall, the Audit Committee is satisfied that IAD as a function continues to be effective, adequately resourced, and independent of all activities which it audits.

CG  
Principle 10,  
CG  
Provision  
10.1 (e) and  
10.4

The Group recruits and employs qualified professional staff in the IAD. The IAD staff are provided regular training and development opportunities to ensure that technical knowledge and internal audit skills are maintained.

SGX  
Mainboard  
Listing Rule  
719(3) and  
1207(10C) /  
SGX  
Catalist  
Listing Rule  
719(3) and  
1204(10C)

The Head of IAD reports to the Audit Committee on the nature and frequency of training and seminars attended by the IAD staff to enhance their skill sets in specialised areas and professional Internal Auditing standards.

Where outsourced internal audit services are required to supplement the internal audit work for the financial year, the appointment of the service provider to perform such services is approved by the Audit Committee. The internal audit charter ensures IAD has full access to all documents, records, properties and personnel of the Group.

The IAD is a corporate member of the Singapore Chapter of the Institute of Internal Auditors (“IIA”) and adopts the International Standards for the Professional Practice of Internal Auditing laid down by the IIA. The 2013 COSO Internal Control Framework was used to assess the effectiveness of internal controls as set out below:

1. Control Environment: The nature of the Group’s control environment has a pervasive effect on IAD’s assessment of risks. IAD assessed the design of the various elements in the control environment to determine the strength of the foundation for all other components of internal control and made appropriate recommendations for improving the control environment. IAD has considered the following elements (which have a pervasive effect) and how they have been incorporated into the Group’s processes:
  - Communication and enforcement of integrity and ethical values
  - Commitment to competence
  - Participation by those charged with governance
  - Management’s philosophy and operating style
  - Organisational structure
  - Assignment of authority and responsibility
  - Human resource policies and practices

## Corporate Governance Report

For the financial year ended 31 December 2019

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2. Risk Assessment: IAD performed a risk assessment process of Group's various operations and identified the relevant risks and their significance and assessed their likelihood (including consideration of the results from the risk management process). CG  
Provision  
10.1(e)
3. Control Activities & Information and Communication: IAD assisted the Group in maintaining effective control by evaluating the effectiveness and efficiency of processes, in particular the adequacy of internal controls over initiation, processing, recording, authorisation of transactions, physical security controls, user access controls, segregation of duties and performance reviews. IAD also obtained an understanding of how the Group has responded to risks arising from information technology and assessed the adequacy of automated application controls.
4. Monitoring of controls: IAD observed that Management adequately monitored internal controls as part of the control activities noted above, especially in processes, people and systems.
- The Audit Committee approves the internal audit plan and budget and ensures the adequacy of internal audit resources during the first Audit Committee meeting each year. The scope of IAD covers all business and support functions within the Group. Associates and joint ventures are also subject to internal audit on a regular basis, either by IAD or by their own internal audit departments (the adequacy of which is reviewed regularly by IAD).
- During the financial year, IAD conducted its audit reviews based on the internal audit plan approved by the Audit Committee. Upon completion of each audit assignment, IAD reported its findings and recommendations to management who would respond on the actions to be taken. IAD submitted quarterly internal audit summary reports to the Audit Committee on the status of the audit plan and on audit findings and actions taken by management on the findings.

## Corporate Governance Report

For the financial year ended 31 December 2019

### CG Provision 10.5

The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

The Audit Committee held seven meetings during the financial year. These meetings were attended by the CEO, CFO, Head of Internal Audit Department ("IAD") and the Risk Manager at the invitation of the Audit Committee. The Group's external auditor was also present at the relevant junctures during these meetings. The Audit Committee has also met the external and internal auditors, without any executive of the Group being present, twice during the financial year to:

CA201B(6)

CG  
Provision  
10.5

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for major audit adjustments and issues; and
- inquire if there are any material weaknesses or control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements as well as over other operational, compliance and information technology areas.

## (D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 11

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

### CG Provision 11.1

The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.

## Shareholder Rights

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

The Group strongly encourages shareholder participation during the Annual General Meeting ("AGM") which is held in a central location in Singapore. Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters. Resolutions are passed through a process of voting by electronic polling and shareholders are entitled to vote in accordance with established voting rules and procedures. The poll results in favour and against for each resolution put forth are presented during the AGM.

Registered shareholders including corporations, who are unable to attend the AGM are provided the option to appoint a nominee or custodial services to appoint more than two proxies. This allows shareholders who hold shares through corporations to attend and participate in the AGM as proxies.

CG  
Principle 11,  
SGX  
Mainboard /  
Catalist  
Listing rule  
703(1)(b)

CG  
Provision  
11.1, SGX  
Mainboard /  
Catalist  
Listing Rule  
730A

### CG Provision 11.2

The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

CG  
Provision  
11.2

### CG Provision 11.3

All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.

## Corporate Governance Report

For the financial year ended 31 December 2019

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At each Annual General Meeting, the Chairman of the Board presents the progress and performance of the Group and encourages shareholders to participate in the Question and Answer session. The external auditor is present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

CG  
Provision  
11.3

All directors are present at Annual General Meetings, and other general meetings held by the Company if any, to address shareholders' queries. Appropriate members of Management are also present at general meetings to address operational questions from shareholders which may arise.

CG  
Provision  
11.3

### **CG Provision 11.4**

The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or appoint a nominee or custodial services to appoint more than two proxies.

CG  
Principle 11,  
CG  
Provision  
11.4

### **CG Provision 11.5**

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

Minutes of the discussion at the AGM are available on the Company website at [www.pwcholdings.com.sg/investorrelations/minutes](http://www.pwcholdings.com.sg/investorrelations/minutes)

### **CG Provision 11.6**

The company has a dividend policy and communicates it to shareholders.

## Corporate Governance Report

For the financial year ended 31 December 2019

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### Dividend Policy

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group declares annual dividends at the rate of approximately 30-60% of the net profit after tax in accordance with the consolidated financial statements. This is provided that the amount of dividend declared does not exceed the Group's retained earnings. In the event that the financial statements show a retained loss, a dividend will not be declared.

CG  
Provision  
11.6

SGX  
Mainboard  
Listing Rule  
704(24)/  
SGX  
Catalist  
Listing Rule  
704(23)

#### Principle 12: Engagement with Shareholders

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

##### CG Provision 12.1

The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.

##### CG Provision 12.2

The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

##### CG Provision 12.3:

The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.

The directors and Management regularly engage shareholders to hear their views on matters affecting the company.

CG  
Principles  
11 and 12

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. Briefings for the quarterly and full year results are conducted for analysts and the media following the release of the results via SGXNET. Presentations are made, as appropriate, to explain the Group's strategy, performance and major developments. All analysts' and media briefing materials are made available on SGXNET and on the Company's website [www.pwcholdings.com.sg](http://www.pwcholdings.com.sg) for the information of shareholders.

CG  
Provision  
11.1 and  
12.2

The Group has a dedicated investor relations team which communicates with its shareholders and analysts on a regular basis and attends to their queries or concerns. The team also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and acts as a liaison point for such entities and parties. Shareholders can avail themselves of a telephone or email feedback line that goes directly to the Group's investor relations team. Material information is published on SGXNET and on the Company's website [www.pwcholdings.com.sg](http://www.pwcholdings.com.sg), and where appropriate, through media releases on a timely basis.

CG  
Provisions  
12.1, 12.2  
and 12.3

In addition, the Group proactively engages shareholders through one-on-one meetings, conference calls, investor conferences and road shows. Over the past financial year, the Group met with investors in over ten meetings. In these meetings, matters pertaining to business strategy, prospects, operational and financial performance were shared by Management without contravening SGX's policy on selective disclosure.

CG  
Provision  
12.3

## Corporate Governance Report

For the financial year ended 31 December 2019

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### Principle 13: Engagement with Stakeholders

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

#### CG Provision 13.1

The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

#### CG Provision 13.2

The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

#### CG Provision 13.3

The company maintains a current corporate website to communicate and engage with stakeholders.

The Board recognises the interests of other parties such as customers, employees, suppliers and the larger community are essential as part of value creation for the Group. The Group has in place a process to identify the major stakeholders, their needs and effective communication channels to engage these stakeholders.

CG  
Provisions  
13.1 and  
13.2

The Group key focus areas during the reporting period are ensuring customer satisfaction, enhancing employees' well-being, engaging in responsible and ethical business practices, managing supply chain sustainability and contributing to community development.

The Group engages with the key stakeholders through various means. Full details of the Group's strategy, areas of focus, methods of engagement and stakeholders' response can be found in our annual Sustainability Report 2019/20 available on the corporate website [www.pwcholdings.com.sg/stakeholders/sustainability](http://www.pwcholdings.com.sg/stakeholders/sustainability). Some of our key engagement activities undertaken during the reporting period are as follows:

CG  
Provision  
13.3

- i. Various channels (emails, customer service hotline and social media) are provided for customers to feedback on service standards.
- ii. Annual surveys and sharing sessions are conducted to collect feedback from employees on matters such as improving work life balance at the workplace.



## Corporate Governance Report

For the financial year ended 31 December 2019

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For engaging in responsible and ethical business practices, the Group's code of ethics is extended to the suppliers to ensure suppliers understand the Group's principles and comply with the standards the Group operate by.

Feedback is gathered from the suppliers through dialogues and surveys. The Group also actively work with the suppliers to reduce its environment footprint. Lastly, the Group contributes to the larger community through programmes such as staff volunteering and donation drives, hosting of industry symposiums and having dialogue sessions with trade unions.

Stakeholders can also reach out to the Company through telephone or email feedback line found on our corporate website [www.pwcholdings.com.sg/contactus](http://www.pwcholdings.com.sg/contactus) that goes directly to the Group's public relations team.

### Summary of Changes between the 2012 and the 2018 Corporate Governance Code

The 2018 Code of Corporate Governance was released by MAS on 6 August 2018, and will take effect for financial years commencing from 1 January 2019. For changes in the SGX Listing Rules relating to Board composition, a longer three year transition period has been stipulated, to provide companies more time to make the necessary changes. In summary, the changes arising from the 2017-2018 Code review exercise include:

### Overall Changes

- Recalibration of "Comply or explain" regime to make Code Principles mandatory, and require more thoughtful disclosure where companies have not adopted Code Provisions
- New 'Introduction' section to the Code
- New Practice Guidance of better practices which complement the Code
- Removal of the Disclosure Guide to the Code
- Code length halved through shifting Provisions into the SGX Listing Rules and Practice Guidance

## Corporate Governance Report

For the financial year ended 31 December 2019

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### Board Matters

- One-third Independent Directors now mandatory under the SGX Listing Rules
- The Code further provides that the Board should comprise a majority of Non-Executive Directors, or where the Chairman is not independent, a majority of Independent Directors
- Directors seeking appointment/ re-appointment as Independent Directors beyond nine years will be subject to two-tier voting
- Of the seven tests of director independence in the 2012 Code, four have been moved to the SGX Listing Rules, and two to Practice Guidance
- Shareholding threshold reduced from 10% to “substantial shareholder” (currently 5%) in the context of director independence
- The Code now provides that Boards should have and disclose a Board diversity policy
- Age added as an aspect of diversity
- The requirement for first-time directors of listed entities to undergo training as well confirming that the prescribed training has been undertaken is now mandatory under the SGX Listing Rules

### Remuneration and Other Matters

- The Code now provides that companies should disclose the relationship between remuneration, performance and value creation
- Beyond employees who are immediate family members of directors and the CEO, the Code now provides that the remuneration of substantial shareholders and their immediate family members who are employees should be disclosed, although the monetary threshold has been raised from \$50,000 to \$100,000
- The requirement that companies need to maintain an internal audit function that is adequately resourced, effective and independent of the activities it audits is now mandatory under SGX Listing Rules
- The Board is now required to comment on the adequacy and effectiveness of both internal control and risk management systems, and in reviewing such, should obtain assurance from the CEO and other key management personnel responsible. A statement on whether the AC concurs with the Board's comments must also be provided.
- Disclosure of reasons for not paying dividends has been made mandatory under the SGX Listing Rules
- New Principle 13 ‘Engagement with Stakeholders’ included in the code

# Sustainability Report

Environmental, Social and Governance Performance



# Sustainability Report 2019

For the financial year ended 31 December 2019

## Guideline 1

In June 2016, in line with the finalised Singapore Stock Exchange sustainability reporting guidelines, all listed companies must produce a sustainability report on a 'comply or explain' basis within 5 months of the financial year. Companies that are reporting for the first time are given up to 12 months from the end of the financial year to publish their first sustainability report.

The sustainability report should comprise of five key components:

### Sustainability Reporting Framework

Selection of a reporting framework (or frameworks) to guide its reporting and disclosure.

The company should explain its reasons for choosing the framework(s) and provide a general description of the extent of the company's application of the framework(s). Using an internationally recognised or industry relevant framework, such as the Global Reporting Initiative (GRI), will enhance acceptance and comparability.

### Material Environmental, Social, and Governance (ESG) Factors

Identification of material ESG factors, explaining the reason for their selection and a description of the selection process, taking into consideration their relevance to business strategy, business model and key stakeholders. It is not necessary to include, as a primary component, the consultation with the stakeholders.

### Policies, Practices and Performance

Policies, practices and performance of the company in relation to each of the material ESG factors in both descriptive and quantitative information. Performance should be discussed in the context of any previously disclosed targets.

### Targets

The report should include targets for the forthcoming year for each material ESG factor identified.

### Board Statement

The sustainability report should contain a statement from the Board on describing its role in considering sustainability issues as part of its strategic formulation, in determining the material ESG factors and overseeing the management and monitoring of the material ESG factors.

A statement from the Board, stating that the sustainability report complies with the primary component is not required.

**The following section provides a sample sustainability report that meets the basic requirements of the new SGX guidelines.**

# Sustainability Report 2019

For the financial year ended 31 December 2019

## Board Statement

The PwC Holdings Ltd Board of Directors has assigned responsibility for overseeing the company's sustainability initiatives to the Board's Committee on Directors and Corporate Governance. The Board has always been committed to sustainability and fully supports the adoption of the new SGX sustainability reporting guidelines. Stakeholders have expressed approval and appreciation for the Group's transparency and accountability in this area.

Throughout the year, the Committee and company management reviewed the company's sustainability objectives, challenges, targets and progress. The PwC Holdings Ltd Board of Directors receives frequent reports from management about the company's sustainability initiatives and financial reporting and economic performance. These issues are the subject of active discussion at Board meetings and Board committee meetings.

The 2019 Sustainability Report is our 3rd sustainability report, and continues to reflect the Group's performance as well as the company's strategy and vision for the future. As a leading manufacturer and retailer of electrical components and furniture, we recognise that we must conduct our operations in a manner that considers the environmental and social impact to ensure the success and longevity of the business. We are committed to being transparent, candid and open about our business, and this report is a reflection of that commitment.

The Committee believes this document is a reasonable and clear presentation of the company's plans and of its environmental, social and financial performance. The Board has emphasised that management will continue to be evaluated by its success in executing the company's strategic plan to meet stakeholders' and the Board's expectations, including being agile in responding to changing circumstances while respecting the commitments in this report.

## Message from our CEO

At PwC Holdings Ltd, we have a pragmatic approach to sustainability. We focus on identifying and putting into practice initiatives and programs that deliver real-world and lasting benefits under the three areas of our sustainability strategy. These areas – 'Maintaining a sustainable supply chain', 'Minimising our environmental footprint', 'Caring for our people' – are not confined to our sustainability program; they apply to all that we do at PwC Holdings Ltd. They are what we think about in our day-to-day operations and business and are fundamental to the way we approach our longer-term objectives.

Today, several of the global challenges the world faces directly or indirectly impacts every industry. They include climate change, population growth, urbanisation and the shortage of natural resources and raw materials. Sustainable products and services will be essential for the world in addressing these challenges and provide us with a competitive edge if we can continue to succeed within this field. Striving to reach our vision we will drive product and service development, advance our position and capture market share, while helping to change the world and enabling it to move in a more sustainable direction.

SGX-ST  
Practice  
Note 7.6:  
4.1(v)

GRI  
disclosures:  
GRI 102-11  
GRI 102-14

# Sustainability Report 2019

For the financial year ended 31 December 2019

In FY19, we continued to build on the sustainability successes of past years, and increased our efforts in ensuring a sustainable supply chain. Early in 2019, PwC Holdings Ltd introduced a new supplier assessment matrix which we applied to all our existing suppliers. The supplier assessment matrix requires our suppliers to disclose to us their current performance based on the same ESG factors that we have adopted in 2016, as well as any measures they are taking to improve their performance in the coming years. Suppliers that do not meet the minimum threshold that we have set will be dropped off our supply chain, and thus demonstrates our commitment to ensuring that our business partners are also committed to the sustainability agenda.

We're always innovating and improving to manufacture products that are both valuable to our customers and more sustainable. The intersection of sustainability and innovation includes improving our internal operations. New process innovations – like using combined heat and power for alternative energy – are reducing the environmental impact of our manufacturing facilities. On the manufacturing side, we continue to invest in research at the intersection of sustainability and innovation. Apart from adopting energy efficient technologies in all our existing plants in 2018, we are also pleased to announce that we are currently in discussions with our largest customers to explore potential partnerships in recycling used electrical components. Our target is to launch the recycling project by early FY2020, and reduce our total product waste output by 20% by 2021.

It is clear that corporations have a responsibility to deliver the most responsible products, to solve global issues, and to play a key role in changing consumer behaviour. I believe our industry and PwC Holdings Ltd, in particular, can be a positive force for change, as well as an engine of economic growth and social development, and that we have a great opportunity to be champions of better responsible business.

## Mr Ang Boon Chew

Chief Executive Officer

## About this Report

### Reporting period

This report, which is produced annually, covers the reporting period from 1 January 2019 to 31 December 2019 (Financial Year 2019, or FY19), unless otherwise stated. For selected performance indicators that have been historically tracked, we have included data from the past three years.

This is our third Sustainability Report and the fifth Communication on Progress since becoming a signatory to the United Nations Global Compact in September 2012. Our FY19 report was published on 1 March 2019.

A soft copy of the report can be downloaded on our website. Any queries or comments regarding our sustainability report can be addressed to

[Isabelle.Siry@pwcholdings@sg.com](mailto:Isabelle.Siry@pwcholdings@sg.com)

GRI disclosures:  
GRI 102-12  
GRI 102-48  
GRI 102-50  
GRI 102-51  
GRI 102-52  
GRI 102-53

# Sustainability Report 2019

For the financial year ended 31 December 2019

## Scope

This report covers the operations of PwC Holdings Ltd in Singapore, Philippines and China only as these operations generate the majority of revenue, and therefore largest impact, for the business. Any other omissions have been stated in the relevant sections.

GRI disclosures:  
GRI 102-4  
GRI 102-49

## Audience

This report is distributed to both internal and external stakeholders. They include employees, customers, industry groups, investors, governments, media and communities.

## Framework and assurance

This report has been prepared in accordance with the GRI Standards: Core option. We engaged PwC Right Service Pte. Ltd. to provide limited assurance over selected disclosures within the FY19 Sustainability Report and the assurance report can be found on our website.

GRI disclosures:  
GRI 102-4  
GRI 102-49

## Sustainability at PwC Holdings Ltd

At PwC Holdings Ltd, sustainability is at the heart of our business. As a major manufacturer and retailer, we are conscious of the impact we have in the countries we operate in. We engaged in extensive stakeholder consultations with our employees, customers, suppliers and regulatory bodies in 2015, seeking feedback from annual product surveys, staff engagement surveys and supplier feedback forms. We then developed a 5-year strategy that was launched at the start of 2016, which focused on deeply embedding sustainability in everything we do. Now, at the end of the third year of our 5-year plan, we are proud to share with you the results of our sustainability efforts in 2019 in the following key areas which form our core strategic pillars:

Strategic sustainability pillars	Minimising our environmental footprint	Caring for our people	Maintaining a sustainable supply chain
Commitment	We are committed to reducing our impact on the environment and managing our resources efficiently	We are committed to improving the well-being of our employees, customers and local communities	We are committed to ensuring our supply chain remains resilient and that our products are sourced ethically
Material aspects	<ul style="list-style-type: none"><li>• Product end-of-life</li><li>• Climate change</li><li>• Energy and emissions</li><li>• Waste management</li><li>• Water consumption and availability</li></ul>	<ul style="list-style-type: none"><li>• Customer satisfaction</li><li>• Employee satisfaction</li><li>• Employee training and development</li><li>• Employee health and safety</li><li>• Diversity and equal opportunity</li><li>• Public health and safety</li><li>• Community engagement</li></ul>	<ul style="list-style-type: none"><li>• Responsible sourcing</li><li>• Innovation</li><li>• Government regulations</li><li>• Social/political movements</li><li>• Ethical labour</li></ul>



**Sustainability Governance**

In 2015, PwC Holdings Ltd implemented a governance structure around corporate sustainability through the creation of an internal Sustainability Council. The Council consists of some of the top leaders and decision-makers from across the company and is sponsored by our CEO, Mr. Ang Boon Chew and Group Strategy Officer, Ms. Tan Chiew Ean.

GRI  
disclosures:  
GRI 102-18

The Council established the following goals and objectives:

- Ensure activities and decisions, including performance reporting align with our strategic plan and business objectives.
- Serve as champions of PwC Holdings' sustainability initiatives – seek opportunities to link sustainability with culture, values, business performance and material issues.
- Share work, best practices, and ideas to identify potential risks/opportunities and emerging issues/trends and collaborate in developing solutions and sustainability goals/objectives.
- Manage disclosure to achieve the right balance compatible with PwC Holdings' commitment to transparency, materiality and aligns with reporting guidelines.
- Accountability for accuracy of the information disclosed.

The Council also reflects our commitment to sustainability reporting – addressing stakeholder concerns by telling a balanced, accurate and complete story. Over the years, it is envisioned that the Council will be embedded in our business strategy, supporting our culture initiatives of strategic alignment and employee engagement, as well as, our continuous improvement efforts.

**Stakeholder engagement**

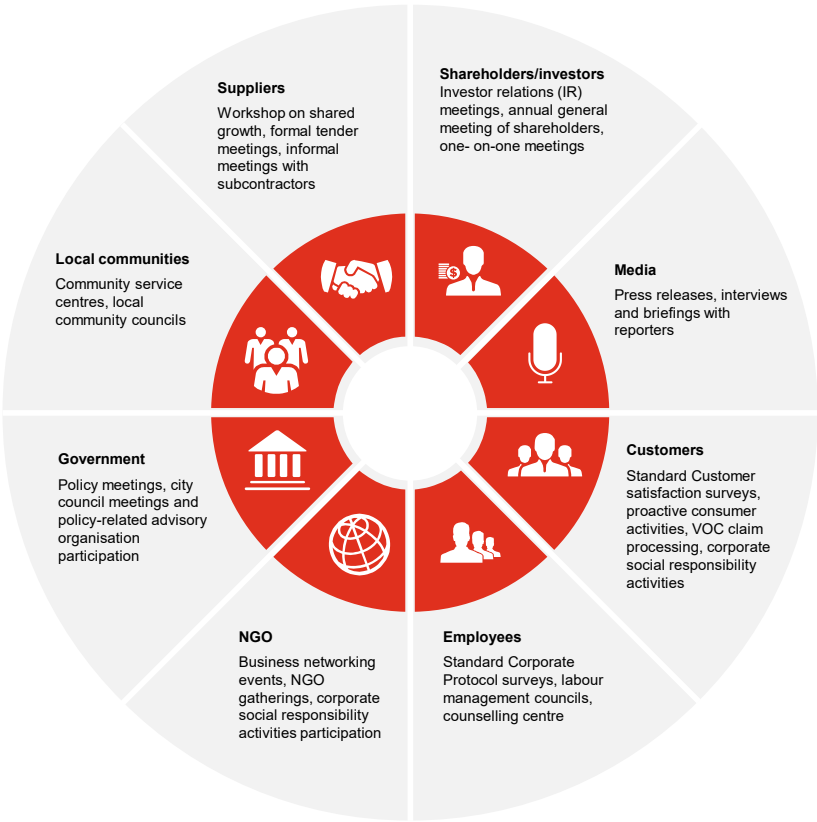
Engaging with stakeholders informs our decision-making, strengthens our relationships, and helps us deliver our commitments and succeed as a business. In order to achieve these goals, we recognise that we must work in partnership with other interested stakeholders who share our commitment and have a stake in our business.

GRI  
disclosures:  
GRI 102-40  
GRI 102-42  
GRI 102-43  
GRI 102-44

Going beyond what we can achieve in our own operations and with our suppliers, we are stepping up our engagement to work with governments, NGOs and others in our industry on these issues. We actively engage with governments, regulators, customers, suppliers, investors, and individual concerned citizens to create an environment that is supportive of solutions.

We identified our stakeholder groups following a stakeholder mapping exercise, done in accordance with the AA1000 Stakeholder Engagement Standard. Using a structured approach, stakeholders were mapped based on their level of influence and interest.







Taking care to match the appropriate communication channel with each group, PwC Holdings Ltd carefully considers each piece of feedback from stakeholders, and makes every effort to reflect lessons from the feedback in the company's future corporate policies and actions. In order to facilitate effective communication with stakeholders, we have created specialised communications department for various stakeholder groups. Each of these departments holds forums on a regular basis, responds to inquiries, conducts surveys and runs advisory groups for its particular group of stakeholders.



# Sustainability Report 2019

For the financial year ended 31 December 2019

In 2019, we continued to engage our key stakeholders through surveys and interviews, and have incorporated their feedback as follows.

Stakeholders	Major issues	Stakeholder feedback incorporated
<b>Shareholders/ investors</b> 	Ensuring compliance	<ul style="list-style-type: none"> <li>• Launch of a team tasked with monitoring suppliers' compliance with labour laws</li> <li>• Expansion of due diligence concerning suppliers</li> <li>• Supplier training</li> </ul>
	Environmental policy	<ul style="list-style-type: none"> <li>• Establishment of a water resource management policy</li> <li>• Assessment of water resource risks at facilities</li> <li>• Adoption of water resource reduction technologies</li> </ul>
<b>Employees</b> 	Workplace environment improvements	<ul style="list-style-type: none"> <li>• Assuring suitable work hours; work leave sessions providing education on the necessity of employee vacation days</li> </ul>
	Production facility conditions	<ul style="list-style-type: none"> <li>• Assurance of labour rights at production facilities</li> <li>• Strengthening of workplace safety teams that improve HSE Management</li> </ul>
<b>NGO</b> 	Supplier labour rights	<ul style="list-style-type: none"> <li>• Distribution of procedure for banning the hiring of underage employees</li> <li>• Routine monitoring for compliance</li> </ul>
	Environmental policy	<ul style="list-style-type: none"> <li>• Establishment of a biodiversity policy; appraisal of water resource-related risks and mitigation system adoption</li> <li>• measuring of GHG emission reduction; banning harmful materials in products</li> </ul>
<b>Government</b> 	Shared growth	<ul style="list-style-type: none"> <li>• Expansion of shared growth policy with major suppliers</li> <li>• Support system for supplier recruitment</li> <li>• Development of 'small but strong' support program</li> </ul>
	Strengthening workplace safety	<ul style="list-style-type: none"> <li>• Strengthening of teams in charge of workplace safety management</li> <li>• Strengthening of process improvement and diagnosis</li> </ul>
<b>Local communities</b> 	Ethical facility management	<ul style="list-style-type: none"> <li>• Establishment of collaboration councils in production communities</li> <li>• Improvement of chemical emissions/wastewater discharge</li> </ul>
	Contributions to local communities	<ul style="list-style-type: none"> <li>• Expansion of the Hope for Children program</li> <li>• Increase in corporate social contribution investment</li> </ul>
<b>Partners</b> 	Fair pricing	<ul style="list-style-type: none"> <li>• Purchase of raw materials for our suppliers to help manage material prices</li> </ul>
	Assistance of suppliers' recruitment	<ul style="list-style-type: none"> <li>• Holding job expos to help suppliers hire employees</li> </ul>

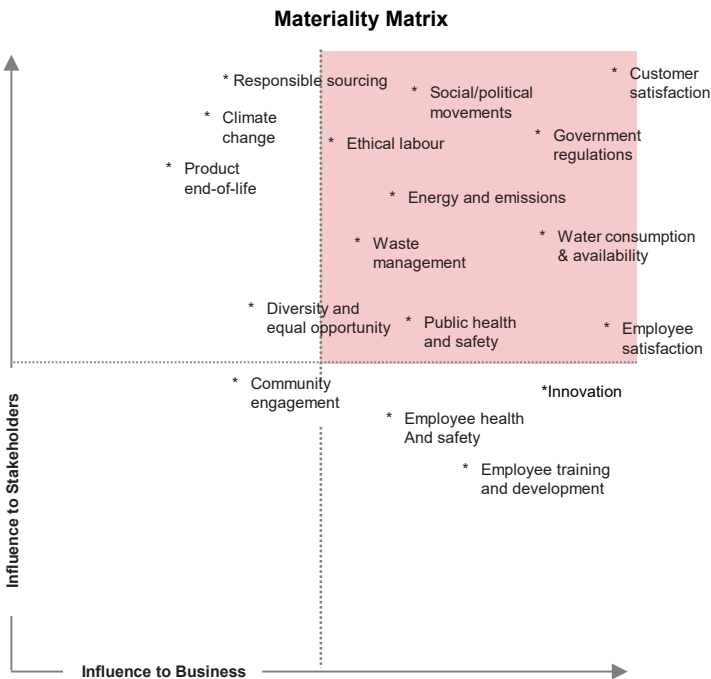
**Materiality**

We recognise that material issues can directly or indirectly impact our ability to create long-term value for its customers, employees, investors and society at large. Sustainability considers a broader scope of action and issues in determining what is material compared with the origins of materiality in the auditing and accounting processes of financial reporting.

PwC Holdings views material issues to be those that have affected, or are reasonably likely to affect, the company's reputation, supply chain, credit standing, capital resources or operational results. These issues also take into account the concerns and interest of our many stakeholders.

As part of our sustainability program refresh, we conducted a detailed materiality assessment in 2015 during which we identified 18 material issues for PwC Holdings. We checked the relevance of our material issues through discussions with our Sustainability Council, meetings and discussions with our stakeholders and by reviewing the company's risk reports to seek alignment. While some issues have risen to the top and others have decreased in priority, the two assessments continue to line up with the material topics identified as most relevant to PwC Holdings and its stakeholders.

GRI  
disclosures:  
GRI 102-46  
GRI 102-47



SGX-ST  
Practice Note  
7.6: 4.1(i)

# Sustainability Report 2019

For the financial year ended 31 December 2019

## Guideline 2

For each strategic sustainability pillar, the company should report on their performance, policies and initiatives for each relevant material aspect (according to the GRI Standards).

For the purposes of this sample report, we have chosen only one material aspect from each sustainability pillar to highlight how it can be reported.

The company should also use the opportunity to explain why the topic is material, both internally and externally.

### Minimising our environmental footprint

### GHG emissions

#### Our commitment

The actions we take in next decade will be crucial in preventing irreversible damage to the planet due to climate change. PwC Holdings Ltd. is committed to playing its part, both for people today and for future generations. Managing our environmental impacts at our own sites that span across five countries, and along our supply chain, where our products are designed, created, manufactured, transported and sold, is a key focus of our work.

Building on several environmental initiatives over the past years, we developed a coherent Environmental Strategy for PwC Holdings Ltd, which aims to reduce our relative environmental footprint by 15% by 2021. The strategy follows a clear vision and mission and sets annual milestones which will enable the achievement of the 2021 targets. These targets cover our whole supply chain from product creation to sourcing and manufacturing and from our own operations to our stores and all other sales points. Our approach is to manage environmental issues as an integral part of our daily operations, positively contributing to the Group's overall business performance. To ensure we integrate environmental considerations into our daily operations, we have a Group Environmental Policy that specifies the principles that steer us in embedding environmental best-practice on a day-to-day basis.

GRI  
disclosures:  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 305-1  
GRI 305-2  
GRI 305-3

### Our initiatives

Greenhouse gas emissions and pollution from manufacturing can have major environmental impacts. So we partner with our suppliers to implement programs to reduce their carbon footprint.

We replace outdated or inefficient heating, cooling, and lighting systems, repair compressed air leaks, and recover and redirect waste heat. These initiatives alone helped reduce our carbon emissions by more than 11,200 metric tons. In addition to making facilities energy efficient, we explore ways to power them using cleaner and renewable sources. Our Clean Energy Program launched in 2016 to reduce carbon emissions across our supply chain continues to be a huge success. Over the past one year, we worked with our suppliers in China to install more than 600 megawatts of clean energy, and aim to replicate the success in the Philippines next year.

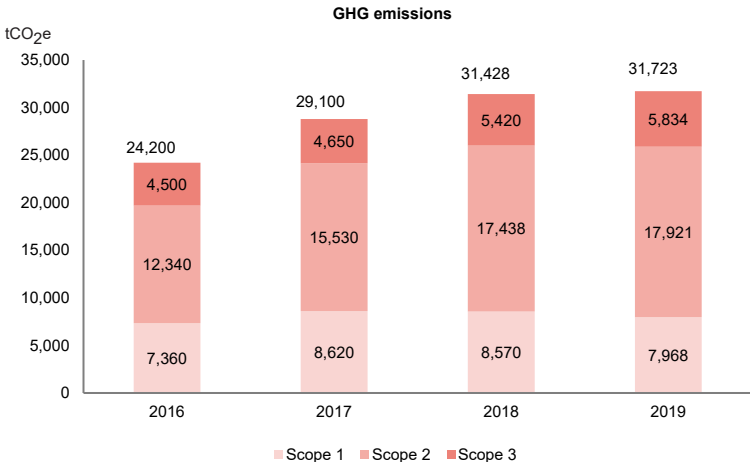
In our offices and retail outlets, we continue to encourage employees to help reduce energy consumption by switching off their computers and lights at the end of the day. We have Environmental officers in each department to identify ways to reduce our carbon footprint and help to implement initiatives across the company.

### Targets and performance

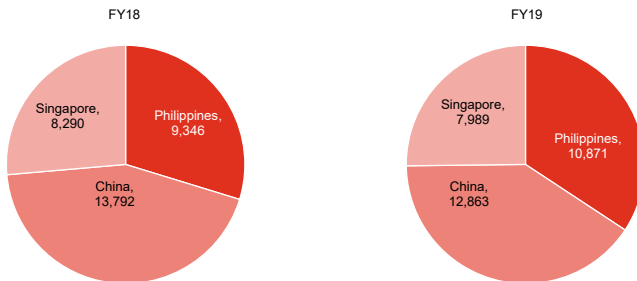
In 2019, we managed to stabilise our total GHG emission to a level that is similar to the FY18 level of emissions. Although we did not achieve the target of a 2% decrease in GHG emissions, the 1% increase from the FY18 level of emissions is a significant improvement from the 8% increase from the FY17 to FY18 levels of emissions. We have made significant progress in reducing our GHG emissions in Singapore and China, with the bulk of the increase being attributable to increases in production levels in the Philippines. We will continue to work hard to implement initiatives to reduce our emissions by 2% in FY20.

SGX-ST  
Practice  
Note 7.6:4.1(ii)

SGX-ST  
Practice  
Note 7.6:  
4.1(ii), 4.1(iii)



GHG emissions by region



	FY19 target	FY19 Performance	Remarks	FY20 target
GHG emissions intensity	Decrease by 2%	Increase by 1%	Main increase in GHG emissions was from the Philippines – we will focus on implementing new initiatives in FY19 to reduce the GHG emissions in this location.	Decrease by 2%

Caring for our people

Employee satisfaction

Our commitment

At PwC Holdings Ltd, our employees are the drivers of our success. As we continue to witness surging demand for our products and services, we rely ever more heavily on the skills and talents of our dedicated workforce. We are committed to growing with our people and making the company a great workplace that supports professional and personal development, offers a variety of career opportunities and creates high performance and collaborative teams.

GRI disclosures:  
 GRI 103-1  
 GRI 103-2  
 GRI 103-3  
 GRI 404-2

Our initiatives

We invest in providing the best working environment for our employees. Recognition and appreciation of our employees is a core part of this. Our Employee Recognition Program allows all employees to recognise their teammates for demonstrating one or more of our corporate value behaviours with a recognition card. Team Leaders are also given movie tickets to reward those employees who consistently go above and beyond what is required in their roles.

SGX-ST  
 Practice  
 Note 7.6: 4.1(ii)

We also have an annual Innovation Awards to recognise and reward teams that implemented innovative measures that significantly achieved improved results for our business. Many of our divisions and teams also hold their own award ceremonies to recognise excellence, and this has helped to encourage a high- performance culture.

## Sustainability Report 2019

For the financial year ended 31 December 2019

PwC Holdings Ltd promotes a healthy lifestyle and provides an on-site corporate fitness centre with free group exercise classes and subsidised membership to sponsored fitness clubs, or a healthy living reimbursement for club memberships. All employees receive health insurance cover which provides free annual health screening that helps to identify any problems early on.

We also encourage our employees to continually build on their existing skills and knowledge and invest heavily in our learning and development program for employees. These include courses on leadership, management and technical competencies relevant to each employee. We also offer a tuition reimbursement program for employees seeking to further educate or advance themselves through formal programs relating to their current or prospective jobs. Additionally, for our older employees, we provide digital training programmes to ensure they continue to upskill and stay up-to-date with changing work practices

### Targets and performance

Each year, we engage all our 2,500 employees to participate in an Employee Survey to gain insight into employees' overall satisfaction with the company, their jobs and other aspects of their workplace experience. We encourage our employees to provide candid feedback, and we benchmark results and participation externally. Results of the Employee Survey are incorporated into our business planning review processes. Improving Employee survey scores is an annual performance objective for many of our senior managers.

SGX-ST  
Practice  
Note 7.6:  
4.1(ii),  
4.1(iii)

In 2019, PwC Holdings continued to receive positive feedback from employees who took part in the Employee Survey. 81% of our employees across our operations participated in the survey, which included a total of 30 multiple-choice questions across 10 dimensions of workplace life, including training and development, diversity and workplace safety practices, among others. 9 out of 10 dimensions showed improvement over the previous year, with the availability of overseas secondment opportunities being the only dimension with a 2% decrease in rating. We are thus exploring additional opportunities for short-term secondments in the coming year and will also improve the transparency of the selection criteria and process.

The Employee Satisfaction Index (ESI) section of the survey, which asks employees questions such as whether they feel valued at work and whether they believe they are rewarded for job performance, increased 1 percentage point from 2017, a statistically significant increase.

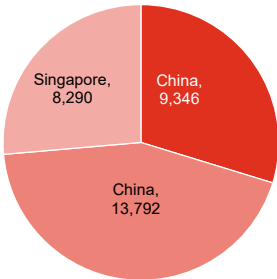
Employees were most satisfied about company mindset, quality work practices and training. 89% of these employees said the company's values concerning quality have been communicated clearly to them, and 78% responded favourably that the people they work with cooperate to get the job done and that they receive the training needed to do a quality job.

Next year, we aim to increase employee participation in the survey by 2% and hope to address employee concerns to achieve a 1% increase in ESI.

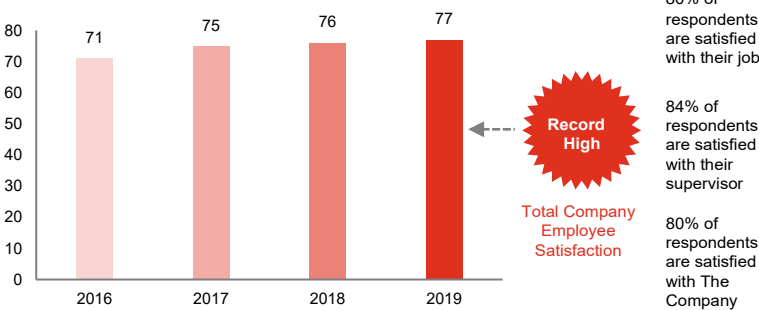


	FY19 Target	FY19 Performance	Remarks	FY20 Target
Employee Satisfaction Index	Increase ESI by 1%	Target met	Improvement noted in 9 out of 10 dimensions of the survey	Increase employees partaking in survey by 2%. Increase ESI by 1%

Respondents by region



What are employees saying?



Moving forward, we will continue to provide the best working environment we can for our employees and aim to improve our Employee Survey results by acting on our lowest performing areas as rated by our employees

**Guideline 3**

If a company chooses to report in accordance with the GRI Standards, it is mandatory to include a GRI content index at the back of the report (or on the company's website). The GRI content index should list all the indicators for the chosen option (i.e. core or comprehensive) and inform the reader of whether the indicator has been fully reported on and where the information can be found. If an indicator has only been partially reported or not reported on at all, then the company must provide an explanation for omitting the information and when they intend to report on the indicator

For the purpose of this illustrative report, we have only included the GRI content index for the generic indicators for the GRI Standards: Core option.

**Maintaining a sustainable supply chain**

**Ethical Labour**

**Our commitment**

"PwC Holdings Ltd has over 1,200 suppliers that supply goods and services across our operations in five countries. First, because we manage multi-million dollar contracts and engage multiple service providers for our operations and projects, our own reputation as a business is always a top priority. Second, size translates into influence. By ensuring our suppliers comply with best practice and adhere to our Supplier Code of Conduct, we aim to raise the standard in the marketplace, making it more equitable and sustainable.

GRI disclosures:  
GRI 103-1  
GRI 103-2  
GRI 103-3  
GRI 102-9  
GRI 102-16  
GRI 408-1  
GRI 409-1

**Our initiatives**

Our Supplier Code of Conduct details the standards that we expect our suppliers to meet regardless of local laws, company policies, cultural norms, and business practices around the world. Every contract factory and supplier in our supply chain are expected to adhere to the minimum standards set out in the Code of Conduct, which include labour and environmental practices. With regards to ethical labour, we have a zero tolerance for forced labour or underage labour.

SGX-ST  
Practice  
Note 7.6: 4.1(ii)

We revise our Code every two years to align with pertinent emerging legislation, best practice and stakeholder expectations. This year we included a new section on Migrant Labour to ensure that migrant workers are treated in accordance with the same standards that apply to other workers. Under 'Voluntary Labour/Forced Labour', criteria were added governing employment through private agencies and prohibiting the collection of fees from workers. This is an important provision, as workers hired through third-party agencies that charge excessive placement fees are generally vulnerable to forced labour, debt bondage and poor working conditions.

# Sustainability Report 2019

For the financial year ended 31 December 2019

## How we work with our suppliers

We regularly audit our suppliers to ensure compliance with our Code of Conduct and other local legal requirements. In addition to highlighting violations of our code, audits also raise supplier awareness of the issues and enable us to target improvements. We use pre-qualified auditors from independent 3rd party auditing firms to carry out our onsite auditing programs. We use a risk-based approach to decide which suppliers to audit. We consider issues like the social, environmental, health and safety, and business risks of a facility. Then we prioritise audits based on geographic risk, commodity risk, planned spending, and previous audit performance.

When we identify issues during an on-site audit, our process requires the supplier to develop an effective corrective action plan that addresses the root cause of the issue. The plan must specify a timely schedule for implementation – our guidelines on timing depend on the severity of the issue. We then schedule a closure verification audit within 6 to 12 months of the initial audit to verify closure of the findings identified. Working with suppliers to improve labour and environmental conditions is crucial to our program. In most cases, if a supplier does not meet corrective action deadlines or develop appropriate corrective action plans, we apply an escalating series of enforcement penalties.

When suppliers require extra support to comply with the Code of Conduct, we send our team of experts as part of our partnership program. We tailor our approach to help the facility improve through refining business practices and management systems relating to labour, human rights, environment, health and safety. By working with our suppliers instead of only policing them, we have improved their compliance significantly.

## Targets and performance

This year we exceeded our performance targets and conducted more audits than our FY19 target. In 2019, we conducted 21 on-site audits of our suppliers. The most common issue we found in our audits relates to working hours. To help address this, we initiated a project in partnership with select suppliers to bring them together with 3rd party advisors who analyse the root cause of this. Based on the initial analysis, the advisors identify and help to implement opportunities that will increase efficiency, reduce working hours, and maintain/increase worker satisfaction, which leads to reduced turnover. We did not find any incidences of forced or underage labour.

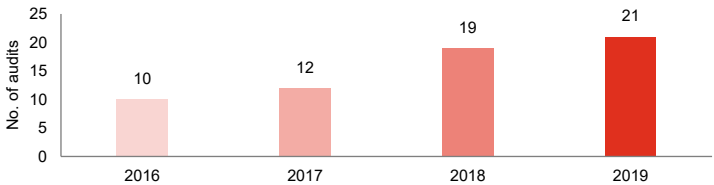
In addition, we also introduced a new supplier assessment matrix in early 2019. All our suppliers were asked to disclose to us their current performance based on the same ESG factors that we have adopted by completing the supplier assessment matrix. Suppliers were also allowed to disclose current/planned measures they were taking to improve their performance in the coming years. Suppliers that did not meet a minimum threshold based on our own internally developed scoring system were dropped off our approved supplier list. All new suppliers would also have to complete and pass the supplier assessment matrix prior to approval, and all existing suppliers will be re-evaluated on an annual basis.

SGX-ST  
Practice  
Note 7.6:  
4.1(ii), 4.1(iii)

# Sustainability Report 2019

For the financial year ended 31 December 2019

Our long-term goal to achieve by 2030, is to source all our goods and services from suppliers that meet our definition of sustainable. Specifically under ethical labour, we want to create the opportunity for factory workers to share in productivity gains and establish partnerships to support the needs of factory workers in their professional and personal lives.



	FY19 target	FY19 performance	Remarks	FY20 target
No. of annual audits	20	Target exceeded – 21 audits conducted	One supplier has been identified to have poor labour practices – we have since removed the supplier from our approved vendor list.	23
No. of unannounced audits	5	Target met – 5 audits conducted	No issues noted.	7

# Sustainability Report 2019

For the financial year ended 31 December 2019

## GRI Content Index

Disclosure Number	Disclosure requirements	Reported? (Y/N)	Location
102-1	Name of the organisation	Y	Front cover
102-2	Activities, brands, products, and services	Y	Annual report
102-3	Location of headquarters	Y	Annual report
102-4	Location of operations	Y	About this report
102-5	Ownership and legal form	Y	Annual report
102-6	Markets served	Y	Annual report
102-7	Scale of the organisation	Y	Annual report
102-8	Information on employees and other workers	Y	Caring for our people
102-9	Supply chain	Y	Maintaining a sustainable supply chain
102-10	Significant changes to the organisation and its supply chain	Y	Annual report
102-11	Precautionary Principle or approach	Y	Message from our CEO
102-12	External initiatives	Y	About this report
102-13	Membership of associations	Y	Annual report
102-14	Statement from the most senior decision-maker	Y	Message from our CEO
102-16	Values, principles, standards, and norms of behaviour	Y	Maintaining a sustainable supply chain, Minimising our environmental footprint, Caring for our people
102-18	Governance structure	Y	Sustainability at PwC Holdings Ltd
102-40	List of stakeholder groups	Y	Sustainability at PwC Holdings Ltd
102-41	Collective bargaining agreements	N	PwC does not have collective bargaining agreements
102-42	Identifying and selecting stakeholders	Y	Sustainability at PwC Holdings Ltd
102-43	Approach to stakeholder engagement	Y	Sustainability at PwC Holdings Ltd
102-44	Key topics and concerns raised	Y	Sustainability at PwC Holdings Ltd
102-45	Entities included in the consolidated financial statements	Y	Annual report

# Sustainability Report 2019

For the financial year ended 31 December 2019

Disclosure Number	Disclosure requirements	Reported? (Y/N)	Location
102-46	Defining report content and topic boundaries	Y	Sustainability at PwC Holdings Ltd
102-47	List of material topics	Y	Sustainability at PwC Holdings Ltd
102-48	Restatements of information	Y	About this report
102-49	Changes in reporting	Y	About this report
102-50	Reporting period	Y	About this report
102-51	Date of most recent report	Y	About this report
102-52	Reporting cycle	Y	About this report
102-53	Contact point for questions regarding the report	Y	About this report
102-54	Claims of reporting in accordance with the GRI Standards	Y	About this report
102-55	GRI content index	Y	GRI Content Index
102-56	External assurance	Y	About this report

Disclosure	Disclosure requirements	Location
<b>Specific Disclosures</b>		
<b>GRI Standard: Emissions</b>		
103-1/2/3	Management Approach	Minimising our environmental footprint
305-1	Direct (Scope 1) GHG emissions	Minimising our environmental footprint
305-2	Energy indirect (Scope 2) GHG emissions	Minimising our environmental footprint
305-3	Other indirect (Scope 3) GHG emissions	Minimising our environmental footprint
<b>GRI Standard: Supplier Environmental Assessment</b>		
103-1/2/3	Management Approach	Maintaining a sustainable supply chain
308-1	New suppliers that were screened using environmental criteria	Maintaining a sustainable supply chain
<b>GRI Standard: Training and development</b>		
103-1/2/3	Management Approach	Caring for our people
404-2	Programmes for upgrading employee skills and transition assistance programmes	Caring for our people
<b>GRI Standard: Supplier Social Assessment</b>		
103-1/2/3	Management Approach	Maintaining a sustainable supply chain
414-1	New suppliers that were screened using social criteria	Maintaining a sustainable supply chain

# Statutory Report

Directors' Statement

Independent Auditor's Report





## Directors' Statement

For the financial year ended 31 December 2019

The directors present their statement to the members together with the audited financial statements of the Group for the financial year ended 31 December 2019 and the balance sheet of the Company as at 31 December 2019.

CA 201(16)

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 106 to 409 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements<sup>1</sup> and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Section 1,  
Twelfth  
Schedule

### Directors

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

Section 7,  
Twelfth  
Schedule

Mr Tan Cheng Eng

Mr David Grey

Mr Ang Boon Chew

Mr Michael Philip White

Mr Balachandran Nair

Madam Wan Oon Kee

Mr Lee Chee Wai

Dr Ran Jedwin Gervasio

(appointed on 27 February 2019)<sup>2</sup>

Dr James Lee Jie

(appointed on 10 February 2020)<sup>2</sup>

### Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" in this statement.

Section 8,  
Twelfth  
Schedule  
CA 164(1)(d)

**Directors' Statement**

For the financial year ended 31 December 2019

**Directors' interests in shares or debentures<sup>3</sup>**

- (a) According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations<sup>5</sup>, except as follows:

Section 9,  
Twelfth  
Schedule  
CA 164(1)(a,b)

	Holdings registered in <u>name of director</u>		Holdings in which a director is deemed to have an interest	
	At <u>31.12.2019</u>	At 1.1.2019 or date of appointment, <u>if later</u>	At <u>31.12.2019</u>	At 1.1.2019 or date of appointment, <u>if later</u>
<b>Ultimate holding corporation – PwC Global Limited</b> <u>(No. of ordinary shares)</u>				
Mr David Grey	<b>1,270,000</b>	500,000	<b>1,500,000</b>	1,000,000
Mr Ang Boon Chew	<b>97,000</b>	65,000	-	-
Mr Lee Chee Wai	<b>2,000</b>	1,000	-	-
Mr Andrew Llyod				
(resigned on 5 January 2020) <sup>4</sup>	<b>200,000</b>	200,000	-	-

- (b) According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the PwC Employee Share Option Scheme as set out below and under "Share Options" below

CA 164(1)(c)

	<u>No. of unissued ordinary shares under option</u>	
	<u>At 31.12.2019</u>	<u>At 1.1.2019 or date of appointment, if later</u>
<u>Mr Ang Boon Chew</u>		
2016 Options	<b>50,000</b>	50,000
2017 Options	<b>50,000</b>	50,000
2019 Options	<b>50,000</b>	-

**Directors' Statement**

For the financial year ended 31 December 2019

**Directors' interests in shares or debentures<sup>3</sup> (continued)**

- (c) Mr David Grey, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

CA 7(4A)

	At <b>31.12.2019</b>	At 1.1.2019 or date of <u>appointment, if later</u>
<b>PwC Components (China) Pte Ltd</b>		
– No. of ordinary shares	<b>2,000,000</b>	-
<b>PwC Components (Singapore) Pte Ltd</b>		
– No. of ordinary shares	<b>1,300,000</b>	1,300,000
<b>PwC Components (Philippines) Pte Ltd</b>		
– No. of ordinary shares	<b>700,000</b>	700,000
<b>PwC Furniture (PRC) Pte Ltd</b>		
– Registered and issued share capital	<b>RMB 8,500,000</b>	RMB 8,500,000

- (d) The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2020 were the same as those as at 31 December 2019.

SGX 1207(7)

**Share options**

- (a) PwC Employee Share Option Scheme<sup>5</sup>

Section 2,  
Twelfth  
Schedule

The PwC Employee Share Option Scheme (the "Scheme") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 6 December 2014. The Scheme provides a means to recruit, retain and give recognition to employees who have contributed to the success and development of the Group.

Under the Scheme, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees with more than three years of service with the Group. The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. No options are granted at a discount to the prevailing market price of the shares. The vesting of the options is conditional on the key management personnel or employees completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth. Once the options are vested, they are exercisable for a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price.

Section 2,  
Twelfth  
Schedule  
Sections 2(d)  
& 6, Twelfth  
Schedule

# Directors' Statement

For the financial year ended 31 December 2019

## Share options (continued)

### (a) PwC Employee Share Option Scheme<sup>5</sup> (continued)

The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

Section 3,  
Twelfth  
Schedule

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Scheme, shall not exceed 15% of the issued shares of the Company on the day preceding that date.

The Company granted options under the Scheme to subscribe for 2,050,000 ordinary shares of the Company on 1 January 2015 ("2015 Options"), 1,965,000 ordinary shares of the Company on 1 January 2016 ("2016 Options") and 964,000 ordinary shares of the Company on 1 January 2017 ("2017 Options"). Particulars of these options were set out in the Directors' statement for the financial years ended 31 December 2015, 31 December 2016 and 31 December 2017 respectively<sup>6</sup>.

On 1 January 2019, the Company granted options to subscribe for 350,000 ordinary shares of the Company at exercise price of \$2.88 per share ("2019 Options"). The 2019 Options are exercisable from 1 January 2021 and expire on 31 December 2024. The total fair value of the 2019 Options granted was estimated to be \$800,000 using the Binomial Option Pricing Model. Details of the options granted to an executive director of the Company are as follows:

Section 2(a) &  
(b), Twelfth  
Schedule

	<u>No. of unissued ordinary shares of the Company under option</u>			
	Granted in financial year ended	Aggregate granted since commencement of scheme to 31.12.2019	Aggregate exercised since commencement of scheme to 31.12.2019	Aggregate outstanding as at 31.12.2019
<u>Name of director</u>	<u>31.12.2019</u>	<u>31.12.2019</u>	<u>31.12.2019</u>	<u>31.12.2019</u>
Mr Ang Boon Chew	50,000	180,000	30,000	150,000

SGX  
852(1)(b)(i)

No options have been granted to controlling shareholders of the Company or their associates<sup>7</sup> (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited).

SGX  
852(2,1(b)(ii))

No participant under the Scheme has received 5% or more of the total number of shares under option available under the Scheme.

SGX  
852(2,1(b)(iii),  
c(i))

During the financial year, 478,000 treasury shares of the Company were re-issued at the exercise price of \$1.31 or \$1.28 per share, upon the exercise of the 2015 or 2016 Options respectively.

Section 5,  
Twelfth  
Schedule

**Directors' Statement**

For the financial year ended 31 December 2019

**Share options (continued)****(b) Share options outstanding**Section 6,  
Twelfth  
Schedule

The number of unissued ordinary shares of the Company under option in relation to the PwC Employee Share Option Scheme outstanding at the end of the financial year was as follows:

	No. of unissued ordinary shares under option at <u>31.12.2019</u>	<u>Exercise price</u>	<u>Exercise period</u>
<b>2016 Options</b>	1,004,000	\$1.28	1.1.2018 – 31.12.2021
<b>2017 Options</b>	909,000	\$2.95	1.1.2019 – 31.12.2022
<b>2019 Options</b>	350,000	\$2.88	1.1.2021 – 31.12.2024
	<b><u>2,263,000</u></b>		

**Audit Committee<sup>8</sup>**

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

CA 201B(9)

Mr Balachandran Nair (Chairman)  
Mr Tan Cheng Eng  
Mr David Grey  
Mr Michael Philip White  
Madam Wan Oon Kee

All members of the Audit Committee were non-executive directors. Except for Mr David Grey who was an Executive Director of PwC Global Limited, the ultimate holding corporation of the Group, all members were independent.

**Directors' Statement**

For the financial year ended 31 December 2019

**Audit Committee<sup>8</sup> (continued)**

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

CA 201B(9)

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2019 before their submission to the Board of Directors.

The Audit Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

**Independent auditor**

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept reappointment.

DV

On behalf of the directors<sup>9</sup>




Tan Cheng Eng

Director

20 March 2020<sup>10,11</sup>

Ang Boon Chew

Director

# Directors' Statement

For the financial year ended 31 December 2019

## Guidance notes

### Directors' Statement

#### Inclusion of Company's statement of changes in equity

- 1 A holding company may choose to present the statement of changes in equity of the Company, in addition to the balance sheet of the Company and the consolidated financial statements of the Group. If so, paragraph (a) in the Directors' Statement can be replaced with the following:

*"the balance sheet and the statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages [ ] to [ ] are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2019, the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date; and"*

In addition to the above, a holding company may also choose to present the statement of comprehensive income and/or the statement of cash flows of the Company. When this occurs, the above paragraph needs to be tailored.

#### Directors in office at the date of the statement

- 2 The names of the directors that are holding office at the date of the Directors' Statement are required to be disclosed. There is no requirement to give details of director(s) who resigned during the financial year/period and up to the date of the Directors' Statement. If a director is appointed during the financial year/period and remains in office at the date of the Directors' Statement, the date of the appointment, although not required, is recommended to be disclosed to clearly identify the new director.

Section 7,  
Twelfth  
Schedule

#### Directors' interests in shares or debentures

- 3 A director's interests include his personal holdings, the beneficial interests of his immediate family and any deemed interest as defined under Section 7 of the Companies Act. Interests in rights or share options, are also required to be disclosed.

Section 9,  
Twelfth  
Schedule  
Section 2,  
Twelfth  
Schedule

If a director resigns after the end of the financial year/period but before the date of the Directors' Statement, his interest at the end of the financial year/period are still required to be disclosed.

If none of the directors has any interests in shares or debentures in the Company or any related corporations, the following disclosure is suggested:

"None of the directors of the Company holding office at the end of the financial year has any interest in the shares or debentures of the Company or any related corporations.

# Directors' Statement

For the financial year ended 31 December 2019

## Guidance notes

### Directors' Statement (continued)

#### Related corporations

- 4 Related corporations include the Company's holding companies, subsidiaries and fellow subsidiaries.

CA 6

#### Share options

- 5 The disclosures required by Section 2 of the Twelfth Schedule of the Companies Act relate to share options granted by the Company. If the share options are granted by the parent of the Company or by another related corporation directly to the employees of the Company and/or its subsidiaries, the Company is not required to make those disclosures required by Section 2 of the Twelfth Schedule in the Directors' Statement. The share options shall however be accounted for in accordance with SFRS(I) 2 *Share-Based Payment* in the financial statements.
- 6 Where such disclosures have been made in a previous statement, reference may be made to that statement.

Section 2,  
Twelfth  
ScheduleSection 3,  
Twelfth  
Schedule

#### Definition of associates

- 7 The SGX Listing Manual defines associates differently to that in paragraph 3 of SFRS(I) 1-28 Investments in Associates and Joint Ventures. An associate is defined in the SGX Listing Manual as:
- (a) in relation to any director, chief executive officer, substantial shareholder or controlling shareholder (being an individual):
    - (i) his immediate family;
    - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
    - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more.
  - (b) in relation to a substantial shareholder or a controlling shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more.

SGX (General  
– Definitions)



# Directors' Statement

For the financial year ended 31 December 2019

## Guidance notes

### Directors' Statement (continued)

#### Audit Committee

- 8 The details and functions of the audit committee shall be included in the Directors' Statement of listed companies if the statutory financial statements (which would not contain a section on corporate governance), rather than the annual report, are filed with the Accounting and Corporate Regulatory Authority ("ACRA"). If the annual report is filed with the ACRA, this section is not required.

CA 201B(9)

#### Signing of statement

- 9 This phrase is not necessary if the Company has only two directors.

#### Date of Directors' Statement

- 10 The Directors' Statement shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The statement may be sent less than 14 days before the date of the AGM if all the persons entitled to receive notice of general meetings of the Company so agree. The statement shall specify the day on which it was made out and be signed by two directors of the Company.

CA 203(1),(2)  
SGX 707(2)  
CA 201(16)

#### Date of AGM

- 11 AGMs for listed companies shall be held within four months after the end of their financial year. AGMs for non-listed companies shall be held within six months after the end of their financial year.

CA 201(1)(a,b)  
SGX 707 (1)  
CA 201(5)  
(a)(ii)

# Independent Auditor's Report to the Members of PwC Holdings Ltd

**Reference**  
CA 201(4)  
CA 207

## Report on the Audit of the Financial Statements

### Our opinion

SSA 700  
(10-19)

In our opinion, the accompanying consolidated financial statements of PwC Holdings Ltd ("the Company") and its subsidiaries ("the Group") and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated statement of comprehensive income of the Group for the financial year ended 31 December 2019;
- the balance sheet of the Group as at 31 December 2019;
- the balance sheet of the Company as at 31 December 2019;
- the consolidated statement of changes in equity of the Group for the financial year then ended;
- the consolidated statement of cash flows of the Group for the financial year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

### Basis for Opinion

SSA 700 (28)

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

### Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

# Independent Auditor's Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

## Report on the Audit of the Financial Statements (continued)

### Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<b>Impairment assessment on goodwill</b> <i>Refer to Note 3.1(c) (Critical accounting and assumptions) and Note 29(a) (Goodwill) to the financial statements.</i>	
As at 31 December 2019, goodwill amounted to \$11,118,000 after recognising an impairment charge of \$500,000.	We evaluated the reasonableness of management's estimate of gross margin by taking into consideration each CGU's past performance, management's plans and expectation of market developments in Singapore, China and the Philippines, as well as our understanding of the industry trends for electronic component parts and household/office furniture.

# Independent Auditor’s Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

Statutory Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>We focused on goodwill impairment assessment performed by management because of the significant judgements required in estimating the gross margin, weighted average growth rate and discount rate, in computing the recoverable amounts of the cash-generating units (“CGU”) associated with the goodwill.</p>	<p>We involved valuation specialists to assist in the assessment of the appropriateness of the methodology used to compute the recoverable amounts and the discount rate applied by management. We noted that the methodology and discount rate used by management was appropriate.</p> <p>We evaluated management’s sensitivity analysis on the recoverable amounts of each CGU. The sensitivity analysis involved assessing the impact to the recoverable amounts of each CGU when reasonable possible changes to the estimated gross margin, the weighted average growth rate and discount rate are made. We found that the estimates used were appropriate in reflecting the risks associated with each CGU.</p> <p>We also found the disclosure on the sensitivity analysis in Note 3.1(c) to be appropriate.</p>

# Independent Auditor’s Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

Statutory Report

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Revenue recognition and provision for onerous loss-making specialised equipment contracts</b></p> <p><i>Refer to Note 3.1(b) (Critical accounting estimates and assumptions) and Note 4 (Revenue from Contracts with Customers) to the financial statements.</i></p> <p>For the financial year ended 31 December 2019, revenue from construction of specialised equipment amounted to \$29,824,000 and it represented 12% of the total revenue of the Group.</p> <p>We focused on revenue recognition and provision for onerous loss-making specialised equipment contracts as significant judgements were made to estimate the total contract costs to complete, which were used to determine (i) the progress for the Group’s recognition of construction revenue and (ii) the provision for onerous contracts when it is probable that the total contract costs would exceed the total construction revenue and remaining costs. No provision for onerous loss-making contracts was recognised for the financial year ended 31 December 2019.</p>	<p>We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers).</p> <p>In relation to actual costs incurred, on a sampling basis, we:</p> <ul style="list-style-type: none"> <li>assessed the competence of the surveying engineers;</li> <li>agreed the progress of the construction to certified progress reports from engineers; and</li> <li>agreed the related costs incurred to relevant suppliers’ invoices.</li> </ul> <p>In relation to estimated total contract costs, on a sampling basis, we:</p> <ul style="list-style-type: none"> <li>discussed with the project managers to assess the reasonableness of estimated total contract costs;</li> <li>evaluated management’s underlying assumptions made using our understanding of past completed projects; and</li> <li>agreed the cost to complete for each contract by substantiating costs that have been committed to quotations from and contracts with suppliers.</li> </ul> <p>We compared the contract revenue against the estimated total contract costs for selected contracts and agree with management’s assessment that no provision for onerous contracts is required.</p>

# Independent Auditor's Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Adoption of SFRS(I) 16 Leases</b></p> <p><i>Refer to Note 3.2(c) (Critical judgements in applying the entity's accounting policies) and Note 31 (Borrowings) to the financial statements.</i></p> <p>The Group adopted SFRS(I) 16 Leases on 1 January 2019 and elected to record the cumulative effect of the initial application of SFRS(I) 16 within the opening balance of retained profits as at 1 January 2019. Comparative figures are not restated.</p> <p>The lease liabilities were initially measured by discounting the lease payments over the lease terms. For leases with extension options, the Group applied significant judgement in determining whether such extension options should be reflected in measuring the lease liabilities. As at 31 December 2019, the Group's lease liabilities amounted to \$37,325,000.</p> <p>We focused on the adoption of SFRS(I) 16 in view of the significant effort required to audit the lease liabilities recognised due to the large volume of leases and significant judgement applied in determining whether the facts and circumstances created an economic incentive for the Group to exercise the lease extension option. As at 31 December 2019, potential future (undiscounted) cash outflows of approximately \$5,000,000 have not been included in lease liabilities because it is not reasonably certain that these leases will be extended.</p>	<p>In relation to the recognition of lease liabilities, we:</p> <ul style="list-style-type: none"> <li>obtained an understanding of the internal controls, including the new processes and controls in relation to the application of SFRS(I) 16;</li> <li>obtained an understanding of the lease contracts identified by management and assessed, on a sampling basis, the appropriateness of management's identification of those contracts as leases based on contractual agreements;</li> <li>assessed, on a sampling basis, the reasonableness of management's expectation of the lease period using our understanding of the Group's historical lease periods for similar assets, importance of the leased asset to the Group's business and whether the cost of obtaining replacement asset would be significant; and</li> <li>tested, on a sampling basis, the calculation of the lease liabilities based on lease payments over the expected lease terms.</li> </ul> <p>We found the judgement applied by management in the recognition of lease liabilities to be appropriate.</p> <p>We also found the disclosure on the critical judgements applied by management in the determination of the lease term in Note 3.2(c) to be appropriate.</p>

# Independent Auditor’s Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

SSA 700 (32)

## Other Information

Management is responsible for the other information. The other information comprises the Board of Directors, Corporate Governance Report, Sustainability Report and Directors’ Statement (but does not include the financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report, and the other sections of the annual report (“the Other Sections”), which are expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

# Independent Auditor's Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

SSA 700 (32)

## Responsibilities of Management and Directors for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

SSA 700 (37-40)

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



# Independent Auditor's Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

SSA 700 (37-40)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

# Independent Auditor's Report to the Members of PwC Holdings Ltd

Reference  
CA 201(4)  
CA 207

CA 207

## Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ken Wang.



PricewaterhouseCoopers LLP  
Public Accountants and Chartered Accountants Singapore  
20 March 2020

# Primary Statements

Consolidated Statement of Comprehensive Income

Balance Sheet – Group

Balance Sheet – Company

Consolidated Statement of Changes in Equity

Consolidated Statement of Cash Flows



**Consolidated Statement of Comprehensive Income<sup>1, 2</sup>**

For the financial year ended 31 December 2019

	Note	2019 <sup>3</sup> \$'000	2018 <sup>3</sup> \$'000	SFRS(I) 1-1 (10(b),10A) SGX 1207 (5(a))
<b>Continuing operations<sup>4</sup></b>				
Sales	4	245,646	198,898	SFRS(I) 1-1 (82(a))
Cost of sales	5	(87,701)	(71,511)	SFRS(I) 1-1 (103)
Gross profit		157,945	127,387	SFRS(I) 1-1 (103)
Other income				
- Interest	7	2,357	2,144	SFRS(I) 1-1 (82(a))
- Others	7	5,227	3,623	
Other gains and losses				
- Impairment loss on financial assets and contract assets		(850)	(266)	SFRS(I) 1-1 (82(ba))
- Others	8	(1,990)	(30)	
Expenses				
- Distribution and marketing	5	(55,872)	(47,571)	SFRS(I) 1-1 (103)
- Administrative	5	(37,261)	(27,337)	SFRS(I) 1-1 (103)
- Finance	9	(9,739)	(7,213)	SFRS(I) 1-1 (82(b))
Share of profit of associates and joint venture <sup>5</sup>	22,23	761	340	SFRS(I) 1-1 (82(c))
Profit before income tax		60,578	51,077	
Income tax expense	10(a)	(15,893)	(14,567)	SFRS(I) 1-1 (82(d))
<b>Profit from continuing operations<sup>4</sup></b>		<b>44,685</b>	<b>36,510</b>	
<b>Discontinued operations<sup>4</sup></b>				SFRS(I) 1-1 (82(ea))
Profit from discontinued operations	11	422	1,310	SFRS(I) 5 (33(a))
<b>Total profit<sup>4</sup></b>		<b>45,107</b>	<b>37,820</b>	

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

**Consolidated Statement of Comprehensive Income<sup>1, 2</sup>**

For the financial year ended 31 December 2019

	Note	2019 <sup>3</sup> \$'000	2018 <sup>3</sup> \$'000	
<b>Other comprehensive income<sup>7</sup>:</b>				
Items that may be reclassified subsequently to profit or loss:				SFRS(I) 1-1 (82A(a)(ii))
Financial assets, at FVOCI				
- Fair value gains/(losses) – debt instruments <sup>11</sup>		571	(105)	
- Reclassification <sup>8</sup>		(145)	-	SFRS(I) 1-1 (92)
Cash flow hedges				
- Fair value gains/(losses)		173	(500)	
- Reclassification <sup>8</sup>		625	523	SFRS(I) 1-1 (92)
Share of other comprehensive income of associates	22	68	35	SFRS(I) 1-1 (82A(b)(ii))
Currency translation differences arising from consolidation <sup>13</sup>				
- Gains		489	600	
- Reclassification <sup>8</sup>		-	19	SFRS(I) 1-1 (92)
		<b>1,781</b>	<b>572</b>	
Items that will not be reclassified subsequently to profit or loss:				SFRS(I) 1-1 82A(a)(i))
Revaluation gains on property, plant and equipment <sup>9, 10</sup>		540	457	
Financial assets, at FVOCI				
- Fair value gains/(losses) – equity investments <sup>12</sup>		885	(1,085)	
Currency translation differences arising from consolidation <sup>13</sup>				
- Gains		362	408	
<b>Other comprehensive income, net of tax<sup>7</sup></b>	10(c)	<b>3,568</b>	<b>352</b>	SFRS(I) 1-1 (81A(b))
<b>Total comprehensive income</b>		<b>48,675</b>	<b>38,172</b>	SFRS(I) 1-1 (81A(c))
<b>Profit attributable to:</b>				
Equity holders of the Company		41,483	34,416	SFRS(I) 1-1 (81B(a))
Non-controlling interests		3,624	3,404	
		<b>45,107</b>	<b>37,820</b>	
<b>Profit attributable to equity holders of the Company relates to:</b>				
Profit from continuing operations		41,124	33,302	SFRS(I) 5 (33(d))
Profit from discontinued operations		359	1,114	
		<b>41,483</b>	<b>34,416</b>	

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

**Consolidated Statement of Comprehensive Income<sup>1, 2</sup>**

For the financial year ended 31 December 2019

	Note	2019 <sup>3</sup> \$'000	2018 <sup>3</sup> \$'000	
<b>Total comprehensive income attributable to:</b>				
Equity holders of the Company		<b>44,684</b>	34,355	SFRS(I) 1-1 (81B(b))
Non-controlling interests		<b>3,991</b>	3,817	
		<b>48,675</b>	38,172	
<b>Earnings per share ("EPS")<sup>6</sup> for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)</b>				
<b>Basic EPS</b>				
From continuing operations	12(a)	<b>1.53</b>	1.38	SFRS(I) 1-33 (66)
From discontinued operations	12(a)	<b>0.01</b>	0.05	SFRS(I) 1-33 (68)
<b>Diluted EPS</b>				
From continuing operations	12(b)	<b>1.41</b>	1.25	SFRS(I) 1-33 (66)
From discontinued operations	12(b)	<b>0.01</b>	0.04	SFRS(I) 1-33 (68)

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

# Consolidated Statement of Comprehensive Income<sup>1, 2</sup>

For the financial year ended 31 December 2019

## Guidance notes

### Consolidated statement of comprehensive income

#### Statement of comprehensive income, statement of cash flows and statement of changes in equity of the parent

- The 'Statement of Comprehensive Income' may also be titled 'Statement of Profit and Loss and Other Comprehensive Income'. An entity has the choice of presenting the statement of comprehensive income using a one-statement or a two-statement approach. These alternative presentations have been illustrated in Appendix 1 Example 1. SFRS(I) 1-1 paragraphs 82 and 82A prescribes the list of line items that are required to be presented in the Statement of Comprehensive Income.

SFRS(I) 1-1  
(10)  
CA 201 (5)  
SGX 1207 (5)

SFRS(I) 1-1  
(82),(82A)

If consolidated financial statements are presented, the statement of comprehensive income, statement of cash flows and statement of changes in equity of the parent need not be presented. If consolidated financial statements are not presented (e.g. exempted under SFRS(I) 10), the statement of comprehensive income, statement of cash flows, balance sheet and statement of changes in equity of the parent, forming a set of financial statements of the parent, should be presented.

For further information on exemption from preparing consolidated financial statements and exception from consolidation, please refer to Guidance notes on Group accounting – (a) Subsidiaries in Note 2.4.

#### Alternative format

- An entity shall present an analysis of expenses using a classification based on either the function or the nature of the expenses, whichever provides information that is reliable and more relevant.

SFRS(I) 1-1  
(99)

If the expenses are presented by function, additional disclosures on the nature of expenses are required (as illustrated in Note 5 to the financial statements).

SFRS(I) 1-1  
(104)

Within a functional statement of comprehensive income (statement of profit or loss), costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include direct material and labour costs but also indirect costs that can be directly attributed to generating revenue; for example, depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified.

Entities should not mix function and nature classifications of expenses by excluding certain expenses such as inventory write-downs, employee termination benefits and impairment charges from the functional classifications to which they relate.



# Consolidated Statement of Comprehensive Income<sup>1, 2</sup>

For the financial year ended 31 December 2019

## Guidance notes

### Consolidated statement of comprehensive income (continued)

#### Financial years/periods of different length

- 3 Where the current reporting period and the comparative reporting period are of unequal periods, an entity shall disclose the period covered, the reason for using that period and the fact that comparative amounts for the statement of comprehensive income, statement of cash flows, statement of changes in equity of the parent, and related disclosure notes are not entirely comparable.

SFRS(I) 1-1  
(36)

#### Continuing/Discontinued operations

- 4 The single amount disclosed in the statement of comprehensive income relating to discontinued operations shall include the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group(s) constituting the discontinued operation. If there is no discontinued operation, the heading 'Continuing operations' is not required. 'Profit from continuing operations' and 'Total profit' should also be changed to 'Net profit'.

SFRS(I) 5 (33)

SFRS(I) 5 is unclear as to whether entities need to separate out items of other comprehensive income between continuing and discontinued operations. We believe that it would be consistent with the principles of SFRS(I) 5 to do so, as it would provide a useful basis for predicting the future results of the continuing operations. We also note that entities must present separately any cumulative income or expense recognised in other comprehensive income that relates to a non-current asset or disposal group classified as held for sale.

#### Share of results of associates and joint venture

- 5 The share of results of associates and joint ventures refers to the group's share of associates and joint ventures' results after tax and non-controlling interests accounted for in accordance with SFRS(I) 1-28 *Investments in Associates and Joint Ventures*.

SFRS(I) 1-1  
(82(c))  
SFRS(I) 1-1  
IG6

#### Earnings per share

- 6 The basic and diluted earnings per share for each class of ordinary shares shall be presented, even if the amounts are negative (i.e. a loss per share).

SFRS(I) 1-33  
(69)

#### Tax effects – Other comprehensive income

- 7 This publication illustrates the presentation of these items individually net of tax and disclosure of the gross amounts and their tax effects in Note 10(c) to the financial statements. Alternatively, an entity can present these items individually gross of tax and their total tax effects as a separate line item.

SFRS(I) 1-1  
(91)

# Consolidated Statement of Comprehensive Income<sup>1, 2</sup>

For the financial year ended 31 December 2019

## Guidance notes

### Consolidated statement of comprehensive income (continued)

#### Reclassification adjustments

8 Reclassification adjustments are adjustments for amounts previously recognised in other comprehensive income now reclassified to profit or loss. Examples of reclassification adjustments are described in paragraphs 93 and 95 of SFRS(I) 1-1. Reclassification adjustments may be presented in the Statement of Comprehensive Income or in the notes. An entity presenting reclassification adjustments in the notes presents items of other comprehensive income after any related reclassification adjustments. In this case, PwC Holdings Ltd has elected to present reclassification adjustments in the Statement of Comprehensive Income.

SFRS(I) 1-1  
(93)  
SFRS(I) 1-1  
(95)  
SFRS(I) 1-1  
(96)

9 Reclassification adjustments do not arise on changes in revaluation surplus recognised in accordance with SFRS(I) 1-16 or SFRS(I) 1-38 or on remeasurements of defined benefit plans recognised in accordance with paragraph 122 of SFRS(I) 1-19.

SFRS(I) 1-1  
(96)

10 These components are recognised in other comprehensive income and are not reclassified to profit or loss in subsequent periods. Changes in revaluation surplus may be transferred to retained earnings in subsequent periods as the asset is used or when it is derecognised. Re-measurements of net defined benefit liability (asset) recognised in other comprehensive income may also be transferred within equity.

SFRS(I) 1-16  
(41)  
SFRS(I) 1-38  
(87)  
SFRS(I) 1-19  
(122)

#### Items that may and may not be reclassified subsequently to profit or loss

11 For debt instruments which are classified as financial assets, at FVOCI, subsequent fair value changes are recognised in other comprehensive income, except for interest income, impairment and foreign exchange gains and losses which are recognised in the profit or loss. Fair value changes on such debt instruments which were previously recognised in other comprehensive income will be subsequently reclassified to profit or loss when the instrument is derecognised.

SFRS(I) 9  
(B5.7.1A)

12 In contrast, for equity investments classified as financial assets, at FVOCI, subsequent fair value changes are recognised in other comprehensive income and will not be reclassified to profit or loss upon disposal. Instead, the entity may transfer the cumulative fair value gain or loss within equity upon disposal.

SFRS(I) 9  
(B5.7.1)

**Consolidated Statement of Comprehensive Income<sup>1, 2</sup>**

For the financial year ended 31 December 2019

**Guidance notes****Consolidated statement of comprehensive income (continued)****Items that may and may not be reclassified subsequently to profit or loss (continued)**

- 13 Currency translation differences arising from a foreign operation with a functional currency that is different from the presentation currency are recognised in other comprehensive income and accumulated in currency translation reserve. Such currency translation differences attributable to non-controlling interests will not be subsequently reclassified to profit or loss. In contrast, currency translation differences relating to equity holders of the parent are reclassified to profit or loss on disposal of the foreign operations.

SFRS(I) 1-21  
(39)  
SFRS(I) 1-21  
(48B)  
SFRS(I) 1-21  
(48)

**Additional disclosures**

- 14 Additional line items, headings and subtotals shall be presented on the face of the statement of comprehensive income and separate income statement (if presented) only when such presentation is necessary for an understanding of the entity's financial performance, the presentation is free of bias and undue prominence, the presentation is applied consistently and the methods are described in detail in the accounting policies.

SFRS(I) 1-1  
(85)

**Disclosure initiative**

- 15 SFRS(I) 1-1 requires entities not to aggregate or disaggregate information in a manner that obscures useful information. Additional subtotals are acceptable if they are made up of items recognised and measured under SFRS(I), presented and labelled in a manner understandable and consistent from period to period. An entity is also permitted to disaggregate specific line items required by SFRS(I) 1-1. Management has to consider the understandability and comparability of financial statements when determining the order of notes.

SFRS(I) 1-1  
(30A, 55A,  
85A, 85B)

For example, the significant accounting policies of the Company can be disclosed along with each relevant notes to the financial statements to make these critical information more prominent and easier to find.

**Balance Sheet – Group**

As at 31 December 2019

	Note	31 December 2019 \$'000	2018 \$'000	SFRS(I) 1-1 (54,77) SGX 1207 (5)(a) SGX 1207 (5)(b)
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	13	94,777	37,098	SFRS(I) 1-1 (60,66) SFRS(I) 1-1 (54)(i)
Financial assets, at FVPL	14	11,800	11,300	SFRS(I) 1-1 (54)(d)
Other investments at amortised cost	17	763	-	
Derivative financial instruments	15	288	1,854	SFRS(I) 1-1 (54)(d)
Trade and other receivables	18	22,385	17,317	SFRS(I) 1-1 (54)(h)
Inventories	19	27,499	32,461	SFRS(I) 1-1 (54)(g)
Contract assets <sup>2</sup>	4(b)	2,939	2,471	
Other current assets	4(c)	487	619	
		<b>160,938</b>	<b>103,120</b>	SFRS(I) 1-1 (55)
Assets of disposal group classified as held-for-sale	11	2,818	-	SFRS(I) 1-1 (54)(j)
		<b>163,756</b>	<b>103,120</b>	
<b>Non-current assets</b>				
Financial assets, at FVPL	14	2,950	2,300	SFRS(I) 1-1 (60,66) SFRS(I) 1-1 (54)(d)
Derivative financial instruments	15	2,668	308	SFRS(I) 1-1 (54)(d)
Financial assets, at FVOCI	16	4,725	13,452	SFRS(I) 1-1 (54)(d)
Other investments at amortised cost	17	2,734	2,403	SFRS(I) 1-1 (54)(d)
Trade and other receivables	20	9,518	1,840	SFRS(I) 1-1 (54)(h)
Investments in associates	22	8,284	7,606	SFRS(I) 1-1 (54)(e)
Investment in a joint venture	23	1,837	1,457	SFRS(I) 1-1 (54)(e)
Investment properties <sup>3,4</sup>	25	15,937	5,970	SFRS(I) 1-1 (54)(b)
Property, plant and equipment <sup>3,4</sup>	26	150,929	143,556	SFRS(I) 1-1 (54)(a)
Intangible assets	29	28,141	26,187	SFRS(I) 1-1 (54)(c)
Deferred income tax assets	36	2,784	3,306	SFRS(I) 1-1 (54)(o)
		<b>230,507</b>	<b>208,385</b>	
<b>Total assets</b>		<b>394,263</b>	<b>311,505</b>	

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

**Balance Sheet – Group**

As at 31 December 2019

	Note	31 December 2019 \$'000	2018 \$'000	
<b>LIABILITIES</b>				SFRS(I) 1-1 (60,69)
<b>Current liabilities</b>				
Trade and other payables	30	17,610	15,543	SFRS(I) 1-1 (54(k))
Contract liabilities <sup>2</sup>	4(b)	678	548	
Current income tax liabilities	10(b)	800	1,700	SFRS(I) 1-1 (54(n))
Derivative financial instruments	15	-	1,376	SFRS(I) 1-1 (54(m))
Borrowings <sup>3</sup>	31	18,772	9,155	SFRS(I) 1-1 (54(m))
Provisions	35	3,796	1,523	SFRS(I) 1-1 (54(l))
		<u>41,656</u>	<u>29,845</u>	
Liabilities directly associated with disposal group classified as held-for-sale	11	287	-	SFRS(I) 1-1 (54(p))
		<u>41,943</u>	<u>29,845</u>	
<b>Non-current liabilities</b>				SFRS(I) 1-1 (60,69)
Trade and other payables	30	500	350	SFRS(I) 1-1 (54(k))
Derivative financial instruments	15	3,090	-	SFRS(I) 1-1 (54(m))
Borrowings <sup>3</sup>	31	124,285	101,223	SFRS(I) 1-1 (54(m))
Deferred income tax liabilities	36	13,587	12,360	SFRS(I) 1-1 (54(o))
Provisions	35	2,072	1,573	SFRS(I) 1-1 (54(l))
		<u>143,534</u>	<u>115,506</u>	
<b>Total liabilities</b>		<u>185,477</u>	<u>145,351</u>	
<b>NET ASSETS</b>		<u>208,786</u>	<u>166,154</u>	
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	37	49,509	41,495	SFRS(I) 1-1 (54(r))
Treasury shares	37	(2,772)	(2,022)	SFRS(I) 1-1 (54(r))
Other reserves	38	9,941	6,539	SFRS(I) 1-1 (54(r))
Retained profits		<u>139,313</u>	<u>109,608</u>	SFRS(I) 1-1 (54(r))
		<u>195,991</u>	<u>155,620</u>	SFRS(I) 1-1 (54(r))
<b>Non-controlling interests</b>	24	12,795	10,534	SFRS(I) 1-1 (54(q))
<b>Total equity</b>		<u>208,786</u>	<u>166,154</u>	

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

**Balance Sheet – Company**

As at 31 December 2019

	Note	31 December		
		2019 \$'000	2018 \$'000	
<b>ASSETS</b>				
<b>Current assets</b>				SFRS(I) 1-1 (60,66)
Cash and cash equivalents	13	19,346	17,278	SFRS(I) 1-1 (54(i))
Derivative financial instruments	15	-	211	SFRS(I) 1-1 (54(d))
Trade and other receivables	18	5,830	5,824	SFRS(I) 1-1 (54(h))
Inventories	19	2,245	3,305	SFRS(I) 1-1 (54(g))
		27,421	26,618	
Non-current asset classified as held-for-sale	11	1,500	-	SFRS(I) 1-1 (54(j))
		28,921	26,618	
<b>Non-current assets</b>				
Derivative financial instruments	15	150	-	SFRS(I) 1-1 (54(d))
Financial assets, at FVOCI	16	1,615	1,600	SFRS(I) 1-1 (54(d))
Trade and other receivables	20	4,733	3,147	SFRS(I) 1-1 (54(h))
Investments in associates	22	1,000	1,000	SFRS(I) 1-1 (54(e))
Investment in a joint venture	23	880	880	SFRS(I) 1-1 (54(e))
Investments in subsidiaries	24	104,550	94,160	SFRS(I) 1-1 (55)
Property, plant and equipment	26	1,258	843	SFRS(I) 1-1 (54(a))
Intangible assets	29	1,444	1,542	SFRS(I) 1-1 (54(c))
		115,630	103,172	
<b>Total assets</b>		144,551	129,790	

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

**Balance Sheet – Company**

As at 31 December 2019

	Note	31 December		
		2019	2018	
		\$'000	\$'000	
<b>LIABILITIES</b>				
<b>Current liabilities</b>				SFRS(I) 1-1 (60,69)
Trade and other payables	30	951	848	SFRS(I) 1-1 (54(k))
Current income tax liabilities	10(b)	330	261	SFRS(I) 1-1 (54(n))
Borrowings	31	1,732	1,927	SFRS(I) 1-1 (54(m))
Provisions	35	44	50	SFRS(I) 1-1 (54(l))
		<b>3,057</b>	<b>3,086</b>	
<b>Non-current liabilities</b>				SFRS(I) 1-1 (60,69)
Borrowings	31	79,084	78,499	SFRS(I) 1-1 (54(m))
Provisions	35	170	150	SFRS(I) 1-1 (54(l))
Deferred income tax liabilities	36	2,468	3,140	SFRS(I) 1-1 (54(o))
		<b>81,722</b>	<b>81,789</b>	
<b>Total liabilities</b>		<b>84,779</b>	<b>84,875</b>	
<b>NET ASSETS</b>		<b>59,772</b>	<b>44,915</b>	
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	37	49,509	41,495	SFRS(I) 1-1 (54(r))
Treasury shares	37	(2,772)	(2,022)	SFRS(I) 1-1 (54(r))
Other reserves	38	4,214	3,917	SFRS(I) 1-1 (54(r))
Retained profits	39	8,821	1,525	SFRS(I) 1-1 (54(q))
<b>Total equity</b>		<b>59,772</b>	<b>44,915</b>	

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

# Balance Sheet – Company

As at 31 December 2019

## Guidance notes

### Statement of financial position/balance sheet

#### Comparative information

- 1 An entity shall present a third statement of financial position as at the beginning of the preceding period if:
  - a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and
  - b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at the beginning of the preceding period.

SFRS(I) 1-1  
(40A)

For further information, please refer to paragraphs 40B to 40D of SFRS(I) 1-1.

- 2 Contract assets and contract liabilities do not have to be referred to as such and do not need to be presented separately in the balance sheet as long as the entity provides sufficient information so users of the financial statements can distinguish them from other items.

SFRS(I) 15  
(109)

- 3 Right-of-use assets (except those meeting the definition of investment property) and lease liabilities do not need to be presented as a separate line items on the balance sheet, as long as they are disclosed separately in the notes. Where right-of-use assets are presented within the same line item as the corresponding underlying assets would be presented if they were owned, the lessee must disclose which line items in the balance sheet include those right-of-use assets.

SFRS(I) 16  
(47)

- 4 Right-of-use assets that meet the definition of investment property must be presented in the balance sheet as investment property.

SFRS(I) 16  
(48)



# Consolidated Statement of Changes in Equity<sup>1, 2</sup>

As at 31 December 2019

Reference

2019	Note	Attributable to equity holders of the Company											Total equity	Reference
		Share capital	Treasury shares	Share option reserve <sup>3</sup>	Capital reserve <sup>3</sup>	Fair value reserve <sup>3</sup>	Hedging reserve <sup>3</sup>	Currency translation reserve <sup>3</sup>	Equity component of convertible bonds	Asset revaluation reserve <sup>3</sup>	Retained profits	Total	Non-controlling interests	
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 31 December 2018		41,495	(2,022)	1,510	858	(1,485)	110	1,207	1,685	2,654	109,608	155,620	10,534	166,154
Adoption of SFRS(I) 16	2.1	-	-	-	-	-	-	-	-	-	(1,377)	(1,377)	-	(1,377)
Balance at 1 January 2019		41,495	(2,022)	1,510	858	(1,485)	110	1,207	1,685	2,654	108,231	154,243	10,534	164,777
Profit for the year		-	-	-	-	-	-	-	-	-	41,483	41,483	3,624	45,107
Other comprehensive income for the year		-	-	-	-	1,379	798	489	-	535	-	3,201	367	3,568
Total comprehensive income for the year		-	-	-	-	1,379	798	489	-	535	41,483	44,684	3,991	48,675
Purchase of treasury shares	37	-	(1,754)	-	-	-	-	-	-	-	-	(1,754)	-	(1,754)
Employee share option scheme														
- Value of employee services	38(b)(i)	-	-	672	-	-	-	-	-	-	-	672	-	672
- Treasury shares re-issued	37 38(b)(i),(ii)	-	1,004	(972)	623	-	-	-	-	-	-	655	-	655

SFRS(I) 1-1 (106) (d)

SFRS(I) 1-1 (106) (d)(i)  
SFRS(I) 1-1 (106) (d)(ii)

SFRS(I) 1-1 (106A)

SFRS(I) 1-32 (33)

SFRS(I) 2 (7)

SFRS(I) 1-32 (33)

**Consolidated Statement of Changes in Equity<sup>1, 2</sup>**

As at 31 December 2019

Reference

Attributable to equity holders of the Company														
2019	Note	Share capital	Treasury shares	Share option reserve <sup>3</sup>	Capital reserve <sup>3</sup>	Fair value reserve <sup>3</sup>	Hedging reserve <sup>3</sup>	Currency translation reserve <sup>3</sup>	Equity component of convertible bonds	Asset revaluation reserve <sup>3</sup>	Retained profits	Total	Non-controlling interests	Total equity
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Issue of new shares	37	8,368	-	-	-	-	-	-	-	-	-	8,368	-	8,368
Share issue expenses	37	(354)	-	-	-	-	-	-	-	-	-	(354)	-	(354)
Dividend paid	40,24	-	-	-	-	-	-	-	-	-	(10,701)	(10,701)	(1,730)	(12,431)
<b>Total transactions with owners, recognised directly in equity</b>		<b>8,014</b>	<b>(750)</b>	<b>(300)</b>	<b>623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,701)</b>	<b>(3,114)</b>	<b>(1,730)</b>	<b>(4,844)</b>
Transfer upon disposal of investments	38(b)(iii)	-	-	-	-	(300)	-	-	-	-	300	-	-	-
Hedging gain transferred to the carrying value of inventory purchased during the year	38(b)(iv)	-	-	-	-	-	178	-	-	-	-	178	-	178
<b>Balance at 31 December 2019</b>		<b>49,509</b>	<b>(2,772)</b>	<b>1,210</b>	<b>1,481</b>	<b>(406)</b>	<b>1,086</b>	<b>1,696</b>	<b>1,685</b>	<b>3,189</b>	<b>139,313</b>	<b>195,991</b>	<b>12,795</b>	<b>208,786</b>

SFRS(I) 1-1  
(106) (d)(iii)SFRS(I) 1-1  
(106) (d)(iii)

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

**Consolidated Statement of Changes in Equity<sup>1, 2</sup>**

As at 31 December 2019

Reference

Attributable to equity holders of the Company													
	Share capital \$'000	Treasury shares \$'000	Share option reserve <sup>3</sup> \$'000	Capital reserve <sup>3</sup> \$'000	Fair value reserve <sup>3</sup> \$'000	Hedging reserve <sup>3</sup> \$'000	Currency translation reserve <sup>3</sup> \$'000	Equity component of convertible bonds \$'000	Asset revaluation reserve <sup>3</sup> \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
	41,495	(1,418)	1,636	488	(73)	87	588	1,685	2,202	83,017	129,707	8,252	137,959
	-	-	-	-	-	-	-	-	-	34,416	34,416	3,404	37,820
	-	-	-	-	(1,155)	23	619	-	452	-	(61)	413	352
	-	-	-	-	(1,155)	23	619	-	452	34,416	34,355	3,817	38,172
(b)(ii)	-	-	-	-	(257)	-	-	-	-	257	-	-	-
7	-	(2,389)	-	-	-	-	-	-	-	-	(2,389)	-	(2,389)
(b)(i)	-	-	715	-	-	-	-	-	-	-	715	-	715
(b)(ii)	-	1,785	(841)	370	-	-	-	-	-	-	1,314	-	1,314
3	-	-	-	-	-	-	-	-	-	-	-	(75)	(75)
0,4	-	-	-	-	-	-	-	-	-	(8,082)	(8,082)	(1,460)	(9,542)
	-	(604)	(126)	370	(257)	-	-	-	-	(7,825)	(8,442)	(1,535)	(9,977)

**Consolidated Statement of Changes in Equity<sup>1, 2</sup>**

As at 31 December 2019

Reference

Attributable to equity holders of the Company														
	Note	Share capital \$'000	Treasury shares \$'000	Share option reserve <sup>3</sup> \$'000	Capital reserve <sup>3</sup> \$'000	Fair value reserve <sup>3</sup> \$'000	Hedging reserve <sup>3</sup> \$'000	Currency translation reserve <sup>3</sup> \$'000	Equity component of convertible bonds \$'000	Asset revaluation reserve <sup>3</sup> \$'000	Retained profits \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
2018														
recognised directly in equity														
Balance at 31 December 2018		41,495	(2,022)	1,510	858	(1,485)	110	1,207	1,685	2,654	109,608	155,620	10,534	166,154

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

Consolidated Statement of Changes in Equity<sup>1, 2</sup>

For the financial year ended 31 December 2019

Guidance notes

Consolidated Statement of Changes in Equity ("SoCE")

Presentation of each component of equity in the SoCE

- 1 SFRS(I) 1-1 requires an entity to show in the SoCE, for each component of equity, a reconciliation between the carrying amount at the beginning and end of the period. Components of equity include, e.g., each class of contributed equity, the accumulated balance of each class of other comprehensive income and retained profits.
- 2 The reconciliation of changes in each component of equity shall show separately each item of comprehensive income. However, this reconciliation may be presented either in the notes or in the SoCE. This presentation illustrates the former.
- 3 An entity can choose to present the aggregation of reserve in the SoCE. For instance, share option reserve, fair value reserve, hedging reserve, currency translation reserve and asset revaluation reserve can be aggregated to be presented as "Other reserves". The entity should continue to disclose in the notes a description of the nature and purpose of each reserve within equity.

SFRS(I) 1-1  
(106(d)), (108)

**Consolidated Statement of Cash Flows**

For the financial year ended 31 December 2019

Note	2019	2018	
	\$'000	\$'000	SFRS(I) 1-7 (1) SGX 1207 (5)(c))
<b>Cash flows from operating activities<sup>1</sup></b>			
Total profit	<b>45,107</b>	37,820	SFRS(I) 1-7 (10,18(b))
Adjustments for:			SFRS(I) 1-7 (20(b),(c))
- Income tax expense	<b>15,971</b>	14,817	
- Employee share option expense	<b>672</b>	715	
- Amortisation and depreciation	<b>23,025</b>	13,704	
- Impairment loss on goodwill	<b>500</b>	1,081	
- Gain on disposal of property, plant and equipment	<b>(170)</b>	-	
- Impairment loss on financial assets and contract assets	<b>850</b>	266	
- Fair value loss on derivatives	<b>1,641</b>	1,020	
- Fair value gain on financial assets, at FVPL	<b>(750)</b>	(1,190)	
- Net fair value (gains)/losses on investment properties	<b>1,906</b>	(174)	
- Interest income <sup>3</sup>	<b>(2,357)</b>	(2,144)	SFRS(I) 1-7 (31-34)
- Dividend income <sup>3</sup>	<b>(4,000)</b>	(3,102)	SFRS(I) 1-7 (31-34)
- Finance expenses <sup>3</sup>	<b>9,739</b>	9,800	SFRS(I) 1-7 (31-34)
- Share of profit of associates and joint venture	<b>(761)</b>	(340)	
- Unrealised currency translation losses <sup>7,8</sup>	<b>2,181</b>	1,292	SFRS(I) 1-7 (25-28)
	<b>93,554</b>	73,565	
Change in working capital, net of effects from acquisition and disposal of subsidiaries:			SFRS(I) 1-7 (20)(a)
- Inventories	<b>5,081</b>	(7,711)	
- Trade and other receivables	<b>(2,108)</b>	3,063	
- Contract assets and liabilities	<b>(338)</b>	(518)	
- Other current assets	<b>132</b>	(203)	
- Financial assets, at FVPL	<b>(400)</b>	(515)	
- Trade and other payables	<b>1,918</b>	1,313	
- Provisions	<b>2,232</b>	82	
Cash generated from operations	<b>100,071</b>	69,076	
Interest received <sup>3</sup>	<b>150</b>	48	SFRS(I) 1-7 (31)
Interest paid <sup>3</sup>	<b>(5,782)</b>	(5,087)	SFRS(I) 1-7 (31)
Income tax paid <sup>4</sup>	<b>(16,608)</b>	(16,059)	SFRS(I) 1-7 (35),(36)
<b>Net cash provided by operating activities</b>	<b>77,831</b>	47,978	

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

**Consolidated Statement of Cash Flows**

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000	SFRS(I) 1-7 (1) SFRS(I) 1-7 (21) SFRS(I) 1-7 (39,42)
<b>Cash flows from investing activities</b>				
Acquisition of a subsidiary, net of cash acquired	47	(7,078)	-	SFRS(I) 1-7 (39,42)
Prepayment of leases <sup>5</sup>		(600)	-	
Additions to property, plant and equipment <sup>5</sup>		(2,561)	(2,576)	SFRS(I) 1-7 (16)(a),(43)
Additions to investment property		(735)	(246)	SFRS(I) 1-7 (16)(a)
Additions to intangible assets		(2,300)	(1,409)	SFRS(I) 1-7 (16)(a)
Purchases of financial assets, at FVOCI		-	(168)	SFRS(I) 1-7 (16)(c)
Purchases of other investments, at amortised cost		(1,500)	-	SFRS(I) 1-7 (16)(c)
Disposal of a subsidiary, net of cash disposed of	13	-	2,757	SFRS(I) 1-7 (39,42)
Disposal of property, plant and equipment		439	-	SFRS(I) 1-7 (16)(b)
Disposal of investment property		230	-	SFRS(I) 1-7 (16)(b)
Disposal of financial assets, at FVOCI		10,477	1,113	SFRS(I) 1-7 (16)(d)
Loans to an associate		(1,680)	(212)	SFRS(I) 1-7 (16)(e)
Repayment of loans by an associate		694	1,440	SFRS(I) 1-7 (16)(f)
Dividends received <sup>3</sup>		4,000	3,102	SFRS(I) 1-7 (31)
Interest received <sup>3</sup>		2,765	1,742	SFRS(I) 1-7 (31)
<b>Net cash provided by investing activities</b>		<b>2,151</b>	<b>5,543</b>	

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

**Consolidated Statement of Cash Flows**

For the financial year ended 31 December 2019

	Note	2019 \$'000	2018 \$'000	
<b>Cash flows from financing activities</b>				SFRS(I) 1-7 (21)
Bank deposits pledged		150	(250)	
Proceeds from issuance of ordinary shares		8,368	-	SFRS(I) 1-7 (17)(a)
Proceeds from re-issuance of treasury shares		613	1,229	SFRS(I) 1-7 (17)(b)
Share issue expense <sup>9</sup>		(354)	-	SFRS(I) 1-7 (17)(b)
Proceeds from issuance of convertible bond		-	-	SFRS(I) 1-7 (17)(a)(c)
Proceeds from borrowings		5,800	9,300	SFRS(I) 1-7 (17)(c)
Purchase of treasury shares		(1,754)	(2,389)	SFRS(I) 1-7 (17)(b)
Repayment of borrowings		(16,288)	(33,269)	SFRS(I) 1-7 (17)(d)
Principal payment of lease liability <sup>12</sup>		(5,573)	(164)	SFRS(I) 1-7 (17)(e)
Interest paid <sup>3,12</sup>		(2,500)	(2,500)	SFRS(I) 1-7 (17)(31)
Dividends paid to redeemable preference shareholders <sup>3</sup>		(1,950)	(1,950)	
Dividends paid to equity holders of the Company		(10,701)	(8,082)	SFRS(I) 1-7 (17)(31)
Dividends paid to non-controlling interests		(1,730)	(1,460)	SFRS(I) 1-7 (17)(31)
<b>Net cash used in financing activities</b>		<b>(25,919)</b>	<b>(39,535)</b>	
<b>Net increase in cash and cash equivalents</b>		<b>54,063</b>	<b>13,986</b>	
<b>Cash and cash equivalents</b>				
Beginning of financial year		32,688	19,160	SFRS(I) 1-7 (45)
Effects of currency translation on cash and cash equivalents <sup>8</sup>		3,266	(458)	SFRS(I) 1-7 (28)
<b>End of financial year</b>	13	<b>90,017</b>	<b>32,688</b>	SFRS(I) 1-7 (45)

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



# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

## Guidance notes

### Consolidated statement of cash flows

#### Direct method

- 1 An entity can present its Statement of Cash Flows using the direct or indirect method; the latter is illustrated in this publication. When the direct method is used, the cash flows from operating activities shall be presented as follows:

SFRS(I)  
1-7  
(18(a))

	2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	242,311	259,089
Cash paid to suppliers and employees	(142,240)	(190,013)
Cash generated from operations	100,071	69,076
Interest received	150	48
Interest paid	(5,782)	(5,087)
Income taxes paid	(16,608)	(16,059)
Net cash provided by operating activities	77,831	47,978

SFRS(I)  
1-7 (19)

The rest of the “direct method” consolidated statement of cash flows is similar to that of the indirect method.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

## Guidance notes

### Consolidated statement of cash flows (continued)

#### Discontinued operations

- 2 Non-cash items excluded from profit for purposes of the statement of cash flows should include those non-cash items attributed to discontinued operations.

The net cash flows attributable to operating, investing and financing activities of discontinued operations (including comparatives) shall be disclosed either in the notes or on the face of the statement of cash flows. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements. Please refer to Note 11(b).

SFRS(I)  
5 (33(c))

If the entity elects to present net cash flows on the face of the statement of cash flows, the relevant net cash flows should be presented under operating, investing and financing activities respectively. It is not appropriate to combine and present the net cash flows from three activities as one line item under operating, investing or financing activities.

#### Dividends and interest

- 3 Cash flows from interest and dividends received and paid shall each be disclosed separately, and classified consistently from period to period. The interest amounts to be adjusted against profit after tax are the amounts charged or credited to profit or loss. The amounts to be shown under financing or investing cash flows shall be strictly cash paid or received during the period. Differences will be reflected in the changes in operating assets and liabilities or as additions to qualifying assets if interest has been capitalised in the cost of these assets.

SFRS(I)  
1-7 (31-34)

#### Taxes on income

- 4 Cash flows from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities.

Taxes paid are usually classified as cash flows from operating activities as it is often impracticable to identify tax cash flows that are related to investing or financing activities. However, when it is practicable to be identified, the tax cash flow is classified as an investing or financing activity as appropriate. The total amount of taxes paid however needs to be disclosed.

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

## Guidance notes

### Additions to property, plant and equipment

- 5 Additions to property, plant and equipment in the statement of cash flows should be net of hedging gains/losses transferred from hedging reserve.

The classification of payments made before commencement of the lease is determined based on the substance of the payments. For example, one-off upfront payment of all the lease payments on commencement would be presented as an investing cash flow. Partial prepayment at commencement might be classified as financing cash flow, consistent with the ongoing periodic payment.

In this publication, the prepaid lease payment is classified under investing activities as it relates to an upfront payment of all the lease payments under the lease arrangement.

### Changes in ownership interests that do not result in loss of control

- 6 Cash flow arising from changes in ownership interests in a subsidiary that does not result in a loss of control shall be classified as cash flows from financing activities.

SFRS(I)  
1-7  
(17)(b)

### Currency translation differences

- 7 The adjustment of total profit for unrealised currency translation (gains)/losses usually includes currency translation differences on monetary items that form part of investing or financing activities such as long-term loans. This is because these currency translation differences are included as a part of profit or loss for the financial year and need to be eliminated in arriving at the net cash flows from operating activities, as they do not relate to operating activities.

On the other hand, unrealised currency translation differences on monetary items that form part of operating activities, such as trade receivables or payables, do not usually require such adjustments, as they are already adjusted through the change in working capital lines.

- 8 Currency translation differences that arise on the translation of foreign currency cash and cash equivalents should be reported in the statement of cash flows in order to reconcile opening and closing balances of cash and cash equivalents, separately from operating, financing and investing cash flows.

SFRS(I)  
1-7 (28)

# Consolidated Statement of Cash Flows

For the financial year ended 31 December 2019

## Guidance notes

### Cash flows reported on a gross or net basis

- 9 Major classes of cash receipts and cash payments arising from investing and financing activities should be reported on a gross basis, except for the cash flows described in paragraphs 22 to 24 of SFRS(I) 1-7, which are reported on a net basis.

SFRS(I)  
1-7 (21)

### Non-cash transactions

- 10 Investing and financing transactions that do not require the use of cash or cash equivalent shall be excluded from the statement of cash flows.

SFRS(I)  
1-7 (43)

### Classification of borrowing cost capitalised into cost of qualifying assets

- 11 The classification of payments of interest that are capitalised shall be classified in a manner consistent with the classification of the underlying asset to which those payments were capitalised. For example, payments of interest that are capitalised as part of cost of property, plant and equipment should be classified as part of an entity's investing activities; payments of interest that are capitalised as part of the cost of inventories should be classified as part of an entity's operating activities.

### Leases

- 12 A lessee shall classify cash flows relating to leases as follows:

- (a) Cash payments for the principal portion of the lease liabilities within financing activities;
- (b) Cash payments for the interest portion of the lease liabilities consistent with presentation of interest payments chosen by the Group; and
- (c) Short-term lease payments, payments for leases of low-value assets and variable lease payments that are not included in the measurement of the lease liabilities within operating activities.

SFRS(I)  
16 (50)

# Significant Accounting Policies



# Notes to the Financial Statements

For the financial year ended 31 December 2019

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

## 1. General information

PwC Holdings Ltd (the “Company”) is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 350 Harbour Street, PwC Centre, #30-00, Singapore 049929.<sup>1</sup>

SFRS(I) 1-1  
(138)(a)

The principal activities of the Company are the manufacturing and sale of electronic component parts, and investment holding. The principal activities of its subsidiaries are the manufacturing and sale of electronic component parts, the sale of furniture, the construction of specialised equipment and logistic services.

SFRS(I) 1-1  
(138)(b)

### Guidance notes

#### General information

- 1 If the company changes its name during the financial year and up to the date of the financial statements, the change shall be disclosed. A suggested disclosure is as follows:

SFRS(I) 1-1  
(51)(a)

“With effect from [effective date of change], the name of the Company was changed from [XYZ Pte Ltd] to [ZYX Pte Ltd].

Further, all references to the company’s name in directors’ statement, auditors’ report and financial statements should be based on the new name, followed by the words “Formerly known as [old name].”

## 2. Significant accounting policies<sup>1-6</sup>

SFRS(I) 1-1  
(112)(a)

### 2.1. Basis of preparation

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)”) under the historical cost convention, except as disclosed in the accounting policies below.

SGX 1207  
(5(d))  
SFRS(I) 1-1  
117(a)

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

DV

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.1. Basis of preparation (continued)

### Interpretations and amendments to published standards effective in 2019

On 1 January 2019, the Group has adopted the new or amended SFRS(I) and Interpretations of SFRS(I) ("INT SFRS(I)") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I) and INT SFRS(I).

The adoption of these new or amended SFRS(I) and INT SFRS(I) did not result in substantial changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior financial years except for the adoption of SFRS(I) 16 *Leases*:

### Adoption of SFRS(I) 16 *Leases*

#### (a) When the Group is the lessee

Prior to the adoption of SFRS(I) 16, non-cancellable operating lease payments were not recognised as liabilities in the balance sheet. These payments were recognised as rental expenses over the lease term on a straight-line basis.

The Group's accounting policy on leases after the adoption of SFRS(I) 16 is as disclosed in Note 2.17.

On initial application of SFRS(I) 16, the Group has elected to apply the following practical expedients:

- i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 *Lease* and SFRS(I) INT 4 *Determining whether an Arrangement contains a Leases*, the Group has not reassessed if such contracts contain leases under SFRS(I) 16; and SFRS(I) 16  
(C3),(C4)
- ii) On a lease-by-lease basis<sup>7</sup>, the Group has: SFRS(I) 16  
(C10),(C13)
  - a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
  - b) relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
  - c) accounted for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
  - d) excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
  - e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

There were no onerous contracts as at 1 January 2019.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.1. Basis of preparation (continued)

### Interpretations and amendments to published standards effective in 2019 (continued)

For leases previously classified as operating leases on 1 January 2019, the Group has applied the following transition provisions:

- (i) On a lease-by-lease basis, the Group chose to measure its ROU assets (except for ROU assets which meet the definition of investment property) at a carrying amount as if SFRS(I) 16 had been applied since the commencement of the lease<sup>8</sup> but discounted using the incremental borrowing rate at 1 January 2019. For ROU assets which meet the definition of an investment property, the Group had measured the ROU assets at their fair values at 1 January 2019<sup>9</sup>. SFRS(I) 16 (C8(b))  
  
SFRS(I) 16 (C9)
- (ii) Recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristic.
- (iii) The difference between the carrying amounts of the ROU assets and lease liabilities as at 1 January 2019 is adjusted directly to opening retained profits. Comparative information is not restated. SFRS(I) 16 (C7)
- (iv) For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities. SFRS(I) 16 (C11)

#### (b) When the Group is a lessor

There are no material changes to accounting by the Group as a lessor except when the Group is an intermediate lessor (Note 2.1(c)).

#### (c) When the Group is the intermediate lessor

The Group leases an underlying asset under a head lease arrangement and subleases the same asset to third parties as an intermediate lessor. Prior to the adoption of SFRS(I) 16, the sublease is classified as an operating lease when the head lease is an operating lease. The intermediate lessor recorded rental income in respect of the sublease on a straight-line basis over the term of the sublease and recorded rental expense in respect of the head lease on a straight-line basis over the term of the head lease.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.1. Basis of preparation (continued)

### Interpretations and amendments to published standards effective in 2019 (continued)

#### (c) *When the Group is the intermediate lessor* (continued)

Under SFRS(I) 16, accounting by the Group as an intermediate lessor depends on the classification of the sublease with reference to the ROU asset arising from the head lease rather than the underlying asset.

On 1 January 2019, the Group has reassessed the classification<sup>15</sup> of the sublease based on the remaining contractual terms and condition of the head lease. Based on this assessment, some subleases of office space is reassessed as finance lease and \$12,587,000 of net investment in sublease was recognised on 1 January 2019 within "Trade and other receivable".

The accounting policy for subleases are disclosed in Note 2.17.

The effects of adoption of SFRS(I) 16 on the Group's financial statements as at 1 January 2019 are as follows<sup>10</sup>: DV

	Increase/(decrease)
	\$'000
Property, plant and equipment	21,175
Investment properties	11,368
Trade and other receivables	7,001
Borrowings	41,686
Deferred tax assets	765
Retained profits	(1,377)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.1. Basis of preparation (continued)

SFRS(I) 16  
(C12(b))

### Interpretations and amendments to published standards effective in 2019 (continued)

An explanation of the differences between the operating lease commitments previously disclosed in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the balance sheet as at 1 January 2019 are as follows :

	\$'000	
Operating lease commitment disclosed as at 31 December 2018 <sup>11-12</sup>	42,186	
Less: Short-term leases	(2,868)	
Less: Low-value leases, except for those under a sublease arrangement <sup>16</sup>	(2,468)	
Less: Committed non-cancellable leases with lease terms commencing after 1 January 2019	(1,500)	
Less: Discounting effect using weighted average incremental borrowing rate of 5.03% <sup>13</sup>	(3,301)	SFRS(I) 16 (C12(a))
Add: Finance lease liabilities recognised as at 31 December 2018 <sup>14</sup>	862	
Add: Extension options which are reasonably certain to be exercised	13,261	
Add: Adjustments relating to changes in the index or rate affecting variable payments	1,100	
Lease liabilities recognised as at 1 January 2019	<u>47,272</u>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Disclosure of accounting policies

- 1 In deciding whether a particular accounting policy shall be disclosed, management considers whether the disclosure will assist users in understanding how transactions, other events and conditions are reflected in the reported financial performance and financial position.

SFRS(I) 1-1  
(119)

Accounting policies shall be disclosed for all material components. The accounting policies illustrated in this publication must be tailored if they are adopted by other reporting entities to suit the particular circumstances and needs of readers of those financial statements.

- 2 Disclosure of accounting policies is particularly useful to users when there are alternatives allowed in Standards and Interpretations.

SFRS(I) 1-1  
(119)

Example include measurement bases used for classes of property, plant and equipment (SFRS(I) 1-16).

- 3 An accounting policy may also be significant because of the nature of the entity's operations, even if amounts shown for current and prior periods are not material. **Omissions or misstatements of items are material if they can, individually or collectively, influence the economic decisions of users taken on the basis of the financial statements**. Materiality depends on the size and nature of the omission or misstatement, taking into consideration the surrounding circumstances. The size or nature of the item, or a combination of both, can be the determining factor.

SFRS(I) 1-1  
(121)  
SFRS(I) 1-1 (7)

### Going concern assumption

- 4 When preparing financial statements, management shall make an assessment of the entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. If decision is made by management after the balance sheet date, the financial statements should not be prepared on a going concern basis.

SFRS(I) 1-1  
(25,26)

SFRS(I) 1-10  
(14)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Going concern assumption (continued)

- 5 When management is aware of material uncertainties related to events or conditions which may cast significant doubt upon the entity's ability to continue as a going concern, those uncertainties shall be disclosed, even if management eventually concludes that it is appropriate to prepare the financial statements on a going concern basis.

SFRS(I) 1-1  
(25,26)

One disclosure example is *"These financial statements are prepared on a going concern basis because the holding company has confirmed its intention to provide continuing financial support so that the Company is able to pay its debts as and when they fall due"*.

- 6 When the financial statements are not prepared on a going concern basis, that fact shall be disclosed, together with the basis on which the financial statements are prepared and the reason why the entity is not considered a going concern.

SFRS(I) 1-1  
(25)

One disclosure example is *"These financial statements are prepared on a realisation basis because management intends to liquidate the Company within 12 months from the balance sheet date"*.

### Practical expedients on transition to SFRS(I) 16

- 7 If the entity uses one or more of the practical expedients above, the list of practical expedients disclosed needs to be tailored. The practical expedients are only available for entities applying the modified retrospective approach for transition.

SFRS(I) 16  
(C13)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Measurement of right-of-use assets

SFRS(I) 16  
(C8)

- 8 The lessee shall choose, on a **lease-by-lease** basis, to measure that ROU asset (except for ROU asset in point 9 below) at either:
- i) Its carrying amount as if the standard had been applied since the commencement date of the lease, but discounted using the lessee's incremental borrowing rate at the date of initial application (i.e. 1 January 2019); or
  - ii) An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before the date of transition.
  - iii) Apply SFRS(I) 1-36 *Impairment of Assets* to ROU assets at the date of initial application, unless the lessee applies the practical expedient in paragraph C10(b) of SFRS(I) 16.

In this publication, the Group has applied the first option for all the leases during the transition to SFRS(I) 16.

SFRS(I) 16  
(C9)

- 9 Entities with ROU assets classified as investment property held at fair value under SFRS(I) 1-40 *Investment Property* should account for the effects of transition as follows:
- (a) The lessee is not required to make any adjustments on transition for leases previously accounted for as investment property using fair value model in SFRS(I) 1-40. The lessee shall account for the right-of-use asset by applying SFRS(I) 1-40 and continue to account for the lease liability arising from those leases by applying SFRS(I) 16 from the date of initial application.
  - (b) The lessee shall measure the right-of-use asset at fair value at the date of initial application for leases previously accounted for as operating leases and that will be accounted for as investment property using the fair value model in SFRS(I) 1-40 from the date of initial application. The lessee shall account for the right-of-use asset and the lease liability arising from those leases applying SFRS(I) 1-40 and SFRS(I) 16 respectively from the date of initial application. The differences between the carrying amount of the ROU asset and lease liabilities as at date of initial application are adjusted to opening retained profits.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Modified retrospective approach

- 10 An entity that has applied the modified retrospective approach does not need to disclose the impact of the adoption of the standard on the individual line items of the financial statements that are affected. However, we believe that disclosing the adjustments recognised on the date of initial application is useful to allow the users to understand the impact of SFRS(I) 16 on each financial statement line item. SFRS(I) 16 (C12)
  
- 11 The format of reconciliation between the operating lease commitments to lease liabilities are not prescribed by the standard. **Narrative format without quantifying the actual differences may also be appropriate**, if the significant effects are identified and clearly described within the financial statements. SFRS(I) 16 (C12(b))
  
- 12 The reconciliation items stated in the table above are non-exhaustive. Other adjustments which are not illustrated in this publication are as follows:
  - i) amounts expected to be payable under residual value guarantees;
  - ii) exercise price of a purchase option if the entity is reasonably certain to exercise the option;
  - iii) payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease, etc.
  
- 13 Entities that apply the modified retrospective approach must further disclose the weighted average incremental borrowing rate applied to lease liabilities recognised at the date of initial application and an explanation of any difference between: SFRS(I) 16 (C12(a))
  - i) The operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application (discounted using the incremental borrowing rate at the date of initial application); and
  - ii) The lease liabilities recognised at the date of initial application.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Modified retrospective approach (continued)

- 14 For finance lease previously under SFRS(I) 1-17, the carrying amount of the ROU asset and lease liability at the date of initial application shall be the same as the carrying amount of the lease asset and lease liability immediately before that date measured applying SFRS(I) 1-17 under the modified retrospective approach.

SFRS(I) 16  
(C11)

For those leases, a lessee shall account for the ROU asset and lease liability applying SFRS(I) 16 from the date of initial application.

### Transition to SFRS(I) 16 on sublease arrangement

- 15 An intermediate lessor shall reassess subleases that were classified as operating leases applying SFRS(I) 1-17 and are ongoing at the date of initial application, to determine whether each sublease should be classified as an operating lease or a finance lease applying SFRS(I) 16. The intermediate lessor shall perform this assessment at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date.

SFRS(I) 16  
(C15)

For subleases that were classified as operating leases applying SFRS(I) 1-17 but finance leases applying SFRS(I) 16, account for the sublease as a new finance lease entered into at the date of initial application.

### Short-term leases

- 16 If a lessee subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of low-value asset.

SFRS(I) 16  
(B7)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.2. Revenue<sup>5</sup>

### (a) *Wholesale of furniture and electronic equipment*

The Group manufactures and sells a range of furniture and electronic equipment in the wholesale market. Sales are recognised when control of the products has transferred to its customer, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

SFRS(I) 15  
(119(a), (c))  
SFRS(I) 15  
(125)

Furniture is often sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts<sup>4</sup>. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No significant element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The Group's obligation to provide a refund for faulty products under the standard warranty terms is recognised as a provision. A provision is made for estimated warranty claims in respect of products sold which are still under warranty at the end of the reporting period. The claims are expected to be settled in the next financial year.

SFRS(I) 15  
(126(a), (c))

SFRS(I) 15  
(119(b))

SFRS(I) 15  
(126(d))

A receivable (financial asset) is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

SFRS(I) 15  
(117)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.2. Revenue (continued)

### (b) *Retail of household furniture*

The Group operates a chain of retail stores selling household furniture. Revenue from the sale of these goods is recognised at a point in time when the furniture is delivered to the customer.

SFRS(I) 15  
(119(a),(c))  
SFRS(I) 15  
(125)

Payment of the transaction price is due immediately when the customer purchases the furniture. However, the customer has a right to return the goods to the Group within 28 days of delivery to the customer. Therefore, a refund liability and a right to the returned goods (included in other current assets) are recognised for products expected to be returned. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The asset is measured by reference to the former carrying amount of the product. The costs to recover the products are not material, because the customer usually returns the product in a saleable condition at the store.

SFRS(I) 15  
(119(b), (d))

SFRS(I) 15  
(126(d))

The Group does not operate any customer loyalty programme<sup>1</sup>.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.2. Revenue (continued)

### (c) Logistics services

Revenue from logistics services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

SFRS(I) 15  
(119(a),(c))

SFRS(I) 15  
(124)

The customers are only invoiced once every two months. A contract asset is recognised for the cumulative revenue recognised but not yet invoiced.

SFRS(I) 15  
(119(b))  
SFRS(I) 15  
(117)

### (d) Construction of specialised equipment

The construction division manufactures and produces specialised equipment for customers through fixed-price contracts. Revenue is recognised when the control over the specialised equipment has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the equipment over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

SFRS(I) 15  
(119(a),(c))  
SFRS(I) 15  
(123)

The specialised equipment has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date relative to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

SFRS(I) 15  
(123)

SFRS(I) 15  
(124)

For certain contracts where the Group does not have an enforceable right to payment, revenue is recognised only when the completed specialised equipment is delivered to the customers and the customers have accepted it in accordance with the sales contract.

SFRS(I) 15  
(125)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.2. Revenue (continued)

### (d) Construction of specialised equipment (continued)

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms are an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money<sup>2,3</sup>.

SFRS(I) 15  
(119(b))

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

SFRS(I) 15  
(117)

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceeds the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (eg. Inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

SFRS(I) 15  
(95)

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

SFRS(I) 15  
(99)

SFRS(I) 15  
(101)

## Notes to the Financial Statements

For the financial year ended 31 December 2019

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### 2.2 Revenue (continued)

#### (e) Interest income

Interest income from financial assets at FVPL is included as part of the net fair value gains or losses in "Other gains and losses". Interest income from financial assets at amortised cost and FVOCI is recognised using the effective interest rate method.

SFRS(I) 15 (5)  
SFRS(I) 9  
(5.4.1)

#### (f) Dividend income

Dividend income is recognised when the right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

SFRS(I) 9  
(5.7.1A)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Revenue

- 1 The revenue recognition policy for each principal activity is required to be disclosed and the disclosure should be tailored to the entity's specific revenue sources and terms of business so as to provide the readers with information for a proper understanding of the policies. For example, the following disclosure can be considered if the Group operates a customer loyalty programme:

*"The Group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discounts on future purchases. Revenue from the awarded points are recognised when the points are redeemed or when they expire 12 months after the initial sale."*

### Critical judgements in allocating the transaction price

*The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point based on the discount granted when the points are redeemed and on the likelihood of redemption. Likelihood of redemption is estimated using past experience and redemption forecasts. The stand-alone selling price of the product sold is estimated on the basis of the retail price. Discounts are not considered as they are only given in rare circumstances."*

*A contract liability is recognised until the points are redeemed or expire."*

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Significant financing component

- 2 In this illustration, the Group does not have any significant financing component in its contracts with customers. For entities with significant financing component in its contracts with customers, the following disclosure can be considered:

SFRS(I) 15  
(60-65)

*“An element of significant financing is deemed present for the Group’s construction of specialised equipment. In determining the transaction price, the Group adjusts the promised consideration for the effects of the significant financing component using a discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception, such that it reflects the credit characteristics of the party receiving financing in the contract.”*

- 3 Entities electing the practical expedient on the accounting for significant financing component (where the period between the transfer of control of good or service and payment date is one year or less) may consider the following disclosure:

*“The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good or service to a customer and the payment date is one year or less.”*

### Consideration payable to customers

- 4 In this illustration, the Group provides volume discounts, which are payments to customers where the payments are not for distinct goods or services from the customers.

SFRS(I) 15  
(70-72)

If the payment is for distinct goods or services received from the customer, the Group accounts for any excess of the consideration payable to the customer over the fair value of the distinct goods or services as a reduction of the transaction price. If the fair value of the goods or services received from the customer cannot be reliably estimated, the Group accounts for all of the consideration payable to the customer as a reduction of the transaction price.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Contract modifications

5 In this illustration, the Group does not have any significant contract modifications. Entities with contract modifications should account for contract modifications as follows:

SFRS(I) 15  
(18-21)

- Contract modifications that add distinct goods or services at their standalone selling prices are accounted for as separate contracts;
- Contract modifications that add distinct goods or services but not at their standalone selling prices are accounted for as a continuation of the existing contract. The Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations.
- Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.3 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

SFRS(I) 1-20  
(7)

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income<sup>1</sup>.

SFRS(I) 1-20  
(12)

Government grants relating to assets are deducted against the carrying amount of the assets<sup>2</sup>.

SFRS(I) 1-20  
(24)

### Guidance notes

#### Government grants

- 1 Grants relating to income should be presented as a credit to the statement of comprehensive income, either separately or under a general heading such as "Other Income". Alternatively, they may be deducted in reporting the related expense.
- 2 Grants related to assets shall be presented in the balance sheet either by setting up the grant as deferred income or by deducting the grant in arriving at the carrying value of the asset.

SFRS(I) 1-20  
(29)

SFRS(I) 1-20  
(24)

Both methods are acceptable for the presentation of grants relating to income/assets, however this needs to be consistently applied.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.4 Group accounting<sup>1,3</sup>

### (a) Subsidiaries

#### (i) Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date on that control ceases.

SFRS(I) 10  
(5-7)

SFRS(I) 10  
(20)  
SFRS(I) 10  
(25)

In preparing the consolidated financial statements<sup>2</sup>, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

SFRS(I) 10  
(B86(c))

SFRS(I) 10  
(B87)

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

SFRS(I) 10  
(B94)

The acquisition method of accounting is used to account for business combinations entered into by the Group.

SFRS(I) 3 (4)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.4 Group accounting (continued)

### (a) Subsidiaries (continued)

#### (ii) Acquisitions

The consideration transferred for the acquisition of a subsidiary or business comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

SFRS(I) 3 (37)

SFRS(I) 3 (39)

Acquisition-related costs are expensed as incurred.

SFRS(I) 3 (53)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

SFRS(I) 3  
(18, 20)

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

SFRS(I) 3 (19)

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the paragraph "Intangible assets – Goodwill" for the subsequent accounting policy on goodwill<sup>4</sup>.

SFRS(I) 3 (32)

#### (iii) Disposals

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

SFRS(I) 10  
(B98)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.4 Group accounting (continued)

### (a) Subsidiaries (continued)

#### (iii) Disposals (continued)

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

SFRS(I) 10  
(B98(b)(iii))

Please refer to the paragraph “Investments in subsidiaries, associates and joint ventures” for the accounting policy on investments in subsidiaries in the separate financial statements of the Company<sup>1</sup>.

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## Guidance notes

### Group accounting – (a) Subsidiaries

#### Exemption from preparing consolidated financial statements

- When a parent is exempted under paragraph 4(a) of SFRS(I) 10 from preparing consolidated financial statements and elects to use the exemption and prepare separate financial statements of the company, the following disclosure can be considered:

SFRS(I) 10  
(4(a))

*“These financial statements are the separate financial statements of [Company name]. The Company is exempted from the requirement to prepare consolidated financial statements as the Company is [a wholly-owned subsidiary of PwC Corporate Limited, a Singapore-incorporated company which produces consolidated financial statements available for public use that comply with SFRS(I)s or IFRS]. The registered office of PwC Corporate Limited, where those consolidated financial statements can be obtained, is as follows: 320 Pier Street, #17-00 Singapore 049900.”*

SFRS(I) 1-27  
(16(a))

The exempted parent that elects to prepare separate financial statements shall also disclose a list of significant investments in subsidiaries, joint ventures and associates, including the name, principal place of business (and if different, country of incorporation), proportion of ownership interest (and if different, proportion of voting rights held) and a description of the method used to account for these investments.

SFRS(I) 1-27  
(16(b, c))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Group accounting – (a) Subsidiaries (continued)

#### Exception to consolidation – when a parent is an investment entity

- 2 When an investment entity that is a parent (other than a parent covered by paragraph 16 of SFRS(I) 1-27) prepares, in accordance with paragraph 8A of SFRS(I) 1-27 Separate Financial Statements as its only financial statements, the following disclosure should be considered:

SFRS(I) 10  
(31)

*“These financial statements are the separate financial statements of [Company name]. The Company has not prepared consolidated financial statements as the Company has determined that it meets the definition of an Investment Entity per paragraph 27 of SFRS(I) 10 Consolidated Financial Statements. Accordingly, the Company has measured its investment in subsidiaries at fair value through profit or loss in accordance with SFRS(I) 9 Financial Instruments.”*

SFRS(I) 1-27  
(16A)

The investment entity that is a parent shall also present the disclosures relating to investment entities required by SFRS(I) 12 *Disclosure of Interests in Other Entities*.

SFRS(I) 12  
(9A – B),  
(19A– G)

#### Reporting dates of parent and its subsidiaries

- 3 This publication illustrates the situation where the financial statements of the parent and its subsidiaries used in the preparation of the consolidated financial statements have the same reporting date. Where it is impracticable to do so, the parent may use financial statements of a subsidiary as of a different reporting date provided the difference in periods does not exceed three months, adjustments are made for the effects of significant transactions or events occurring during that period, and the length of reporting periods and any difference in the reporting dates are the same from period to period. Where this occurs, the reporting date of the financial statements of the subsidiary shall be disclosed, together with the reason for using a different reporting date or period.

SFRS(I) 10  
(B92, B93)

SFRS(I) 12  
(11)

A similar requirement applies to the financial statements of associates and joint ventures used for the purpose of equity accounting.

SFRS(I) 12  
(22(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Group accounting – (a) Subsidiaries (continued)

#### Bargain purchase

- 4 When the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree is less than the fair value of the identifiable net assets of the subsidiary acquired, the difference – often referred to as “negative goodwill” – is recognised in profit or loss. The following is an illustrative disclosure when “negative goodwill” arises on an acquisition of business (to be inserted after the sentence describing the computation of goodwill):

SFRS(I) 3 (34)

“If those amounts are less than the fair value of the identifiable net assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a gain from bargain purchase.”

Before recognising a gain on a bargain purchase, management shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The objective is to ensure that measurements appropriately reflect consideration of all available information as of the acquisition date.

SFRS(I) 3 (36)

For further information, please refer to Application Guidance B64(n) of SFRS(I) 3.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.4 Group accounting (continued)

### (b) Transactions with non-controlling interests

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

SFRS(I) 10  
(23)  
SFRS(I) 10  
(B96)

### (c) Associates and joint ventures<sup>1,2,4,5</sup>

Associates are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above.

SFRS(I) 1-28  
(5)

Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

SFRS(I) 11  
(16)

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

SFRS(I) 1-28  
(16)

#### (i) Acquisition

Investments in associates and joint ventures are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associates and joint ventures represents the excess of the cost of acquisition of the associates or joint venture over the Group's share of the fair value of the identifiable net assets of the associates company or joint venture and is included in the carrying amount of the investments<sup>4</sup>.

SFRS(I) 1-27  
(10(a))

SFRS(I) 1-28  
(32(a))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.4 Group accounting (continued)

### (c) Associates and joint ventures (continued)

#### (ii) Equity method of accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise Group's share of its associates' or joint ventures' post-acquisition profits or losses of the investee in profit or loss and its share of movements in other comprehensive income of the investee's other comprehensive income. Dividends received or receivable from the associates or joint ventures are recognised as a reduction of the carrying amount of the investments. When the Group's share of losses in an associates or joint venture equals to or exceeds its interest in the associates or joint venture, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associates or joint venture. If the associates or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised. Interest in an associates or joint venture includes any long-term loans for which settlement is never planned nor likely to occur in the foreseeable future.

SFRS(I) 1-28  
(10)

SFRS(I) 1-28  
(38,39)

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the associates or joint ventures. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of associates or joint ventures are changed where necessary to ensure consistency with the accounting policies adopted by the Group.

SFRS(I) 1-28  
(28)

SFRS(I) 1-28  
(29)  
SFRS(I) 1-28  
(35,36)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.4 Group accounting (continued)

### (c) Associates and joint ventures (*continued*)

#### (iii) Disposals

Investments in associates or joint ventures are derecognised when the Group loses significant influence or joint control. If the retained equity interest in the former associates or joint venture is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence or joint control is lost, and its fair value and any proceeds on partial disposal, is recognised in profit or loss<sup>3</sup>.

SFRS(I) 1-28  
(22(b))

Please refer to the paragraph “Investments in subsidiaries, associates, and joint ventures” for the accounting policy on investments in associates and joint ventures in the separate financial statements of the Company.

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# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Group accounting – (c) Associates and joint ventures

#### Reporting dates of investor and its associates

- 1 Please refer to guidance note 3 under Group accounting – (a) Subsidiaries.

SFRS(I) 1-28  
(33,34)

#### Exemptions from applying equity accounting

- 2 Exemption from applying equity accounting to its investments in associates or joint ventures is available to an entity when it meets the same conditions as those required under SFRS(I) 10 to be exempted from preparing consolidated financial statements. Please refer to guidance note 1 under Group accounting – (a) Subsidiaries.

SFRS(I) 1-28  
(17)

In addition, when an investment in associates or joint venture, or a portion of an investment in associates or joint venture, is held by, or is held indirectly through, an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities, the entity may elect to measure investments in those associates and joint ventures, or the portion of those investments, at fair value through profit or loss in accordance with SFRS(I) 9. An entity shall make this election separately for each associate or joint venture, at initial recognition of the associate or joint venture.

SFRS(I) 1-28  
(18,19)

#### Decrease in interest in associates

- 3 When significant influence or joint control is not lost, only a proportionate share of the amounts previously recognised in other comprehensive income relating to that associate or joint venture are reclassified to profit or loss and form part of the gain or loss on partial disposal. On the other hand, when significant influence or joint control is lost, the entire amounts previously recognised in other comprehensive income relating to that associate or joint venture are reclassified to profit or loss.

SFRS(I) 1-28  
(25)

SFRS(I) 1-28  
(22(c), 23)

#### Bargain purchase

- 4 On acquisition of the investment, when the group's share of the fair value of the identifiable net assets of the associates or joint venture exceeds the cost of acquisition paid by the group, the excess is recognised in profit and loss as part of the share of profit from associates.

SFRS(I) 1-28  
(32(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Group accounting – (c) Associates and joint ventures (continued)

#### Joint operations

- 5 When the joint arrangement is classified as a joint operation, the following disclosure should be considered:

*“The Group’s joint operations are joint arrangements whereby the parties (the joint operators) that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.*

SFRS(I) 11  
(15)

*The Group recognises, in relation to its interest in the joint operation:*

SFRS(I) 11  
(20)

- *its assets, including its share of any assets held jointly;*
- *its liabilities, including its share of any liabilities incurred jointly;*
- *its revenue from the sale of its share of the output arising from the joint operation;*
- *its share of the revenue from the sale of the output by the joint operation; and*
- *its expenses, including its share of any expenses incurred jointly.*

*When the Group sells or contributes assets to a joint operation, the Group recognises gains or losses on the sale or contribution of assets that is attributable to the interest of the other joint operators. The Group recognises the full amount of any loss when the sale or contribution of assets provides evidence of a reduction in the net realisable value, or an impairment loss, of those assets.*

SFRS(I) 11  
(B34, B35)

*When the Group purchases assets from a joint operation, it does not recognise its share of the gains and losses until it resells the assets to a third party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets to be purchased or an impairment loss.*

SFRS(I) 11  
(B36, B37)

*The accounting policies of the assets, liabilities, revenues and expenses relating to the Group’s interest in a joint operation have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.*

SFRS(I) 11  
(21)

*The Company applies the same accounting policy on joint operations in its separate financial statements.”*

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# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.5 Property, plant and equipment

### (a) *Measurement*<sup>1-4</sup>

#### (i) *Land and buildings*

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at the revalued amount less accumulated impairment losses. Buildings and leasehold land are subsequently carried at the revalued amounts less accumulated depreciation and accumulated impairment losses.

SFRS(I) 1-16  
(15, 31)

Land and buildings are revalued by independent professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

SFRS(I) 1-16  
(34)

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income and accumulated in equity, unless they reverse a revaluation decrease of the same asset previously recognised in profit or loss. In this case, the increase is recognised in profit or loss. Decreases in carrying amounts are recognised in other comprehensive income to the extent of any credit balance existing in the equity in respect of that asset and reduces the amount accumulated in equity. All other decreases in carrying amounts are recognised in profit or loss.

SFRS(I) 1-16  
(39)  
SFRS(I) 1-21  
(30)  
SFRS(I) 1-16  
(40)

#### (ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

SFRS(I) 1-16  
(15,30)

#### (iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable<sup>5</sup> to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs (refer to Note 2.7 on borrowing costs) and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve.

SFRS(I) 1-16  
(16,17)

SFRS(I) 1-23  
(10,11)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Property, plant and equipment ("PPE") – (a) Measurement

#### Method of accounting

- 1 An item of PPE shall be initially measured at cost, but can be subsequently measured using either the cost model (as illustrated in Note 2.5(a)(ii)) or the revaluation model (as illustrated in Note 2.5(a)(i)).

SFRS(I) 1-16  
(29)

The elected policy shall be applied consistently to an entire class of PPE. A class of PPE is a grouping of assets of a similar nature and use in an entity's operations.

SFRS(I) 1-16  
(37)

#### Provision for dismantlement, removal or restoration

- 2 The initial estimate of the cost of dismantlement, removal or restoration is recognised as part of the cost of PPE if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular period for purposes other than to produce inventories during that period. For an illustration of the accounting policy and other disclosures, please refer to Appendix 1 Example 2.

SFRS(I) 1-16  
(16(c))

#### Computer software licence and development costs

- 3 Computer software licence and development costs shall be accounted for as intangible assets using SFRS(I) 1-38 when they are not an integral part to the related hardware. Computer software that is an integral part to the related hardware shall be accounted for as PPE using SFRS(I) 1-16.

SFRS(I) 1-38  
(4)

#### Spare parts and servicing equipment

- 4 Minor spare parts and servicing equipment are typically carried as inventory and recognised in profit or loss as consumed. Major spare parts and stand-by equipment are carried as PPE when an entity expects to use them during more than one period or when they can be used only in connection with an item of PPE.

SFRS(I) 1-16  
(8)

#### Directly attributable costs – Self-constructed assets

- 5 The initial cost of an item of PPE shall include any costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. While this may be relatively straightforward for items of PPE that are acquired, determining the production cost of a self-constructed asset may be more complex. Such production cost would normally comprise costs associated with material, labour and other inputs used in the construction. It would exclude other costs such as start-up costs, administrative and other general overhead costs, advertising and training costs that should be recognised as an expense when incurred.

SFRS(I) 1-16  
(16(b), 17, 19,  
21, 22)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.5 Property, plant and equipment (continued)

### (a) Depreciation<sup>6</sup>

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

SFRS(I) 1-16  
(50, 73(b),  
73(c))

	<u>Useful lives</u>
Leasehold land <sup>7</sup>	99 years
Buildings	25 – 50 years
Motor vehicles	4 years
Plant and equipment	5 – 10 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

SFRS(I) 1-16  
(51, 61)

### (b) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the 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 repair and maintenance expenses are recognised in profit or loss when incurred.

SFRS(I) 1-16  
(12), (13)

### (c) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other losses”. Any amount in revaluation reserve relating to that item is transferred to retained profits directly.

SFRS(I) 1-16  
(67), (68), (71)

SFRS(I) 1-16  
(41)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Property, plant and equipment (“PPE”) – (b) Depreciation

#### Component approach to depreciation

- 6 Parts of some items of PPE may require replacements or major overhauls at regular intervals. An entity allocates the amount initially recognised in respect of an item of PPE to its significant parts and depreciates separately each significant part if those parts have different useful lives. The entity capitalises the cost of the replacements when (i) it is probable that future economic benefits associated with the item will flow to the entity; and (ii) the cost of the item can be reliably measured. The carrying amount of the replaced parts is derecognised.

SFRS(I) 1-16  
(7), (13), (14),  
(43)

If the amount is material, a suggested disclosure is as follows:

*“The [specific class of plant and equipment] are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated over a period of [years] in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss.”*

#### Depreciation of leasehold land

- 7 Leasehold land was classified as finance lease under SFRS(I) 1-17. Upon transition to SFRS(I) 16, leasehold land is included as part of the carrying amount of ROU assets in Note 27 *Leases* and subject to the disclosure requirements under SFRS(I) 16.

The leasehold land is depreciated over the shorter of its lease term and useful life. The useful life is the period over which an asset is expected to be available for use by an entity. When assessing the useful life of an asset, all commercial, technical and legal factors, as well as the asset's expected utility to the entity should be considered.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.6 Intangible assets

### (a) Goodwill

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of (i) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (ii) the fair value of the identifiable net assets acquired. Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

SFRS(I) 3 (32)

Goodwill on acquisitions of joint ventures and associates represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates and joint ventures is included in the carrying amount of the investments.

SFRS(I) 1-28  
(32)(a)

Gains and losses on the disposal of subsidiaries, joint ventures and associates include the carrying amount of goodwill relating to the entity sold.

### (b) Acquired trademarks and licences

Trademarks and licences acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 to 15 years, which is the shorter of their estimated useful lives and periods of contractual rights.

SFRS(I) 1-38  
(74)  
SFRS(I) 1-38  
(118)(a), (b)  
SFRS(I) 1-38  
(94),(97)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.6 Intangible assets (continued)

### (c) Acquired computer software licences<sup>1</sup>

Acquired computer software licences are initially capitalised at cost which includes the purchase prices (net of any discounts and rebates) and other directly attributable costs of preparing the asset for its intended use. Direct expenditures including employee costs, which enhance or extend the performance of computer software beyond its specifications and which can be reliably measured, are added to the original cost of the software. Costs associated with maintaining the computer software are expensed off when incurred.

SFRS(I) 1-38  
(24)

SFRS(I) 1-38  
(27,28)

SFRS(I) 1-38  
(66,67)

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 to 5 years.

SFRS(I) 1-38  
(74),  
(118)(a),(b)  
SFRS(I) 1-38  
(97)

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

SFRS(I) 1-38  
(104)

## Guidance notes

### Intangible assets

#### Development of software

- 1 If an entity is involved in research and development activities, the following disclosure is suggested (using the example of the development of a computer software):

SFRS(I) 1-38  
(57)

*“Research costs are recognised as an expense when incurred. Costs directly attributable to the development of computer software are capitalised as intangible assets only when technical feasibility of the project is demonstrated, the Group has an intention and ability to complete and use the software and the costs can be measured reliably. Such costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.”*

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.7 Borrowing costs<sup>1</sup>

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction.

SFRS(I) 1-23  
(8, 12, 14)

### Guidance notes

#### Borrowing costs

##### Capitalisation of general borrowing costs

SFRS(I) 1-23  
(14)

1. Where funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation can be determined by applying a capitalisation rate to be expenditure on that asset. The capitalisation rate should be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period.

2. The amendments to SFRS(I) 1-23 clarified that if a specific borrowings remains outstanding when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete, the specific borrowing becomes part of the general borrowings. These amendments are effective for annual periods beginning on or after 1 January 2019. The entity shall apply those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.

##### Capitalisation of borrowing costs in respect of lease liabilities

SFRS(I) 1-23  
(6)(d)

3. Borrowing costs may include interest in respect of lease liabilities recognised in accordance with SFRS(I) 16.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.8 Investment properties<sup>1-4</sup>

Investment properties include those portions<sup>1</sup> of office buildings that are held for long-term rental yields and/or for capital appreciation and right-of-use assets relating to leasehold land that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties include properties that are being constructed or developed for future use as investment properties.

SFRS(I) 1-40  
(5), (10)

SFRS(I) 1-40  
(8)

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest and best use basis. Changes in fair values are recognised in profit or loss.

SFRS(I) 1-40  
(20), (30), (35)  
(75)(e)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred.

SFRS(I) 1-40  
(17)

SFRS(I) 1-40  
(18), (19)

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

SFRS(I) 1-40  
(66)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment properties

#### Classification as investment property

- 1 When judgement is required to determine the portions of investment property, owner-occupied property and property held-for-sale in the ordinary course of business, the entity shall disclose the criteria used to distinguish them and the judgement involved. In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building.

SFRS(I) 1-40  
(75)(c)  
SFRS(I) 1-1  
(122)  
SFRS(I) 1-40  
(11)

#### Cost model

- 2 An entity shall choose either fair value model or cost model for all of its investment properties. A reporting entity which applied the cost model may disclose the accounting policy as follows:

SFRS(I) 1-40  
(30)

*“Investment properties comprise significant portions of freehold office buildings that are held for long-term rental yields and/or for capital appreciation.*

*Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using [a straight-line] method to allocate the depreciable amounts over the estimated useful lives of [ ] years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise .....”*

SFRS(I) 1-40  
(56)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment properties (continued)

#### Cost model (continued)

When the cost model is applied, **the fair value of investment property shall be disclosed at each reporting date**. In the exceptional cases when an entity cannot determine the fair value of investment property reliably, it shall disclose:

SFRS(I) 1-40  
(79)(e)

- (a) a description of the investment property;
- (b) an explanation of why fair value cannot be determined reliably; and
- (c) if possible, the range of estimates within which fair value is highly likely to lie.

#### Determination of fair value

- 3 Under SFRS(I) 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset.

SFRS(I) 1-40  
(5)  
SFRS(I) 13  
(27-33)

#### Transfer in and out of investment properties

- 4 There are specific recognition and/or measurement requirements dealing with transfers from investment properties to property, plant and equipment or inventories and vice versa. Please refer to paragraphs 57-65 of SFRS(I) 1-40 for details.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.9 Investments in subsidiaries, associates, and joint ventures<sup>1-4</sup>

Investments in subsidiaries, associates and joint ventures are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

SFRS(I) 1-27  
(10(a))

### Guidance notes

#### Investments in subsidiaries, associates and joint ventures

##### Investments accounted for in accordance with SFRS(I) 9 and SFRS(I) 1-28

- 1 When separate financial statements of the Company are prepared, investments in subsidiaries, associates and joint ventures that are not classified as held-for-sale, shall be accounted for either: (a) at cost; (b) in accordance with SFRS(I) 9; or (c) equity method as described in SFRS(I) 1-28.
- 2 If an entity elects, in accordance with paragraph 18 of SFRS(I) 1-28, to measure its investments in associates and joint ventures at fair value through profit or loss in accordance with SFRS(I) 9, it shall also account for those investments in the same way in its separate financial statements.
- 3 If a parent is required, in accordance with paragraph 31 of SFRS(I) 10, to measure its investment in a subsidiary at fair value through profit or loss in accordance with SFRS(I) 9, it shall also account for its investment in a subsidiary in the same way in its separate financial statements.

SFRS(I) 1-27  
(10)

SFRS(I) 1-27  
(11)

SFRS(I) 1-27  
(11A)

##### Dividends received from subsidiaries, associates and joint ventures

- 4 The receipt of a dividend from a subsidiary, associates or a joint venture is an indicator of impairment of the relevant investment when:
  - (a) the carrying amount of the investment in the separate financial statements exceeds the carrying amounts in the consolidated financial statements of the investee's net assets, including associated goodwill; or
  - (b) the dividend exceeds the total comprehensive income of the subsidiary, associate or joint venture in the period the dividend is declared.

SFRS(I) 1-36  
(12)(h)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.10 Impairment of non-financial assets

### (a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

SFRS(I) 1-36  
(9), (10)(b)

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units ("CGU") expected to benefit from synergies arising from the business combination.

SFRS(I) 1-36  
(80)

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

SFRS(I) 1-36  
(8), (90)

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

SFRS(I) 1-36  
(104)

An impairment loss on goodwill is recognised as an expense and is not reversed<sup>1</sup> in a subsequent period.

SFRS(I) 1-36  
(60), (124)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.10 Impairment of non-financial assets (continued)

### (b) Intangible assets

*Property, plant and equipment*

*Right-of-use assets*

*Investments in subsidiaries, associates and joint ventures*

Intangible assets, property, plant and equipment, right-of-use assets and investments in subsidiaries, associates and joint ventures are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

SFRS(I) 1-36  
(9), (10)(a)  
SFRS(I) 1-28  
(42)

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs.

SFRS(I) 1-36  
(22)

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

SFRS(I) 1-36  
(59)

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease. Please refer to the paragraph "Property, plant and equipment" for the treatment of a revaluation decrease.

SFRS(I) 1-36  
(60)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.10 Impairment of non-financial assets (continued)

### (b) Intangible assets

*Property, plant and equipment*

*Right-of-use assets*

*Investments in subsidiaries, associates and joint ventures*

An impairment loss for an asset other than goodwill is reversed if, and 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 amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

SFRS(I) 1-36  
(114)

SFRS(I) 1-36  
(117)

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the asset is carried at revalued amount<sup>2</sup>, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

SFRS(I) 1-36  
(119)

## Guidance notes

### Impairment of non-financial assets

#### Impairment loss on goodwill

- 1 An entity shall not reverse an impairment loss recognised in a previous interim period (e.g. in the quarterly financial announcement) in the annual period end financial statements in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

SFRS(I) INT10  
(8)

#### Assets carried at revalued amounts

- 2 In this illustration, certain classes of non-financial assets are carried at their revalued amounts. The disclosures related to revalued amounts shall be removed if the group applies only the cost model for all non-financial assets.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.11 Financial assets

### (a) Classification and measurement

The Group classifies its financial assets in the following measurement categories:

SFRS(I) 9  
(4.1.1)

- Amortised cost;
- Fair value through other comprehensive income (FVOCI); and
- Fair value through profit or loss (FVPL).

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

SFRS(I) 9  
(4.1.2),  
(4.1.2.A),  
(4.1.4)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

SFRS(I) 9  
(4.3.2)

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

SFRS(I) 9  
(4.4.1)

#### At initial recognition

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

SFRS(I) 9  
(5.1.1)

#### At subsequent measurement

##### (i) Debt instruments

Debt instruments mainly comprise of cash and cash equivalents, trade and other receivables, listed and unlisted debt securities.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

SFRS(I) 9  
(5.2.1),  
(4.1.1)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.11 Financial assets (continued)

### (a) Classification and measurement (continued)

#### At subsequent measurement (continued)

##### (i) Debt instruments (continued)

- Amortised cost: Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income (OCI) and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income".
- FVPL: Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses".

SFRS(I) 9  
(4.1.2)

SFRS(I) 9  
(4.1.2A)

SFRS(I) 9  
(4.1.4)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.11 Financial assets (continued)

### (a) Classification and measurement (continued)

#### At subsequent measurement (continued)

#### (ii) Equity investments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in “other gains and losses”, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as “fair value gains / losses” in Other Comprehensive Income. Dividends from equity investments are recognised in profit or loss as “dividend income”.

SFRS(I) 9  
(4.1.4),  
(5.7.5),  
(5.7.6)

SFRS(I) 9  
(5.7.1A)

### (b) Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt financial assets carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 43 details how the Group determines whether there has been a significant increase in credit risk.

SFRS(I) 9  
(5.5.17),  
(5.2.2)

For trade receivables, lease receivables and contract assets, the Group applies the simplified approach permitted by the SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

SFRS(I) 9  
(5.5.15)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.11 Financial assets (continued)

### (c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

SFRS(I) 9  
(3.1.2)

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

SFRS(I) 9  
(3.2.3)

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

SFRS(I) 9  
(3.2.6)

## 2.12 Derivatives financial instruments and hedging activities

SFRS(I) 7  
(21A)

A derivative financial instrument is initially recognised at its fair value on the date the contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) fair value hedge; (b) cash flow hedge; or (c) net investment hedge.

SFRS(I) 9  
(4.1.4), (5.1.1),  
(5.2.3)

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.12 Derivatives financial instruments and hedging activities (continued)

The Group documents at the inception of the transaction the relationship between the hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis on whether the hedging relationship meets the hedge effectiveness requirements under SFRS(I) 9.

SFRS(I) 9  
(6.4.1(a),(b))

The fair value of various derivative financial instruments used for hedging purposes are disclosed in Note 15. The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than 12 months, and as a current asset or liability if the remaining expected life of the hedged item is less than 12 months. The fair value of a trading derivative is presented as a current asset or liability.

SFRS(I) 1-1  
(66),(69)

The following hedges are placed qualified respectively as fair value, cash flow, and net investment hedges under SFRS(I) 9. The Group's management strategies and hedge documentation are aligned with the requirements of SFRS(I) 9 and are thus treated as continuing hedges.

### (a) Fair value hedge

The firm commitment of contracts entered into with various customers denominated in foreign currencies are designated as the hedged item. The Group uses foreign currency forwards to hedge its exposure to foreign currency risk arising from these contracts. Under the Group's policy the critical terms of the forward exchange contracts must align with the hedged items. The Group designates the spot component of forward contracts as the hedging instrument. The fair value changes on the hedged item resulting from currency risk are recognised in profit or loss. The fair value changes on the spot of the currency forwards designated as fair value hedges are recognised in profit or loss within the same line item as the fair value changes from the hedged item. The fair value changes on the ineffective portion of currency forwards are recognised in profit or loss and presented separately in "other gains and losses".

SFRS(I) 9  
(6.5.8)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.12 Derivatives financial instruments and hedging activities (continued)

### (b) Cash flow hedge

#### (i) Interest rate swaps

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

SFRS(I) 9  
(6.5.11)

The fair value changes on the effective portion of interest rate swaps designated as cash flow hedges are recognised in other comprehensive income, accumulated in the hedging reserve and reclassified to profit or loss when the hedged interest expense on the borrowings is recognised in profit or loss and presented separately in "Finance expense". The fair value changes on the ineffective portion of interest rate swaps are recognised immediately in profit or loss.

#### (ii) Currency forwards

The Group has entered into currency forwards that qualify as cash flow hedges against highly probable forecasted transactions in foreign currencies. The fair value changes on the effective portion of the currency forwards designated as cash flow hedges are recognised in other comprehensive income. Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

SFRS(I) 9  
(6.5.11)

- The gain or loss relating to the effective portion of the spot component of forward contracts is treated as follows: Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory, property, plant and equipment), the deferred hedging gains and losses are included within the initial cost of the asset.
- The fair value changes on the ineffective portion of currency forwards are recognised immediately in profit or loss. When a forecasted transaction is no longer expected to occur, the gains and losses that were previously recognised in other comprehensive income are reclassified to profit or loss immediately.

SFRS(I) 9  
(6.5.11(d)(i))

SFRS(I) 9  
(6.5.11(c))

SFRS(I) 9  
(6.5.12(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.12 Derivatives financial instruments and hedging activities (continued)

### (c) *Net investment hedge*

The Group has foreign currency borrowings that qualify as net investment hedges of foreign operations. These hedging instruments are accounted for similarly to cash flow hedges. The currency translation differences on the borrowings relating to the effective portion of the hedge are recognised in other comprehensive income in the consolidated financial statements, accumulated in the currency translation reserve and reclassified to profit or loss as part of the gain or loss on disposal of the foreign operation. The currency translation differences relating to the ineffective portion of the hedge are recognised immediately in profit or loss.

SFRS(I) 9  
(6.5.13),  
(6.5.14)

## 2.13 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

SFRS(I)  
1-32 (42)

## 2.14 Financial guarantees<sup>1-3</sup>

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

SFRS(I) 9  
(4.2.1(c)),  
(5.1.1)

- (a) premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and
- (b) the amount of expected loss computed using the impairment methodology under SFRS(I) 9.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial guarantees

#### Definition of financial guarantee

- 1 A financial guarantee is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Where the financial guarantee is given with respect to a banking facility, that facility must be drawn down before the definition of financial guarantee is met as a debt (or debtor) only comes into existence upon draw-down.

SFRS(I) 9  
App A

#### Financial guarantees versus insurance contracts

- 2 Financial guarantees shall be accounted for under SFRS(I) 9, unless the issuer has previously asserted explicitly that it regards them as insurance contracts and has accounted for them as insurance contracts, in which case the issuer may then elect to apply either SFRS(I) 9 or SFRS(I) 4 for these contracts. The issuer shall make the election contract by contract, but once the election is made, it is irrevocable.

SFRS(I) 4  
(4)(d)  
SFRS(I) 9  
(2.1(e))

#### Financial guarantees for associates and joint ventures

- 3 Where the entity has issued financial guarantees to banks for bank borrowings of its associates and joint ventures, these financial guarantees shall be recognised in both the entity's separate and consolidated financial statements as these transactions will not be fully eliminated on equity accounting or proportionate consolidation. The relevant disclosures as required by SFRS(I) 1-24 shall also be made.
- 4 Where a subsidiary has issued corporate guarantees to banks for borrowings of third parties, such financial guarantees are similarly accounted for in the group's consolidated financial statements.

SFRS(I) 1-24  
(21)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.15 Borrowings

Borrowings are presented as current liabilities<sup>1</sup> unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities<sup>2</sup>.

SFRS(I) 1-1  
(69)

### (a) Borrowings<sup>3,4,6</sup>

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

### (b) Redeemable preference shares<sup>5</sup>

Preference shares which are mandatorily redeemable on a specific date are classified as liabilities. The dividends on these preference shares are recognised as finance expenses.

SFRS(I) 1-32  
(18)(a), (36)

### (c) Convertible bonds

The total proceeds from convertible bonds issued are allocated to the liability component and the equity component, which are separately presented on the balance sheet.

SFRS(I) 1-32  
(28)

The liability component is recognised initially at its fair value, determined using a market interest rate for equivalent non-convertible bonds. It is subsequently carried at amortised cost using the effective interest method until the liability is extinguished on conversion or redemption of the bonds.

SFRS(I) 1-32  
AG31(a)

The difference between the total proceeds and the liability component is allocated to the conversion option (equity component), which is presented in equity net of any deferred tax effect. The carrying amount of the conversion option is not adjusted in subsequent periods. When the conversion option is exercised, its carrying amount is transferred to the share capital. When the conversion option lapses, its carrying amount is transferred to retained profits.

SFRS(I) 1-32  
(31)

SFRS(I) 1-32  
AG32

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Current/non-current classification of borrowings

- 1 When an entity breaches a provision of a long-term loan agreement on or before the balance sheet date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the balance sheet date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the balance sheet date, the entity does not have an unconditional right to defer its settlement for at least twelve months after the date.
- 2 Where the entity expects, and has the discretion, to re-finance or roll over an obligation for at least 12 months after the balance sheet date under an existing loan facility with the same lender, on the same or similar terms, the liability is classified as non-current.

SFRS(I) 1-1  
(74)

SFRS(I) 1-1  
(73)

### Derecognition

- 3 Borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

SFRS(I) 9  
(3.3.3)

### Modification of contractual cash flows

- 4 When the contractual cash flows of a financial instrument is modified and does not result in derecognition, differences between the recalculated gross carrying amount and the carrying amount before modification is recognised in profit or loss as modification gain or loss, at the date of modification.

SFRS(I) 9  
(5.4.3)

### Classification of preference shares

- 5 Preference shares that are redeemable on a specific date or at the option of the shareholder, or carry non-discretionary dividend obligations, shall be classified as liabilities. As for non-redeemable preference shares, their terms and conditions shall be critically evaluated using the criteria in SFRS(I) 1-32 to determine whether they shall be classified as a liabilities or equity.

SFRS(I) 1-32  
(15),(16),  
(18)(a)

### Facility fees

- 6 Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

SFRS(I) 9  
(B5.4.2)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.16 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

SFRS(I) 1-1  
(66, 69)

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

SFRS(I) 9  
(5.1.1)

## 2.17 Leases

(a) The accounting policy for leases before 1 January 2019 are as follows:

(i) *When the Group is the lessee:*

The Group leases land, motor vehicles and certain plant and equipment under finance leases and leases land, office space and retail stores under operating leases from non-related parties.

- *Lessee – Finance leases*

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

## Notes to the Financial Statements

For the financial year ended 31 December 2019

### 2.17 Leases (continued)

(i) *When the Group is the lessee: (continued)*

- *Lessee – Operating leases*

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(ii) *When the Group is the lessor:*

The Group leases equipment under finance leases and office spaces, retail stores and investment properties under operating leases to non-related parties.

- *Lessor – Finance leases*

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases.

The leased asset is derecognised and the present value of the lease receivable is recognised on the balance sheet and included in “trade and other receivables”. The difference between the gross receivable and the present value of the lease receivable is recognised as unearned finance income.

Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.17 Leases (continued)

### (ii) When the Group is the lessor: (continued)

#### • Lessor – Operating leases

Leases where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

### (b) The accounting policy for leases from 1 January 2019 are as follows:

#### (i) When the Group is the lessee:

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

SFRS(I) 16 (9)

SFRS(I) 16  
(11)

#### • Right-of-use assets

The Group recognised a right-of-use asset and lease liability at the date which the underlying asset is available for use. Right-of-use assets are measured at cost<sup>1</sup> which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

SFRS(I) 16  
(22)

SFRS(I) 16  
(24)

These right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

SFRS(I) 16  
(31),(32)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.17 Leases (continued)

### (i) When the Group is the lessee (continued):

- Right-of-use assets (continued)

Right-of-use assets (except for those which meets the definition of an investment property) are presented within "Property, plant and equipment".

SFRS(I) 16  
(47)

Right-of-use asset which meets the definition of an investment property is presented within "Investment properties" and accounted for in accordance with Note 2.8.

SFRS(I) 16  
(48)

- Lease liabilities

The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group shall use its incremental borrowing rate.

SFRS(I) 16  
(26)

Lease payments include the following:

SFRS(I) 16  
(27)

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contract that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account these as one single lease component.

SFRS(I) 16  
(13)

SFRS(I) 16  
(15)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.17 Leases (continued)

### (i) When the Group is the lessee (continued):

#### • Lease liabilities (continued)

SFRS(I) 16  
(36), (40(b),  
42(b))

Lease liability is measured at amortised cost using the effective interest method. Lease liability shall be remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a changes in the Group's assessment of whether it will exercise an extension option; or
- There are modification in the scope or the consideration of the lease that was not part of the original term.

SFRS(I) 16  
(39)

Lease liability is remeasured with a corresponding adjustment to the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

#### • Short term and low value leases

The Group has elected to not recognised right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and leases of low value leases, except for sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

SFRS(I) 16  
(60)

#### • Variable lease payments

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that triggered those lease payments. Details of the variable lease payments are disclosed in Note 27.

SFRS(I) 16  
(38)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.17 Leases (continued)

### (ii) When the Group is the lessor:

The accounting policy applicable to the Group as a lessor in the comparative period were the same under SFRS(I) 16 except when the Group is an intermediate lessor.

In classifying a sublease, the Group as an intermediate lessor classifies the sublease as a finance or an operating lease with reference to the right-of-use asset arising from the head lease, rather than the underlying asset.

SFRS(I) 16  
(B58(b))

When the sublease is assessed as a finance lease, the Group derecognises the right-of-use asset relating to the head lease that it transfers to the sublessee and recognised the net investment in the sublease within "Trade and other receivables"<sup>2</sup>. Any differences between the right-of-use asset derecognised and the net investment in sublease is recognised in profit or loss. Lease liability relating to the head lease is retains in the balance sheet, which represents the lease payments owed to the head lessor.

When the sublease is assessed as an operating lease, the Group recognise lease income from sublease in profit or loss within "Other income". The right-of-use asset relating to the head lease is not derecognised.

For contract which contains lease and non-lease components, the Group allocates the consideration based on a relative stand-alone selling price basis.

SFRS(I) 16  
(17)

## Guidance notes

### Restoration cost

1. Restoration cost is not illustrated in PwC Holding Ltd. Such a cost should be included in the carrying amount of the ROU assets. For an illustration of the accounting policy and other disclosures, please refer to Appendix 1 Example 2.

### Offsetting between the lease receivables and liabilities

2. In the case where the intermediate lessor sublease as finance lease, lease receivable arising from the sublease is not permitted to offset against the remaining lease liabilities from the head lease.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.18 Inventories<sup>1-4</sup>

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity)<sup>5</sup>. Cost also includes any gains or losses on qualifying cash flow hedges of foreign currency purchases of inventories. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

SFRS(I) 1-2  
(9),(25),(36(a))  
(10)

SFRS(I) 9  
(6.5.11)(d)(i)

SFRS(I) 1-2 (6)

### Guidance notes

#### Inventories

##### Cost of inventories

- 1 Costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
- 2 Costs of purchase comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase.
- 3 Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories.

Please refer to paragraph 16 of SFRS(I) 1-2 for examples of costs excluded from the cost of inventories.

- 4 Where applicable, costs of inventories may include borrowing costs if inventories are assessed to be qualifying assets.

SFRS(I) 1-2  
(10-18)

SFRS(I) 1-2  
(11)

SFRS(I) 1-2  
(15,16)

SFRS(I) 1-23  
(7)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.19 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

SFRS(I) 1-12  
(46)

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

SFRS(I) 1-12  
(15)(b)(i),(ii)

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

SFRS(I) 1-12  
(39)

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

SFRS(I) 1-12  
(24),(34),(44)

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

SFRS(I) 1-12  
(47)

SFRS(I) 1-12  
(51)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

SFRS(I) 1-12  
(58),(61A),(66)

The Group accounts for investment tax credits (for example, productivity and innovation credit) similar to accounting for other tax credits where a deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

SFRS(I) 1-12  
(34)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.20 Provisions<sup>1</sup>

Provisions for warranty, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Restructuring provisions comprise employee termination payments. Provisions are not recognised for future operating losses.

SFRS(I) 1-37  
(14),(23)

SFRS(I) 1-37  
(72),(63)

The Group recognises the estimated liability to repair or replace products still under warranty at the balance sheet date. This provision is calculated based on historical experience of the level of repairs and replacements.

SFRS(I) 1-37  
IG AppC  
Example 1

Other provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

SFRS(I) 1-37  
(45),(47)

SFRS(I) 1-37  
(60)

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

SFRS(I) 1-37  
(59)

### Guidance notes

#### Provisions

##### Onerous contracts

1 If the entity has any onerous contract, the following disclosure is suggested:

SFRS(I) 1-37  
(66)

“Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.”

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.21 Employee compensation<sup>1</sup>

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. SFRS(I) 1-19  
(11)(b)

### (a) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. SFRS(I) 1-19  
(8)

### (b) Share-based compensation<sup>2-4</sup>

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on grant date. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. SFRS(I) 2  
(2)(a)

SFRS(I) 2 (7,8)

SFRS(I) 2 (16)

At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period. SFRS(I) 2 (19)

SFRS(I) 2 (20)

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees<sup>5</sup>.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.21 Employee compensation (continued)

### (c) Termination benefits<sup>6</sup>

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

SFRS(I) 1-19  
(159)

SFRS(I) 1-19  
(165)

SFRS(I) 1-19  
(169)(b)

### Guidance notes

#### Employee compensation

##### Defined benefit plan

- 1 Defined benefit pension or medical obligation is mandatory in some countries. Where the group has a material defined benefit pension plan and/ or post-employment medical plan, the suggested disclosure included in Appendix 1 Example 3 can be made.

##### Share-based compensation – Cash-settled plan

- 2 If the group operates a cash-settled share-based compensation plan, the following disclosure is suggested:

SFRS(I) 2 (30)

“For cash-settled share-based compensation, the fair value of the employee services received in exchange for the grant of options is recognised as an expense with the recognition of a corresponding liability over the vesting period. Until the liability is settled, it is re-measured at each reporting date with changes in fair value recognised in profit or loss.”

##### Group share-based payment arrangements

- 3 A share-based payment transaction may be settled by another group entity (or a shareholder of any group entity) on behalf of the reporting entity who receives the services. SFRS(I) 2 is applicable in such cases.

SFRS(I) 2 (3A)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Employee compensation (continued)

#### Share-based compensation – Modification

- 4 If there is any modification of the share option plan, the following disclosure is suggested:

*“Where the terms of the share option plan are modified, the expense that is not yet recognised for the award is recognised over the remaining vesting period as if the terms had not been modified. Additional expense is recognised for any increase in the total fair value of the share options due to the modification, as measured at the date of the modification.”*

SFRS(I) 2 (27)

#### Share-based compensation – Transfer of share option reserve

- 5 The transfer of the balance in the share option reserve to share capital or treasury shares upon exercise of the option and the transfer of the balance in the share option reserve to retained profits upon expiry of the option are not mandatory. Alternatively, the share option reserve may be kept as a separate reserve upon expiry or exercise of the option. It may also be transferred to retained profits upon exercise of the option.

SFRS(I) 2 (23)

#### Termination benefits versus post-employment benefits

- 6 Some termination benefits are payable regardless of the reason for the employee's departure. Although these benefits are described in some countries as termination indemnities or termination gratuities, they can be post-employment benefits, rather than termination benefits.

SFRS(I) 1-19  
(164)

#### Post-employment benefits versus other long-term benefits

- 7 In circumstances where employees are entitled to one month of their final pay for every year of completed service and these payments are made in full at the point of retirement, these benefits shall be accounted for as “other long-term employee benefits” in accordance with SFRS(1) 1-19.

SFRS(I) 1-19  
(153)

The measurement of these benefits follows that of post-employment defined benefits except that remeasurements are not recognised in other comprehensive income.

#### Profit sharing and bonus plans

- 8 If such benefits are material, the following disclosure is suggested: “The Group recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when it is contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.”

SFRS(I) 1-19  
(154)

SFRS(I) 1-19  
(19)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Employee compensation (continued)

- 9 Under some profit-sharing or deferred bonus plans, employees receive a share of the profits/bonus only if they remain with the entity for a specified period in the future. The measurement of such benefit shall reflect the possibility that some employees may leave without receiving the profit-sharing payment. A liability for the benefit shall be accrued over the vesting period.

SFRS(I) 1-19  
(20)

### Short-term compensated absences

- 10 If such benefits are material, the following disclosure is suggested:

*“Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the balance sheet date.”*

SFRS(I) 1-19  
(16)

## 2.22 Currency translation

### (a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

SFRS(I) 1-21  
(8)  
SFRS(I) 1-1  
(51)(d)

## Guidance notes

### Currency translation – (a) Functional and presentation currency

- 1 Where there is a change in the functional currency of either the reporting entity or a significant foreign operation, that fact and reason for the change in the functional currency shall be disclosed.
- 2 When the financial statements are presented in a currency different from the company’s functional currency, the following are required to be disclosed:
  - (i) the company’s functional currency; and
  - (ii) the reason for using a different currency as its presentation currency.
- 3 Where a non-Singapore Dollar presentation currency is used for a Singapore-incorporated entity, it is recommended as a best practice to prominently denote this fact.

SFRS(I) 1-21  
(54)

SFRS(I) 1-21  
(53)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.22 Currency translation (continued)

### (b) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. Monetary items include primarily financial assets (other than equity investments), contract assets and financial liabilities. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

SFRS(I) 1-21  
(21)

SFRS(I) 1-21  
(23)(a), (28)

SFRS(I) 1-21  
(32)  
SFRS(I) 9  
(6.5.13)

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

SFRS(I) 1-21  
(48)

Foreign exchange gains and losses that relate to borrowings are presented in the income statement within "finance expense". All other foreign exchange gains and losses impacting profit or loss are presented in the income statement within "other losses".

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

SFRS(I) 1-21  
(23)(c)

### (c) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

SFRS(I) 1-21  
(39)

- (i) assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.22 Currency translation (continued)

### (c) Translation of Group entities' financial statements (continued)

- (iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal with loss of control of the foreign operation.

SFRS(I) 1-21  
(48)

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

SFRS(I) 1-21  
(47)

## 2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

SFRS(I) 8  
(5)(b)

## 2.24 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the balance sheet. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

SFRS(I) 1-7  
(45)

## 2.25 Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

SFRS(I) 1-32  
(35)

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued.

SFRS(I) 1-32  
(33)

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

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# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 2.25 Share capital and treasury shares (continued)

When treasury shares are subsequently sold or reissued pursuant to an employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve.

SFRS(I) 1-32  
(33)

### Guidance notes

#### Share capital and treasury shares

- 1 SFRS(I) 1-32 requires directly attributable costs relating to equity transactions to be recognised in equity, but does not specify which equity account. Accordingly, these costs may also be recognised against retained profits.

SFRS(I) 1-32  
(35)

## 2.26 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

SFRS(I) 1-32  
(35)

## 2.27 Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

SFRS(I) 5  
(6),(15)

SFRS(I) 5  
(1),(25)  
SFRS(I) 5  
(20)

SFRS(I) 5  
(22)

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

SFRS(I) 5  
(32)

- (a) represents a separate major line of business or geographical area of operations; or
- (b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (c) is a subsidiary acquired exclusively with a view to resale.

# Notes to the Financial Statements



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

SFRS(I) 1-  
1(122),  
(125), (126),  
(129)

### 3.1 Critical accounting estimates and assumptions

#### (a) Determination of stand-alone selling price

Some fixed-price specialised equipment contracts include an allowance for one free-of-charge major parts replacement per contract period up to a specified value. Because these contracts include two performance obligations, the transaction price must be allocated to the performance obligations on a relative standalone selling price basis. Management estimates the stand-alone selling price at contract inception based on observable prices of the type of hardware likely to be provided and the services rendered in similar circumstances to similar customers. Discounts granted are allocated to both performance obligations based on their relative stand-alone selling prices.

SFRS(I) 15  
(123), (126(c))

#### (b) Estimation of total contract costs

The Group has significant ongoing contracts to construct specialised equipment. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the specialised equipment. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method").

SFRS(I) 15  
(123)

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of the surveying engineers to determine the progress of the construction and also on past experience of completed projects.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3.1 Critical accounting estimates and assumptions (continued)

### (b) Estimation of total contract costs (continued)

As at 31 December 2019, \$2,000,000 of the Group's contract assets is subject to the estimation of progress towards completion using the input method. If the total contract cost of on-going contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's revenue and contract assets would have been lower/higher by \$230,000 and \$210,000 respectively. If the total contract costs of on-going contracts to be incurred had been higher by 10% from management's estimates, a provision for onerous contracts of \$900,000 would have been recognised.

### (c) Impairment of goodwill

The Group has recognised an impairment charge on its goodwill of \$500,000 during the financial year which resulted in the carrying amount of goodwill as at 31 December 2019 to reduce to \$11,118,000.

In performing the impairment assessment of the carrying amount of goodwill, as disclosed in Note 29(a), the recoverable amounts of the cash-generating units ("CGUs") in which goodwill has been attributable to, are determined in using value-in-use ("VIU") calculation.

Significant judgements are used to estimate the gross margin, weighted average growth rates and pre-tax discount rates applied in computing the recoverable amounts of different CGUs. In making these estimates, management has relied on past performance, its expectations of market developments in Singapore, China and Philippines, the industry trends for electronic component parts and industries of household and office furniture. Specific estimates are disclosed in Note 29(a).

For its goodwill attributable to Singapore component CGU:

- if the estimated gross margin used in the VIU calculation had been 10% lower than management's estimates, the Group would have recognised a further impairment charge on goodwill of \$780,000;
- If the estimated weighted average growth rate used had been 1% lower than management's estimates (for example: 1.5% instead of 2.5%), the Group would have recognised a further impairment charge on goodwill of \$950,000; and
- If the estimated pre-tax discount rate applied to the discounted cash flows for this CGU had been 1% higher than management's estimates (for example: 15% instead of 14%), the Group would have recognised a further impairment charge on goodwill of \$960,000.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3.1 Critical accounting estimates and assumptions (continued)

### (c) *Impairment of goodwill* (continued)

For its remaining goodwill, the change in the estimated recoverable amount from any reasonably possible change on the key estimates does not materially cause the recoverable amount to be lower than its carrying amount.

### (d) *Uncertain tax positions*

The Group is subject to income taxes in numerous jurisdictions. In determining the income tax liabilities, management has estimated the amount of capital allowances and the deductibility of certain expenses ("uncertain tax positions") at each tax jurisdiction.

The Group has significant open tax assessments with a tax authority at the balance sheet date. As management believes that the tax positions are sustainable, the Group has not recognised any additional tax liability on these uncertain tax positions. The maximum exposure of these uncertain tax positions, not recognised in these financial statements is \$2,850,000.

## 3.2 Critical judgements in applying the entity's accounting policies

### (a) *Critical judgements in recognising revenue – Wholesale of furniture*

The Group recognised revenue amounting to \$2,189,000 for the sale of furniture to a wholesale customer in December 2019. The buyer has the right to rescind the sale if there is 5% dissatisfaction with the quality of the first 100 pieces of furniture sold. This specific concession was made because this is a new product line specifically designed for this customer. However, consistent with other contracts, the Group does not have a right to payment until the furniture has been delivered to the customer. Based on the quality assurance system implemented, the Group is confident that the quality of the product is such that the dissatisfaction rate will be well below 5%.

SFRS(I) 15  
(123)

Management has determined that it is highly probable that there will be no rescission of the contract and a significant reversal in the amount of revenue recognised will not occur. It is therefore appropriate to recognise revenue on this transaction during 2019 as control of the product was transferred to the customer. The profit recognised for this sale was \$1,625,000. The Group would suffer an estimated pre-tax loss of \$1,760,000 in its 2020 financial statements if the sale is cancelled (\$1,625,000 for the reversal of 2019 profits and \$135,000 of costs connected with returning the stock to the warehouse).



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3.2 Critical judgements in applying the entity's accounting policies (continued)

### (a) *Critical judgements in recognising revenue – Wholesale of furniture (continued)*

In 2018, the Group did not recognise revenue of \$280,000 in relation to a wholesale contract with volume discounts for a new customer and new product line. The Group did not have any experience with the customer's purchase pattern and the product line. Management therefore determined that it was not highly probable that a portion of the revenue will not reverse. Of the \$280,000 of revenue not recognised in 2018, \$150,000 was recognised in the current financial year based on the actual volume sold for the contract period (refer to Note 2.2(a)).

### (b) *Impairment of trade receivables and contract assets*

As at 31 December 2019, the Group's trade receivables and contract assets amounted to \$18,672,000 (Note 18) and \$2,978,000 respectively, arising from the Group's different revenue segments – furniture and electronic equipment wholesale, specialised equipment construction and logistics services.

Based on the Group's historical credit loss experience, trade receivables exhibited significantly different loss patterns for each revenue segment. Within each revenue segment, the Group has common customers across the different geographical regions and applies credit evaluations by customer. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions in each revenue segment. A loss allowance of \$766,000 and \$39,000 for trade receivables and contract assets respectively were recognised as at 31 December 2019.

Notwithstanding the above, the Group evaluates the expected credit loss on customers in financial difficulties separately. A group of customers amounted to \$128,000 are identified to be credit impaired and separately assessed for recoverability as set out in Note 43(b)(i).

The Group's and the Company's credit risk exposure for trade receivables and contract assets by different revenue segment are set out in Note 43(b)(i).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 3.2 Critical judgements in applying the entity's accounting policies (continued)

### (c) *Critical judgement over the lease terms*

As at 31 December 2019, the Group's lease liabilities, which are measured with reference to an estimate of the lease term, amounted to \$37,325,000, of which \$2,500,000 arose from extension options. Extension option is included in the lease term if the lease is reasonably certain to be extended. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise the extension option.

For leases of office space and retail stores, the following factors are considered to be most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group typically includes the extension option in lease liabilities;
- If the retail stores are located in strategic locations that will contribute to the continued profitability of the retail segment, the Group typically includes the extension option in lease liabilities;
- Otherwise, the Group considers other factors including its historical lease periods for similar assets, costs required to obtain replacement assets, and business disruptions.

The extension options for certain retail stores, equipment and motor vehicles have not been included in lease liabilities because the Group could replace the assets without significant cost or business disruption.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension options was an increase in recognised lease liabilities and right-of-use assets of \$80,000.

As at 31 December 2019, potential future (undiscounted) cash outflows of approximately \$5,000,000 have not been included in lease liabilities because it is not reasonably certain that the leases will be extended.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Critical accounting estimates, assumptions and judgements

1. These disclosures **must be tailored** for another reporting entity as they are specific to an entity's particular circumstances.
2. Disclosure of key sources of estimation uncertainty is not required for assets and liabilities that are measured at fair value based on recently observable market prices. This is because even if their fair values may change materially within the next financial year, these changes will not arise from assumptions or other sources of estimation uncertainty at the balance sheet date.
3. The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation is required to be disclosed only when it is necessary to help users of financial statements understand difficult, subjective or complex judgements made by management concerning the future and other key sources of estimation uncertainty.
4. Examples of situations which could give rise to significant judgements and assumptions are:
  - The entity has more than half of the voting rights but has no control over the entity;
  - The entity has less than of the voting rights but has control (e.g. de facto control);
  - Whether the entity is an agent or a principal;
  - The entity does not have significant influence even though it holds 20% or more of the voting rights;
  - The entity holds less than 20% of the voting rights but has significant influence and;
  - Determination of the classification of joint arrangements as joint operations or joint ventures.

SFRS(I) 1-1  
(128)

SFRS(I) 1-1  
(129)  
SFRS(I) 1-1  
(126)

SFRS(I) 12  
(9)(a)

SFRS(I) 12  
(9)(b)

SFRS(I) 12  
(9)(c)

SFRS(I) 12  
(9)(d)

SFRS(I) 12  
(9)(e)

SFRS(I) 12  
(7)(c)

Entities are required to disclose information about significant judgements and assumptions it has made (and changes to those judgements and assumptions). These significant judgements and assumptions include those made by the entity when changes in facts and circumstances are such that the conclusion about whether it has control, joint control or significant influence changes during the reporting period.

SFRS(I) 12 (7)  
SFRS(I) 12 (8)

5. When a parent determines that it is an investment entity in accordance with paragraph 27 of SFRS(I) 10, the investment entity shall disclose information about significant judgements and assumptions it has made in determining that it is an investment entity. If the investment entity does not have one or more typical characteristics of an investment entity (see paragraph 28 of SFRS(I) 10), it shall disclose its reasons for concluding that it is nevertheless an investment entity.

SFRS(I) 12  
(9A)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Critical accounting estimates, assumptions and judgements (continued)

6. When an entity becomes, or ceases to be, an investment entity, it shall disclose the change of investment entity status and the reasons for the change. In addition, an entity that becomes an investment entity shall disclose the effect of the change of status on the financial statements for the period presented, including:
- (a) the total fair value, as of the date of change of status, of the subsidiaries that cease to be consolidated;
  - (b) the total gain or loss, if any, calculated in accordance with paragraph B101 of SFRS(I) 10; and
  - (c) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

SFRS(I) 12  
(9B)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. Revenue from contracts with customers<sup>1</sup>

### (a) Disaggregation of revenue from contracts with customers<sup>2-4</sup>

The Group derives revenue from the transfer of goods and services at a point in time and over time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

SFRS(I)  
15(113)  
SFRS(I) 8  
(33(a))

	At a point in time \$'000	Over time \$'000	Total \$'000	SFRS(I) 15 (B87-89)
<b>2019</b>				
Component parts				SFRS(I) 15(114),(115)
- Singapore	79,928	-	79,928	
- People's Republic of China	61,502	-	61,502	
- The Philippines	1,978	-	1,978	
	<b>143,408</b>	<b>-</b>	<b>143,408</b>	
Furniture				
- People's Republic of China	38,988	-	38,988	
- The Philippines	27,556	-	27,556	
	<b>66,544</b>	<b>-</b>	<b>66,544</b>	
Construction				
- Singapore	12,647	17,177	29,824	
	<b>12,647</b>	<b>17,177</b>	<b>29,824</b>	
Logistic services				
- Singapore	-	5,870	5,870	
	<b>-</b>	<b>5,870</b>	<b>5,870</b>	
<b>Total</b>	<b>222,599</b>	<b>23,047</b>	<b>245,646</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. Revenue from contracts with customers<sup>1</sup> (continued)

### (a) Disaggregation of revenue from contracts with customers (continued)

	At a point in <u>time</u> \$'000	<u>Over time</u> \$'000	<u>Total</u> \$'000	SFRS(I) 15 (B87-89)
<b>2018</b>				
Component parts				SFRS(I) 15(114),(115)
- Singapore	67,291	-	67,291	
- People's Republic of China	39,464	-	39,464	
- The Philippines	2,410	-	2,410	
	109,165	-	109,165	
Furniture				
- People's Republic of China	29,645	-	29,645	
- The Philippines	25,613	-	25,613	
	55,258	-	55,258	
Construction				
- Singapore	11,417	17,598	29,015	
	11,417	17,598	29,015	
Logistic services				
- Singapore	-	5,460	5,460	
	-	5,460	5,460	
Total	175,840	23,058	198,898	

### (b) Contract assets and liabilities

		31 December 2019	2018	1 January <sup>9</sup> 2018	SFRS(I) 15 (116(a))
	Note	\$'000	\$'000	\$'000	
<b>Contract assets</b>					
- Specialised equipment construction contracts		2,978	2,500	2,026	
Less: Loss allowance	43(b)	(39)	(29)	-	
Total contract assets		2,939	2,471	2,026	
<b>Contract liabilities</b>					
- Specialised equipment construction contracts		678	548	621	
Total contract liabilities		678	548	621	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. Revenue from contracts with customers<sup>1</sup> (continued)

### (b) Contract assets and liabilities (continued)

Contract assets relate to fixed price specialised equipment construction contracts. The contract assets balance increased as the Group provided more services and transferred more goods ahead of the agreed payment schedules.

SFRS(I) 15  
(118)  
SFRS(I)  
15 (113(b))

Contract liabilities for specialised equipment construction contracts have increased due to the negotiation of higher prepayments and an increase in overall contract activity.

SFRS(I) 15  
(118)

#### (i) Revenue recognised in relation to contract liabilities

	2019 \$'000	2018 \$'000	
<i>Revenue recognised in current period that was included in the contract liability balance at the beginning of the period</i>			SFRS(I) 15 (116(b))
- Specialised equipment construction contracts	480	420	
<i>Revenue recognised in current period from performance obligations satisfied in previous periods</i>			SFRS(I) 15 (116(c))
- Consideration from component parts wholesale contracts, not previously recognised due to constraint	385	150	

#### (ii) Unsatisfied performance obligations

	31 December		
	2019 \$'000	2018 \$'000	
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December			SFRS(I) 15 (120(a))
- Specialised equipment construction contracts	9,976	8,881	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. Revenue from contracts with customers<sup>1</sup> (continued)

### (b) Contract assets and liabilities (continued)

Management expects that the transaction price allocated to unsatisfied performance obligations as at 31 December 2019 and 2018 may be recognised as revenue in the next reporting periods as follows:

SFRS(I) 15  
(120(b))  
SFRS(I) 15  
(122)

	2019 \$'000	2020 \$'000	2021 \$'000	Total \$'000
Partial and fully unsatisfied performance obligations as at:				
<b>31 December 2019</b>	-	<b>4,988</b>	<b>4,988</b>	<b>9,976</b>
31 December 2018	5,329	3,552	-	8,881

The amount disclosed above does not include variable consideration which is subject to significant risk of reversal<sup>6,8</sup>

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, is not disclosed<sup>5</sup>.

SFRS(I)  
15 (121,122)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 4. Revenue from contracts with customers<sup>1</sup> (continued)

### (c) Assets recognised from costs to fulfil contracts<sup>7</sup>

In addition to the contract balances disclosed above, the Group has also recognised an asset in relation to costs to fulfil long-term specialised equipment construction contracts. This is presented within other current assets in the balance sheet.

	31 December		
	2019	2018	
	\$'000	\$'000	
<b>Other current assets</b>			
Asset recognised from costs incurred to fulfil a contract as at 31 December	376	521	SFRS(I) 15 (128(a))
Rights to returned goods	111	98	DV
	<b>487</b>	<b>619</b>	
Amortisation and impairment loss recognised as cost of sales during the period	145	121	SFRS(I) 15 (128(b))

Costs to fulfil contracts for the construction of specialised equipment relate to costs incurred in developing an IT platform that is used to fulfil a specialised equipment construction contract. These costs are amortised to profit or loss as cost of sales on a basis consistent with the pattern of recognition of the associated revenue.

SFRS(I) 15 (127)

Due to an unexpected increase in costs on the contracts by 30% in the financial year ended 31 December 2019, the capitalised IT platform costs is not expected to be completely recovered through contract revenue. Accordingly, an impairment loss of \$70,000 was recognised.

SFRS(I) 1-36 (126(a))  
SFRS(I) 15 (128(b))

### (d) Trade receivables from contracts with customers

		<u>Group</u>			<u>Company</u>		
		31 December		1 January	31 December		1 January
Note		2019	2018	2018	2019	2018	2018
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Current assets</b>							
Trade receivables from contracts with customers	18	18,672	16,779	17,488	6,037	6,019	7,612
Loss allowance	18	(894)	(735)	(509)	(297)	(266)	(100)
		<b>17,778</b>	<b>16,044</b>	<b>16,979</b>	<b>5,740</b>	<b>5,753</b>	<b>7,512</b>

SFRS(I) 15 (116)(a)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Revenue from contracts with customers

#### Objective

- 1 Users of the financial statements should be given sufficient information to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve this, entities must provide qualitative and quantitative information about their contracts with customers, significant judgement made in applying SFRS(I) 15 and any assets recognised from the costs to obtain or fulfil a contract with customers.

SFRS(I) 15  
(110)

#### Disaggregation of revenue

- 2 Entities must disaggregate revenue from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. It will depend on the specific circumstances of each entity as to how much detail is disclosed. The entity has determined that a disaggregation of revenue using existing segments and the timing of the transfer of goods or services (at a point in time vs over time) is adequate for its circumstances. However, this is a judgement and will not necessarily be appropriate for other entities.
- 3 Other categories that could be used as basis for disaggregation include:
  - (a) type of good or service (e.g. major product lines)
  - (b) geographical regions
  - (c) market or type of customer
  - (d) type of contract (e.g. fixed price vs time-and-materials contracts)
  - (e) contract duration (short-term vs long-term contracts), or
  - (f) sales channels (directly to customers vs wholesale).
- 4 When selecting categories for the disaggregation of revenue entities should also consider how their revenue is presented for other purposes, e.g., in earnings releases, annual reports or investors presentation and what information is regularly reviewed by the chief operating decision makers. Where revenue is disaggregated on a basis other than reportable segments, the entity must disclose sufficient information so users of their financial statements can understand the relationship between the disaggregated revenue and the revenue information that is disclosed for each reportable segment.

SFRS(I) 15  
(114), (B87-89)

SFRS(I) 15  
(115)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Revenue from contracts with customers (continued)

#### Practical expedients applied in disclosing transaction price allocated to unsatisfied performance obligations

- 5 SFRS(I) 15 provides a practical expedient for entities not to disclose information about its remaining unsatisfied performance obligations, if either of the following conditions is met:
  - (a) The performance obligation is part of a contract that has an original expected duration of one year or less; or
  - (b) The entity recognises revenue from the satisfaction of the performance obligation based on its right to invoice (subject to meeting conditions under paragraph B16 of SFRS(I) 15).
- 6 Entities are required to explain qualitatively whether they are applying the practical expedient in guidance note 5 above, and whether any consideration from contracts with customers is not included in the transaction price, and therefore, not included in the information disclosed about transaction price allocated to unsatisfied performance obligations. In the illustration above, the entity has explained that the transaction price does not include any estimated amounts of variable consideration that are subject to significant risk of reversal.

SFRS(I) 15  
(121)

SFRS(I) 15  
(122)

#### Presentation of capitalised contract costs and rights to returned goods

- 7 SFRS(I) 15 is silent on the presentation of capitalised contract costs and rights to returned goods. Therefore, the entity needs to develop an appropriate accounting policy and apply it consistently. Where capitalised contract costs or rights to returned goods are material, the entity may present this balance as an additional line item in the statement of financial position, if such presentation is relevant to an understanding of the entity's financial position. In this illustration, capitalised contract costs and rights to returned goods are presented under 'Other current assets'.

SFRS(I) 1-1  
(55)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Constraining estimates of variable consideration

- 8 In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, an entity shall consider both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following:
- (a) The amount of consideration is highly susceptible to factors outside the entity's influence. Those factors may include volatility in a market, the judgement or actions of third parties, weather conditions and a high risk of obsolescence of the promised good or service.
  - (b) The uncertainty about the amount of consideration is not expected to be resolved for a long period of time.
  - (c) The entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value.
  - (d) The entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances.
  - (e) The contract has a large number and broad range of possible consideration amounts.

SFRS(I) 15  
(57)

- 9 Entities are required to disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. Therefore, the balances as at 1 January 2018, being the opening balances of the comparative period, are presented.

SFRS(I) 15  
(116)(a)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 5. Expenses by nature<sup>1-3</sup>

	<u>Group</u>	
	2019	2018
	\$'000	\$'000
Purchases of inventories and construction materials	69,832	57,711
Amortisation of intangible assets (Note 29(d))	1,443	954
Depreciation of property, plant and equipment (Note 26)	21,153	12,750
Impairment loss on goodwill (Note 29(a))	500	1,081
Employee compensation (Note 6)	44,827	42,903
Sub-contractor charges	13,238	12,610
Advertising expense	11,938	9,304
Rental expense	5,586	10,673
Research expense	785	645
Transportation expense	5,245	4,713
Reversal of inventory write-down	(380)	-
Other expenses	1,705	1,292
Changes in inventories	4,962	(8,217)
Total cost of sales, distribution and marketing costs and administrative expenses	180,834	146,419

Included in the Group's rental expense for the financial year ended 31 December 2018 is contingent rent amounting to \$32,000. The contingent rent was computed based on a percentage of sales turnover during the financial year ended 31 December 2018.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Expenses by nature

- 1 This disclosure is required only for entities that present their expenses by function on the face of the statement of comprehensive income. This publication illustrates a reconciliation of significant/material expenses to the total expenses by function (excluding finance expenses). This presentation, while not required, is encouraged as it ensures that all significant/material expenses are disclosed. As an alternative, the reporting entity can present only selected significant/material expenses in this note.
- 2 Where items of income and expense are material, the nature and amount of such items shall be disclosed separately, either in the statement of comprehensive income, the statement of profit or loss where applicable, or in the notes. Please refer to paragraph 98 of SFRS(I) 1-1 for items that would require separate disclosure.
- 3 The classification of expenses may vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and development (R&D) activities may be classified as employee benefits expense, while amounts paid to external organisations for R&D may be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense.

SFRS(I) 1-1  
(104)

SFRS(I) 1-1  
(97, 98)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 6. Employee compensation

		<u>Group</u>	
	<b>2019</b>		2018
	<b>\$'000</b>		<b>\$'000</b>
Wages and salaries	<b>32,937</b>		31,471
Employer's contribution to defined contribution plans <sup>1</sup>	<b>10,890</b>		10,417
Termination benefits	<b>350</b>		200
Other long-term benefits	<b>298</b>		100
Share option expense (Note 38(b)(i))	<b>672</b>		715
	<b>45,147</b>		42,903
Less: Amounts attributable to discontinued operations	<b>(320)</b>		-
Amounts attributable to continuing operations (Note 5)	<b>44,827</b>		42,903

SFRS(I) 1-19  
(53)

SFRS(I) 1-19  
(171), DV

SFRS(I) 2  
(50,51(a))

### Guidance notes

#### Employee compensation

- For Singapore entities, defined contribution plans include contributions to the Central Provident Fund. A number of countries in the region (e.g. Korea, Taiwan, Thailand, Vietnam, Indonesia, India, Sri Lanka, Pakistan and Bangladesh) have local legislation that requires companies to contribute to defined benefit plans. Accounting for such plans is complicated and the disclosures are extensive. Please refer to Appendix 1 Example 3 for an illustrated disclosure.

**Notes to the Financial Statements**

For the financial year ended 31 December 2019

**7. Other income<sup>1</sup>**

	<u>Group</u>		SFRS(I) 1-1 (97,98)
	<b>2019</b>	2018	
	<b>\$'000</b>	\$'000	
Interest income <sup>2</sup>			
- Financial assets measured at amortised cost <sup>3</sup>			SFRS(I) 7 (20)(b)
- Investments	<b>197</b>	126	
- Trade receivables	<b>150</b>	120	
- Bank deposits	<b>1,730</b>	1,663	
- Loans to an associate	<b>30</b>	30	SFRS(I) 1-24 (18)
- Debt investments measured at FVOCI <sup>3</sup>	<b>250</b>	205	SFRS(I) 7 (20)(b)
	<b>2,357</b>	2,144	
Dividend income <sup>2</sup>	<b>3,494</b>	2,747	
Income from subleases (Note 28)	<b>506</b>	355	
Finance income on net investment in the sub-lease (Note 28)	<b>582</b>	-	SFRS(I) 16 (90)(a)(iii))
Rental income from investment properties (Note 25)	<b>645</b>	521	SFRS(I) 1-40 (75)(f) (i)
	<b>5,227</b>	3,623	
Total	<b>7,584</b>	5,767	

The Group's dividend income includes dividends recognised from investments in equity instruments designated at FVOCI of \$520,000 (2018: \$1,402,000). No dividend was recognised for investments in equity instruments designated at FVOCI derecognised during the financial year.

SFRS(I) 7  
(11A)(d))



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Other income

- 1 Where “Other income” is immaterial, a reporting entity may combine it with “Other gain and losses” (Please refer to Note 8 to the financial statements).

### Net presentation of interest income, expense and dividend income on financial assets at FVPL

- 2 This publication illustrates the disclosure where the entity has elected to present interest income on financial assets, at FVPL, as part of the net fair value gains or losses (Note 8).

As an alternative, an entity may present interest income, interest expense and dividend income arising from financial instruments, at FVPL, separately. When this option is adopted, interest income and expense shall be computed using the effective interest method.

This choice is not applicable to financial assets measured at FVOCI. Interest calculated using the effective interest method and dividends are recognised in profit or loss, separately from the fair value gains or losses which are recognised in other comprehensive income.

### Separate disclosure of interest revenue for financial assets at amortised cost/FVOCI

- 3 Entities must disclose the total interest revenue (calculated using the effective interest rate method) for financial assets that are measured at amortised cost and debt instruments that are measured at FVOCI separately.

SFRS(I) 9  
(5.7.1)  
SFRS(I) 7  
(20(a))

SFRS(I) 9  
(5.7.10)

SFRS(I) 7  
(20(b))

## Notes to the Financial Statements

For the financial year ended 31 December 2019

### 8. Other gains and losses – Others<sup>4</sup>

	Group		SFRS(I) 1-1 (97,98)
	2019 \$'000	2018 \$'000	
Fair value (losses)/gains <sup>1</sup>			
- Financial assets and liabilities, mandatorily measured at FVPL			SFRS(I) 7 (20(a)(i))
- Derivative financial instruments	(1,641)	(1,020)	
- Financial assets, at FVPL (Note 14)	750	515	
- Contingent consideration (Note 43(e))	(150)	-	
	<u>(1,041)</u>	<u>(505)</u>	
Ineffectiveness on fair value hedges <sup>2</sup>	1	(1)	
Ineffectiveness on cash flow hedges <sup>2</sup>	1	(5)	
Currency exchange gains – net <sup>3</sup>	610	307	SFRS(I) 1-21 (52(a))
Gain on disposal of property, plant and equipment	170	-	
Financial asset, at FVOCI			
- Reclassification from OCI on disposal (Note 38(b)(iii))	175	-	
Net fair value (losses)/gains on investment properties (Note 25)	<u>(1,906)</u>	<u>174</u>	SFRS(I) 1-40 (76(d))
Total	<u>(1,990)</u>	<u>(30)</u>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Other gains and losses - Others

#### Income, expense, gains or losses

- 1 SFRS(I) 7 requires separate disclosure of net gains/losses, income and expense either in the statement of comprehensive income or in the notes for:
- SFRS(I) 7  
(20)(a)
- (i) financial assets or financial liabilities measured at FVPL, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SFRS(I) 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with SFRS(I) 9 (eg financial liabilities that meet the definition of held for trading in SFRS(I) 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss;
  - (ii) financial liabilities measured at amortised cost;
  - (iii) financial assets measured at amortised cost;
  - (iv) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SFRS(I) 9; and
  - (v) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

#### Ineffectiveness on hedges

- 2 The ineffectiveness on cash flow hedges should be classified consistently with the results of the trading derivative. There is limited guidance on where such derivative gains and losses should be presented on the income statement. Such gains and losses are usually most appropriately shown within 'other operating gains and losses', or 'other operating income and expense', or as a separate line item, if the amount is significant. However, it may be appropriate to classify fair value changes in other financial statement line items after considering the nature and purpose of the derivative and the entity's risk management policy. The manner of presentation policy should be applied consistently from period to period.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Other gains and losses – Others (continued)

#### Currency exchange differences

- 3 Currency exchange differences arising from operating activities should form part of other gains and losses while those arising from financing activities should form part of finance expenses.

#### Offsetting of income and expenses

- 4 Consider the size, nature, incidence of the items aggregated and presented net in the Statement of Comprehensive Income and if they are permitted to be offset. Offsetting is generally **prohibited** because it detracts from giving users a full and proper understanding of the transactions, and of other events and conditions that have occurred and assess the entity's future cash flows. In addition, gains and losses arising from groups of similar transactions are not reported on a net basis, unless they are immaterial.

SFRS(I) 1-1  
(32,33)  
SFRS(I) 1-1  
(35)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 9. Finance expenses

	Group		
	2019	2018	
	\$'000	\$'000	
Interest expense			SFRS(I) 7 (20(b))
- Bank borrowings	3,704	4,509	
- Convertible bonds (Note 32)	3,085	2,732	
- Dividends on redeemable preference shares	1,950	1,950	
- Lease liabilities/finance lease liabilities	1,928	101	
Loss on modification of borrowings	150	-	
	10,817	9,292	
Unwinding of discount on provision for legal claims (Note 35(c))	75	70	SFRS(I) 1-37 (84(e))
Cash flow hedges, reclassified from hedging reserve (Note 38(b)(iv))	753	643	SFRS(I) 7 (24C(b)(iv))
Currency exchange gains – net	(1,785)	(2,650)	SFRS(I) 1-21 (52(a))
	9,860	7,355	
Less: Amount capitalised in investment property and property, plant and equipment	(121)	(142)	SFRS(I) 1-23 (26(a))
Amount recognised in profit or loss	9,739	7,213	

Finance expenses on general financing were capitalised at a rate of 5.6% per annum (2018: 5.8% per annum).

SFRS(I) 1-23  
(26(b))

During the financial year 2019, the Group renegotiated its existing loan facilities to refinance the construction of its investment properties. The refinancing resulted in the recognition of a modification loss of \$150,000 in profit or loss.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 10. Income taxes

### (a) Income tax expense

	<u>Group</u>	
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Tax expense attributable to profit is made up of:		SFRS(I) 1-12 (79)
- Profit for the financial year:		
From continuing operations		
Current income tax		
- Singapore	<b>9,942</b>	9,714
- Foreign	<b>4,986</b>	4,473
	<b>14,928</b>	14,187
Deferred income tax (Note 36)	<b>965</b>	360
	<b>15,893</b>	14,547
From discontinued operations		
Current income tax		
- Foreign (Note 11(a))	<b>78</b>	250
	<b>15,971</b>	14,797
- Under provision in prior financial years:		
From continuing operations		
Current income tax	-	20
	<b>15,971</b>	14,817
Tax expense is attributable to:		
- continuing operations	<b>15,893</b>	14,567
- discontinued operations (Note 11(a))	<b>78</b>	250
	<b>15,971</b>	14,817

SFRS(I) 1-12 (80(a))

SFRS(I) 1-12 (80(c))

SFRS(I) 1-12 (81)(h)

SFRS(I) 1-12 (80(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 10. Income taxes (continued)

### (a) Income tax expense (continued)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows: SFRS(I) 1-12 (81(c))

	<u>Group</u>	
	2019 \$'000	2018 \$'000
Profit before tax from		
- continuing operations	60,578	51,077
- discontinued operations (Note 11(a))	500	1,560
	<b>61,078</b>	52,637
Share of profit of associates and joint venture, net of tax	<b>(761)</b>	(340)
Profit before tax and share of profit of associates and joint venture	<b>60,317</b>	52,297
Tax calculated at tax rate of 17% (2018: 17%) <sup>1,2</sup>	<b>10,254</b>	8,890
Effects of:		
- different tax rates in other countries	4,669	5,012
- tax incentives	(80)	-
- expenses not deductible for tax purposes	2,987	2,485
- income not subject to tax	(1,834)	(1,560)
- utilisation of previously unrecognised:		
- capital allowances	-	(30)
- tax losses	(25)	-
- under-provision of tax in prior financial years	-	20
Tax charge	<b>15,971</b>	14,817

### (b) Movement in current income tax liabilities

	<u>Group</u>		<u>Company</u>	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Beginning of financial year	1,700	2,942	261	235
Currency translation differences	392	360	-	-
Acquisition of subsidiary (Note 47(c))	310	-	-	-
Income tax paid	(16,608)	(16,059)	(328)	(289)
Tax expense	15,006	14,437	397	315
Under-provision in prior financial years	-	20	-	-
End of financial year	<b>800</b>	1,700	<b>330</b>	261

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 10. Income taxes (continued)

Included in the Company's current tax liabilities is consideration of \$117,520 (2018: \$128,500) that will be payable to a subsidiary when that subsidiary's tax losses are being utilised by the Company under the group relief tax system.

DV

- (c) The tax credit/(charge) relating to each component of other comprehensive income is as follows:

Group	2019			2018			SFRS(I) 1-12 (81(ab)) SFRS(I) 1-1 (90)
	Before Tax \$'000	Tax charge \$'000	After tax \$'000	Before Tax \$'000	Tax credit/ (charge) \$'000	After tax \$'000	
Fair value gains/(losses) and reclassification on financial assets, at FVOCI	1,580	(269)	1,311	(1,451)	261	(1,190)	SFRS(I) 1-1 (90)
Fair value gains and reclassification adjustments on cash flow hedges	961	(163)	798	33	(10)	23	SFRS(I) 1-1 (90)
Currency translation differences arising from consolidation	851	-	851	1,027	-	1,027	SFRS(I) 1-1 (90)
Revaluation gains on property, plant and equipment	650	(110)	540	539	(82)	457	SFRS(I) 1-1 (90)
Share of other comprehensive income of associates	68	-	68	35	-	35	SFRS(I) 1-1 (90)
<b>Other comprehensive income</b>	<b>4,110</b>	<b>(542)</b>	<b>3,568</b>	<b>183</b>	<b>169</b>	<b>352</b>	



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 10. Income taxes (continued)

Income tax expense (continued)

(d) Income tax recognised directly in equity is as follows:

	<u>Group</u>	
	2019	2018
	\$'000	\$'000
Excess tax on employee share option scheme (Note 38(b)(ii))	42	85
	<u>42</u>	<u>85</u>

SFRS(I) 1-12  
(81(a))

### Guidance notes

#### Income taxes

##### Applicable tax rate(s)

- 1 In explaining the relationship between tax expense (or income) and accounting profit, an entity shall use an applicable tax rate that provides the most meaningful information to the users of its financial statements. This publication illustrates the disclosure where the corporate tax rate in the country in which the company is domiciled (Singapore) is the most meaningful tax rate.

SFRS(I) 1-12  
(85)

Another entity operating in several jurisdictions may find it more meaningful to aggregate separate reconciliations prepared using the domestic rates in those jurisdictions. When that approach is used, the line item "effect of different tax rates in other countries" will no longer be relevant.

- 2 In the event that changes to tax laws relating to new tax incentives are not finalised by the reporting date and the effect is expected to be material, the following disclosure can be considered:

SFRS(I) 1-12  
(81)(d)

*"The tax liabilities of the Group and the Company have been computed based on the corporate tax rate and tax laws prevailing at balance sheet date. On [date of budget announcement], the Singapore Government announced changes to the Singapore tax laws, which included new incentives that might be available to certain group entities with effect from the year of assessment 2021. The tax expense of the Group and the Company for the financial year ended [31 December 2019] have not taken into consideration the effect of these incentives as the final detailed interpretation of the incentives had not been released by the tax authority as of the date of authorisation of these financial statements."*

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 11. Discontinued operations and disposal group classified as held for sale

On 31 May 2019, the Group's management and shareholders approved the sale of its 85%-owned subsidiary, PwC Components (Thailand) Co Ltd, in Thailand. The entire assets and liabilities related to PwC Components (Thailand) Co Ltd was presented as a disposal group held-for-sale as at 31 December 2019, and the entire results from PwC Components (Thailand) Co Ltd was presented separately on the statement of comprehensive income as "Discontinued operations" for the year ended 31 December 2019. The disposal group was previously presented under the "component parts" reportable segment of the Group (Note 46). The disposal was completed on 15 January 2020.

SFRS(I) 5 (41)

SFRS(I) 5  
(41(d))

- (a) The results of the discontinued operations and the re-measurement of the disposal group are as follows<sup>2</sup>:

SFRS(I) 5  
(33(b))

	Group		
	2019	2018	
	\$'000	\$'000	
Revenue	1,830	4,560	SFRS(I) 5 (33(b)(i))
Expenses	(1,250)	(3,000)	SFRS(I) 5 (33(b)(i))
Profit before tax from discontinued operations	580	1,560	SFRS(I) 5 (33(b)(i))
Tax (Note 10(a))	(92)	(250)	SFRS(I) 5 (33(b)(ii))
<b>Profit after tax from discontinued operations</b>	<b>488</b>	<b>1,310</b>	SFRS(I) 5 (33(a)(i))
Pre-tax loss recognised on the re-measurement of disposal group to fair value less costs to sell	(80)	-	SFRS(I) 5 (33(b)(iii))
Tax (Note 10(a))	14	-	SFRS(I) 5 (33(b)(iv))
Post-tax loss recognised on the re-measurement of disposal group to fair value less costs to sell	(66)	-	SFRS(I) 5 (33(a)(ii))
<b>Profit for the year from discontinued operations</b>	<b>422</b>	<b>1,310</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 11. Discontinued operations and disposal group classified as held for sale (continued)

- (b) The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2019 was as follows:

SFRS(I) 5  
(33(c))

	<u>Group</u>	
	2019	2018
	\$'000	\$'000
Operating cash inflows	420	956
Investing cash outflows	(198)	(269)
Financing cash outflows	(265)	(410)
<b>Total cash outflows</b>	<b>(43)</b>	<b>277</b>

Group  
As at  
31 December 2019  
\$'000

- (c) Details of the assets of disposal group classified as held-for-sale were as follows:

SFRS(I) 5 (38)

Property, plant and equipment (Note 26)	1,430
Trademark and licences (Note 29(b))	104
Inventory	1,284
	<b>2,818</b>

- (d) Details of the liabilities directly associated with disposal group classified as held-for-sale were as follows:

SFRS(I) 5 (38)

Trade and other payables	169
Other current liabilities	46
Provisions (Note 35(a))	72
	<b>287</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 11. Discontinued operations and disposal group classified as held for sale (continued)

	<u>Group</u> As at 31 December 2019 \$'000	
(e) Cumulative income recognised in other comprehensive income relating to disposal group classified as held-for-sale were as follows:		
Currency translation differences	180	SFRS(I) 5 (38)
	<u>Company</u> As at 31 December 2019 \$'000	
(f) Details of assets in non-current asset classified as held-for-sale were as follows:		
Investment in subsidiary (Note 24)	1,500	SFRS(I) 5 (38)

In accordance with SFRS(I) 5, the assets of disposal group classified as held-for-sale and liabilities directly associated with disposal group classified as held-for-sale were written down to their fair value less costs to sell of \$2,531,000. This is a non-recurring fair value measure, which was derived using observable inputs, being the prices for recent sales of similar businesses, and is therefore within level 2 of the fair value hierarchy. The fair value was calculated based on the ratio of transaction price to annual revenue for the similar businesses and applying the average to PwC Components (Thailand) Co Ltd.

SFRS(I)  
13 (93(d))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Discontinued operations and disposal group classified as held-for-sale

- 1 An entity shall re-present the statement of comprehensive income and statement of cash flows for the discontinued operations for prior periods. In contrast, the balance sheet information for the prior year is not re-presented.

SFRS(I) 5 (34)  
SFRS(I) 1-1  
(38)

### Results of the discontinued operations and the re-measurement of the disposal group

- 2 The analysis of the results of the discontinued operations and the remeasurement of the disposal group shall be disclosed either in the notes or in the statement of comprehensive income. This publication illustrates the disclosure when the entity elects to disclose in the notes to the financial statements.

SFRS(I) 1-12  
(81)(d)

SFRS(I) 5  
(33)(b)

If the entity elects to present the analysis of the results of the discontinued operations in the statement of comprehensive income, the analysis should be presented in a section identified as relating to discontinued operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held for sale on acquisition (see SFRS(I) 5(11)).

SFRS(I) 5 (39)

### Other disclosure requirements

- 3 Disclosures required by other standards do not apply to each of the non-current assets classified as held-for-sale or included in a disposal group except for those assets that are outside the scope of SFRS(I) 5 measurement requirements, which include:
  - (i) deferred tax assets (SFRS(I) 1-12 *Income Taxes*).
  - (ii) assets arising from employee benefits (SFRS(I) 1-19 *Employee Benefits*).
  - (iii) financial assets within the scope of SFRS(I) 9 *Financial Instruments*
  - (iv) non-current assets that are accounted for in accordance with the fair value model in SFRS(I) 1-40 *Investment Property*.
  - (v) non-current assets that are measured at fair value less costs to sell in accordance with SFRS(I) 1-41 *Agriculture*.
  - (vi) contractual rights under insurance contracts as defined in SFRS(I) 4 *Insurance Contracts*.

SFRS(I) 5  
(5),(5B)

For example, disclosure requirements in SFRS(I) 13 are required for financial assets within the scope of SFRS(I) 9 and investment properties accounted for at fair value, even if they are classified as held-for-sale.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 12. Earnings per share

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Total</u>		
	2019	2018	2019	2018	2019	2018	
Net profit attributable to equity holders of the Company (\$'000)	<b>41,124</b>	33,302	<b>359</b>	1,114	<b>41,483</b>	34,416	SFRS(I) 1-33 (68)
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<b>26,900</b>	24,050	<b>26,900</b>	24,050	<b>26,900</b>	24,050	SFRS(I) 1-33 (70(a))
Basic earnings per share (\$ per share)	<b>1.53</b>	1.38	<b>0.01</b>	0.05	<b>1.54</b>	1.43	SFRS(I) 1-33 (70(b))

### (b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options.

SFRS(I) 1-33 (33, 36)

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect.

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the Company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. No adjustment is made to the net profit.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 12. Earnings per share (continued)

### (b) Diluted earnings per share (continued)

Diluted earnings per share for continuing operations and discontinued operations attributable to equity holders of the Company is calculated as follows:

	<u>Continuing operations</u>		<u>Discontinued operations</u>		<u>Total</u>		
	2019	2018	2019	2018	2019	2018	
Net profit attributable to equity holders of the Company (\$'000)	<b>41,124</b>	33,302	<b>359</b>	1,114	<b>41,483</b>	34,416	SFRS(I) 1-33 (70(a))
Add back:							
Interest expense on convertible bonds, net of tax (\$'000)	<b>2,760</b>	2,432	-	-	<b>2,760</b>	2,432	
Net profit used to determine diluted earnings per share (\$'000)	<b>43,884</b>	35,734	<b>359</b>	1,114	<b>44,243</b>	36,848	SFRS(I) 1-33 (70(a))
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	<b>26,900</b>	24,050	<b>26,900</b>	24,050	<b>26,900</b>	24,050	SFRS(I) 1-33 (70(b))
Adjustments for ('000)							
- Convertible bonds	<b>3,300</b>	3,300	<b>3,300</b>	3,300	<b>3,300</b>	3,300	
- Share options	<b>881</b>	1,218	<b>881</b>	1,218	<b>881</b>	1,218	
	<b>31,081</b>	28,568	<b>31,081</b>	28,568	<b>31,081</b>	28,568	SFRS(I) 1-33 (70(b))
Diluted earnings per share (\$ per share)	<b>1.41</b>	1.25	<b>0.01</b>	0.04	<b>1.42</b>	1.29	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Earnings per share (“EPS”)

#### Retrospective adjustment for changes in number of shares

- 1 If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted **retrospectively**, even when this occurs after the balance sheet date. The fact that EPS calculations reflect such changes in the number of shares shall be disclosed.

SFRS(I) 1-33  
(64)

#### EPS based on alternative earnings

- 2 If the reporting entity discloses, in addition to basic and diluted EPS, per share amounts using another measure of net profit, such amounts shall be calculated using the weighted average number of ordinary shares determined based on SFRS(I) 1-33. The basic and diluted per share amount shall be disclosed in the notes to the financial statements. A reconciliation shall be provided between the measure used and a line item reported in the statement of comprehensive income.

SFRS(I) 1-33  
(73)

#### Potential dilutive instruments which were anti-dilutive during the period

- 3 An entity is required to disclose instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the period(s) covered.

SFRS(I) 1-33  
(70(c))

#### Share transactions after the end of the reporting period

- 4 An entity is required to provide a description of material share transactions that occurred after the end of the reporting period and that were not retrospectively adjusted in the calculation of EPS.

SFRS(I) 1-33  
(70(d))



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 13. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>		
	31 December		31 December		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
Cash at bank and on hand	81,290	25,135	13,586	10,173	SFRS(I) 1-7 (45)
Short-term bank deposits	13,487	11,963	5,760	7,105	SFRS(I) 1-7 (45)
	<b>94,777</b>	<b>37,098</b>	<b>19,346</b>	<b>17,278</b>	

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

SFRS(I) 1-7 (45)

	<u>Group</u>		
	31 December		
	2019	2018	
	\$'000	\$'000	
Cash and bank balances (as above)	94,777	37,098	
Less: Bank deposits pledged <sup>2</sup>	(300)	(450)	
Less: Bank overdrafts (Note 31)	(4,460)	(3,960)	SFRS(I) 1-7 (8)
Cash and cash equivalents per consolidated statement of cash flows	<b>90,017</b>	<b>32,688</b>	

Bank deposits are pledged in relation to the security granted for certain borrowings (Note 31(a)).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 13. Cash and cash equivalents (continued)

### Acquisition and disposal of subsidiaries

Please refer to Note 47 for the effects of acquisitions of subsidiaries on the cash flows of the Group.

On 2 January 2018, the Group disposed of its 70%-owned subsidiary, PwC Glass Sdn Bhd. The effects of the disposal on the cash flows of the Group were:

	<u>Group</u>	
	At 2	
	January	
	2018	
	\$'000	
Carrying amounts of assets and liabilities as at the date of disposal:		SFRS(I) 1-7 (40(d))
Cash and cash equivalents	300	
Property, plant and equipment	1,563	
Trademark and licences	100	
Inventory	1,370	
Total assets	<u>3,333</u>	
Trade and other payables	104	
Other current liabilities	20	
Provisions	96	
Total liabilities	<u>220</u>	
Net assets derecognised	3,113	
Less: Non-controlling interests	(75)	
Net assets disposed of	<u>3,038</u>	
Cash inflows arising from disposal:		
Net assets disposed of (as above)	3,038	
Reclassification of currency translation reserve (Note 38(b)(v))	19	SFRS(I) 5 (38)
Total assets	<u>3,057</u>	
Gain on disposal	-	
Cash proceeds on disposal	3,057	SFRS(I) 1-7 (40(a,b))
Less: Cash and cash equivalents in subsidiary disposed of	(300)	SFRS(I) 1-7 (40(c))
Net cash inflow on disposal	<u>2,757</u>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Cash and cash equivalents

#### Cash equivalents for the purpose of presenting statement of cash flows

- Under SFRS(I) 1-7, cash equivalents are defined as “short-term, highly liquid investment that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value”. An investment normally qualifies as a cash equivalent when it has a short maturity of, say, three month or less from the date of “acquisition”.
- The classification of the movement of cash subjected to restriction that does not meet the definition of cash and cash equivalents would depends on the nature of the item and the restriction in force. For example, where the cash deposit is placed as collateral for a performance bond, the movement in the cash deposit would form part of the operating cash flows. In this publication, this movement has been presented under “financing activities” in the statement of cash flows as the bank deposit was pledged in relation to the security granted for certain borrowings.

SFRS(I) 1-7  
(7-9)

SFRS(I) 1-7  
(6)

### Cash subject to restriction

- There may be circumstances in which cash and bank balances held by an entity are not available for use by the Group. An example is when a subsidiary operates in a country where exchange controls or other legal restrictions apply.

SFRS(I) 1-7  
(48), (49)

The economic substance of the restrictions would depend on the facts and circumstances in each individual case and should be assessed separately. If the funds do meet the criteria to be classified as cash and cash equivalents but the use of the funds is subject to restrictions, disclosure is required of the relevant amounts along with a commentary on their restriction. The following disclosure can be considered:

*“Included in cash and cash equivalents are bank deposits amounting to \$[ ] (2018: \$[ ]) which are not freely remissible for use by the Group because of currency exchange restrictions.”*

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 14. Financial assets, at FVPL<sup>4,5</sup>

	<u>Group</u>		DV
	2019	2018	
	\$'000	\$'000	
Beginning of financial year	13,600	11,895	
Additions	500	1,490	
Fair value gains (Note 8)	750	515	
Disposals	(100)	(300)	
End of financial year	14,750	13,600	

	<u>Group</u>		SFRS(I) 7 (31, 34(c)),
	31 December		
	2019	2018	
	\$'000	\$'000	
<i>Current</i>			
Listed securities:			
- Equity securities – Singapore <sup>1</sup>	8,435	8,235	
- Equity securities – US <sup>1</sup>	3,365	3,065	
	11,800	11,300	SFRS(I) 7 (8(a)(ii))
<i>Non-current</i>			
Non-listed debt instruments:			
- Mandatorily redeemable preference shares <sup>2</sup>	2,350	2,300	
- Convertible bond	600	-	
	2,950	2,300	
Total	14,750	13,600	

The instruments are all mandatorily measured at fair value through profit or loss.<sup>3</sup>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial assets, at FVPL

1. An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. Information such as the countries in which the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets.

SFRS(I) 7  
(31)

2. To determine which measurement category the financial asset falls into, management should first consider, whether the financial asset is an investment in equity instrument, as defined in SFRS(I) 1-32, by considering from the perspective of the issuer.

SFRS(I) 9  
(4.1.2(b))

Where the classification involves significant judgement and the relevant amounts are material, the entity should consider disclosing the rationale for classifying such shares as debt instruments.

SFRS(I) 1-1  
(122)

3. The entity would need to disclose each of these following financial assets and the associated gains/losses separately. If an entity has financial assets measured at FVPL of which:

SFRS(I) 7  
(8(a), 20(a)(i))

- Some were designated as such upon initial recognition;
- Some were designated as such in accordance with paragraph 6.7.1 of SFRS(I) 9; and
- Some were mandatorily measured at FVPL in accordance with the requirements of SFRS(I) 9.

All of PwC Holdings Ltd's financial assets are mandatorily measured at FVPL, hence, this disclosure does not apply.

4. If an entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost, the entity must provide additional disclosures as required under paragraph 9 of SFRS(I) 7.

SFRS(I) 7 (9)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial assets, at FVPL (continued)

5. If an entity has financial liabilities designated at FVPL, a number of additional disclosures apply as set out in paragraphs 8, 10, 10A, 11 and 20 of SFRS(I) 7. Some, but not all of these are illustrated as follows:

#### Financial liabilities designated at FVPL

The Group has convertible debentures which are classified entirely as liabilities because they were issued in a currency other than the functional currency of the Company. As the instrument contains an embedded derivative, it has been designated at fair value through profit or loss on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as fair value through profit or loss are expensed as incurred.

The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in OCI related to credit risk are not subject to recycling in profit or loss, but are transferred to retained profits when realised. Fair value changes relating to market risk are recognised in profit or loss.

	2019	2018
	\$'000	\$'000
Carrying amount	105,216	104,715
Includes:		
- Cumulative change in fair value of convertible debentures attributable to changes in credit risk, recognised in the FVOCI reserve	217	225
Amount the company is contractually obligated to pay to the holders of the convertible debentures at maturity	102,620	102,620
<b>Difference between carrying amount and the amount the company is contractually obligated to pay to holders of the debentures at maturity</b>	<b>2,596</b>	<b>2,095</b>

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes.

The Group believes that this approach most faithfully represents the amount of change in fair value due to the company's own credit risk, as the changes in factors contributing to the fair value of the convertible debentures other than changes in the benchmark interest rate are not deemed to be significant.

SFRS(I) 7  
(B5(a))  
SFRS(I) 7  
(21)  
SFRS(I) 9  
(4.3.5)

SFRS(I) 9  
(5.7.7)

SFRS(I) 7  
(10(a))

SFRS(I) 7  
(10(b))

SFRS(I) 7  
(11(a))

SFRS(I) 7  
(11(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 15. Derivative financial instruments

	Group			Company			DV
	Contract notional amount <sup>5</sup> \$'000	Fair value		Contract notional amount <sup>5</sup> \$'000	Fair value		
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000	
<b>31 December 2019</b>							
<i>Derivatives held for hedging:</i>							
Cash-flow hedges							
- Interest rate swaps	27,000	-	(1,011)	-	-	-	
- Currency forwards	15,000	1,508	-	-	-	-	
<i>Fair value hedge</i>							
- Currency forwards	10,000	1,448	-	-	-	-	
<i>Derivatives not held for hedging:</i>							
- Currency forwards	8,000	-	(2,079)	2,000	150	-	
<b>Total</b>		<b>2,956</b>	<b>(3,090)</b>		<b>150</b>	<b>-</b>	
- Current <sup>2,3</sup>		288	-		-	-	SFRS(I) 1-1 (66,69)
- Non-current <sup>2,3</sup>		2,668	(3,090)		150	-	SFRS(I) 1-1 (66,69)
<b>Total</b>		<b>2,956</b>	<b>(3,090)</b>		<b>150</b>	<b>-</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 15. Derivative financial instruments (continued)

	Group			Company			DV
	Contract notional amount \$'000	Fair value		Contract notional amount \$'000	Fair value		
		Asset \$'000	Liability \$'000		Asset \$'000	Liability \$'000	
<b>31 December 2018</b>							
<i>Derivatives held for hedging:</i>							
Cash-flow hedges							
- Interest rate swaps	30,324	308	-	-	-	-	
- Currency forwards	13,410	-	(766)	-	-	-	
<i>Fair value hedge</i>							
- Currency forwards	2,400	1,854	-	2,100	211	-	
<i>Derivatives not held for hedging:</i>							
- Currency forwards	1,908	-	(610)	-	-	-	
<b>Total</b>		<u>2,162</u>	<u>(1,376)</u>		<u>211</u>	<u>-</u>	
- Current		1,854	(1,376)		211	-	SFRS(I) 1-1 (66,69)
- Non-current		308	-		-	-	SFRS(I) 1-1 (66,69)
<b>Total</b>		<u>2,162</u>	<u>(1,376)</u>		<u>211</u>	<u>-</u>	



Reference

15. Derivative financial instruments (continued)

Hedging instruments used in Group's hedging strategy in 2019

Group	Carrying Amount		Changes in fair value used for calculating hedge ineffectiveness		Hedge ineffectiveness recognised in P&L <sup>a</sup>	Weighted average hedged rate <sup>b</sup>	Maturity date <sup>c</sup>
	Contractual notional amount <sup>d</sup>	Assets/ (Liabilities)	Financial statement line item	Hedging instrument	Hedged Item		
	\$'000	\$'000		\$'000	\$'000	\$'000	
<b>Fair value hedge</b>							
<i>Foreign exchange risk<sup>1</sup></i>							
- Forward contracts to hedge firm commitments	10,000	1,448	Derivative financial instruments	1,448	(1,447)	1	USD\$1: \$1.50 RMB 4.7: \$1 June 2021 - Sept 2021
<b>Cash flow hedge</b>							
<i>Foreign exchange risk<sup>1</sup></i>							
- Forward contracts to hedge highly probable transactions	15,000	1,508	Derivative financial instruments	1,220	(1,217)	3	USD \$1 : \$1.45 March 2020 - June 2021
<i>Interest rate risk<sup>1</sup></i>							
- Interest rate swap to hedge floating rate borrowings	27,000	(1,011)	Derivative financial instruments	(1,011)	1,009	(2)	5.8% June 2021 - Jan 2022
<b>Net investment hedge</b>							
<i>Foreign exchange risk<sup>1</sup></i>							
- Borrowings to hedge net investments in foreign operations	-	(3,010)	Borrowings	216	(216)	-	RMB 4.7 : \$1 June 2021

\* All hedge ineffectiveness are recognised in profit and loss within "other gains/losses".

SFRS(I) 7  
(23A, 23B,  
24A,  
24B(a)(iv),  
24B(b)(i),  
24C(a)(i),  
24C(b)(i),  
24C(b)(ii))

SFRS(I) 7  
(24C(a)(ii),  
24C(b)(iii))

## Reference

SFRS(I) 7  
(23A, 23B,  
24A,  
24B(a)(iv),  
24B(b)(i),  
24C(a)(i),  
24C(b)(i),  
24C(b)(ii))

SFRS(I) 7  
(24C(a)(ii),  
24C(b)(iii))

## 15. Derivative financial instruments (continued)

Hedging instruments used in Group's hedging strategy in 2018

	Carrying Amount		Changes in fair value used for calculating hedge ineffectiveness		Hedge ineffectiveness recognised in P&L **	Weighted average hedged rate <sup>o</sup>	Maturity date <sup>o</sup>
	Contractual notional amount <sup>o</sup>	Assets/ (Liabilities)	Financial statement line item	Hedging instrument	Hedged Item		
Group	\$'000	\$'000		\$'000	\$'000	\$'000	
<b>Fair value hedge</b>							
<i>Foreign exchange risk<sup>1</sup></i>							
- Forward contracts to hedge firm commitments	2,400	1,854	Derivative financial instruments	1,535	(1,534)	1 USD\$1:\$1.52 RMB 4.83:\$1	Jan 2019 - March 2019
<b>Cash flow hedge</b>							
<i>Foreign exchange risk<sup>1</sup></i>							
- Forward contracts to hedge highly probable transactions	13,410	(766)	Derivative financial instruments	(276)	274	(2) USD \$1:\$1.52	Jan 2019 - March 2019
<i>Interest rate risk<sup>1</sup></i>							
- Interest rate swap to hedge floating rate borrowings	30,324	308	Derivative financial instruments	(337)	334	(3) 6.10%	2020
<b>Net investment hedge</b>							
<i>Foreign exchange risk<sup>1</sup></i>							
- Borrowings to hedge net investments in foreign operations	-	(3,010)	Borrowings	(296)	296	- RMB 4.83:\$1	2021
<b>Company</b>							
<b>Fair value hedge</b>							
<i>Foreign exchange risk<sup>1</sup></i>							
- Forward contracts to hedge firm commitments	2,100	211	Derivative financial instruments	(7)	7	- USD\$1:\$1.52	Jan 2019 - March 2019

\* All hedge ineffectiveness are recognised in profit and loss within "other gains/losses".

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 15. Derivative financial instruments (continued)

Effects of fair value hedges on hedged items are as follows:

	<u>Carrying amount of assets/ (liabilities)</u> \$'000	<u>Financial statement line item that includes hedged item</u>	<u>Accumulated amount of fair value adjustments</u> \$'000	SFRS(I) 7 (24B(a)(i), (ii), (iii))
<b>2019</b>				
<b><u>Group</u></b>				
<b>Fair value hedge</b>				
Foreign exchange risk				
- <i>Forward contracts to hedge firm commitments</i>	200	Trade and other receivables	27	
<b>2018</b>				
<b><u>Group</u></b>				
<b>Fair value hedge</b>				
Foreign exchange risk				
- <i>Forward contracts to hedge firm commitments</i>	340	Trade and other receivables	35	
<b><u>Company</u></b>				
<b>Fair value hedge</b>				
- <i>Forward contracts to hedge firm commitments</i>	5	Trade and other receivables	(2)	

The Company did not apply fair value hedge in 2019.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Derivative financial instruments

#### Disclosure by risk category

1. SFRS(I) 7 requires an entity to provide hedge accounting disclosures by risk categories. An entity shall determine each risk category on the basis of risk exposures it decides to hedge, and for which hedge accounting is applied. Risk categories shall be determined consistently for all hedge accounting disclosures. SFRS(I) 7 does not prescribe on the level of disaggregation of hedge accounting disclosures required, however, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in SFRS(I) 7 and SFRS(I) 13 *Fair value measurement*.

SFRS(I) 7  
(21C, 21D)

#### Classification as current or non-current

2. The classification of financial instruments as held for trading under SFRS(I) 9 does not mean that they must necessarily be presented as current in the balance sheet. If a financial liability is primarily held for trading purposes it should be presented as current. If it is not held for trading purposes, it should be presented as current or non-current on the basis of its settlement date. Financial assets should only be presented as current assets if the entity expects to realise them within 12 months.
3. The treatment of hedging derivatives will be similar. Where a portion of a financial asset is expected to be realised within 12 months of the end of the reporting period, that portion should be presented as a current asset; the remainder of the financial asset should be shown as a non-current asset. This suggests that hedging derivatives should be split into current and non-current portions. However, as an alternative, the full fair value of hedging derivatives could be classified as current if the hedge relationships are for less than 12 months and as non-current if those relationships are for more than 12 months.

SFRS(I) 1-1  
(66, 69)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Derivative financial instruments (continued)

#### Designation of hedging instruments

4. SFRS(I) 9 introduces the concept of 'costs of hedging'. SFRS(I) 9 permits three exceptions where certain components of the derivative instrument may be designated as the hedging instrument, as follows:
- separating the forward element and spot element of a forward contract, and designating only the change in the spot element as hedging instrument;
  - separating and excluding the foreign currency basis spread from the designated hedging instrument; and
  - separating the intrinsic value and time value of an option contract, and designating only the change in intrinsic value of an option as the hedging instrument.

SFRS(I) 9  
(6.2.4)

Where the above exceptions are applied, the changes in the fair value of the component of the derivative instrument not designated as a hedging instrument is recognised in OCI and deferred in a hedging reserve in equity.

#### Disclosure of contractual notional amounts

5. SFRS(I) 7 requires the disclosure of the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments. While not mandatory for non-hedging derivative financial instruments, these may be included to enable users to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed to during and at the end of the financial period.

SFRS(I) 7  
(24A(d))

SFRS(I) 7  
(1(b))

#### Disclosure of the amount, timing and uncertainty of future cash flows

6. An entity shall disclose quantitative information by risk category to allow users of the financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows by disclosing:
- A profile of the timing of the nominal amount of the hedging instrument;
  - The average price (for example, strike price or forward price etc) of the hedging instruments, if applicable.

SFRS(I) 7  
(23A, 23B)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 16. Financial assets, at FVOCI

	<u>Group</u>		<u>Company</u>		DV
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	13,452	15,850	1,600	1,500	
Fair value gain/(losses) (Note (a))	1,750	(1,459)	15	(68)	
Additions	500	174	-	168	
Disposals (Note (b))	(10,977)	(1,113)	-	-	
End of financial year	4,725	13,452	1,615	1,600	

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000

### Non-current assets

Listed equity securities<sup>1</sup>:

- ABC Limited	1,900	1,600	1,615	1,600	SFRS(I) 7 (11A(a), (c))
- XYZ Limited	-	5,744	-	-	
- EFG Plc	2,300	2,014	-	-	
	4,200	9,358	1,615	1,600	

Unlisted debt securities:

- SGD corporate variable rate notes due 30 November 2020	-	4,094	-	-
- SGD corporate fixed rate notes due 30 June 2025	525	-	-	-
	525	4,094	-	-
	4,725	13,452	1,615	1,600

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 16. Financial assets, at FVOCI (continued)

- (a) Fair value gains/losses include a loss allowance due to impairment of debt instruments, at FVOCI of \$5,000 (2018: \$8,000) (Note 43(b)).

SFRS(I) 7  
(16A)
- (b) During the financial year ended 31 December 2019, the Group disposed listed equity securities as the underlying investment was no longer aligned with the Group's long-term investment strategy. These investments had a fair value of \$5,844,000 (2018: \$1,113,000) at the date of disposal, and the cumulative gain on disposal amounted to \$300,000 (2018: \$257,000), net of tax. The cumulative gain on disposal was reclassified from fair value reserve to retained profits.

SFRS(I) 7  
(11B)  
SFRS(I) 7  
(11A(e))

### Guidance notes

#### Financial assets, at FVOCI

1. Requirement to disclose the name of each individual equity investment depends on whether the name is material information under SFRS(I) 1-1 by considering the size or nature of the item (or a combination of both). Whether the name of an investment held by an entity is material to the financial statement is a judgement.

SFRS(I) 7  
(11A)

The name of an investment might be considered material where an entity has a single large strategic investment designated at FVOCI. Conversely, the name might not be considered material where an entity holds a large number of similar individual investments designated at FVOCI or where the value of each investment is not material. In this case, the entity should consider the disclosure at higher level of aggregation (for example, disclosing by type of investments, industries and geographical areas).

In this illustration, each individual investment is considered as material because it is held for strategic purpose.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 17. Other investments at amortised cost

	Group	DV
	2019	2018
	\$'000	\$'000
Beginning of financial year	2,403	2,403
Addition	1,500	-
Accrued interest	47	23
Impairment recognised in profit and loss during the year	(453)	(23)
End of financial year	3,497	2,403
	2019	2018
	\$'000	\$'000
		SFRS(I) 7 (31)
<b>Current</b>		
Unlisted SGD floating rate notes due 28 June 2020	482	-
Listed SGD corporate 4.4% fixed rate notes due 27 August 2020	321	-
	803	-
Less: Loss allowances	(40)	-
	763	-
<b>Non-current</b>		
Unlisted SGD 5.5% fixed rate notes due 31 May 2021	1,647	1,650
Listed SGD corporate 5% fixed rate notes due 31 May 2025	1,500	-
Unlisted SGD floating rate notes due 28 June 2020	-	472
Listed SGD corporate 4.4% fixed rate notes due 27 August 2020	-	311
	3,147	2,433
Less: Loss allowance	(413)	(30)
	2,734	2,403
<b>Total</b>	<b>3,497</b>	<b>2,403</b>

The fair value of non-current fixed rate notes are \$3,275,000. The fair values are based on discounted cash flows using the market interest rates for an equivalent bond at 31 December 2019. The fair values are within Level 2 of the fair value hierarchy.

SFRS(I) 13  
(93)(b),(d)

SFRS(I) 13  
(97)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 18. Trade and other receivables – Current

SFRS(I) 1-1  
(77,78(b))

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade receivables				
- Associates	197	214	-	-
- Subsidiaries	-	-	379	700
- Non-related parties	18,475	16,565	5,658	5,319
	18,672	16,779	6,037	6,019
Less: Loss allowance	(894)	(735)	(297)	(266)
	17,778	16,044	5,740	5,753
Loan to an associate (Note (a))	2,456	1,440	-	-
Less: Non-current portion (Note 20)	(1,357)	(1,047)	-	-
	1,099	393	-	-
Other receivables	35	49	15	18
Finance lease receivables (Note (b))	2,800	200	-	-
Staff loans (Note 21)	50	70	30	35
Deposits	367	316	43	-
Prepayments	256	245	2	18
	22,385	17,317	5,830	5,824

SFRS(I) 1-1  
(78(b))  
SFRS(I) 1-24  
(18(b))  
SFRS(I) 1-24  
(18(b))SFRS(I) 1-24  
(18(b))

- (a) The loan to an associate, PwC A Property (Hong Kong) Limited is unsecured. Loan amounting to \$1,357,000 is repayable in full by 31 December 2022. Interest is fixed at 2.3% per annum.
- (b) In 2018, the finance lease receivables relate to equipment leased out by the Group to non-related parties and the various agreements had terminated in 2019. As at 31 December 2018, the net investment in these finance leases of \$200,000 was derived by deducting unearned finance income of \$32,000 from the gross receivables due by 2019 of \$232,000.

SFRS(I) 1-24  
(18)(b)  
SFRS(I) 7 (31)

As at 31 December 2019, the finance lease receivables relate to a sublease which was classified as finance lease on adoption of SFRS(I) 16, as disclosed in Note 28.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 19. Inventories<sup>1</sup>

SFRS(I) 1-1  
(78)(c)

	<u>Group</u>		<u>Company</u>		
	31 December		31 December		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
<u>At cost</u>					
Raw materials	12,585	11,619	-	-	SFRS(I) 1-2 (37)
Work-in-progress	2,458	3,012	-	-	SFRS(I) 1-2 (37)
Finished goods	12,456	17,830	2,245	3,305	SFRS(I) 1-2 (37)
	<u>27,499</u>	<u>32,461</u>	<u>2,245</u>	<u>3,305</u>	

The cost of inventories recognised as an expense and included in “cost of sales” amounted to \$75,174,000 (2018: \$49,508,000).

SFRS(I) 1-2  
(36(d), 38, 39)

Inventories of \$1,500,000 (2018: \$1,000,000) of the Group and \$500,000 (2018: \$500,000) of the Company have been pledged as security for bank overdrafts of the Group and the Company (Note 31(a)).

SFRS(I) 1-2  
(36(h))

The Group reversed \$380,000 (2018: \$nil) of a previous inventory write-down in August 2019. The Group has sold all the goods that were written down to an independent retailer in China at original cost. The amount reversed has been included in “cost of sales”. No inventory write down or reversal was recognised in 2018.

SFRS(I) 1-2  
(36(f), (g))

### Guidance notes

#### Inventories

1. Separate disclosure of finished goods at fair value less costs to sell is required where applicable (e.g., for commodity broker-traders who measure their inventories at fair value less costs to sell). When inventories are measured at fair value less costs to sell, changes in fair value less costs to sell are recognised in profit or loss in the period of the change.

SFRS(I) 13 (5)  
SFRS(I) 1-2  
(3(b), 36(c))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 20. Trade and other receivables – non-current

SFRS(I) 1-1  
(77,78(b))

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Finance lease receivables (Note 28)	7,711	-	-	-
Loan to an associate (Note 18)	1,357	1,047	-	-
Loans to subsidiaries	-	-	4,693	3,032
Staff loans (Note 21)	50	593	40	115
Indemnification asset <sup>1</sup> (Note 47(i))	400	200	-	-
	<b>9,518</b>	<b>1,840</b>	<b>4,733</b>	<b>3,147</b>

SFRS(I) 1-24  
(18(b))

The loans to subsidiaries by the Company are unsecured, interest bearing at the three-month deposit rate plus 1.5% per annum and will be repayable in full on 31 December 2022.

SFRS(I) 1-24  
(18(b)(i))  
SFRS(I) 7  
(31)

The fair values of non-current trade and other receivables are computed based on cash flows discounted at market borrowing rates. The fair values are within level 2 of the fair value hierarchy.

SFRS(I) 7  
(25)  
SFRS(I) 13  
(93(b,d),97)

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Fair value</u>				
Finance lease receivables	7,805	190	-	-
Loan to an associate	1,410	1,250	-	-
Loans to subsidiaries	-	-	4,600	3,039
Staff loans	59	628	46	121

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 20. Trade and other receivables – non-current (continued)

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
<u>Market borrowing rate</u>	%	%	%	%
Finance lease receivables	7.1	7.2	-	-
Loan to an associate	7.3	7.5	-	-
Loans to subsidiaries	-	-	6.3	6.5
Staff loans	7.5	7.6	7.4	7.5

### Guidance notes

#### Subsequent measurement of indemnification assets

- At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitation on its amount. An indemnification asset is not subsequently measured at its fair value but is assessed for its collectability.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 21. Staff loans

DV

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Receivables due				
- Not later than one year (Note 18)	50	70	30	35
- Later than one year but within five years (Note 20)	50	593	40	115
	<b>100</b>	<b>663</b>	<b>70</b>	<b>150</b>

Staff loans included \$15,000 (2018: \$15,000) made to a member of key management personnel of the Group. The loan is unsecured, interest free and repayable in full on 31 December 2021.

SFRS(I) 1-24  
(18)

## 22. Investments in associates

	2019	2018
<u>Company</u>	\$'000	\$'000
<i>Equity investments at cost</i>		
Beginning and end of financial year	<b>1,000</b>	<b>1,000</b>

DV

Set out below are the associates which are material to the Group.

<u>Name of entity</u>	<u>Place of business / country of incorporation</u>	<u>% of ownership interest</u>	
		31 December 2019	2018
PwC A Property (Hong Kong) Limited	Hong Kong	35	35
PwC A Furniture Sdn Bhd	Malaysia	25	25

SFRS(I) 12  
(21)(a)(i), (iii), (iv)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. Investments in associates (continued)

PwC A Property (Hong Kong) Limited is an investment holding company with subsidiaries holding significant real estate investments in Hong Kong. PwC A Property (Hong Kong) is a strategic partnership for the Group, providing access to new markets in Hong Kong.

SFRS(I) 12  
(21(a)(ii))

PwC A Furniture Sdn Bhd markets and distributes furniture in Malaysia. PwC A Furniture Sdn Bhd provides the Group with access to expertise in efficient marketing and distribution processes for its own furniture business and access to key trends.

SFRS(I) 12  
(21(a)(ii))

As at 31 December 2019, the fair value of the Group's interest in PwC A Property (Hong Kong) Limited, which is listed on the Hong Kong Stock Exchange, was \$1,521,000 (2018: \$1,486,000). The fair value is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's interest was \$737,000 (2018: \$710,000).

SFRS(I) 12  
(21(b)(iii))

There are no contingent liabilities relating to the Group's interest in the associates<sup>2</sup>.

SFRS(I) 12  
(23(b))

### Summarised financial information for associates<sup>3</sup>

#### Summarised balance sheet

SFRS(I) 12  
(21(b)(ii))

	PwC A Property (Hong Kong) Limited 31 December		PwC A Furniture Sdn Bhd 31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current assets	<b>3,650</b>	3,210	<b>24,863</b>	21,357
Current liabilities	<b>(3,628)</b>	(3,401)	<b>(15,080)</b>	(14,320)
Non-current assets	<b>6,042</b>	5,890	<b>27,245</b>	25,206
Non-current liabilities	<b>(5,674)</b>	(5,385)	<b>(14,232)</b>	(13,211)

SFRS(I) 12  
(B12(b)(i))

SFRS(I) 12  
(B12(b)(iii))

SFRS(I) 12  
(B12(b)(ii))

SFRS(I) 12  
(B12(b)(iv))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. Investments in associates (continued)

### Summarised statement of comprehensive income

	PwC A Property (Hong Kong) Limited		PwC A Furniture Sdn Bhd		
	<u>For the year ended</u> <u>31 December</u>		<u>For the year ended</u> <u>31 December</u>		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
Revenue	<b>3,819</b>	3,112	<b>24,185</b>	21,363	SFRS(I) 12 (B12(b)(v))
Profit/(loss) from continuing operations	<b>94</b>	(169)	<b>3,329</b>	2,317	SFRS(I) 12 (B12(b)(vi))
Post-tax profit/(loss) from continuing operations	<b>76</b>	(169)	<b>2,588</b>	2,106	DV
Post-tax profit from discontinued operations <sup>4</sup>	-	-	-	-	SFRS(I) 12 (B12(b)(vii))
Other comprehensive gain	-	-	<b>260</b>	140	SFRS(I) 12 (B12(b)(viii))
Total comprehensive income/(loss)	<b>76</b>	(169)	<b>2,848</b>	2,246	SFRS(I) 12 (B12(b)(ix))
Dividends received from associate <sup>4</sup>	-	-	-	-	SFRS(I) 12 (B12(a))

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

The following table summarises, in aggregate, the Group's share of profit and other comprehensive income of the Group's individually immaterial associates accounted for using the equity method:

	As at 31 December		
	2019	2018	
	\$'000	\$'000	
Loss from continuing operations	<b>(293)</b>	(416)	SFRS(I) 12 (B16(a))
Post-tax profit from discontinued operations <sup>4</sup>	-	-	SFRS(I) 12 (B16(b))
Other comprehensive income	<b>3</b>	-	SFRS(I) 12 (B16(c))
Total comprehensive loss	<b>(290)</b>	(416)	SFRS(I) 12 (B16(d))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 22. Investments in associates (continued)

### Reconciliation of summarised financial information

SFRS(I) 12  
(B14(b))

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associates, is as follows:

	PwC A Property (Hong Kong) Limited		PwC A Furniture Sdn Bhd		Total	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net assets	390	314	22,796	19,032	23,186	19,346
Group's equity interest	35%	35%	25%	25%	-	-
Group's share of net asset	137	110	5,699	4,758	5,836	4,868
Goodwill	600	600	420	420	1,020	1,020
Carrying value	737	710	6,119	5,178	6,856	5,888
Add: Carrying value of individually immaterial associates, in aggregate <sup>3</sup>					1,428	1,718
Carrying value of Group's interest in associates					8,284	7,606

SFRS(I) 12  
(B16)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investments in associates

#### Cumulative preference shares issued by associates

1. If an associate has cumulative preference shares that are held by parties outside the group and that are classified as equity, the group computes its share of results after adjusting for the dividends on such shares, whether or not the dividend have been declared.

SFRS(I) 1-28  
(37)

#### Risks associated with an entity's interest in associates

2. In accordance with SFRS(I) 1-37 *Provision, Contingent Liabilities and Contingent Asset*, unless the probability of loss is remote, contingent liabilities incurred relating to its interest in associates (including its share of contingent liabilities incurred jointly with other investors with significant influence over the associates), is required to be disclosed separately from the amount of other contingent liabilities.

SFRS(I) 12  
(23(b))

#### Summarised financial information of associates

3. Summarised financial information is required for the group's interest in material associates. An entity is also required to disclose, in aggregate, the carrying amount of its interests in all individually immaterial associates that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those associates' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income, and total comprehensive income.
4. Some of the line items have nil balances but have been included for illustrative purpose.

SFRS(I) 12  
(21(b)(ii),  
21(c))  
SFRS(I) 12  
(B16)

#### Nature, extent and financial effects of an entity's interests in associates

5. An entity is required to disclose the nature and extent of any significant restriction (e.g. borrowing arrangements, regulatory requirements or contractual arrangements between investors with significant influence over an associate) on the ability of the associates to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.
6. When the financial statements of an associate used in applying the equity method are as of date or for a period that is different from that of the entity, an entity is required to disclose the date of the end of the reporting period of the financial statements of that associate; and the reason for using a different date or period.
7. If the entity has stopped recognising its share of losses of the associate when applying the equity method, the entity is required to disclose the unrecognised share of losses of the associate, both for the reporting period and cumulatively.

SFRS(I) 12  
(22(a))

SFRS(I) 12  
(22(b))

SFRS(I) 12  
(22(c))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investments in associates (continued)

#### Nature, extent and financial effects of an entity's interests in associates (continued)

8. The interest in an associate is the carrying amount of the investment in the associate together with any long-term interest that, in substance, forms part of the investor's net investment in the associate. SFRS(I) 9 impairment requirements applied to other financial instruments, including any long-term interest forming part of the investor's net interest in an associate to which equity accounting is not applied.

SFRS(I) 1-28  
(38)

#### Entities classified as held for sale

9. The disclosure requirements of SFRS(I) 12 also apply to interests in entities that are classified as held for sale, except for the summarised information in paragraphs B10 to B16 of SFRS(I) 12.

SFRS(I) 12  
(5A, B17)

## Notes to the Financial Statements

For the financial year ended 31 December 2019

### 23. Investment in a joint venture

	2019	2018	DV
<u>Company</u>	\$'000	\$'000	
<i>Equity investments at cost</i>			
Beginning and end of financial year	880	880	

Set out below is the joint venture of the Group as at 31 December 2019, which is material to the Group.

<u>Name of entity</u>	<u>Place of business/ country of incorporation</u>	<u>% of ownership interest</u>		SFRS(I) 12 (21)(a)(i), (iii), (iv)
		31 December		
		2019	2018	
PwC JV Logistics (PRC) Co. Ltd	China	60	60	

PwC JV Logistics (PRC) Co. Ltd provides freight forwarding and warehousing services and gives the Group access to efficient freight forwarding processes and quality warehousing service processes in China.

SFRS(I) 12  
(21)(a)(ii))

The Group has \$200,000 (2018: \$150,000) of commitments to provide funding if called, relating to its joint venture. There are no contingent liabilities relating to the Group's interest in the joint venture. PwC JV Logistics (PRC) Co. Ltd has an unresolved legal case relating to a contract dispute with a customer. As the case is at an early stage in proceedings, it is not possible to determine the likelihood or amount of any settlement, should PwC JV Logistics (PRC) Co. Ltd be unsuccessful.<sup>2</sup>

SFRS(I) 12  
(23)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 23. Investment in a joint venture (continued)

### Summarised financial information for joint venture<sup>3</sup>

Set out below is the summarised financial information for PwC JV Logistics (PRC) Co. Ltd. SFRS(I) 12  
(21(b)(ii))

### Summarised balance sheet

	PwC JV Logistics (PRC) Co. Ltd 31 December		
	2019 \$'000	2018 \$'000	
<b>Current assets</b>	<b>8,102</b>	<b>6,711</b>	SFRS(I) 12 (B12(b)(i))
Includes:			SFRS(I) 12 (B13(a))
- Cash and cash equivalents <sup>4</sup>	<b>1,824</b>	<b>1,002</b>	
<b>Current liabilities</b>	<b>(11,385)</b>	<b>(10,428)</b>	SFRS(I) 12 (B12(b)(iii))
Includes:			SFRS(I) 12 (B13(b))
- Financial liabilities (excluding trade payables) <sup>4</sup>	<b>(9,846)</b>	<b>(9,340)</b>	
<b>Non-current assets</b>	<b>15,548</b>	<b>13,221</b>	SFRS(I) 12 (B12(b)(ii))
<b>Non-current liabilities</b>	<b>(9,537)</b>	<b>(7,409)</b>	SFRS(I) 12 (B12(b)(iv))
Includes:			SFRS(I) 12 (B13(c))
- Financial liabilities (excluding trade payables) <sup>4</sup>	<b>(6,981)</b>	<b>(6,520)</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 23. Investment in a joint venture (continued)

### Summarised statement of comprehensive income

PwC JV Logistics (PRC) Co. Ltd			
For the year ended			
31 December			
	2019	2018	
	\$'000	\$'000	
Revenue	10,728	10,228	SFRS(I) 12 (B12(b)(v))
Interest income <sup>4</sup>	320	320	SFRS(I) 12 (B13(e))
Expenses			
Includes:			
- Depreciation and amortisation <sup>4</sup>	(1,720)	(1,420)	SFRS(I) 12 (B13(d))
- Interest expense <sup>4</sup>	(3,308)	(3,108)	SFRS(I) 12 (B13(f))
<b>Profit from continuing operations</b>	<b>731</b>	<b>393</b>	SFRS(I) 12 (B12(b)(vi))
Income tax expense <sup>4, 5</sup>	(98)	-	SFRS(I) 12 (B13(g))
<b>Post-tax profit from continuing operations</b>	<b>633</b>	<b>393</b>	DV
<b>Post-tax profit from discontinued operations<sup>5</sup></b>	<b>-</b>	<b>-</b>	SFRS(I) 12 (B12(b)(vii))
<b>Other comprehensive income<sup>5</sup></b>	<b>-</b>	<b>-</b>	SFRS(I) 12 (B12(b)(viii))
<b>Total comprehensive income</b>	<b>633</b>	<b>393</b>	SFRS(I) 12 (B12(b)(ix))
<b>Dividends received from joint venture<sup>5</sup></b>	<b>-</b>	<b>-</b>	SFRS(I) 12 (B12(a))

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

SFRS(I) 12  
(B14(a))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 23. Investment in a joint venture (continued)

### Reconciliation of summarised financial information

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

SFRS(I) 12  
(B14(b))

	PwC JV Logistics (PRC) Co. Ltd	
	31 December	
	2019	2018
	\$'000	\$'000
<b>Net Assets</b>	<b>2,728</b>	2,095
Group's equity interest	60%	60%
Group's share of net assets	1,637	1,257
Goodwill	200	200
<b>Carrying value</b>	<b>1,837</b>	1,457

## Guidance notes

### Investment in a joint venture

#### Cumulative preference shares issued by joint ventures

1. If the joint venture has cumulative preference shares that are held by parties outside the group and that are classified as equity, the group computes its share of results after adjusting for the dividends on such shares, whether or not the dividends have been declared.

SFRS(I) 1-28  
(37)

#### Risks associated with an entity's interests in joint ventures

2. An entity is required to disclose commitments that it has relating to its joint ventures separately from the amount of other commitments as specified SFRS(I) 12(B18–B20).

SFRS(I) 12  
(23)(a)

In accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the probability of loss is remote, contingent liabilities incurred relating to its interests in joint ventures (including its share of contingent liabilities incurred jointly with other investors with joint control over, the joint ventures), is required to be disclosed separately from the amount of other contingent liabilities.

SFRS(I) 12  
(23)(b)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment in a joint venture (continued)

#### Summarised financial information of joint ventures

3. Summarised financial information is required for the group's interest in material joint ventures. In this illustration, PwC Holdings Ltd has provided the financial information for the group's interests in its only joint venture. An entity is also required to disclose, in aggregate, the carrying amount of its interests in all individually immaterial joint ventures that are accounted for using the equity method. An entity shall also disclose separately the aggregate amount of its share of those joint ventures' profit or loss from continuing operations, post-tax profit or loss from discontinued operations, other comprehensive income, and total comprehensive income.
4. There are more disclosure requirements in relation to summarised financial information of joint ventures than those for interests in associates. The following line items, while not required to be disclosed for associates, are required for joint ventures:
  - (a) cash and cash equivalents included in paragraph B12(b)(i).
  - (b) current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iii).
  - (c) non-current financial liabilities (excluding trade and other payables and provisions) included in paragraph B12(b)(iv).
  - (d) depreciation and amortisation.
  - (e) interest income.
  - (f) interest expense.
  - (g) income tax expense or income.
5. Some of the line items have nil balances but have been included for illustrative purposes.

SFRS(I) 12  
(21)(b)(ii)

SFRS(I) 12  
(21)(c)  
SFRS(I) 12  
(B16)

SFRS(I) 12  
(B13)

#### Nature, extent and financial effects of an entity's interests in joint ventures

6. An entity is required to disclose the nature and extent of any significant restrictions (e.g. resulting from borrowing arrangements, regulatory requirements or contractual arrangements between investors with joint control over a joint venture) on the ability of the joint ventures to transfer funds to the entity in the form of cash dividends, or to repay loans or advances made by the entity.

SFRS(I) 12  
(22(a))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment in a joint venture (continued)

SFRS(I) 12  
(22(b))

### Nature, extent and financial effects of an entity's interests in joint ventures (continued)

7. When the financial statements of a joint venture used in applying the equity method are as of a date or for a period that is different from that of the entity, an entity is required to disclose the date of the end of the reporting period of the financial statements of that joint venture, and the reason for using a different date or period.
8. If the entity has stopped recognising its share of losses of the joint venture when applying the equity method, the entity is required to disclose the unrecognised share of losses of the joint venture, both for the reporting period and cumulatively.

SFRS(I) 12  
(22(c))

### Interest in a joint venture

SFRS(I) 1-28  
(38)

9. The interest in a joint venture is the carrying amount of the investment in the joint venture together with any long-term interests that, in substance, form part of the investor's net investment in the joint venture. For example, an item for which settlement is neither planned nor likely to occur in the foreseeable future is, in substance, an extension of the entity's investment in that joint venture. SFRS(I) 9 impairment requirements are applied to other financial instruments, including any long-term interest forming part of the investor's net interest in a joint venture to which equity accounting is not applied.

### Entities classified as held for sale

SFRS(I) 12  
(5A, B17)

10. The disclosure requirement of SFRS(I) 12 also apply to interest in entities that are classified as held for sale, except for the summarised information in paragraph B10 to B16 of SFRS(I) 12.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 24. Investments in subsidiaries

	<u>Company</u>	
	2019	2018
<i>Equity investments at cost</i>	<b>\$'000</b>	\$'000
<b>Beginning of financial year</b>	<b>94,160</b>	95,160
Additions	<b>11,890</b>	-
Reclassified to non-current asset classified as held-for-sale (Note 11(f))	<b>(1,500)</b>	-
Disposal	-	(1,000)
<b>End of financial year</b>	<b>104,550</b>	94,160

The Group has the following subsidiaries as at 31 December 2019 and 2018:

<u>Name</u>	<u>Principal activities</u>	<u>Country of business/ incorporation</u>	<u>Proportion of ordinary shares directly held by parent %</u>	<u>Proportion of ordinary shares held by the Group %</u>	<u>Proportion of ordinary shares held by non-controlling interests %</u>	<u>Proportion of preference shares held by the Group %</u>
PwC Construction Pte Ltd	Construction of specialised equipment	Singapore	<b>100</b>	100	-	-
PwC Property (Singapore) Pte Ltd	Investment holding	Singapore	<b>100</b>	100	-	100
PwC Furniture (PRC) Co., Ltd	Sale of furniture	People's Republic of China	<b>85</b>	85	15	-
PwC Components (Singapore) Pte Ltd	Manufacture of component parts	Singapore	<b>45</b>	45	55	-
PwC Components (PRC) Co., Ltd	Manufacture of component parts	People's Republic of China	<b>80</b>	80	20	-
PwC Components (China) Co. Ltd	Manufacture of component parts	People's Republic of China	<b>70</b>	70	30	-
PwC Furniture (Philippines) Pte Ltd	Sale of furniture	Philippines	<b>70</b>	70	30	-

SFRS(I) 12  
(10(a),  
12(a-d))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 24. Investments in subsidiaries (continued)

In addition, the Group acquired the following subsidiary during 2019:

Name	Principal activities	Country of business/ incorporation	Proportion of ordinary shares directly held		Proportion of ordinary shares held		Proportion of ordinary shares held by non-controlling interests	
			by parent		by the Group		interests	
			31 December 2019	2018	31 December 2019	2018	31 December 2019	2018
			%	%	%	%	%	%
PwC Components (Dalian) Co., Ltd	Manufacture of component parts	People's Republic of China	95	-	95	-	5	-

The Group classified its 85%-owned subsidiary, PwC Components Thailand Co Ltd to disposal group held for sale during 2019 (Note 11).

### Significant restrictions<sup>1</sup>

SFRS(I) 12 (13)

Cash and short-term deposits of \$1,585,000 (2018: \$1,043,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

	31 December	
	2019	2018
Carrying value of non-controlling interests	\$'000	\$'000
PwC Components (Singapore) Pte Ltd	4,271	3,650
PwC Components (China) Co. Ltd	7,896	6,351
Other subsidiaries with immaterial non-controlling interest	628	533
<b>Total</b>	<b>12,795</b>	<b>10,534</b>

SFRS(I) 12 (12)(f)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 24. Investments in subsidiaries (continued)

### *Summarised financial information of subsidiaries with material non-controlling interests<sup>2</sup>*

SFRS(I) 12  
(12(g),  
B10(b), B11)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

### *Summarised balance sheet*

	PwC Components (Singapore) Pte Ltd		PwC Components (China) Co. Ltd		SFRS(I) 12 (B10(b))
	31 December		31 December		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
<b>Current</b>					
Assets	7,981	6,440	19,434	16,887	
Liabilities	(3,298)	(2,998)	(6,218)	(5,890)	
Total current net assets	4,683	3,442	13,216	10,997	
<b>Non-current</b>					
Assets	5,757	3,411	14,880	9,980	
Liabilities	(2,286)	(2,337)	(5,232)	(4,431)	
Total non-current net assets	3,471	1,074	9,648	5,549	
Net assets	8,154	4,516	22,864	16,546	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 24. Investments in subsidiaries (continued)

### Summarised income statements

SFRS(I) 12  
(B10(b))

	PwC Components (Singapore) Pte Ltd		PwC Components (China) Co. Ltd	
	For year ended 31 December		For year ended 31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Revenue	18,343	12,554	32,650	25,330
<b>Profit before income tax</b>	<b>3,867</b>	<b>2,117</b>	<b>6,820</b>	<b>4,322</b>
Income tax expense	(657)	(644)	(1,344)	(1,030)
<b>Post-tax profit from continuing operations</b>	<b>3,210</b>	<b>1,473</b>	<b>5,476</b>	<b>3,292</b>
<b>Post-tax profit from discontinued operations<sup>4</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Other comprehensive income	428	389	842	655
<b>Total comprehensive income</b>	<b>3,638</b>	<b>1,862</b>	<b>6,318</b>	<b>3,947</b>
Total comprehensive income allocated to non- controlling interests	2,001	1,024	1,895	1,184
Dividends paid to non- controlling interests	1,380	1,260	350	200

SFRS(I) 12  
(B10(a))

### Summarised cash flows

SFRS(I) 12  
(B10(b))

	PwC Components (Singapore) Pte Ltd		PwC Components (China) Co. Ltd	
	For year ended 31 December		For year ended 31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<b>Net cash generated from operating activities</b>	<b>4,640</b>	<b>3,813</b>	<b>5,690</b>	<b>2,634</b>
<b>Net cash used in investing activities</b>	<b>(1,028)</b>	<b>(855)</b>	<b>(1,845)</b>	<b>(1,110)</b>
<b>Net cash used in financing activities</b>	<b>(3,088)</b>	<b>(2,651)</b>	<b>(437)</b>	<b>(234)</b>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment in subsidiaries

#### Nature and extent of significant restrictions

1. An entity is required to disclose information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group.

SFRS(I) 12  
(10(b)(i)), 13)

When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements, an entity is required to disclose the date of the end of the reporting period of the financial statements of that subsidiary, and the reason for using a different date or period.

SFRS(I) 12  
(11)

#### Summarised financial information of subsidiaries with material non-controlling interests

2. Summarised financial information about the assets, liabilities, profit or loss and cash flows is required for the group's subsidiaries with material non-controlling interests.

SFRS(I) 12  
(12g), B10(b))

#### Transactions with non-controlling interests

3. An entity is required to present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a loss of control.

SFRS(I) 12  
(18)

An illustration is as follows:

##### (a) *Acquisition of additional interest in a subsidiary*

On 21 April 2019, the Company acquired the remaining 5% of the issued shares of XYZ group for a purchase consideration of \$1,000,000. The Group now holds 100% of the equity share capital of XYZ group. The carrying amount of the non-controlling interests in XYZ group on the date of acquisition was \$400,000. The Group derecognised non-controlling interests of \$400,000 and recorded a decrease in equity attributable to owners of the parent of \$600,000. The effect of changes in the ownership interest of XYZ group on the equity attributable to owners of the Company during the year is summarised as follows:

	2019
	\$'000
Carrying amount of non-controlling interest acquired	400
Consideration paid to non-controlling interest	(1,000)
Excess of consideration paid recognised in parent's equity	<u>(600)</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment in subsidiaries (continued)

#### Transactions with non-controlling interests (continued)

##### (b) Disposal of interest in a subsidiary without loss of control

On 5 September 2019, the Company disposed of a 10% equity interest in ABC Limited at a consideration of \$1,100,000. Following the disposal, the Company still controls ABC Limited, retaining 70% of the equity interests. The carrying amount of the non-controlling interests in ABC Limited on the date of disposal was \$2,000,000 (representing 20% interest). This resulted in an increase in non-controlling interest of \$1,000,000 and an increase in equity attributable to owner of the parent of \$100,000. The effect of changes in the ownership interest of ABC Limited on the equity attributable to owners of the Company during the year is summarised as follows:

	2019
	\$'000
Carrying amount of interests in subsidiary disposed of	(1,000)
Consideration received from non-controlling interests	1,100
Excess of consideration received recognised in parent's equity	100

##### (c) Effects of transactions with non-controlling interests on the equity attributable to owner of the parent for the year ended 31 December 2019

		Attributable to equity holders of the Company			
		Other reserves	Total	Non-controlling interests	Total equity
2019		\$'000	\$'000	\$'000	\$'000
Acquisition of additional interest in a subsidiary	Refer to Consolidated Statement of Changes in Equity for other equity item	(600)	(600)	(400)	(1,000)
Disposal of interests in a subsidiary without loss of control		100	100	1,000	1,100

4. Some of the line have nil balances but have been included for illustrative purpose.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Nature of risks associated with an entity's interests in consolidated and unconsolidated structured entities

5. An entity is required to disclose information that enable users of its consolidated financial statements to evaluate the nature of, and changes in, the risks associated with its interests in consolidated structured entities and unconsolidated structured entities (see paragraphs 14 to 17 and 24 to 31 of SFRS(I) 12).

SFRS(I) 12  
(14-17, 24-31)

### Interests in unconsolidated subsidiaries (investment entities)

6. An investment entity that, in accordance with SFRS(I) 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact. For each unconsolidated subsidiary, an investment entity shall disclose details as required by SFRS(I) 12 (19B)(a-c) and SFRS(I) 12 (19D-G). If investment entity is the parent of another investment entity, the parent shall also provide the disclosure in SFRS(I) 12 (19B)(a-c) for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the above information.

SFRS(I) 12  
(19A-G)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. Investment properties

<u>Group</u>	<u>Completed investment properties</u> <sup>2</sup>	<u>Investment property under construction</u> <sup>2</sup>	<u>Total</u>	<u>SFRS(I) 1-40 (76)</u>
	\$'000	\$'000	\$'000	
<b>2019</b>				
Beginning of financial year	5,924	46	5,970	
Adoption of SFRS(I) 16 (Note 2.1)	11,368	-	11,368	SFRS(I) 1-40 (76(g))
Additions (Note (a))	650	85	735	SFRS(I) 1-40 (76(a))
Disposals	(230)	-	(230)	SFRS(I) 1-40 (76(c))
Net fair value loss recognised in profit or loss (Note 8)	(1,906)	-	(1,906)	SFRS(I) 1-40 (76(d))
End of financial year	15,806	131	15,937	

### 2018

Beginning of financial year	5,550	-	5,550	
Additions (Note (a))	200	46	246	SFRS(I) 1-40 (76(a))
Net fair value gain recognised in profit or loss (Note 8)	174	-	174	SFRS(I) 1-40 (76(d))
End of financial year	5,924	46	5,970	

- (a) Included in additions are acquisition of an investment property of \$650,000 (2018: \$200,000) and capitalised expenditure of \$85,000 (2018: \$46,000). SFRS(I) 1-40  
(76(a))

Bank borrowings are secured on investment properties of the Group with carrying amount of \$3,000,000 (2018: \$2,800,000). SFRS(I) 1-40  
(75(g))

The following amounts are recognised in profit and loss: SFRS(I) 1-40  
(75(f))

	<u>Group</u>		
	<b>2019</b>	2018	
	<b>\$'000</b>	\$'000	
Rental income (Note 7)	<b>645</b>	521	SFRS(I) 1-40 (75(f)(i))
Direct operating expenses arising from:			
- Investment properties that generate rental income	<b>(48)</b>	(33)	SFRS(I) 1-40 (75(f)(ii))
- Investment properties that do not generate rental income	<b>(56)</b>	(48)	SFRS(I) 1-40 (75(f)(iii))



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. Investment properties (continued)

At the balance sheet date, the details of the Group's investment properties are as follows<sup>3</sup>:

SGX 1207  
(11)(b)

<u>Location</u>	<u>Description/existing use</u>	<u>Tenure</u>
Capital Square, 55 Upper Cross Street, Singapore	5-storey office building	Freehold
Marine One, 7 Straits Road, Singapore	18-storey office building	30-year lease from 1 January 2018
ABC Centre, Units #14-05 to #14-07, Connaught Road Central, Hong Kong	3 units of office space of a 50-storey office building	99-year lease from 1 January 2010

### Fair value hierarchy – Recurring fair value measurements

SFRS(I) 13  
(93(a),(b))

Description	<u>Fair value measurements using</u>		
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
	\$'000	\$'000	\$'000

### 31 December 2019

- Office buildings and land – Singapore	-	-	14,257
- Office units – Hong Kong	-	1,680	-

### 31 December 2018

- Office buildings – Singapore	-	-	4,650
- Office units – Hong Kong	-	1,320	-

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. Investment properties (continued)

### Valuation techniques and inputs used to derive Level 2 fair values

Level 2 fair values of the Group's properties were derived using the sales comparison approach. Sales prices of comparable properties in close proximity were adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is the selling price per square metre.

SFRS(I) 13  
(93(d))

There were no changes in valuation techniques during the year.

SFRS(I) 13  
(93(d))

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period. There were no transfers into or out of fair value hierarchy levels for the financial years ended 31 December 2019 and 2018<sup>6</sup>.

SFRS(I) 13  
(95)  
SFRS(I) 13  
(93(c), (e)(iv))

### Reconciliation of movements in Level 3 fair value measurement

SFRS(I) 13  
(93)(e)

	Office buildings and land - Singapore \$'000	
<b>31 December 2019</b>		
Beginning of financial year	4,650	
Adoption of SFRS(I) 16	11,368	
Transfers to/(from) Level 3 <sup>6</sup>	-	SFRS(I) 13 (93(e)(iv))
Additions	196	SFRS(I) 13 (93(e)(iii))
Losses recognised in profit and loss, under "Other gains and losses"	(1,957)	SFRS(I) 13 (93(e)(i))
End of financial year	14,257	
Change in unrealised losses for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	(2,325)	SFRS(I) 13 (93(f))
<b>31 December 2018</b>		
Beginning of financial year	4,300	
Transfers to/(from) Level 3 <sup>6</sup>	-	SFRS(I) 13 (93(e)(iv))
Additions	246	SFRS(I) 13 (93(e)(iii))
Gains recognised in profit and loss, under "Other gains and losses"	104	SFRS(I) 13 (93(e)(i))
End of financial year	4,650	
Change in unrealised gains for assets held at the end of the financial year included in profit or loss, under "Other gains and losses"	20	SFRS(I) 13 (93(f))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. Investment properties (continued)

### Valuation techniques and inputs used in Level 3 fair value measurements

SFRS(I) 13  
(93(d),(h)(i))  
SFRS(I) 13  
(99)

The following table presents the valuation techniques and key inputs that were used to determine the fair value of investment properties categorised under Level 3 of the fair value hierarchy:

### Investment properties

Description	<u>Fair value at</u> <u>31 December</u>	<u>Valuation</u> <u>technique<sup>5</sup></u>	<u>Unobservable</u> <u>inputs<sup>(a)</sup></u>	<u>Range of</u> <u>unobservable</u> <u>inputs</u>	<u>Relationship of</u> <u>unobservable</u> <u>inputs to fair</u> <u>value</u>
	<u>2019</u> (\$'000)				
Office buildings and land – Singapore	14,257 (2018: 4,650)	Discounted cash flows	Discount rate	6.5% – 7.2% (2018: 6.2% – 7.5%)	The higher the discount rate, the lower the valuation.
			Terminal capitalisation rate	6.2% – 9.2% (2018: 6.5% – 9.6%)	The higher the terminal capitalisation rate, the lower the valuation.
			Average rental (per square foot per month)	\$7.5 – \$12 (2018: \$8 – \$13)	The higher the average rental, the higher the valuation.
			Length of lease (years)	28 - 91 (2018: 92)	The longer the length of lease in place, the higher the valuation.
			Age of building (years)	14– 32 (2018: 13 – 31)	The higher the age of the building, the lower the valuation.

(a) There were no significant inter-relationship between unobservable inputs.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 25. Investment properties (continued)

### *Valuation processes of the Group*

The Group engages external, independent and qualified valuers to determine the fair value of the Group's properties at the end of every financial year based on the properties' highest and best use. As at 31 December 2019 and 2018, the fair values of the properties have been determined by ABC Property Surveyors Limited.

SFRS(I) 13  
(93(g))  
SFRS(I) 13  
(IE65)  
SFRS(I) 13  
(93(i))  
SFRS(I) 1-40  
(75(e))

The finance department of the Group includes a team that performs the valuations of non-property assets required for financial reporting purposes, including Level 3 fair values. This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the valuation team at least once every quarter, in line with the Group's quarterly reporting dates.

At each financial year end the finance department:

- verifies all major inputs to the independent valuation reports;
- assesses property valuation movements compared to the prior year valuation reports; and
- holds discussions with the independent valuer.

Changes in Level 2 and 3 fair values are analysed at each reporting date during the quarterly valuation discussions between the CFO and the valuation team.

As part of this discussion, the valuation team presents a report that explains the reasons for the fair value movements.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment properties

#### Adjustments to fair value

- When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements, for example, to avoid double counting for assets or liabilities that are recognised as separate assets and liabilities, the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of each type of significant adjustment.

SFRS(I) 1-40  
(50, 77)

#### Reconciliation of carrying amount of investment properties

- Entities are required to present a reconciliation of the carrying amount of investment properties at the beginning and the end of the period. This publication illustrates a breakdown of the reconciliation between completed investment properties and investment properties under construction. This presentation may be useful for readers of the financial statements to appreciate the changes in the carrying amounts. It may also be appropriate if completed properties and properties under construction are not categorised in the same level of the fair value hierarchy. It is however not a required disclosure and therefore such presentation is on a voluntary basis.

SFRS(I) 1-40  
(76)  
SFRS(I) 13  
(94)

#### Details of investment properties

- When the aggregate value for all properties for development, sale or for investment purposes held by the group represent more than 15% of the value of the consolidated net tangible assets or contribute more than 15% of the pre-tax operating profit, the issuer may disclose certain information on the properties held for development and/or sale, and on the properties held for investment. The latter is illustrated in this publication.

SGX 1207 (11)

#### Quantitative sensitivity analysis of inputs used in Level 3 fair value measurements

- SFRS(I) 13 does not explicitly require a quantitative sensitivity analysis; however, such a sensitivity analysis may be necessary in order to satisfy the requirement of paragraph 129 of SFRS(I) 1-1 in relation to sources of estimation uncertainty.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Investment properties (continued)

#### Description of valuation techniques

5. This publication illustrates investment properties measured using the discounted cash flow approach, which involves the estimation and projection of an income stream over a period and discounting the future income stream to arrive at the present value. There are other valuation techniques commonly used for valuing properties that fall under an income approach methodology, sale comparison approach (direct market comparison approach), where properties are valued using transacted prices for similar properties with appropriate adjustment to reflect the characteristics of the properties being valued, and the income capitalisation approach, where a yield is applied to a fixed income stream.

SFRS (I) 13  
(62)

#### Transfers between Levels of fair value measurement

6. Property assets are often unique and not traded on a regular basis. For investment properties, it would be extremely rare to be quoted in an active market. As a result, most investment properties will be classified under Level 3 of the fair value hierarchy, with the exception of properties valued using transacted prices for similar properties with insignificant adjustments (e.g. homogenous units in the same building, a recently purchased building, etc.), which could be classified under Level 2. The requirement will apply for transfers between these two levels. Entities are required to disclose the amounts of any transfers between Level 1 and Level 2, and in and out of Level 3 of the fair value hierarchy, the reasons for those transfers, and the policies for determining when such transfers are deemed to have occurred. Transfers to/(from) Level 3 have been included in this table for illustrative purposes only, even though the balance is nil.

SFRS(I) 13  
(93(c), (e))  
SFRS(I) 13  
(B35(g))

#### Investment properties not measured at fair value but for which fair value is disclosed

7. For each class of assets and liabilities not measured at fair value in the statement of financial position but for which the fair value is disclosed, paragraph 97 of SFRS(I) 13 requires the entity to disclose the level within the fair value hierarchy which the fair value measurement would be categorised and a description of the valuation technique and the input used in the techniques.

SFRS(I) 13  
(97)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. Property, plant and equipment

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	SFRS(I) 1-16 (78(a))
<b>2019</b>								
Beginning of financial year								
Cost	-	-	-	103,914	3,388	640	107,942	SFRS(I) 1-16 (73(a))
Valuation	8,615	22,755	60,221	-	-	-	91,591	SFRS(I) 1-16 (73(a))
Adoption of SFRS(I) 16 (Note 2.1)	-	-	25,540	4,480	4,103	-	34,123	SFRS(I) 1-16 (73(e)(ix))
	8,615	22,755	85,761	108,394	7,491	640	233,656	SFRS(I) 1-16 (73(d))
Currency translation differences	-	22	30	672	44	-	768	SFRS(I) 1-16 (73(e)(viii))
Acquisition of subsidiary (Note 47(c)) <sup>4</sup>	-	-	4,350	2,890	-	-	7,240	SFRS(I) 1-16 (73(e)(iii))
Additions	-	-	600	1,250	121	590	2,561	SFRS(I) 1-16 (73(e)(i), 74(b))
Reclassified to disposal group (Note 11(c))	-	-	-	(2,600)	-	-	(2,600)	SFRS(I) 1-16 (73(e)(ii))
Disposals	-	-	-	(1,124)	-	-	(1,124)	
Revaluation surplus (Note 38(b)(vii))	238	125	287	-	-	-	650	SFRS(I) 1-16 (73(e)(iv))
Revaluation adjustments <sup>2</sup>	-	(586)	(870)	-	-	-	(1,456)	SFRS(I) 1-16 (73(e)(iv))
End of financial year	8,853	22,316	90,158	109,482	7,656	1,230	239,695	SFRS(I) 1-16 (73(d))
Representing:								
Cost	-	-	26,140	109,482	7,656	1,230	144,508	SFRS(I) 1-16 (73(a))
Valuation	8,853	22,316	64,018	-	-	-	95,187	SFRS(I) 1-16 (73(a))
	8,853	22,316	90,158	109,482	7,656	1,230	239,695	SFRS(I) 1-16 (73(d))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. Property, plant and equipment (continued)

<b>Group</b> <b>2019</b> (continued)	<u>Freehold</u> <u>land</u> \$'000	<u>Leasehold</u> <u>land</u> \$'000	<u>Buildings</u> \$'000	<u>Plant and</u> <u>equipment</u> \$'000	<u>Motor</u> <u>vehicles</u> \$'000	<u>Assets</u> <u>under</u> <u>construction</u> \$'000	<u>Total</u> \$'000	<b>SFRS(I) 1-1</b> <b>(78(a))</b>
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	-	-	-	53,857	2,120	-	55,977	SFRS(I) 1-16 (73(d))
Adoption of SFRS(I) 16 (Note 2.1)	-	-	9,674	1,700	1,574	-	12,948	SFRS(I) 1-16 (73(e)(ix))
Currency translation differences	-	50	275	1,487	32	-	1,844	SFRS(I) 1-16 (73(e)(viii))
Depreciation charge								SFRS(I) 1-16 (73(e)(vii))
- Continuing operations (Note 5)	-	536	6,140	13,725	752	-	21,153	
- Discontinued operations	-	-	-	325	-	-	325	
Reclassified to disposal group (Note 11(c))	-	-	-	(1,170)	-	-	(1,170)	SFRS(I) 1-16 (73(e)(ii))
Disposals <sup>1</sup>	-	-	-	(855)	-	-	(855)	SFRS(I) 1-16 (73(e)(ii))
Revaluation adjustments <sup>2</sup>	-	(586)	(870)	-	-	-	(1,456)	SFRS(I) 1-16 (73(e)(ix))
End of financial year	-	-	15,219	69,069	4,478	-	88,766	SFRS(I) 1-16 (73(d))
<b>Net book value</b>								
End of financial year	8,853	22,316	74,939	40,413	3,178	1,230	150,929	



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. Property, plant and equipment (continued)

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	SFRS(I) 1-16 (78(a))
<b>2018</b>								
Beginning of financial year								
Cost	-	-	-	102,884	3,743	360	106,987	SFRS(I) 1-16 (73(a))
Valuation	8,450	22,854	59,022	-	-	-	90,326	SFRS(I) 1-16 (73(a))
	8,450	22,854	59,022	102,884	3,743	360	197,313	SFRS(I) 1-16 (73(d))
Currency translation differences	-	(12)	140	899	90	-	1,117	SFRS(I) 1-16 (73(e)(viii))
Additions	-	-	2,492	131	108	280	3,011	SFRS(I) 1-16 (73(e)(i), 74(b))
Disposals	-	-	-	-	(553)	-	(553)	
Revaluation surplus (Note 38(b)(vii))	165	144	230	-	-	-	539	SFRS(I) 1-16 (73(e)(iv))
Revaluation adjustments	-	(231)	(1,663)	-	-	-	(1,894)	SFRS(I) 1-16 (73(e)(iv))
End of financial year	8,615	22,755	60,221	103,914	3,388	640	199,533	SFRS(I) 1-16 (73(d))
Representing:								
Cost	-	-	-	103,914	3,388	640	107,942	SFRS(I) 1-16 (73(a))
Valuation	8,615	22,755	60,221	-	-	-	91,591	SFRS(I) 1-16 (73(a))
	8,615	22,755	60,221	103,914	3,388	640	199,533	SFRS(I) 1-16 (73(d))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. Property, plant and equipment (continued)

Group	Freehold land \$'000	Leasehold land \$'000	Buildings \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000	SFRS(I) 1-16 (78(a))
<b>2018 (continued)</b>								
<i>Accumulated depreciation and impairment losses</i>								
Beginning of financial year	-	-	-	41,671	2,031	-	43,702	SFRS(I) 1-16 (73(d))
Currency translation differences	-	(293)	211	1,955	99	-	1,972	SFRS(I) 1-16 (73(e)(viii))
Depreciation charge								SFRS(I) 1-16 (73(e)(vii))
- Continuing operations (Note 5)	-	524	1,452	10,231	543	-	12,750	
Disposals <sup>1</sup>	-	-	-	-	(553)	-	(553)	SFRS(I) 1-16 (73(e)(iii))
Revaluation adjustments <sup>2</sup>	-	(231)	(1,663)	-	-	-	(1,894)	SFRS(I) 1-16 (73(e)(iv))
End of financial year	-	-	-	53,857	2,120	-	55,977	SFRS(I) 1-16 (73(d))
<b>Net book value</b>								
End of financial year	8,615	22,755	60,221	50,057	1,268	640	143,556	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. Property, plant and equipment (continued)

	<u>Plant and Equipment</u>	<u>Motor Vehicles</u>	<u>Total</u>	
	\$'000	\$'000	\$'000	
<u>Company</u>				
<b>2019</b>				
<i>Cost</i>				SFRS(I) 1-16 (73(a))
Beginning of financial year	755	230	985	SFRS(I) 1-16 (73(d))
Additions	431	127	558	SFRS(I) 1-16 (73(e)(i))
Disposals	(65)	-	(65)	SFRS(I) 1-16 (73(e)(ii))
End of financial year	1,121	357	1,478	SFRS(I) 1-16 (73(d))
<i>Accumulated depreciation</i>				
Beginning of financial year	99	43	142	SFRS(I) 1-16 (73(d))
Depreciation charge	78	29	107	SFRS(I) 1-16 (73(e)(vii))
Disposals	(29)	-	(29)	SFRS(I) 1-16 (73(e)(iii))
End of financial year	148	72	220	SFRS(I) 1-16 (73(d))
<b>Net book value</b>				
<b>End of financial year</b>	973	285	1,258	
<b>2018</b>				
<i>Cost</i>				SFRS(I) 1-16 (73(a))
Beginning of financial year	705	230	935	SFRS(I) 1-16 (73(d))
Additions	50	-	50	SFRS(I) 1-16 (73(e)(i))
End of financial year	755	230	985	SFRS(I) 1-16 (73(d))
<i>Accumulated depreciation</i>				
Beginning of financial year	56	24	80	SFRS(I) 1-16 (73(d))
Depreciation charge	43	19	62	SFRS(I) 1-16 (73(e)(vii))
End of financial year	99	43	142	SFRS(I) 1-16 (73(d))
<b>Net book value</b>				
<b>End of financial year</b>	656	187	843	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 26. Property, plant and equipment (continued)

- (a) Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 27(a).

- (b) The freehold and leasehold land and buildings of the Group were valued by an independent professional valuer based on the properties' highest-and-best-use using the discounted cash flow approach at the balance sheet date. These are regarded as Level 3 fair values. A description of the valuation technique and the valuation processes of the Group are provided in Note 25<sup>3</sup>.

SFRS(I) 1-16  
(77(a), (b))  
SGX 1207 (11)  
SFRS(I) 13  
(93)

- (c) If freehold land, leasehold land and buildings stated at valuation were included in the financial statements at cost less accumulated depreciation, their net book values would be:

SFRS(I) 1-16  
(77(e))

SFRS(I) 16  
(57)

	<u>Group</u>	
	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Freehold land	<b>7,810</b>	7,910
Leasehold land	<b>18,696</b>	19,653
Buildings	<b>50,133</b>	50,821

- (d) Bank borrowings are secured on property, plant and equipment of the Group and the Company with carrying amounts of \$46,800,000 and \$420,000 respectively (2018: \$47,500,000 and \$483,000) (Note 31(a)).

SFRS(I) 1-16  
(74(a))

- (e) Included within additions in the 2018's consolidated financial statements are motor vehicles acquired under finance leases amounting to \$50,000.

SFRS(I) 1-7  
(43)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Property, plant and equipment (“PPE”)

#### Disposals

1. Disposal of PPE due to the sale of subsidiary may be included in the “Disposals” line item, as illustrated in this publication. In contrast, acquisitions of PPE through business combinations must be separately disclosed in the PPE reconciliation table.

SFRS(I) 1-16  
(73(e)(iii))

#### Revaluation

2. When an item of PPE is revalued, the accumulated depreciation at the date of the revaluation can either be:
  - (a) restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount; or
  - (b) eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

SFRS(I) 1-16  
(35)

Method (b) is illustrated in this publication.

#### Fair value hierarchy disclosures

3. Please refer to guidance notes under Note 25.

#### Acquisition of subsidiary

4. Property, plant and equipment acquired as part of a business combination should be initially recorded at fair value from the perspective of the Group. From the viewpoint of the acquired entity, however, the property, plant and equipment continue to be recorded at cost less accumulated depreciation, including accumulated depreciation recorded prior to the date of the business combination. At group level, consolidation adjustments may be necessary to adjust the subsidiary book values to the group numbers. For example, any pre-acquisition accumulated depreciation at the subsidiary level should not be carried forward to the consolidated group numbers.

#### Impairment of assets

5. Please refer to guidance notes under Note 29.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 27. Leases – The Group as a lessee

### Nature of the Group’s leasing activities

#### Property

The Group leases office space and retail stores for the purpose of back office operations and sale of consumer goods to retail customers respectively.

SFRS(I) 16  
(59(a))

#### Leasehold land and building

The Group has made an upfront payment to secure the right-of-use of a 99-year leasehold land, which is used in the Group’s retail operations. This leasehold land is recognised within Property, plant and equipment (Note 26).

The Group also makes annual lease payments for a leasehold land. The right-of-use of the land is classified as an investment property (Note 25).

There are no externally imposed covenant on these lease arrangements.

SFRS(I) 16  
(59(c))

#### Equipment and vehicles

The Group leases vehicles to render logistic services and leases equipment for the construction division to manufacture and produce specialised equipment. The lease arrangements prohibit the Group from subleasing the equipment to third parties.

SFRS(I) 16  
(59(c))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 27. Leases – The Group as a lessee (continued)

### (a) Carrying amounts

#### ROU assets classified within Property, plant and equipment

	31 December 2019 \$'000	1 January 2019 \$'000
Leasehold land	22,316	22,755
Buildings	10,921	15,866
Plant and equipment	2,225	2,780
Motor vehicles	2,164	2,529
	<b>37,626</b>	<b>43,930</b>

SFRS(I) 16 (54)

SFRS(I) 16  
(53(j))

#### ROU assets classified within Investment properties<sup>1</sup>

The right-of-use asset relating to the leasehold land presented under Investment properties (Note 25) is stated at fair value and has a carrying amount at balance sheet date of \$9,094,000.

DV

### (b) Depreciation charge during the year

	2019 \$'000
Leasehold land	536
Buildings	1,247
Plant and equipment	635
Motor vehicles	365
<b>Total</b>	<b>2,783</b>

SFRS(I) 16  
(53(a))

### (c) Interest expense

Interest expense on lease liabilities	1,928
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SFRS(I) 16  
(53(b))

### (d) Lease expense not capitalised in lease liabilities

Lease expense – short-term leases	2,868
Lease expense – low-value leases	2,468
Variable lease payments which do not depends on an index or rate	250
<b>Total (Note 5)</b>	<b>5,586</b>

SFRS(I) 16  
(53(c),(d),(e))

(e) Total income from subleasing ROU assets in 2019 was \$996,000.

SFRS(I) 16  
(53 (f))

(f) Total cash outflow<sup>2</sup> for all the leases in 2019 was \$13,087,000.

SFRS(I) 16  
(53(g))

(g) Addition of ROU assets during the financial year 2019 was \$680,000.

SFRS(I) 16  
(53(h))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 27. Leases – The Group as a lessee (continued)

(h) Future cash outflow which are not capitalised in lease liabilities

i. Variable lease payments

The leases for retail stores contain variable lease payments that are based on a percentage of sales generated by the stores ranging from 2% to 5%, on top of fixed payments. The Group negotiates variable lease payments for a variety of reasons, including minimising the fixed costs base for newly established stores. Such variable lease payments are recognised to profit or loss when incurred and amounted to \$250,000 (Note 27(d)) for the financial year ended 31 December 2019.

SFRS(I) 16  
(59(b))

SFRS(I) 16  
(B49(a),(c))

ii. Extension options

The leases for certain retail stores, equipment and motor vehicles contain extension periods, for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these extension option. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The majority of the extension options are exercisable by the Group and not by the lessor.

SFRS(I) 16  
(B50(a))



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 28. Leases – The Group as a lessor

### **Nature of the Group's leasing activities – Group as a lessor**

The Group has leased out their owned investment properties to a third party for monthly lease payments. Where considered necessary to reduce credit risk, the Group may obtain bank guarantees for the term of the lease. This lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

SFRS(I) 16  
(92(a), (b))

Rental income from investment properties are disclosed in Note 25.

### **Nature of the Group's leasing activities – Group as an intermediate lessor**

#### *Subleases – classified as operating leases*

The Group acts as an intermediate lessor under arrangement in which it sub-leases out retail stores to third parties for monthly lease payments. The sub-lease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as an operating leases.

SFRS(I) 16  
(92(a))

Income from subleasing the retail stores recognised during the financial year 2019 was \$506,000 (2018: \$355,000), of which \$30,000 (2018: \$35,000) relates to variable lease payments that do not depend on an index or rate.

SFRS(I) 16  
(53(f))  
SFRS(I) 16  
(90(b))

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

SFRS(I) 16  
(97)

	31 December 2019 \$'000	1 January 2019 \$'000
Less than one year	965	476
One to two years	965	476
Two to three years	645	-
Total undiscounted lease payment	2,575	952

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 28. Leases – The Group as a lessor (continued)

### *Subleases – classified as finance leases*

The Group's sub-lease of its right-of-use of the office space is classified as finance lease because the sub-lease is for the entire remaining lease term of the head lease.

SFRS(I) 16  
(92(a))

ROU assets relating to the head leases with sub-leases classified as finance lease is derecognised. The net investment in the sub-lease is recognised under "Trade and other receivables" (Note 18 & 20).

Finance income on the net investment in sub-lease during the financial year is \$582,000, of which \$40,000 relates to variable lease payments of the lease which is not included in the measurement of the net investment in the lease.

SFRS(I) 16  
(90(a)(ii), (iii))

The following table shows the maturity analysis of the undiscounted lease payments to be received:

SFRS(I) 16  
(94)

	31 December 2019 \$'000	1 January 2019* \$'000
Less than one year	2,926	1,747
One to two years	2,926	1,747
Two to three years	2,925	1,747
Three to four years	2,925	1,747
Four to five years	-	1,747
<b>Total undiscounted lease payments</b>	<b>11,702</b>	<b>8,735</b>
Less: Unearned finance income	(1,191)	(1,191)
<b>Net investment in finance lease (Note (a))</b>	<b>10,511</b>	<b>7,544</b>
Current (Note 18)	2,800	2,010
Non-current (Note 20)	7,711	5,534
<b>Total</b>	<b>10,511</b>	<b>7,544</b>

\* The sublease which was classified as an operating lease under SFRS(I) 1-17 is reassessed at the date of initial application. The sublease is classified as finance lease based on the reassessment and hence the Group accounts for the sublease as a new finance lease entered into at the date of initial application<sup>3</sup>.

- (a) The net investment in finance lease has increased by \$2,967,000 as the Group has entered into a new sublease arrangement during the current financial year 2019.

SFRS(I) 16  
(93)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### ROU assets classified as investment property

1. If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in SFRS(I) 1-40. In that case, a lessee is not required to provide the following disclosures:

SFRS(I) 16 (56)

- i) Depreciation charge for right-of-use assets by class of underlying assets
- ii) Income from subleasing right-of-use assets
- iii) Additions to right-of-use assets
- iv) The carrying amount of right-of-use assets at the reporting period by class of underlying asset

### Total cash outflow for leases

2. Total cash outflow for leases should include all lease payments regardless whether the payments are capitalised as part of the lease liabilities.

### Disclosures not illustrated

3. The following disclosures are not illustrated in this publication as they are not applicable to PwC Holdings Ltd.

Issue not illustrated	Relevant disclosures or references
Sale and leaseback transactions	Disclose gain or loss separately in the notes and consider additional information set out in SFRS(I) 16 (B52).
Lessee capitalises leasing costs as part of the cost of another asset	Ensure the amounts disclosed in Note 27 under SFRS(I) 16 paragraph 53 include costs that are included in the carrying amount of another asset.
Portfolio of short-term leases at the end of the reporting period is dissimilar to the portfolio of short-term leases held during the year	Disclose lease commitments for short-term leases that are recognised as expenses on a straight-line or other systematic basis.
Leases not yet commenced to which the lessee is committed	Provide information about the future cash outflows to which the lessee is potentially exposed.

SFRS(I) 16 (53(i), 59(d), B52)

SFRS(I) 16 (54)

SFRS(I) 16 (55)

SFRS(I) 16 (59(b)(iv))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 29. Intangible assets

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<u>Composition:</u>				
Goodwill (Note (a))	11,118	10,377	-	-
Trademark and licences (Note (b))	16,249	14,861	1,060	1,100
Computer software licences (Note (c))	774	949	384	442
	<b>28,141</b>	<b>26,187</b>	<b>1,444</b>	<b>1,542</b>

### (a) Goodwill

	<u>Group</u>		SFRS(I) 3 (B67(d))
	2019	2018	
	\$'000	\$'000	
<i>Cost</i>			
Beginning of financial year	16,112	16,138	SFRS(I) 3 (B67(d)(i))
Acquisition of subsidiary (Note 47(c))	1,250	-	SFRS(I) 3 (B67(d)(ii))
Currency translation differences	(21)	(26)	SFRS(I) 3 (B67(d)(vi))
End of financial year	<b>17,341</b>	<b>16,112</b>	SFRS(I) 3 (B67(d)(viii))
<i>Accumulated impairment</i>			
Beginning of financial year	5,735	4,670	SFRS(I) 3 (B67(d)(i))
Currency translation differences	(12)	(16)	SFRS(I) 3 (B67(d)(vi))
Impairment charge (Note 5)	500	1,081	SFRS(I) 3 (B67(d)(v))
End of financial year	<b>6,223</b>	<b>5,735</b>	SFRS(I) 3 (B67(d)(viii))
<b>Net book value</b>	<b>11,118</b>	<b>10,377</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 29. Intangible assets (continued)

### (a) Goodwill (continued)

#### *Impairment tests for goodwill*

Goodwill is allocated to the Group's cash-generating units ("CGUs") identified according to countries of operation and business segments.

A segment-level summary of the goodwill allocation is as follows:

SFRS(I) 1-36  
(134(a))

<u>Group</u>	<u>Component parts</u>		<u>Furniture</u>		<u>Total</u>	
	31 December		31 December		31 December	
	2019	2018	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	<b>3,970</b>	3,970	<b>120</b>	120	<b>4,090</b>	4,090
People's Republic of China	<b>4,531</b>	3,281	<b>1,521</b>	2,030	<b>6,052</b>	5,311
The Philippines	<b>270</b>	270	<b>87</b>	87	<b>357</b>	357
Others	<b>539</b>	539	<b>80</b>	80	<b>619</b>	619
	<b>9,310</b>	8,060	<b>1,808</b>	2,317	<b>11,118</b>	10,377

The recoverable amount of a CGU was determined based on value-in-use<sup>4</sup>. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the component parts business in which the CGU operates.

SFRS(I) 1-36  
(134(c), (d))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 29. Intangible assets (continued)

### (a) Goodwill (continued)

*Key assumptions used for value-in-use calculations:*

	Component parts				Furniture			
	Singapore	People's Republic of China	The Philippines	Others	Singapore	People's Republic of China	The Philippines	Others
<b>31 December 2019</b>								
Gross margin <sup>1</sup>	49.0%	53.0%	56.0%	60.0%	35.0%	34.0%	40.0%	36.0%
Growth rate <sup>2</sup>	2.0%	3.0%	7.5%	2.1%	1.9%	2.8%	2.4%	1.5%
Discount rate <sup>3</sup>	8.5%	14.2%	14.5%	13.5%	8.3%	14.6%	14.3%	13.2%
<b>31 December 2018</b>								
Gross margin <sup>1</sup>	48.0%	51.0%	55.0%	56.0%	32.0%	33.0%	36.0%	35.0%
Growth rate <sup>2</sup>	2.0%	1.5%	7.0%	1.9%	1.8%	2.5%	2.3%	1.4%
Discount rate <sup>3</sup>	7.4%	13.5%	14.0%	13.2%	7.5%	13.5%	13.8%	13.5%

<sup>1</sup> Budgeted gross margin

<sup>2</sup> Weighted average growth rate used to extrapolate cash flows beyond the budget period

<sup>3</sup> Pre-tax discount rate applied to the pre-tax cash flow projections

Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were consistent with forecasts included in industry reports. The discount rates used were pre-tax and reflected specific risks relating to the relevant segments.

SFRS(I) 1-36  
(134(d)(ii))

SFRS(I) 1-36  
(55)

An impairment charge of \$500,000 (2018: \$1,081,000) is included within "Administrative expenses" in the statement of comprehensive income. The impairment charge in the year has arisen from the furniture CGU in People's Republic of China following a decision to reduce the manufacturing output as a result of declining customer demand<sup>3</sup>. The Group has also reassessed the useful lives of its property, plant and equipment related to the same business segment and determined that no change in the useful lives was required.

SFRS(I) 1-36  
(126(a))

SFRS(I) 1-36  
(130)

The impairment test carried out as at 31 December 2019 for the component parts CGU in Singapore, which includes 36% of the goodwill recognised on the balance sheet, has revealed that the recoverable amount of the CGU is \$10,000,000 or 3% higher than its carrying amount. This has decreased due to significant pressure on selling prices and a sharp decrease in demand as a result of the economic crisis. A further decrease in the growth margin by 1% or a decrease in the growth rate by 0.2% would result in the recoverable amount of the component parts CGU in Singapore being equal to its carrying amount<sup>2</sup>.

SFRS(I) 1-36  
(134(f))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 29. Intangible assets (continued)

### (b) Trademark and licences

	<u>Group</u>		<u>Company</u>		SFRS(I) 1-38 (118(e))
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	
<i>Cost</i>					
Beginning of financial year	17,243	16,028	1,900	1,660	SFRS(I) 1-38 (118(c))
Acquisition of subsidiary (Note 47(c))	535	-	-	-	SFRS(I) 1-38 (118(e)(i))
Additions	2,300	1,205	150	240	SFRS(I) 1-38 (118(e)(i))
Reclassified to disposal group (Note 11(c))	(208)	-	-	-	SFRS(I) 1-38 (118(e)(ii))
Currency translation differences	18	10	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	19,888	17,243	2,050	1,900	SFRS(I) 1-38 (118(c))
<i>Accumulated amortisation</i>					
Beginning of financial year	2,382	1,580	800	660	SFRS(I) 1-38 (118(c))
Amortisation charge					SFRS(I) 1-38 (118(e)(vi))
- Continuing operations	1,275	812	190	140	
- Discontinued operations	104	-	-	-	
Reclassified to disposal group (Note 11(c))	(104)	-	-	-	SFRS(I) 1-38 (118(e)(ii))
Currency translation differences	(18)	(10)	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	3,639	2,382	990	800	SFRS(I) 1-38 (118(c))
<b>Net book value</b>	<b>16,249</b>	<b>14,861</b>	<b>1,060</b>	<b>1,100</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 29. Intangible assets (continued)

### (c) Computer software licences

	<u>Group</u>		<u>Company</u>		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
<i>Cost</i>					
Beginning of financial year	1,915	1,649	520	240	SFRS(I) 1-38 (118(c))
Additions	-	287	-	280	SFRS(I) 1-38 (118(e)(i))
Currency translation differences	(15)	(21)	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	1,900	1,915	520	520	SFRS(I) 1-38 (118(c))
<i>Accumulated amortisation</i>					
Beginning of financial year	966	835	78	40	SFRS(I) 1-38 (118(c))
Amortisation charge	168	142	58	38	SFRS(I) 1-38 (118(e)(vi))
Currency translation differences	(8)	(11)	-	-	SFRS(I) 1-38 (118(e)(vii))
End of financial year	1,126	966	136	78	SFRS(I) 1-38 (118(c))
<b>Net book value</b>	<b>774</b>	<b>949</b>	<b>384</b>	<b>442</b>	

- (d) Amortisation expense included in the statement of comprehensive income is analysed as follows<sup>1</sup>:

	<u>Group</u>	
	2019	2018
	\$'000	\$'000
Cost of sales	1,275	812
Administrative expenses	168	142
Total (Note 5)	1,443	954



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Intangible assets

#### Line items on the statement of comprehensive income in which amortisation expenses are included

1. These disclosures are required only for entities that present expenses by function on the face of the statement of comprehensive income.

SFRS(I) 1-36  
(118(d))

#### Effects of reasonably possible changes on impairment key assumptions

2. If a reasonably possible change in a key assumption on which management has based its determination of the unit's (group of units') recoverable amount would cause the unit's (group of units') carrying amount to exceed its recoverable amount, the following should be disclosed:

SFRS(I) 1-36  
(134(f))

- (a) the amount by which the unit's (group of units') recoverable amount exceeds its carrying amount;
- (b) the value assigned to the key assumption;
- (c) the amount by which the value assigned to the key assumption must change, after incorporating any consequential effects of that change on the other variables used to measure recoverable amount, in order for the unit's (group of units') recoverable amount to be equal to its carrying amount.

#### Impairment of goodwill and other assets

3. Entities are required to disclose the events and circumstances that led to the recognition of impairment losses. For each material impairment loss recognised or reversed during the period for an individual asset, including goodwill or a cash-generating unit, entities should provide disclosures in accordance to paragraphs 129 to 133 of SFRS(I) 1-36.

SFRS(I) 1-36  
(129-133)

#### Fair value hierarchy disclosure

4. For recoverable amounts measured at fair value less cost to sell, disclosure of the fair value hierarchy of the fair value measurement and related fair value information under SFRS(I) 13 is required.

SFRS(I) 1-36  
(130(f))

#### Intangible assets with indefinite useful lives

5. If an entity has an intangible asset assessed as having an indefinite useful life, the entity shall disclose the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity shall describe the factor(s) that played a significant role in determining that the asset has an indefinite useful life. This has not been illustrated in this publication, but a disclosure example is provided as follows:

SFRS(I) 1-36  
(122(a))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Intangible assets (continued)

#### *Intangible assets with indefinite useful lives*

The Group's trademark used to identify and distinguish the Group's specialised product has a carrying amount of \$2,345,000 (2018: \$2,345,000). The trademark has a remaining legal life of five years but is renewable every ten years at insignificant cost. The Group intends to renew the trademark continuously and evidence supports its ability to do so, based on its past experience. An analysis of product life cycle studies and market and competitive trends provides evidence that the product will generate net cash inflows for the Group for an indefinite period. Therefore, the trademark is carried at cost without amortisation, but is tested for impairment on an annual basis.

### Intangible assets measured under the revaluation model

6. For intangible assets accounted for at revalued amounts, additional disclosures under paragraph 124 of SFRS(I) 1-38 are required.

SFRS(I) 1-38  
(124)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 30. Trade and other payables

SFRS(I) 1-1  
(77)

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
<i>Trade payables to:</i>				
- non-related parties	847	1,128	84	97
- associates	1,857	2,095	240	141
- subsidiaries	-	-	34	162
- other related parties	8,346	8,124	-	-
Refund liabilities	167	135	-	-
Accruals for volume discounts	2,845	1,844	-	-
Financial guarantees	-	-	120	120
Accruals for operating expenses	3,548	2,217	473	328
	<b>17,610</b>	<b>15,543</b>	<b>951</b>	<b>848</b>
<i>Non-current</i>				
Contingent consideration payable (Note 47(b))	500	350	-	-
Total trade and other payables	<b>18,110</b>	<b>15,893</b>	<b>951</b>	<b>848</b>

SFRS(I) 1-24  
(19(d))  
SFRS(I) 1-24  
(19(c))  
SFRS(I) 1-24  
(19(g))

Transactions with associates, subsidiaries and other related parties were made on normal commercial terms and conditions.

SFRS(I) 1-24  
(18(b)(i))

Notes

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 31. Borrowings

	<u>Group</u>		<u>Company</u>		SFRS(I) 1-1 (77)
	<b>31 December</b>		<b>31 December</b>		
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
<i>Current</i>					SFRS(I) 1-1 (60,69)
Bank overdrafts (Note 13)	<b>4,460</b>	3,960	<b>1,732</b>	1,927	
Bank borrowings	<b>2,898</b>	5,077	-	-	
Finance lease liabilities (Note 34)	-	118	-	-	
<b>Lease liabilities</b>	<b>11,414</b>	-	<b>-</b>	<b>-</b>	
	<b>18,772</b>	9,155	<b>1,732</b>	1,927	
<i>Non-current</i>					SFRS(I) 1-1 (60,69)
Bank borrowings	<b>19,290</b>	21,980	-	-	
Convertible bonds (Note 32)	<b>49,084</b>	48,499	<b>49,084</b>	48,499	
Redeemable preference shares (Note 33)	<b>30,000</b>	30,000	<b>30,000</b>	30,000	
Finance lease liabilities (Note 34)	-	744	-	-	
<b>Lease liabilities</b>	<b>25,911</b>	-	<b>-</b>	<b>-</b>	
	<b>124,285</b>	101,223	<b>79,084</b>	78,499	
<b>Total borrowings</b>	<b>143,057</b>	110,378	<b>80,816</b>	80,426	

The exposure of the borrowings of the Group and of the Company to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

SFRS(I) 7  
(22A(c), 34(a))

	<u>Group</u>		<u>Company</u>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
6 months or less	<b>7,623</b>	4,019	<b>1,732</b>	1,927
6 – 12 months	<b>11,149</b>	5,136	-	-
1 – 5 years	<b>123,190</b>	100,997	<b>79,084</b>	78,499
Over 5 years	<b>1,095</b>	226	-	-
	<b>143,057</b>	110,378	<b>80,816</b>	80,426

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 31. Borrowings (continued)

### (a) Security granted

SFRS(I) 7(14)

Total borrowings include secured liabilities of \$33,570,000 (2018: \$31,879,000) and \$1,257,000 (2018: \$1,927,000) for the Group and the Company respectively. Bank overdrafts of the Group and the Company are secured by debenture deeds which provide for first floating charges on inventories (Note 19) of the Company and certain subsidiaries. Bank borrowings of the Group and the Company are secured over certain bank deposits (Note 13), certain trade receivables (Note 18), investment properties (Note 25) and certain land and buildings of the Group (Note 26(d)).

### (b) Fair value of non-current borrowings

SFRS(I)  
7(25),(29)

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Bank borrowings	23,189	24,500	-	-
Convertible bonds	46,890	46,012	46,890	46,012
Redeemable preference shares	32,175	31,258	32,175	31,258

The fair values above are determined from the cash flow analyses, discounted at market borrowing rates of an equivalent instrument at the balance sheet date which the directors expect to be available to the Group as follows:

SFRS(I) 13  
(93(b),(d), 97)

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	%	%	%	%
Bank borrowings	5.3%	5.2%	-	-
Convertible bonds	5.5%	5.6%	5.5%	5.6%
Redeemable preference shares	5.4%	5.5%	5.4%	5.5%

The fair values are within Level 2 of the fair value hierarchy.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 31. Borrowings (continued)

### (c) Undrawn borrowing facilities

DV, SFRS(I)  
1-7 (50)

	<u>Group</u>		<u>Company</u>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expiring within one year	<b>22,000</b>	21,400	<b>7,200</b>	7,500
Expiring beyond one year	<b>12,000</b>	10,500	<b>4,000</b>	4,200
	<b>34,000</b>	31,900	<b>11,200</b>	11,700

The facilities expiring within one year from the balance sheet date are subject to annual review at various dates during 2020. The other facilities are arranged mainly to help finance the Group's proposed expansion in Asia.

### (d) Reconciliation of liabilities arising from financing activities<sup>3</sup>

SFRS(I) 1-7  
(44A)

	1 January 2019	Proceeds from borrowings	Principal and interest payments	Non-cash changes \$'000					31 December 2019
				Adoption of SFRS(I) 16	Addition during the year	Acquisition arising from business combination	Interest expense	Foreign exchange movement	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Convertible bonds	48,499	-	(2,500)	-	-	-	3,085	-	49,084
Bank borrowings	27,057	5,800	(16,288)	-	-	2,150	3,704	(235)	22,188
Lease liabilities	862	-	(7,501)	41,686	70	350	1,928	(70)	37,325
Redeemable preference shares	30,000	-	(1,950)	-	-	-	1,950	-	30,000

	1 January 2018	Proceeds from borrowings	Principal and interest payments	Non-cash changes			31 December 2018
				Interest expense	Foreign exchange movement		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Convertible bonds	48,267	-	(2,500)	2,732	-	-	48,499
Bank borrowings	45,982	9,300	(33,269)	4,509	535	-	27,057
Lease liabilities	925	-	(164)	101	-	-	862
Redeemable preference shares	30,000	-	(1,950)	-	1,950	-	30,000

Notes

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Borrowings

#### Defaults and breaches on borrowings

1. SFRS(I) 7 requires additional disclosures in the event of defaults and breaches on borrowings. Appendix 1 Example 4 includes an illustration.

SFRS(I) 7  
(18,19)

#### Roll-over and refinancing

2. Under an existing loan facility, if an entity expects, and has the discretion, to refinance or roll over the borrowing for at least twelve months after the balance sheet date with the same lender, on the same or similar terms, it classifies the borrowings as non-current. However, when refinancing or rolling over the borrowing is not at the discretion of the entity (e.g. there is no arrangement for refinancing), the potential to refinance is not considered and the borrowing is classified as current.

SFRS(I) 1-1  
(73,74)

#### Net debt reconciliation

3. The entity should include changes in financial assets (for example, assets that hedge liabilities arising from financing liabilities) in the disclosures if such cash flows were, or will be, included in cash flows from financing activities.

SFRS(I) 1-7  
(44C)

Changes in other items are included where an entity considers that such disclosures would meet the disclosure objective. For example, an entity might consider including changes in cash and cash equivalents and interest payments that are classified as operating activities in the cash flow statement. Any such disclosure should be clearly distinguished from the disclosure of changes in liabilities arising from financing activities.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 32. Convertible bonds<sup>1-3</sup>

On 2 January 2017, the Company issued 5% convertible bonds denominated in Singapore Dollars with a nominal value of \$50,000,000. The bonds are due for repayment five years from the issue date at their nominal value of \$50,000,000 or may be converted into shares of the Company at the option of the holder at the rate of 33 shares per \$500 nominal value of the bonds.

SFRS(I) 7(17)  
SFRS(I) 1-1  
(79(a)(vii))

The fair value of the liability component, included in non-current borrowings, is calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves, net of deferred income taxes.

SFRS(I) 1-32  
(28)  
SFRS(I) 1-32  
(31)

The carrying amount of the liability component of the convertible bonds at the balance sheet date is derived as follows:

DV (disclosed  
in Note  
2.15(c))  
DV

	31 December	
	2019	2018
<u>Group and Company</u>	<u>\$'000</u>	<u>\$'000</u>
Face value of convertible bonds at issuance	50,000	50,000
Equity conversion component on initial recognition	(2,106)	(2,106)
Liability component on initial recognition	47,894	47,894
Accumulated amortisation of interest expense (Note 9)	8,690	5,605
Accumulated payments of interest	(7,500)	(5,000)
Liability component at end of financial year (Note 31)	49,084	48,499



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Convertible bonds

1. Certain tax authorities may compute the tax base of the liability component of such convertible bonds as the sum of the carrying amount of both the liability and equity components. When this occurs, the issuer shall recognise a deferred tax liability on the resulting temporary differences at the date of issuance of these instruments, with the corresponding entry charged directly to the carrying amount of the equity component (i.e. equity component reserve).

SFRS(I) 1-12  
(23)

### Conversion at maturity

2. On conversion of a convertible instrument at maturity, the company derecognises the liability component and recognises it as equity. The original equity component remains in equity. There is no gain or loss on conversion at maturity.

SFRS(I) 1-32  
(AG32)

### Early redemption or repurchase

3. When the company extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion rights are unchanged, the company should allocate the redemption consideration paid (including any transaction costs) to the instrument's liability and equity components at the date of repurchase or redemption. Any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows:
  - the difference between the consideration allocated to the liability component and its carrying value is recognised in profit or loss; and
  - the amount of consideration relating to the equity component is recognised in equity.

SFRS(I) 1-32  
(AG33)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 33. Redeemable preference shares

On 4 January 2012, the Company issued 30 million cumulative redeemable preference shares at \$1 per share to its immediate holding corporation. The shares are mandatorily redeemable at \$1 per share on 4 January 2023 or by the Company at any time before that date. The shares pay fixed dividends of 6.5% per annum. These are classified as borrowings (Note 31).

SFRS(I) 1-1  
(79(a)(v))

SFRS(I) 1-32  
(18(a))

## 34. Finance lease liabilities

As at 31 December 2018, the Group leases certain plant and equipment and motor vehicles from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.1.

	<u>Group</u> 31 December 2018 \$'000
Minimum lease payments due	
- Not later than one year	162
- Between one and five years	610
- Later than five years	420
	<u>1,192</u>
Less: Future finance charges	<u>(330)</u>
Present value of finance lease liabilities	<u>862</u>

The present values of finance lease liabilities are analysed as follows:

	<u>Group</u> 31 December 2018 \$'000
Not later than one year (Note 31)	<u>118</u>
Later than one year (Note 31)	
- Between one and five years	518
- Later than five years	226
	<u>744</u>
Total	<u>862</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 35. Provisions

SFRS(I) 1-1  
(78(d))

	<u>Group</u>		<u>Company</u>		
	31 December		31 December		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
<i>Current</i>					
Warranty (Note (a))	2,996	1,523	44	50	SFRS(I) 1-1 (61,69)
Restructuring (Note (b))	800	-	-	-	
	<b>3,796</b>	1,523	<b>44</b>	50	
<i>Non-current</i>					
Legal claims (Note (c))	2,072	1,573	170	150	SFRS(I) 1-1 (61,69)
Total	<b>5,868</b>	3,096	<b>214</b>	200	

### (a) Warranty

SFRS(I) 1-37  
(85(a))

The Group and the Company offer two-year warranties on certain products and undertake to repair or replace items that fail to perform satisfactorily. A provision is recognised at the balance sheet date for expected warranty claims based on past experience of the level of repairs and returns.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 35. Provisions (continued)

SFRS(I) 1-1  
(78(d))

### (a) Warranty (continued)

	<u>Group</u>		<u>Company</u>		
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	
Beginning of financial year	<b>1,523</b>	259	<b>50</b>	100	SFRS(I) 1-37 (84(a))
Currency translation differences	<b>13</b>	(5)	-	-	
Provision made	<b>1,834</b>	1,519	<b>144</b>	120	SFRS(I) 1-37 (84(b))
Provision utilised	<b>(302)</b>	(250)	<b>(150)</b>	(170)	SFRS(I) 1-37 (84(c))
Reclassified to disposal group (Note 11(d))	<b>(72)</b>	-	-	-	
End of financial year	<b>2,996</b>	1,523	<b>44</b>	50	SFRS(I) 1-37 (84(a))

### (b) Restructuring

The restructuring of the furniture segment in the People's Republic of China (Note 29(a)) in 2019 resulted in the retrenchment of 120 employees at two factories. An agreement was reached with the local union representatives in October 2019 that specified the number of staff involved and quantified the amount payable to those made redundant.

SFRS(I) 1-37  
(85(a))  
SFRS(I) 1-37  
(84(b))

Estimated staff redundancy costs amounting to \$600,000 was recognised in the financial year ended 31 December 2019. Other restructuring expenses amounting to \$200,000 mainly comprise penalties on the early termination of certain contracts for the supply of services.

### (c) Legal claims

Other than as disclosed in Note 47, the provision for legal claims is in respect of certain legal claims brought against the Group by customers, and is expected to be utilised in 2021. In the opinion of the directors, after taking appropriate legal advice, the outcomes of these legal claims are not expected to give rise to any significant loss beyond the amounts provided at 31 December 2019. The directors consider that disclosure of further details of these claims will seriously prejudice the Group's negotiating position and accordingly, further information on the nature of the obligation has not been provided.

SFRS(I) 1-37  
(85(a))  
SFRS(I) 1-37  
(92)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 35. Provisions (continued)

SFRS(I) 1-1  
(78(d))

### (c) Legal claims (continued)

	<u>Group</u>		<u>Company</u>		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	1,573	1,655	150	200	SFRS(I) 1-37 (84(a))
Currency translation difference	(76)	(90)	-	-	
Acquisition of subsidiary (Note 47(c))	500	-	-	-	SFRS(I) 1-37 (84(b))
Provision made	-	488	-	-	SFRS(I) 1-37 (84)(b))
Provision utilised	-	(550)	-	(70)	SFRS(I) 1-37 (84(c))
Amortisation of discount (Note 9)	75	70	20	20	SFRS(I) 1-37 (84(e))
End of financial year	2,072	1,573	170	150	SFRS(I) 1-37 (84(a))

### Guidance notes

#### Provisions

- Comparative information is encouraged, but not required for the movement of each class of provision. SFRS(I) 1-37  
(84)
- If an estimate of an amount reported in an interim period has changed significantly during the final interim period of the financial year but a separate financial report is not published for that final interim period, the nature and amount of that change in estimate shall be disclosed in a note to the financial statements for that financial year. Such an update is relevant only for entities that prepare interim financial reports in accordance with SFRS(I) 1-34 requirements. SFRS(I) 1-34  
(26)
- Where the effect of the time value of money is material, the amount of a provision shall be the present value of the expenditures expected to be required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of time value of money and the risks specific to the liability. SFRS(I) 1-37  
(45)  
SFRS(I) 1-37  
(47)
- It is common for an entity to provide a warranty in connection with the sale of a product. If a customer has the option to purchase a warranty separately, the warranty is accounted for as a separate performance obligation. If a customer does not have the option to purchase a warranty separately, the warranty is accounted for in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* unless the warranty provides a service in addition to the assurance that the product complies with agreed-upon specifications. SFRS(I) 15  
(B28, B29,  
B30)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. Deferred income taxes

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same taxation authority.

SFRS(I) 1-12  
(74)

The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

DV

	<u>Group</u>		<u>Company</u>	
	31 December		31 December	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets	2,784	3,306	-	-
Deferred tax liabilities	(13,587)	(12,360)	(2,468)	(3,140)
Net deferred tax liabilities	(10,803)	(9,054)	(2,468)	(3,140)

The movement in the net deferred income tax account is as follows:

DV

	<u>Group</u>		<u>Company</u>	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Beginning of financial year	9,054	8,757	3,140	2,779
Adoption of SFRS(I) 16 <sup>1</sup> (Note 2.1)	(765)	-	-	-
Currency translation differences	64	191	-	-
Acquisition of subsidiary (Note 47(c))	985	-	-	-
Tax charged/(credited) to				
- profit or loss (Note 10(a))	965	360	(676)	358
- other comprehensive income (Note 10 (c))	542	(169)	4	3
- equity (Note 10(d))	(42)	(85)	-	-
End of financial year	10,803	9,054	2,468	3,140

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The deferred income tax assets balance includes an amount of \$198,000 (2018: \$213,000) which relates to carried forward tax losses of PwC Furniture (PRC) Co., Ltd. The subsidiary has incurred the losses over the last three financial years due to one-off restructuring costs arising from the Group's restructuring of its furniture segment, which are not expected to recur in the future. The Group has concluded that the deferred tax assets will be recoverable based on the estimated future taxable income of the subsidiary based on the approved business plans and budgets for the subsidiary. The subsidiary is expected to generate taxable income from 2020 onwards. The tax losses will expire in 2022<sup>2</sup>.

SFRS(I) 1-12  
(82)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. Deferred income taxes (continued)

The Group has unrecognised tax losses of \$4,700,000 (2018: \$5,000,000) and capital allowances of \$400,000 (2018: \$400,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date except for the amount of \$198,000 relating to PwC Furniture (PRC) Co., Ltd above, which will expire in 2022. The capital allowances will expire between 2020 and 2021.

SFRS(I) 1-12  
(81(e))

Deferred income tax liabilities of \$190,000 (2018: \$170,000) have not been recognised for the withholding and other taxes that will be payable on the earnings of an overseas subsidiary when remitted to the holding company. These unremitted profits are permanently reinvested and amount to \$2,400,000 (2018: \$2,000,000) at the balance sheet date<sup>3</sup>.

SFRS(I) 1-12  
(81(f))

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

SFRS(I)  
1-12 (81(g))

### Group

#### Deferred income tax liabilities

	Accelerated tax <u>depreciation</u>	Fair value <u>gains-net</u>	Convertible <u>bonds</u>	Lease <u>assets</u> <sup>1</sup>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>						
At 31 December 2018	7,326	3,823	461	-	2,486	14,096
Adjustment on adoption of SFRS(I) 16	-	-	-	3,516	-	3,516
At 1 January 2019 (restated)	7,326	3,823	461	3,516	2,486	17,612
Currency translation differences	96	48	-	22	10	176
Acquisition of subsidiary	1,128	69	-	-	238	1,435
Charged/(credited) to						
- profit or loss	1,162	74	-	(874)	(7)	355
- other comprehensive income	-	542	-	-	-	542
End of financial year	9,712	4,556	461	2,664	2,727	20,120

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. Deferred income taxes (continued)

### Group

#### *Deferred income tax liabilities (continued)*

	Accelerated tax <u>depreciation</u>	Fair value <u>gains-net</u>	Convertible <u>bonds</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>					
Beginning of financial year	6,711	3,931	442	2,257	13,341
Currency translation differences	174	54	-	128	356
Charged to					
- profit or loss	441	7	19	101	568
- other comprehensive income	-	(169)	-	-	(169)
End of financial year	7,326	3,823	461	2,486	14,096

### Group

#### *Deferred income tax assets*

	<u>Provisions</u>	<u>Tax losses</u>	<u>Lease liabilities<sup>1</sup></u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>					
At 31 December 2018	(2,032)	(596)	-	(2,414)	(5,042)
Adjustment on adoption of SFRS(I) 16	-	-	(4,281)	-	(4,281)
At 1 January 2019 (restated)	(2,032)	(596)	(4,281)	(2,414)	(9,323)
Currency translation differences	(46)	(15)	(1)	(50)	(112)
Acquisition of subsidiary	(390)	(60)	-	-	(450)
(Credited)/charged to					
- profit or loss	(231)	(38)	853	26	610
- equity	-	-	-	(42)	(42)
End of financial year	(2,699)	(709)	(3,429)	(2,480)	(9,317)
<b>2018</b>					
Beginning of financial year	(1,628)	(1,143)	-	(1,823)	(4,594)
Currency translation differences	(35)	(44)	-	(76)	(155)
(Credited)/charged to					
- profit or loss	(369)	591	-	(430)	(208)
- equity	-	-	-	(85)	(85)
End of financial year	(2,032)	(596)	-	(2,414)	(5,042)



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 36. Deferred income taxes (continued)

### Company

#### *Deferred income tax liabilities*

	Accelerated tax <u>depreciation</u>	Fair value <u>gains-net</u>	Convertible <u>bonds</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000
<b>2019</b>				
Beginning of financial year	2,784	89	461	3,334
(Credited)/charged to				
- profit or loss	(1,081)	263	-	(818)
- other comprehensive income	-	4	-	4
End of financial year	1,703	356	461	2,520
<b>2018</b>				
Beginning of financial year	2,380	86	442	2,908
Charged to				
- profit or loss	404	-	19	423
- other comprehensive income	-	3	-	3
End of financial year	2,784	89	461	3,334

### Company

#### *Deferred income tax assets*

	<u>Provisions</u>	<u>Other</u>	<u>Total</u>
	\$'000	\$'000	\$'000
<b>2019</b>			
Beginning of financial year	(9)	(185)	(194)
(Credited)/charged to			
- profit or loss	(8)	150	142
End of financial year	(17)	(35)	(52)
<b>2018</b>			
Beginning of financial year	(24)	(105)	(129)
Charged/(credited) to			
- profit or loss	15	(80)	(65)
End of financial year	(9)	(185)	(194)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Deferred income taxes

#### Deferred tax on lease assets and lease liabilities

1. SFRS(I) 1-12 does not specifically address the tax effects of on-balance sheet leases (i.e. lease assets and lease liabilities under SFRS(I) 16) and there are currently different approaches in practice. However, IASB has decided to propose amendments to IAS 12 which would narrow the scope of initial recognition exemption in paragraphs 15 and 24 of IAS 12. If implemented, the exemption would no longer apply to the extent that, on the initial recognition of a transaction, an entity would recognise equal amounts of deferred tax assets and tax liabilities. Therefore, we have illustrated that deferred taxes are recognised on adoption of SFRS(I) 16.

#### Deferred tax asset dependent on future taxable profits

2. An entity shall disclose the amount of a deferred tax asset and the nature of the evidence supporting its recognition, when:
  - (a) the utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
  - (b) the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

SFRS(I)  
1-12  
(82)

#### Deferred tax on unremitted earnings of overseas subsidiaries

3. An entity shall recognise a deferred tax liability for all taxable temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint arrangements, except to the extent that both of the following conditions are satisfied:
  - (a) the parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference; and
  - (b) it is probable that the temporary difference will not reverse in the foreseeable future.

SFRS(I)  
1-12  
(39)

As a parent controls the dividend policy of its subsidiary, it can control the timing of the reversal of such temporary differences associated with its subsidiary (applies to temporary differences arising from undistributed profits and foreign exchange translation differences). Furthermore, it would often be impracticable to determine the income taxes that would be payable when the temporary difference reverses. Therefore, when the parent has determined that those profits will not be distributed in the foreseeable future the parent does not recognise a deferred tax liability. The same considerations apply to investments in branches.

SFRS(I)  
1-12  
(40)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. Share capital and treasury shares

Group and Company	No. of ordinary shares		Amount		SFRS(I) 1-1 (79(a)(i), (iv), (vi), 106(d))
	Issued share capital	Treasury shares	Share capital \$'000	Treasury shares \$'000	
<b>2019</b>					
Beginning of financial year	24,050	(1,135)	41,495	(2,022)	
Treasury shares purchased	-	(900)	-	(1,754)	
Shares issued	3,800	-	8,368	-	
Share issue expenses	-	-	(354)	-	
Treasury shares re-issued	-	478	-	1,004	
End of financial year	<u>27,850</u>	<u>(1,557)</u>	<u>49,509</u>	<u>(2,772)</u>	
<b>2018</b>					
Beginning of financial year	24,050	(975)	41,495	(1,418)	
Treasury shares purchased	-	(1,100)	-	(2,389)	
Treasury shares reissued	-	940	-	1,785	
End of financial year	<u>24,050</u>	<u>(1,135)</u>	<u>41,495</u>	<u>(2,022)</u>	

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

SFRS(I) 1-1  
(79(a)(ii), (iii))

Fully paid ordinary shares carry one vote per share and carry a right to dividends as and when declared by the Company, after paying dividends for the 6.5% redeemable preference shares, which are classified as liabilities (Note 33).

SFRS(I) 1-1  
(79(a)(v))

On 1 April 2019, the Company issued 3,800,000 ordinary shares for a total consideration of \$8,368,000 for cash to provide funds for the expansion of the Company's operations. The newly issued shares rank pari passu in all aspects with the previously issued shares.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. Share capital and treasury shares (continued)

### (a) Treasury shares

The Company acquired 900,000 (2018: 1,100,000) shares in the Company in the open market during the financial year. The total amount paid to acquire the shares was \$1,754,000 (2018: \$2,389,000) and this was presented as a component within shareholder's equity.

SFRS(I) 1-32  
(33)

The Company re-issued 478,000 (2018: 940,000) treasury shares during the financial year pursuant to the PwC Employee Share Option Scheme at the exercise price of \$1.31 or \$1.28 (2018: \$1.31 or \$1.28) each (Note 37(b)). The cost of the treasury shares re-issued amounted to \$1,004,000 (2018: \$1,785,000). The total consideration (net of expense) for the treasury shares issued is as follows:

	2019	2018
	\$'000	\$'000
Exercise price paid by employees	615	1,230
Value of employee services (Note 38(b)(i))	972	841
Less: Transaction costs	(2)	(1)
Total net consideration	<u>1,585</u>	<u>2,070</u>

Accordingly, a gain on re-issue of treasury shares of \$581,000 (2018: \$285,000) is recognised in the capital reserve (Note 38(b)(ii)).

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# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. Share capital and treasury shares (continued)

### (b) Share options

SFRS(I) 2  
(44, 45(a))

Share options were granted to key management personnel and employees with more than three years of service under the PwC Employee Share Option Scheme, which became operative on 1 January 2015.

The exercise price of the options is determined at the average of the closing prices of the Company's ordinary shares as quoted on the Singapore Exchange for five market days immediately preceding the date of the grant. The vesting of the options is conditional on the key management personnel or employee completing another two years of service to the Group and the Group achieving its targets of profitability and sales growth.

Once they have vested, the options are exercisable over a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued have no right to participate by virtue of the options in any share issue of any other company. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

On 1 January 2019, options to subscribe for 350,000 ordinary shares in the Company at an exercise price of \$2.88 per ordinary share were granted pursuant to the Scheme ("2019 Options"). The 2019 Options are exercisable from 1 January 2021 and expire on 31 December 2024.

SFRS(I) 1-  
1(79)(a)(vii)

Movements in the number of unissued ordinary shares under the PwC Employee Share Option Scheme and their exercise prices are as follows:

<u>Group and Company</u> <b>2019</b>	<u>No. of ordinary shares under option</u>					<u>Exercise price</u>	<u>Exercise period</u>
	<u>Beginning of financial year</u>	<u>Granted during financial year</u>	<u>Forfeited during financial year</u>	<u>Exercised during financial year</u>	<u>End of financial year</u>		
2015 Options	110,000	-	-	(110,000)	-	\$1.31	1.1.2017 – 31.12.2020
2016 Options	1,422,000	-	(50,000)	(368,000)	1,004,000	\$1.28	1.1.2018 – 31.12.2021
2017 Options	909,000	-	-	-	909,000	\$2.95	1.1.2019 – 31.12.2022
2019 Options	-	350,000	-	-	350,000	\$2.88	1.1.2021 – 31.12.2024
	<b>2,441,000</b>	<b>350,000</b>	<b>(50,000)</b>	<b>(478,000)</b>	<b>2,263,000</b>		

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 37. Share capital and treasury shares (continued)

### (b) Share options (continued)

<u>Group and Company</u>	<u>No. of ordinary shares under option</u>					<u>Exercise price</u>	<u>Exercise period</u>
	<u>Beginning of financial year</u>	<u>Granted during financial year</u>	<u>Forfeited during financial year</u>	<u>Exercised during financial year</u>	<u>End of financial year</u>		
<b>2018</b>							
2015 Options	1,000,000	-	-	(890,000)	110,000	\$1.31	1.1.2017 – 31.12.2020
2016 Options	1,532,000	-	(60,000)	(50,000)	1,422,000	\$1.28	1.1.2018 – 31.12.2021
2017 Options	964,000	-	(55,000)	-	909,000	\$2.95	1.1.2019 – 31.12.2022
	<u>3,496,000</u>	<u>-</u>	<u>(115,000)</u>	<u>(940,000)</u>	<u>2,441,000</u>		

Out of the unexercised options for 2,263,000 (2018: 2,441,000) shares, options for 1,913,000 (2018: 1,532,000) shares are exercisable at the balance sheet date. Options exercised in 2019 resulted in 478,000 treasury shares (2018: 940,000) being re-issued at the exercise price of \$1.31 or \$1.28 (2018: \$1.31 or \$1.28) each. The weighted average share price at the time of exercise was \$3.87 (2018: \$3.80) per share. The related transaction costs amounting to \$2,000 (2018: \$1,000) were deducted against the proceeds received.

SFRS(I) 2  
(46,47(a))

The fair value of options granted on 1 January 2019, determined using the Binomial Valuation Model was \$800,000. The significant inputs into the model were the share price of \$2.88 at the grant date, the exercise price of \$2.88, standard deviation of expected share price returns of 28%, dividend yield of 8%, the option life shown above and the annual risk-free interest rate of 5%. The volatility measured on the standard deviation of expected share price returns was estimated based on statistical analysis of share prices over the last three years.

SFRS(I) 2  
(45(b)(vii))  
SFRS(I) 2  
(45)(c)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Share capital and treasury shares

#### Modification of share-based payments

1. If an entity has share-based payment arrangements that were modified during the period, it is required to disclose:
  - (i) an explanation of those modifications;
  - (ii) the incremental fair value granted (as a result of those modifications); and;
  - (iii) information on how the incremental fair value granted was measured, consistently with the requirements set out in paragraph 47(a) and (b) of SFRS(I) 2, where applicable.
2. A disclosure example for modification of share-based payment is provided as follows:

SFRS(I) 2  
(47(c))

#### *"Modification of share-based payment arrangements*

In May 2019, PwC Holdings Ltd increased the vesting period for the employee share options granted in January 2017 from two to five years and reduced the exercise price to \$2.90 to reflect the recent fall in the Company's share price. The fair value of the options at the date of the modification was determined to be \$2.05. The incremental fair value of \$0.25 will be recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant will continue to be recognised as if the terms had not been modified.

The fair value of the modified options was determined using the same models and principles as described above, with the following model inputs: *[provide details]."*

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 38. Other reserves

SFRS(I) 1-1  
(106(d))

	<u>Group</u>		<u>Company</u>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
(a) Composition:				
Share option reserve	<b>1,210</b>	1,510	<b>1,210</b>	1,510
Capital reserve	<b>1,481</b>	858	<b>1,267</b>	684
Fair value reserve	<b>(406)</b>	(1,485)	<b>52</b>	38
Hedging reserve	<b>1,086</b>	110	-	-
Currency translation reserve	<b>1,696</b>	1,207	-	-
Equity component of convertible bonds	<b>1,685</b>	1,685	<b>1,685</b>	1,685
Asset revaluation reserve	<b>3,189</b>	2,654	-	-
	<b>9,941</b>	6,539	<b>4,214</b>	3,917
(b) Movement:				
<b>(i) Share option reserve</b>				
Beginning of financial year	<b>1,510</b>	1,636	<b>1,510</b>	1,636
Employee share option scheme				
- Value of employee services (Note 6)	<b>672</b>	715	<b>672</b>	715
- Share options exercised (Note 37(a))	<b>(972)</b>	(841)	<b>(972)</b>	(841)
End of financial year	<b>1,210</b>	1,510	<b>1,210</b>	1,510
<b>(ii) Capital reserve</b>				
Beginning of financial year	<b>858</b>	488	<b>684</b>	394
Gain on re-issue of treasury shares (Note 37(a))	<b>581</b>	285	<b>581</b>	285
Excess tax on employee share option scheme <sup>a</sup> (Note 10(d))	<b>42</b>	85	<b>2</b>	5
End of financial year	<b>1,481</b>	858	<b>1,267</b>	684



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 38. Other reserves (continued)

	<u>Group</u>		<u>Company</u>		
	<b>31 December</b>		<b>31 December</b>		
	<b>2019</b>	2018	<b>2019</b>	2018	
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000	
(b) Movement: (continued)					
(iii) Fair value reserve					
Beginning of financial year	(1,485)	(73)	38	96	
Financial assets, at FVOCI					
- Fair value gains/(losses) (Note 16)	1,755	(1,451)	15	(68)	
- Tax on fair value changes	(299)	261	(1)	10	SFRS(I) 7(20(a)(vii))
	<u>1,456</u>	<u>(1,190)</u>	<u>14</u>	<u>(58)</u>	SFRS(I) 1-12(81(a))
Share of associates' fair value gains on financial asset, FVOCI, net of tax	68	35	-	-	
Reclassification to profit or loss					
- Other gains and losses (Note 8)	(175)	-	-	-	
Tax on reclassification	30	-	-	-	
	<u>(145)</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Transfer to retained profits upon disposal of equity investment in financial asset, at FVOCI	(300)	(257)	-	-	SFRS(I) 1-12(81(a))
End of financial year	<u>(406)</u>	<u>(1,485)</u>	<u>52</u>	<u>38</u>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 38. Other reserves (continued)

Movements in hedging reserve by risk category:

	<div style="display: flex; align-items: center; justify-content: space-between;"> <span>←</span> <span>Group 2019</span> <span>→</span> </div>			SFRS(I) 7 (24C)
	Interest rate risk \$'000	Foreign exchange risk \$'000	Total \$'000	
(b) Movement: (continued)				
<b>(iv) Hedging reserve</b>				
Beginning of financial year	257	(147)	110	SFRS(I) 7 (24B(b)(ii))
- Fair value (losses)/gains	(1,009)	1,217	208	SFRS(I) 7 (24C(b)(i))
- Tax on fair value losses/(gains)	172	(207)	(35)	SFRS(I) 1-12 (81(a))
	<u>(837)</u>	<u>1,010</u>	<u>173</u>	
Reclassification to profit or loss, as hedged item has affected profit or loss				SFRS(I) 7 (24C(b)(iv))
- Finance expense (Note 9)	753	-	753	SFRS(I) 7 (24C(b)(v))
Tax on reclassification adjustments	(128)	-	(128)	
Reclassification to balance sheet				
- Inventories	-	215	215	SFRS(I) 7 (24E(a))
Tax on reclassification adjustments	-	(37)	(37)	SFRS(I) 1-12 (81)(a)
	<u>625</u>	<u>178</u>	<u>803</u>	
End of financial year	<u>45</u>	<u>1,041</u>	<u>1,086</u>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 38. Other reserves (continued)

Movements in hedging reserve by risk category:

	<div style="display: flex; align-items: center; justify-content: space-between;"> <span>←</span> <span>Group 2018</span> <span>→</span> </div>			SFRS(I) 7 (24C)
	Interest rate risk \$'000	Foreign exchange risk \$'000	Total	
(b) Movement: (continued)				
<b>(iv) Hedging reserve</b>				
Beginning of financial year	12	75	87	SFRS(I) 7 (24B)(b)(ii))
- Fair value losses	(334)	(276)	(610)	SFRS(I) 7 (24C)(b)(i))
- Tax on fair value losses	56	54	110	SFRS(I) 1-12 (81)(a))
	<u>(278)</u>	<u>(222)</u>	<u>(500)</u>	
Reclassification to profit or loss, as hedged item has affected profit or loss				SFRS(I) 7 (24C)(b)(iv))
- Finance expense (Note 9)	643	-	643	SFRS(I) 7 (24C)(b)(v))
Tax on reclassification adjustments	<u>(120)</u>	<u>-</u>	<u>(120)</u>	SFRS(I) 1-12 (81)(a)
	523	-	523	
End of financial year	<u>257</u>	<u>(147)</u>	<u>110</u>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 38. Other reserves (continued)

	<u>Group</u>		<u>Company</u>		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
(b) Movement: (continued)					
<b>(v) Currency translation reserve</b>					SFRS(I) 1-1 (106(d)), SFRS(I) 1-21 (52(a))
Beginning of financial year	1,207	588	-	-	SFRS(I) 1-21 (52)(b)
Net currency translation differences of financial statements of foreign subsidiaries, a joint venture and associates	635	712	-	-	
Less: Non-controlling interests <sup>2</sup>	(362)	(408)	-	-	
	<u>273</u>	<u>304</u>	<u>-</u>	<u>-</u>	
Net currency translation difference on borrowings designated as net investment hedge of foreign operations <sup>1</sup>	216	296	-	-	SFRS(I) 7 (24C(b)(vi))
Reclassification on disposal of a subsidiary (Note 13)	-	19	-	-	
End of financial year	<u>1,696</u>	<u>1,207</u>	<u>-</u>	<u>-</u>	
As at 31 December 2019, \$554,000 (2018: \$364,000) of the currency translation reserve relates to continuing hedges. None of the currency translation reserve relates to hedging relationships for which hedge accounting is no longer applied.					
					SFRS(I) 7 (24B(b)(ii),(iii))
<b>(vi) Equity component of convertible bonds</b>					SFRS(I) 1-1 (106(d))
Beginning and end of financial year	1,685	1,685	1,685	1,685	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 38. Other reserves (continued)

SFRS(I) 1-1  
(106(d))

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
(b) Movement: (continued)				
(vii) <b>Asset revaluation reserve<sup>3</sup></b>				
Beginning of financial year	2,654	2,202	-	-
Revaluation gains (Note 26)	650	539	-	-
Tax on revaluation gains	(110)	(82)	-	-
Less: Non-controlling interests <sup>2</sup>	(5)	(5)	-	-
End of financial year	3,189	2,654	-	-

SFRS(I) 1-1  
(106(d))

SFRS(I)  
1-16  
(77(f))  
SFRS(I)  
1-12  
(81(a))

Other reserves are non-distributable<sup>4</sup>.

SFRS(I) 1-16  
(77(f))

## Guidance notes

### Other reserves

#### Borrowings designated as net investment hedges

- For a monetary item that is receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, the item is in substance a part of the entity's net investment in that foreign operation. Currency translation differences arising from such items shall be recognised (a) in profit or loss in the separate financial statements of the reporting entity or the foreign operation; and (b) in a separate component of equity in the consolidated financial statements.

SFRS(I) 1-21  
(15, 32)

#### Non-controlling interests

- Non-controlling interests' share of reserve movement (net of tax) should be separately disclosed, where applicable.

#### Transfer of revaluation surplus on property, plant and equipment ("PPE")

- An entity may elect to transfer revaluation surplus of an item of PPE directly to retained profits when that asset is derecognised. An entity can also choose to transfer the revaluation surplus to retained profits progressively as the asset is used by the entity; the amount to be transferred will then be the difference in depreciation based on the revalued amount and the depreciation based on the asset's original cost.

SFRS(I) 1-16  
(41)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Other reserves (continued)

#### Distributable reserves

4. In providing a description of the nature and purpose of the reserves it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. In the case of:
  - (a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders; and
  - (b) the amount of the revaluation surplus that relates to intangible assets; there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

SFRS(I) 1-16  
(77(f))

SFRS(I) 1-38  
(124(b))

The amount of reserves that are distributable will depend on the Articles of Association of the company subject to any regulatory restrictions.

#### Tax on employee share option scheme

5. With effect from the Year of Assessment 2007, companies are allowed tax deduction for costs incurred in the purchase of treasury shares that are transferred to employees pursuant to employee share-based payment ("SBP") arrangements. For details, please refer to the Inland Revenue Authority of Singapore circular – "Use of treasury shares to fulfil obligations under an employee equity-based remuneration scheme" issued in June 2006 and a supplemental circular issued in January 2007.

As the timing of the tax deduction and the recognition of the employee share option expense differs, SFRS(I) 1-12 requires the recognition of the related deferred tax asset if the deferred tax asset recognition criteria are met. For an equity-settled SBP, if the cumulative amount of tax deduction exceeds the tax effect of the related cumulative remuneration expense at the reporting date, the excess of the associated deferred tax shall be recognised directly in equity. All taxes related to cash-settled SBPs shall be recognised in profit or loss.

SFRS(I) 1-12  
(68A – C)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 39. Retained profits

- (a) Retained profits of the Group are distributable except for accumulated retained profits of associates and joint ventures amounting to \$1,506,000 (2018: \$745,000) and the amount of \$2,772,000 (2018: \$2,022,000) utilised to purchase treasury shares. Retained profits of the Company are distributable except for the amount of \$2,772,000 (2018: \$2,022,000) utilised to purchase treasury shares.

SFRS(I)1-1  
(79(a)(v))

- (b) Movement in retained profits for the Company is as follows:

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	<u>Company</u>	
	2019	2018
	\$'000	\$'000
Beginning of financial year	1,525	1,338
Net profit	17,997	8,269
Dividends paid (Note 40)	(10,701)	(8,082)
End of financial year	8,821	1,525

## 40. Dividends<sup>1</sup>

	<u>Group</u>	
	2019	2018
	\$'000	\$'000
<i>Ordinary dividends</i>		
Final dividend paid in respect of the previous financial year of 46.70 cents (2018: 35.03 cents) per share (Note 39)	10,701	8,082

SFRS(I) 1-1  
(107)

At the Annual General Meeting on 15 February 2020, a final dividend of 48.50 cents per share amounting to a total of \$12,752,105 will be recommended.

These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

SFRS(I) 1-1  
(137(a))  
SFRS(I) 1-10  
(12,13)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Dividends

1. It shall be noted that no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets may be made, to the company in respect of its treasury shares.

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### Non-cash dividends

2. When an entity distributes non-cash dividends, the following disclosures can be considered.

SFRS(I) INT  
17 (11, 14, 15,  
16)

*"In November 2019, the Company transferred all of the shares held in its subsidiary, ABC Limited, to its parent entity as a non-cash dividend. The dividend was measured at the fair value of the subsidiary (\$2,500,000). The difference between the fair value of the shares and their carrying amount (\$1,800,000) is presented in profit or loss as other income (\$700,000)."*



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 41. Contingencies

### (a) Contingent liabilities

SFRS(I) 1-37  
(86)

Contingent liabilities, excluding those relating to business combinations (Note 47), investments in associates (Note 22) and the investment in a joint venture (Note 23), of which the probability of settlement is not remote at the balance sheet date, are as follows:

#### Group

A claim for unspecified quantum of damages was lodged by a customer during the financial year against a subsidiary and certain of its executives in respect of damages allegedly caused by the use of furniture supplied by the subsidiary. The subsidiary has disclaimed the liability and is defending the action. Legal advice obtained indicates that it is not probable that any significant liability will arise. At the date of these financial statements, the directors are of the view that no material losses will arise in respect of the legal claim.

#### Company

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries. These bank borrowings amount to \$16,000,000 (2018: \$16,000,000) at the balance sheet date.

### (b) Contingent assets

In respect of the disposal of PwC Glass Sdn Bhd on 2 January 2018, the Group will receive additional consideration of \$70,000 if the net profit of PwC Glass Sdn Bhd for the 24-month period ending 30 June 2020 exceeds \$200,000.

SFRS(I) 1-37  
(89)

## 42. Commitments

### (a) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements, excluding those relating to investments in associates (Note 22) and investment in a joint venture (Note 23), are as follows:

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 42. Commitments (continued)

### (a) Capital commitments (continued)

	<u>Group</u>		<u>Company</u>		
	31 December		31 December		
	2019	2018	2019	2018	
	\$'000	\$'000	\$'000	\$'000	
Investment properties	80	100	-	-	SFRS(I) 1-40 (75(h))
Property, plant and equipment	1,000	800	400	500	SFRS(I) 1-16 (74(c))
Intangible assets	120	210	100	110	SFRS(I) 1-38 (122(e))
	<u>1,200</u>	<u>1,110</u>	<u>500</u>	<u>610</u>	

### (b) Operating lease commitments<sup>1</sup> – where the Group is a lessee

The Group leases land, office space, retail stores, motor vehicles and equipment from non-related parties under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

As at 31 December 2018, the future minimum lease payables under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	<u>Group</u>
	\$'000
Not later than one year	5,100
Between one and five years	36,022
Later than five years	1,064
	<b>42,186</b>

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as ROU assets and lease liabilities on the balance sheet as at 31 December 2019, except for short-term and low value leases.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 42. Commitments (continued)

- (c) Operating lease commitments – where the Group is a lessor

The Group leases out retail stores and office space to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.

As at 31 December 2018, the future minimum lease receivables under non-cancellable operating leases contracted for but not recognised as receivables, are as follows:

	<u>Group</u>
	<u>\$'000</u>
Not later than one year	231
Between one and five years	109
	<u>340</u>

On 1 January 2019, the Group has adopted SFRS(I) 16 and the undiscounted lease payments from the operating leases to be received after 31 December 2019 is disclosed in Note 28.

### Guidance notes

#### Lease commitments for short-term leases

1. An entity shall disclose the amount of its lease commitments for short-term leases accounted for using short-term exemption, if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expenses, disclosed in Note 27, relate. For the purpose of this publication, the portfolio of committed short-term leases as at 31 December 2019 remains similar to the portfolio of short-term leases for the financial year 2019 and no additional disclosure is required.

SFRS(I)  
16 (55)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management<sup>10,11</sup>

SFRS(I) 7  
(31, 33)

### *Financial risk factors*

SFRS(I) 7  
(21A(a))

The Group's activities expose it to market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses financial instruments such as currency forwards, interest rate swaps and foreign currency borrowings to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The Financial Risk Management Committee ("FRMC") then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central treasury department ("Group Treasury") in accordance with the policies set by the FRMC. The dealing team of Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The reporting team of Group Treasury measures actual exposures against the limits set and prepares daily reports for review by the Heads of Group Treasury and each operating unit. Regular reports are also submitted to the FRMC and the Board of Directors.

#### (a) Market risk

##### (i) *Currency risk*<sup>1</sup>

The Group operates in Asia with dominant operations in Singapore, China and the Philippines. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies").

SFRS(I) 7  
(22A(a), 33(a))

Currency risk arises when transactions are denominated in foreign currencies other than functional currency such as the United States Dollar ("USD") and Chinese Renminbi ("RMB"). To manage the currency risk, individual Group entities enter into currency forwards with Group Treasury. Group Treasury in turn manages the overall currency exposure mainly by entering into currency forwards with banks.

SFRS(I) 7  
(22A(b), 33(b))  
SFRS(I) 7  
(22B(a))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management<sup>11</sup> (continued)

SFRS(I) 7  
(31, 33)

### (a) Market risk (continued)

#### (i) *Currency risk* (continued)

Group Treasury's risk management policy is to hedge between 60% and 80% of highly probable forecast transactions (mainly export sales and import purchases) in the next three months and approximately 90% of firm commitments denominated in foreign currencies.

SFRS(I) 7  
(22A(c))

The risk is measured through a forecast of highly probable USD expenditure and tracking of firm commitments in USD and RMB. The objective of the hedges is to minimise the volatility of the Group's currency cost of highly probable transactions and firm commitments. In order to achieve these objectives, the Group entered into cash flow hedges and fair value hedges for highly probable purchase transactions and revenue contracts respectively. The foreign exchange forwards are denominated in the same currency as the highly probable purchase transactions and revenue firm commitments, therefore the hedge ratio is 1:1.

SFRS(I) 7  
(22B(b), (c))

Hedge ineffectiveness has occurred due to:

SFRS(I) 7  
(22B(c))

- Changes in timing of the forecasted transaction from what was originally planned; and
- Changes in the credit risk of the derivative counterparty or the Group.

The Group is exposed to currency translation risk on the net assets in foreign operations. Currency exposure to the net assets of the Group's foreign operations in China are managed primarily through borrowings denominated in Chinese RMB.

SFRS(I) 7  
(22A(a), (b))

There was no ineffectiveness during 2019 in relation to the net investment hedge.

SFRS(I) 7  
(22B)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

SFRS(I) 7  
(31, 33)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Group's currency exposure based on the information provided to key management<sup>2</sup> is as follows:

SFRS(I) 7  
(31, 34(a), (c))

	SGD \$'000	USD \$'000	RMB \$'000	
<u>Group</u>				
<u>At 31 December 2019</u>				
<b>Financial assets</b>				
Cash and cash equivalents	56,178	20,756	12,755	
Trade and other receivables	13,215	9,712	5,890	
Intra-group receivables <sup>8</sup>	13,850	4,177	3,675	
Financial assets, at FVPL	11,385	3,365	-	
Financial assets, at FVOCI	2,425	2,300	-	
Other investments at amortised cost	3,497	-	-	
	<u>100,550</u>	<u>40,310</u>	<u>22,320</u>	
<b>Financial liabilities</b>				
Borrowings	(114,191)	(14,712)	(11,976)	
Intra-group payables <sup>8</sup>	(13,850)	(4,177)	(3,675)	
Trade and other payables	(7,391)	(4,628)	(3,014)	
	<u>(135,432)</u>	<u>(23,517)</u>	<u>(18,665)</u>	
<b>Net financial (liabilities)/assets</b>	<b>(34,882)</b>	<b>16,793</b>	<b>3,655</b>	
Add: Net non-financial assets of foreign subsidiaries	142,571	36,544	21,037	DV
Add: Contract assets	-	2,939	-	DV
Add: Firm commitments and highly probable forecast transactions in foreign currencies <sup>3</sup>	12,000	28,000	18,000	DV
Less: Currency forwards <sup>3</sup>	-	(25,000)	(15,000)	
<b>Currency profile including non-financial assets and liabilities<sup>3</sup></b>	<b>119,689</b>	<b>59,276</b>	<b>27,692</b>	
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies<sup>3</sup></b>	<b>2,375</b>	<b>23,774</b>	<b>11,567</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

SFRS(I) 7  
(31, 33)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

<u>Group</u>	<u>SGD</u> \$'000	<u>USD</u> \$'000	<u>RMB</u> \$'000	
<u>At 31 December 2018</u>				
<b>Financial assets</b>				
Cash and cash equivalents	21,395	9,173	4,284	
Financial assets, at FVPL	10,535	3,065	-	
Trade and other receivables	7,717	4,716	4,214	
Intra-group receivables <sup>8</sup>	15,507	5,351	2,310	
Financial assets, at FVOCI	11,438	2,014	-	
Other investments at amortised cost	2,403	-	-	
	<u>68,995</u>	<u>24,319</u>	<u>10,808</u>	
<b>Financial liabilities</b>				
Borrowings	(80,426)	(17,245)	(9,142)	
Intra-group payables <sup>8</sup>	(15,507)	(5,351)	(2,310)	
Trade and other payables <sup>9</sup>	(7,391)	(2,313)	(1,411)	
	<u>(103,324)</u>	<u>(24,909)</u>	<u>(12,863)</u>	
<b>Net financial liabilities</b>	<u>(34,329)</u>	<u>(590)</u>	<u>(2,055)</u>	
Add: Net non-financial assets of foreign subsidiaries	124,345	24,344	13,523	DV
Add: Contract assets	2,471	-	-	DV
Add: Firm commitments and highly probable forecast transactions in foreign currencies <sup>3</sup>	6,000	10,123	2,444	DV
Less: Currency forwards <sup>3</sup>	(4,000)	(10,040)	(2,540)	
<b>Currency profile including non-financial assets and liabilities<sup>3</sup></b>	<u>94,487</u>	<u>23,837</u>	<u>11,372</u>	
<b>Currency exposure of financial assets net of those denominated in the respective entities' functional currencies<sup>3</sup></b>	<u>1,095</u>	<u>10,517</u>	<u>5,094</u>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

The Company's currency exposure based on the information provided to key management is as follows:

SFRS(I) 7  
(31, 34(a), (c))

<u>Company</u>	<b>31 December 2019</b>		<b>31 December 2018</b>	
	<b>SGD \$'000</b>	<b>USD \$'000</b>	<b>SGD \$'000</b>	<b>USD \$'000</b>
<b>Financial assets</b>				
Cash and cash equivalents	<b>17,216</b>	<b>2,130</b>	15,446	1,400
Trade and other receivables	<b>10,561</b>	-	8,953	-
Financial assets, at FVOCI	<b>1,615</b>	-	1,600	-
	<b>29,392</b>	<b>2,130</b>	25,999	1,400
<b>Financial liabilities</b>				
Borrowings	<b>(80,816)</b>	-	(80,426)	-
Trade and other payables	<b>(831)</b>	<b>(120)</b>	(728)	(120)
	<b>(81,647)</b>	<b>(120)</b>	(81,154)	(120)
<b>Net financial (liabilities)/assets</b>	<b>(52,255)</b>	<b>2,010</b>	(55,155)	1,280
Add: Net non-financial assets	<b>104,520</b>	<b>9,517</b>	100,070	3,790
Add: Firm commitments	-	-	-	3,100
Less: Currency forwards	-	-	-	(2,100)
<b>Currency profile including non-financial assets and liabilities</b>	<b>52,265</b>	<b>11,527</b>	44,915	6,070
<b>Currency exposure of financial assets</b>	-	<b>2,010</b>	-	2,280

DV



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Currency risk (continued)

If the USD and RMB change against the SGD by 4% (2018: 6%) and 3% (2018: 6%)<sup>5-7</sup> respectively with all other variables including tax rate being held constant, the effects arising from the net financial liability/asset (excluding equity instruments) that are exposed to currency risk will be as follows<sup>4</sup>:

SFRS(I) 7  
(40, B24)

	<div style="display: flex; align-items: center; justify-content: center;"> <span style="margin-right: 10px;">←</span> <span style="margin-right: 10px;">Increase/(Decrease)</span> <span style="margin-left: 10px;">→</span> </div>			
	31 December 2019		31 December 2018	
	Profit after tax \$'000	Other Compre- hensive Income \$'000	Profit after tax \$'000	Other Compre- hensive Income \$'000
<u>Group</u>				
USD against SGD				
- Strengthened	789	253	616	83
- Weakened	<u>(789)</u>	<u>(253)</u>	<u>(616)</u>	<u>(83)</u>
RMB against SGD				
- Strengthened	288	170	77	34
- Weakened	<u>(288)</u>	<u>(170)</u>	<u>(77)</u>	<u>(34)</u>
<u>Company</u>				
USD against SGD				
- Strengthened	67	-	113	-
- Weakened	<u>(67)</u>	<u>-</u>	<u>(113)</u>	<u>-</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – currency risk

#### Qualitative disclosures on currency risk

1. The publication illustrates some disclosures that may be required for financial risk management. The matters and level of detail to be disclosed depend on the circumstances and the extent of financial risks faced by the entity.

SFRS(I) 7 (7)

#### Qualitative disclosures on currency risk – based on management information

2. A reporting entity shall disclose summary quantitative data about its exposure to currency risk at the reporting date. This disclosure shall be based on the information provided internally to key management personnel.

SFRS(I) 7  
(34(a))

#### Quantitative disclosures on currency risk – factors considered

3. SFRS(I) 7 is not prescriptive in the presentation format of these quantitative disclosures. This publication illustrates the disclosure where management has monitored the entity's currency risk exposure, taking into consideration (a) financial assets/liabilities denominated in the respective entities' functional currencies; (b) firm commitments and highly probable forecast transactions in foreign currencies; (c) the effects of currency forwards used for hedges and held for trading; (d) net non-financial assets of foreign subsidiaries; and (e) contract assets recognised in accordance with SFRS(I) 15. These are summed up in the line item *"Currency profile including non-financial assets and liabilities"*. If management monitors the entity's currency risk exposure using other basis, line items should be replaced as appropriate.

The line item *"Currency exposure of financial assets/(liabilities) net of those denominated in the respective entities' functional currencies"* measures the currency exposure under the scope of SFRS(I) 7 and is used as a basis for computing the currency sensitivity analysis required by SFRS(I) 7. The line item excludes equity investments denominated in foreign currencies. Financial risk on these instruments, including the foreign currency element is combined in the price risk of the instrument. This may not coincide with the currency exposure monitored by management. Disclosure of this line item is not mandated by SFRS(I) 7.

#### Sensitivity analysis for currency risk

4. An entity shall provide sensitivity analysis for the whole of its business but may provide different types of sensitivity analysis for different classes of financial instruments. A sensitivity analysis shall be disclosed for each currency to which an entity has significant exposure. In this publication, the entity has significant exposure to two major currencies, namely USD and RMB.

SFRS(I) 7  
(B21)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – currency risk (continued)

#### Sensitivity analysis – reasonably possible change

5. In determining what a reasonably possible change in the relevant risk variables is, an entity shall consider:
  - a. the economic environments in which it operates. This shall not include remote or "worst case" scenarios or "stress test"; and
  - b. the effects of changes reasonably possible over the period until the entity next presents these disclosures (usually the next annual reporting period).

SFRS(I) 7  
(B19)

#### Sensitivity analysis – prior year disclosures

6. In the event that the reasonably possible change in the risk variables changes, the prior year disclosures should not be restated. However, the entity can present as additional information the sensitivity information for the comparative financial year using the new percentage for the current financial year.

SFRS(I) 7  
(IG36)

#### Sensitivity analysis – narrative text or tabular format

7. Instead of using a tabular format, the entity may use a narrative description as follows:

##### *Currency risk – Sensitivity analysis*

At 31 December 2019, if the USD had strengthened/weakened by [ ]% (2018: [ ]%) against the SGD with all other variables including tax rate being held constant, the other comprehensive income of the Group and the Company would have been higher/lower by \$[ ] (2018: \$[ ]) and \$[ ] (2018: \$[ ]) respectively as a result of currency translation gains/losses on securities classified as FVOCI. The profit after tax of the Group and the Company would have been higher/lower by \$[ ] (2018: \$[ ]) and \$[ ] (2018: \$[ ]), as a result of currency translation gains/losses on the remaining USD denominated financial instruments....."

Where the impact to profit after tax and/or other comprehensive income is different even though the exchange rates may have strengthened or weakened by the same percentage, the tabular format disclosure will likely be more useful. If the reporting entity holds option-based financial instruments, the upside and downside impacts may also be different.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – currency risk (continued)

#### Foreign currency intercompany receivables and payables

8. Foreign currency intercompany receivables and payables that do not form part of the net investment in a foreign operation should be included in the sensitivity analysis for foreign exchange risk. This is because even though intercompany receivables and payables are eliminated in the consolidated balance sheet, the effect on the profit or loss from their foreign currency translation under SFRS(I) 1-21 is not fully eliminated.

#### Accruals and provisions

9. Accruals that represent a right to receive cash or an obligation to deliver cash are included in the scope of SFRS(I) 7. An example is an accrual for services obtained, but for which an invoice has not been received.

SFRS(I) 1-32  
AG4

Similarly, a prepaid expense or an advance payment received for which the future economic benefit is the receipt of goods and services and is not a financial instrument would be excluded from the scope of SFRS(I) 7.

SFRS(I) 1-32  
AG11

#### Disclosures at reporting date need to be representative for the period

10. If the quantitative data disclosed as at the reporting date is unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative. For example, if an entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose a graph that shows the exposure at various times during the period, or disclose the highest, lowest and average exposures.

SFRS(I) 7  
(35, IG20)

Similarly, when the sensitivity analyses disclosed are unrepresentative of a risk inherent in a financial instrument (e.g. because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analyses are unrepresentative.

SFRS(I) 7 (42)  
SFRS(I) 7  
(IG37-40)

#### Changes in financial risk management/exposure from the previous period

11. An entity needs to disclose if there are changes in the following from the previous period:

SFRS(I) 7 (33)

- a. the exposures to risk and how they arise;
- b. the entity's objectives, policies and processes for managing the risk and the methods used to measure the risk.

For instance, if there has been a change in the entity's hedging policy, this should be disclosed accordingly.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (a) Market risk (continued)

#### (ii) Equity price risk

The Group is exposed to equity securities price risk arising from the investments held by the Group which are classified either as financial assets, at FVOCI or at FVPL. These securities are listed in Singapore and the United States. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

SFRS(I) 7  
(33(a), (b))

If prices for equity securities listed in Singapore and the United States had changed by 12% (2018: 15%) and 10% (2018: 14%) respectively with all other variables including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

SFRS(I) 7  
(40, B25-28)

	Increase/(Decrease) <sup>1</sup>			
	31 December 2019		31 December 2018	
	Profit after tax	Other compre- hensive income	Profit after tax	Other compre- hensive income
	\$'000	\$'000	\$'000	\$'000
<u>Group</u>				
Listed in Singapore				
- increased by	840	189	1,296	903
- decreased by	(840)	(189)	(1,296)	(903)
Listed in the United States				
- increased by	335	229	367	235
- decreased by	(335)	(229)	(367)	(235)
<u>Company</u>				
Listed in Singapore				
- increased by	-	161	-	168
- decreased by	-	(161)	-	(168)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income is substantially independent of changes in market interest rates.

SFRS(I) 7  
(33(a))

The Group's policy is to maintain 80 – 90% of its borrowings in fixed rate instruments. The Group's exposure to cash flow interest rate risks arises mainly from non-current variable-rate borrowings. The Company's exposure to cash flow interest rate risks arises mainly from non-current borrowings and loans to subsidiaries at variable rates. The Group manages these cash flow interest rate risks using floating-to-fixed interest rate swaps.

SFRS(I) 7  
(33(b))

The Group enters into interest rate swaps with the same critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding amount of the borrowings. As all critical terms matched during the year, the economic relationship was 100% effective.

SFRS(I) 7  
(22A, 22B)

#### *Hedge effectiveness*

Hedge effectiveness is determined at the inception of the hedging relationship, and through periodic prospective effective assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

The Group enters into hedge relationships where the critical terms of the hedging instrument match exactly with the terms of the hedged item, and so a qualitative assessment of effectiveness is performed. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness. Hedge ineffectiveness have occurred due to changes in the critical terms of either the interest rate swaps or the borrowings.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (a) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk (continued)

The Group's and the Company's borrowings at variable rates on which effective hedges have not been entered into are denominated mainly in SGD. If the SGD interest rates had been higher/lower by 0.50% (2018: 0.50%) with all other variables including tax rate being held constant, the profit after tax would have been lower/higher by \$185,000 (2018: \$230,000) as a result of higher/lower interest expense on these borrowings. Other comprehensive income would have been higher/lower by \$97,000 (2018: \$152,000) mainly as a result of higher/lower fair value of interest rate swaps designated as cash flow hedges of variable rate borrowings. SFRS(I) 7 (40)

### Guidance notes

#### Financial risk management – price risk

#### Sensitivity analysis for equity price risk – unquoted equity investments

1. Sensitivity analysis for equity price risk is applicable even if the equity investment is not quoted.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk<sup>1,2,8</sup>

SFRS(I) 7  
(33(a), (b))

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing only with:

- Customers of appropriate credit standing and history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk; and
- High credit quality counterparties of at least an 'A' rating by external credit rating companies.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the Head of Credit Control based on ongoing credit evaluation. The counterparty's payment pattern and credit exposure are continuously monitored at the entity level by the respective management and at the Group level by the Head of Credit Control.

Sales to retail customers are required to be settled in cash or using major credit cards, mitigating credit risk. There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

For derivative financial instruments, management has established limits so that, at any time, less than 10% of the fair value of favourable contracts outstanding are with any individual counterparty.

The credit ratings of the investments are monitored for credit deterioration.

For lease receivables, management has performed credit evaluation before entering into the sublease of the office space to the tenant. The Group adopts the policy of dealing only with reputable companies with high credit quality.



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

(b) Credit risk (continued)

As the Group and the Company do not hold collateral<sup>3,4</sup>, the maximum exposure to credit risk to each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

SFRS(I) 7  
(35K(a),36)

	<u>Company</u>	
	31 December	
	2019	2018
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' loans	<b>16,000</b>	16,000

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk (continued)

The movements in credit loss allowance are as follows<sup>5</sup>:

Group	Trade receivables \$'000	Contract assets \$'000	Other investments at amortised cost Stage 1 \$'000	Stage 2 \$'000	Stage 3 \$'000	Debt instruments at FVOCI Stage 1 \$'000	Total \$'000	
<b>2019</b>								
<b>Balance at 1 January 2019</b>	735	29	30	-	-	8	802	
Transfer to Stage 2	-	-	(15)	15	-	-	-	SFRS(I) 7
Transfer to Stage 3	-	-	(5)	-	5	-	-	(35I)(d)
Loss allowance recognised in profit or loss during the year on:								
- Asset acquired/originated	1,037	41	52	-	-	5	1,135	
- Reversal of unutilised amount	(647)	(31)	-	-	-	(8)	(686)	
- Changes in credit risk	-	-	-	286	115	-	401	
	390	10	52	286	115	(3)	850	
Written off <sup>ff</sup>	(231)	-	-	-	(30)	-	(261)	SFRS(I) 7 (35I)(c)
<b>Balance at 31 December 2019</b>	894	39	62	301	90	5	1,391	
<b>2018</b>								
<b>Balance at 1 January 2018</b>	733	24	7	-	-	*	764	
Loss allowance recognised in profit or loss during the year on:								
- Asset acquired/originated	745	29	2	-	-	-	776	
- Reversal of unutilised amount	(515)	(24)	(2)	-	-	-	(541)	
- Changes in credit risk	-	-	23	-	-	8	31	
	230	5	23	-	-	8	266	
Written off <sup>ff</sup>	(228)	-	-	-	-	-	(228)	SFRS(I) 7 (35I)(c)
<b>Balance 31 December 2018</b>	735	29	30	-	-	8	802	

\* Amount less than \$1,000

<sup>ff</sup> Trade receivables with a contractual amount of \$150,000 (2018: \$180,000) written off during the period are still subject to enforcement activities.

SFRS(I) 7 (35L)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk (continued)

Company	Trade receivables \$'000	
<b>2019</b>		
<b>Balances at 1 January 2019</b>	266	
Loss allowance recognised in profit or loss during the year on:		
- Asset acquired/originated	321	SFRS(I) 7
- Reversal of unutilised amount	(290)	(35I(a),(c))
	31	
<b>Balances at 31 December 2019</b>	<b>297</b>	
<b>2018</b>		
<b>Balance at 1 January 2018</b>	311	
Loss allowance recognised in profit or loss during the year on:		
- Asset acquired/originated	266	SFRS(I) 7
- Reversal of unutilised amount	(311)	(35I(a),(c))
	(45)	
<b>Balance at 31 December 2018</b>	<b>266</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

SFRS(I) 9  
(B5.5.35)

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work in progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

SFRS(I) 7  
(35F(c))

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) and the unemployment rate of the countries in which it sells goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

SFRS(I) 7  
(35G)

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial asset as default if the counterparty fails to make contractual payments within 90 days when they fall due, and writes off the financial asset when a debtor fails to make contractual payments greater than 120 days past due. Where receivables are written off, the company continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

SFRS(I) 7  
(35F(b))  
SFRS(I) 7  
(35F(e))

Notes to the Financial Statements

For the financial year ended 31 December 2019

43. Financial risk management (continued)

(b) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

As at 31 December 2019, management has identified a group debtors from wholesale of furniture and electronic equipments to be credit impaired as they experienced significant financial difficulties. Hence, management has assessed the recoverability of the outstanding balances separately from the provision matrix above.

DV

Group	2019 \$'000
Gross carrying amount	128
Less: loss allowance	(128)
Carrying amount net of allowance	-

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure<sup>5,6</sup> in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2019 are set out in the provision matrix as follows:

SFRS(I) 7  
(35M)(b)(iii)  
35N)

<div>← Past due →</div>							SFRS(I) 7 (35N)
<u>Group</u>	Current \$'000	Within 30 days \$'000	30 to 60 days \$'000	60 to 90 days \$'000	More than 90 days \$'000	Total \$'000	SFRS(I) 7 (IG20D)
<b>Wholesale of furniture and electronic equipment</b>							
Expected loss rate	0.70%	2.10%	5.30%	14.20%	21.80%		
Trade receivables	3,846	2,258	1,327	1,211	251	8,893	
Loss allowance	27	47	70	172	55	371	
<b>Construction of specialised equipment</b>							
Expected loss rate	1.31%	2.32%	4.70%	8.20%	15.10%		
Contract assets	2,978	-	-	-	-	2,978	
Trade receivables	2,677	2,279	1,452	893	517	7,818	
Loss allowance	74	53	68	73	78	346	
<b>Logistics services</b>							
Expected loss rate	2.40%	4.70%	7.12%	11.00%	15.00%		
Trade receivables	862	478	311	110	72	1,833	
Loss allowance	21	22	22	12	11	88	
<b><u>Company</u></b>							
<b>Wholesale of furniture and electronic equipment</b>							
Expected loss rate	0.70%	2.10%	4.80%	9.20%	12.40%		
Trade receivables	1,117	1,649	1,447	1,291	533	6,037	
Loss allowance	8	35	69	119	66	297	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk (continued)

#### (i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure<sup>5,6</sup> in relation to trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provision matrix as follows:

SFRS(I) 7  
(35M(b)(iii))  
35N)

← Past due →						
<u>Group</u>	Current \$'000	Within 30 days \$'000	30 to 60 days \$'000	60 to 90 days \$'000	More than 90 days \$'000	Total \$'000
<b>Wholesale of furniture and electronic equipment</b>						
Expected loss rate	0.50%	2.00%	6.00%	15.00%	20.00%	
Trade receivables	3,588	2,015	1,351	1,356	678	8,988
Loss allowance	18	40	81	203	136	478
<b>Construction of specialised equipment</b>						
Expected loss rate	1.15%	2.00%	4.00%	6.00%	12.00%	
Contract assets	2,500	-	-	-	-	2,500
Trade receivables	2,352	1,850	1,023	689	356	6,270
Loss allowance	56	37	41	41	43	218
<b>Logistics services</b>						
Expected loss rate	2.30%	4.60%	6.90%	10.40%	15.00%	
Trade receivables	687	417	315	102	-	1,521
Loss allowance	16	19	22	11	-	68
<b>Company</b>						
<b>Wholesale of furniture and electronic equipment</b>						
Expected loss rate	0.40%	1.50%	4.50%	8.50%	10.80%	
Trade receivables	1,270	1,524	1,372	1,029	824	6,019
Loss allowance	5	23	62	87	89	266

SFRS(I) 7  
(35N)  
SFRS(I) 7  
(IG20D)

#### (ii) Finance lease receivables

Lease receivables of \$10,511,000 (2018: \$200,000) are subject to immaterial credit loss as the Group entered into lease arrangements with reputable companies with high credit ratings and there is no history of default.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk (continued)

#### (iii) Debt instruments at FVOCI and other investments at amortised cost

Debt instruments at FVOCI and other investments at amortised cost amounting to \$530,000 (2018: \$4,102,000) and \$1,500,000 (2018: \$2,410,000) respectively are considered as “low credit risk” because:

SFRS(I) 7  
(35F(a)(i))

- Listed notes are of investment grade credit rating with at least one major rating agency.
- Unlisted notes have low risk of default as the issuer has a strong capacity to meet the contractual cash flow obligations in the near term.

Hence, the loss allowance recognised on these assets are measured at the 12-month expected credit losses.

#### Credit risk exposure and significant credit risk concentration

The Group and Company uses the following categories of internal credit risk rating for its investment in unlisted notes. The internal credit ratings have been mapped to external credit ratings determined by credit rating agencies such as Standard & Poor, Moody's and Fitch, so as to determine the appropriate expected credit loss rates.

SFRS(I) 7  
(35M,35N)

Category of internal credit rating	Performing	Under-performing	Non-performing	Write-off
Definition of category	Issuers have a low risk of default and a strong capacity to meet contractual cash flows	Issuers for which there is a significant increase in credit risk; significant increase in credit risk is presumed if interest and/or principal repayment are 30 days past due	Interest and/or principal payments are 90 days past due	Interest and/or principal repayments are 120 days past due and there is no reasonable expectation of recovery
Basis of recognition of expected credit loss	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses	Asset is written off

SFRS(I) 7  
(35F(b), (d), (e), 35G(a))



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (b) Credit risk (continued)

#### (iii) Financial assets, at FVOCI and other investments at amortised cost (continued)

The gross carrying amount of financial assets, at FVOCI and other investments at amortised cost by credit rating are disclosed in the table below:

SFRS(I) 7  
(35M)

	Debt instruments at FVOCI	Other investments at amortised cost		
<b>Group</b>				
<b>2019</b>				
<u>Credit rating</u>	<u>Stage 1</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AAA	530	-	-	-
AA	-	1,500	-	-
BB	-	-	982	-
B	-	-	821	-
D	-	-	-	647
<b>Total</b>	<b>530</b>	<b>1,500</b>	<b>1,803</b>	<b>647</b>

	Debt instruments at FVOCI	Other investments at amortised cost		
<b>Group</b>				
<b>2018</b>				
<u>Credit rating</u>	<u>Stage 1</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
AAA	4,102	-	-	-
AA	-	288	-	-
A	-	2,145	-	-
<b>Total</b>	<b>4,102</b>	<b>2,433</b>	<b>-</b>	<b>-</b>

## Notes to the Financial Statements

For the financial year ended 31 December 2019

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### 43. Financial risk management (continued)

(b) Credit risk (continued)

(iv) Cash and cash equivalents

The Group and the Company held cash and cash equivalents of \$94,777,000 and \$19,346,000 respectively (2018: \$37,098,000 and \$17,278,000) with banks which are rated AAA and AA+ based on Standard & Poor and consider to have low credit risk. The cash balances are measured on 12-month expected credit losses and subject to immaterial credit loss.

(v) Loan to associates

The Group monitors the credit risk of the associates based on the past due information to assess if there is any significant increase in credit risk. The associates has made interest payment on a timely basis and considered to have low risk of default. The loan balances of \$2,456,000 (2018:\$1,440,000) is measured on 12-month expected credit losses. The credit loss is immaterial.

(vi) Loan to subsidiaries

The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual obligation of \$4,693,000 (2018: \$3,032,000) and considered to have low credit risk. The loans are measured on 12-month expected credit losses and subject to immaterial credit loss.

(vii) Financial guarantee contracts

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – credit risk

#### Class versus category of financial instrument

1. An entity is required to make certain credit risk disclosures by class of financial instruments. A 'class' of financial instruments is not the same as a 'category' of financial instruments.

SFRS(I) 7(6)

Categories are defined in SFRS(I) 9 as:

- a. financial assets, at FVPL
- b. financial liabilities at FVPL
- c. financial assets, at amortised cost
- d. financial liabilities, at amortised cost
- e. financial assets, at FVOCI

Classes are expected to be determined at a level that is lower than the categories in SFRS(I) 9, and reconciled to the balance sheet as required under SFRS(I) 7 paragraph 6. However, the level of detail for each class shall be determined on an entity-specific basis. Items are treated as one class when they share similar characteristics.

#### Level of detail and selection of assumptions – information through the eyes of management

2. The disclosures in relation to the financial risk management of an entity should reflect the information provided internally to key management personnel. As such, the disclosures that will be provided by an entity, their level of detail and the underlying assumptions used will vary greatly from entity to entity. The disclosures in these illustrative financial statements are only one example of the kind of information that may be disclosed. Entities should consider carefully what may be appropriate in its individual circumstances when drafting these disclosures.

SFRS(I) 7  
(35D)

#### Collateral and other credit enhancements

3. An entity shall disclose by class of financial instrument a description of collateral held as security and of other credit enhancements, and their financial effect (e.g., a quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit.

SFRS(I) 7  
(35K(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – credit risk (continued)

#### Collateral and other credit enhancements (continued)

When an entity holds collateral against a financial asset, the maximum exposure to credit risk in respect of that financial asset is likely to be lower than the carrying amount.

When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements, and such assets meet the recognition criteria in other Standards, the following disclosure for such assets held at the reporting date can be considered:

SFRS(I) 7 (38)

*“As at xxx, the Group obtained assets by taking possession of collateral held as security as follows:*

<u>Nature of assets</u>	<u>Carrying amount (\$'000)</u>
Inventories	50
Property, plant and equipment	1,350

*Repossessed items are sold as soon as practicable, with the proceeds used to reduce outstanding receivables. They are presented within “other current assets” on the balance sheet.”*

- If the entity holds collateral (of financial or non-financial assets) which can be sold or repledged, it shall disclose the fair value of collateral held, the fair value of collateral sold or repledged and whether the entity has the obligation to return it, and the terms and conditions associated with its use of the collateral.

SFRS(I) 7 (15)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Credit risk exposure and significant credit risk concentrations

5. An entity is required to disclose, by credit risk rating grades, the gross carrying amounts of financial assets and the exposure to credit risk of loan commitments and financial guarantee contracts. Entities which elect the practical expedient under paragraph 5.5.15 of SFRS(I) 9 to measure the loss allowance of trade receivables, contract assets or lease receivables using a provision matrix may provide the above disclosure based on the provision matrix.
6. The number of credit risk rating grades used to disclose the information in guidance note 5 above shall be consistent with the number that the entity uses to report internally to key management personnel for internal credit risk management purposes. However, if information about credit risk rating grades is not available without undue cost or effort and an entity uses past due information to assess whether credit risk has increased significantly since initial recognition, an entity shall provide an analysis by past due status for those financial assets.

SFRS(I) 7  
(35M)

### Disclosures not illustrated

7. The following have not been illustrated in this publication.

Item	Relevant disclosure requirements
Financial assets with modifications to their contractual cash flows.	SFRS(I) 7 paragraphs 35F(f), 35I(b) and 35J
Purchased or originated financial assets, which are credit impaired.	SFRS(I) 7 paragraphs 35H(c) and 35I

Notes to the Financial Statements

For the financial year ended 31 December 2019

43. Financial risk management (continued)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities (Note 31(c)) to meet obligations when due and the ability to close out market positions at a short notice. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 13.

SFRS(I) 7 (33, 39(c), B11E)

Management monitors rolling forecasts of the liquidity reserve (comprises undrawn borrowing facility (Note 31(c)) and cash and cash equivalents (Note 13)) of the Group and the Company on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these obligations, monitoring liquidity ratios and maintaining debt financing plans.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows<sup>1</sup>. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

SFRS(I) 7 (39(a), (b), B11B)

## Notes to the Financial Statements

For the financial year ended 31 December 2019

### 43. Financial risk management (continued)

#### (c) Liquidity risk (continued)

<u>Group</u>	Less than <u>1 year</u> <sup>7</sup> \$'000	Between 1 and 2 <u>years</u> <sup>7</sup> \$'000	Between 2 and 5 <u>years</u> <sup>7</sup> \$'000	Over <u>5 years</u> <sup>7</sup> \$'000	
<b>At 31 December 2019</b>					
Trade and other payables	(17,610)	(500)	-	-	
Lease liabilities	(11,325)	(9,825)	(18,551)	(1,200)	SFRS(I) 16 (58)
Borrowings (excluding lease liabilities)	(15,418)	(57,915)	(56,085)	-	
<b>At 31 December 2018</b>					
Trade and other payables	(15,543)	(350)	-	-	
Borrowings	(14,028)	(9,967)	(96,361)	(10,543)	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (c) Liquidity risk (continued)

<u>Company</u>	Less than <u>1 year</u> <sup>7</sup> \$'000	Between 1 and 2 <u>years</u> <sup>7</sup> \$'000	Between 2 and 5 <u>years</u> <sup>7</sup> \$'000	Over 5 <u>years</u> <sup>7</sup> \$'000
<b>At 31 December 2019</b>				
Trade and other payables	(831)	-	-	-
Borrowings	(8,682)	(56,950)	(33,900)	-
Financial guarantee contracts	(16,000)	-	-	-
<b>At 31 December 2018</b>				
Trade and other payables	(728)	-	-	-
Borrowings	(6,377)	(4,450)	(84,450)	-
Financial guarantee contracts	(16,000)	-	-	-

SFRS(I) 7  
(B11C(c))

The Group intends to repay \$1,200,000 in the first quarter of 2020 for borrowings that are contractually repayable between two to five years<sup>6</sup>.

SFRS(I) 7  
(B10A(a))

The table below analyses the derivative financial instruments of the Group and the Company for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

SFRS(I) 7  
(39(b))



**Notes to the Financial Statements**

For the financial year ended 31 December 2019

**43. Financial risk management (continued)**

## (c) Liquidity risk (continued)

<u>Group</u>	Less than <u>1 year</u> <sup>7</sup> \$'000	Between <u>1 and</u> <u>2 years</u> <sup>7</sup> \$'000	Between <u>2 and</u> <u>5 years</u> <sup>7</sup> \$'000	Over <u>5 years</u> <sup>7</sup> \$'000
<b>At 31 December 2019</b>				
Net-settled interest rate swaps – cash flow hedges <sup>5</sup>				
- Net cash outflows	162	213	-	-
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	25,000	-	-	-
- Payments	(23,520)	-	-	-
<b>At 31 December 2018</b>				
Net-settled interest rate swaps – cash flow hedges <sup>5</sup>				
- Net cash outflows	124	236	-	-
Gross-settled currency forwards – cash flow hedges and fair value hedges				
- Receipts	10,110	-	-	-
- Payments	(8,713)	-	-	-
<u>Company</u>				
<b>At 31 December 2018</b>				
Gross-settled currency forwards – fair value hedges				
- Receipts	1,320	-	-	-
- Payments	(1,090)	-	-	-

The Company does not hold derivatives for hedging in 2019.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (c) Liquidity risk (continued)

The table below analyses the cash flows of derivative financial instruments that are not essential for an understanding of the timing of the cash flows. The cash flows of the instruments are grouped into relevant maturity groupings based on the expected settlement date of the cash flows from the balance sheet date.

SFRS(I) 7  
(39)(b)

<u>Group</u>	<u>Less than 1 year<sup>7</sup></u>	<u>Between 1 and 2 years<sup>7</sup></u>	<u>Between 2 and 5 years<sup>7</sup></u>	<u>Over 5 years<sup>7</sup></u>
<b>At 31 December 2019</b>				
Net settled currency forwards				
- Held for trading	(2,079)	-	-	-
<b>At 31 December 2018</b>				
Net settled currency forwards				
- Held for trading	(610)	-	-	-
<b>Company</b>				
<b>At 31 December 2019</b>				
Net settled currency forwards				
- Held for trading	150	-	-	-

The Company does not hold derivatives for trading in 2018.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – liquidity risk

#### Contractual undiscounted cash flows

1. Irrespective of whether they are reported to key management, a maturity analysis should be disclosed for:
  - a. the non-derivative financial liabilities (including issued financial guarantee contracts) that show the remaining contractual maturities; and
  - b. derivative financial liabilities that include the remaining contractual maturities for those derivative financial liabilities for which contractual maturities are essential for an understanding of the timing of the cash flows.

SFRS(I) 7  
(39(a), (b))

For derivative financial liabilities, it is judgemental as to whether the remaining contractual maturities would be essential for an understanding of the timing of the cash flows. SFRS(I) 7 specifies that contractual maturities would be essential in the following situations:

SFRS(I) 7  
(B11B)

- a. an interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability; and
- b. all loan commitments.

It should be noted that some derivatives may entail a series of periodic payments, and some of these payments may be due within 12 months, although the entire derivative may be classified as non-current on the balance sheet as the final maturity of the derivative instrument exceeds.

2. The amounts disclosed in the maturity analysis are contractual undiscounted cash flows of financial liabilities only, e.g.:
  - (a) gross lease liabilities (before deducting finance charges);
  - (b) prices specified in forward agreements to purchase financial assets for cash;
  - (c) net amounts for pay-floating/receive-fixed (or vice versa) interest rate swaps for which net cash flows are exchanged;
  - (d) contractual amounts to be exchanged in a derivative financial instrument (e.g., a currency swap) for which gross cash flows are exchanged; and
  - (e) gross loan commitments.

SFRS(I) 7  
(B11D)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – liquidity risk (continued)

#### Contractual undiscounted cash flows (continued)

3. Contractual cash flows are undiscounted and therefore differ from the carrying amount on the balance sheet by the amount of interest accruing between the balance sheet date and the maturity date. This difference is not expected to be material for balances due within 12 months given the short period of interest accrual. Entities can choose to add a column with the carrying amount that ties into the balance sheet and a reconciling amount column if they so wish, but this is not mandatory.
4. All financial liabilities must be included in the maturity analysis. The analysis should generally be based on contractual maturities. However, for derivative financial liabilities the standard provides entities with a choice to base the maturity grouping on expected rather than contractual maturities, provided the contractual maturities are not essential for an understanding of the timing of the cash flows.

SFRS(I) 7  
(B11B)

#### Variable amount payable

5. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

SFRS(I) 7  
(B11D)

#### Expected maturity dates

6. An entity should disclose summary quantitative data about its exposure to liquidity risk based on the information provided internally to key management personnel. If the outflows of cash (or another financial asset) included in that data could occur significantly earlier than indicated in the data or be significantly different in the data disclosed above, the entity should state this fact and provide quantitative information that enables this risk to be assessed.

SFRS(I) 7  
(B10A)

#### Time buckets

7. In preparing the maturity analysis, an entity uses its judgement to determine an appropriate number of time buckets. SFRS(I) 7 prescribes that:
  - (a) When a counterparty has a choice of when an amount is to be paid, the liability is included on the basis of the earliest date on which the reporting entity can be required to pay.
  - (b) When an entity is committed to make amounts available in instalments, each instalment is allocated to the earliest period in which the entity can be required to pay.
  - (c) For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

SFRS(I) 7  
(B11, B11C)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (d) Capital risk

The Group's objectives when managing capital<sup>3</sup> are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payments, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

SFRS(I) 1-1  
(134 – 136)

Management monitors capital based on a gearing ratio<sup>1</sup>. The Group and the Company are also required under the terms of its major borrowing facilities to maintain a gearing ratio of not exceeding 70% (2018: 70%). The Group's and the Company's strategies, which were unchanged from 2018, are to maintain gearing ratios within 20% to 50% and 50% to 70% respectively.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as total equity plus net debt.

	<u>Group</u>		<u>Company</u>	
	<b>31 December</b>		<b>31 December</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net debt	<b>66,390</b>	89,173	<b>62,421</b>	63,996
Total equity	<b>208,786</b>	166,154	<b>59,772</b>	44,915
Total capital	<b>275,176</b>	255,327	<b>122,193</b>	108,911
<b>Gearing ratio</b>	<b>24%</b>	35%	<b>51%</b>	59%

The Group and the Company are in compliance with all externally imposed capital requirements<sup>2</sup> for the financial years ended 31 December 2018 and 2019.

SFRS(I) 1-1  
(135(d))

Following the adoption of SFRS(I) 16, the net debt to equity ratio of the Group increased from 35% on 31 December 2018 to 45% on 1 January 2019.

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# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – Capital risk

1. This publication illustrates the capital risk disclosure for a reporting entity that monitors its capital using a gearing ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in the light of its circumstances, which measures are more suitable to monitor its capital and how much detail it should disclose. For instance, some entities may monitor capital based on Return on Capital Employed, Economic Value Added, or dividend payout ratio.
2. An entity may be subject to a number of different capital requirements. For example, a conglomerate may include entities that undertake insurance activities and banking activities and those entities may also operate in several jurisdictions. When an aggregate disclosure will not provide useful information, the entity shall disclose separate information for each capital requirement to which the entity is subject.
3. The word “capital” denotes the company’s overall funding; it does not mean “equity capital”. Entities must describe what they manage as capital based on the type of information that is provided internally to the key management personnel.

SFRS(I) 1-1  
IG10

SFRS(I) 1-1  
(136)

SFRS(I) 1-1  
(135)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (e) Fair value measurements

The table below presents assets and liabilities recognised and measured at fair value and classified by level of the following fair value measurement hierarchy:

- |  |                    |
|--|--------------------|
| (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);  | SFRS(I) 13<br>(76) |
| (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and | SFRS(I) 13<br>(81) |
| (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).  | SFRS(I) 13<br>(86) |

Fair value measurement disclosure of other assets that are recognised or measured at fair value, can be found at Note 11, Note 25 and Note 26.

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>	SFRS(I) 13 (93(b))
\$'000	\$'000	\$'000	\$'000	\$'000	
<b>31 December 2019</b>					
<b>Assets</b>					
Financial assets, at FVPL	11,800	600	2,350	14,750	
Derivative financial instruments	-	2,798	158	2,956	
Financial assets, at FVOCI	4,200	-	525	4,725	
<b>Liabilities</b>					
Contingent consideration payable	-	-	500	500	
Derivative financial instruments	-	3,090	-	3,090	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (e) Fair value measurements (continued)

<u>Group</u>	<u>Level 1</u> \$'000	<u>Level 2</u> \$'000	<u>Level 3</u> \$'000	<u>Total</u> \$'000	SFRS(I) 13 (93(b))
<b>31 December 2018</b>					
<i>Assets</i>					
Financial assets, at FVPL	11,300	-	2,300	13,600	
Derivative financial instruments	-	2,045	117	2,162	
Financial assets, at FVOCI	9,358	-	4,094	13,452	
<i>Liabilities</i>					
Contingent consideration payable	-	-	350	350	
Derivative financial instruments	-	1,376	-	1,376	
<b>31 December 2019</b>					
<i>Assets</i>					
Derivatives financial instruments	-	150	-	150	
Financial assets, at FVOCI	1,615	-	-	1,615	
<b>31 December 2018</b>					
<i>Assets</i>					
Derivatives financial instruments	-	211	-	211	
Financial assets, at FVOCI	1,600	-	-	1,600	

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of the reporting period.

SFRS(I) 13  
(95)

There were no transfers between Levels 1 and 2 during the year.

SFRS(I) 13  
(93(c))

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

SFRS(I) 13  
(91(a), (93(d)))



## Notes to the Financial Statements

For the financial year ended 31 December 2019

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### 43. Financial risk management (continued)

#### (e) Fair value measurements (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves. The fair value of forward foreign exchange contracts is determined using quoted forward currency rates at the balance sheet date. These investments are classified as Level 2 and comprise debt investments and derivative financial instruments. In infrequent circumstances, where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are classified as Level 3.

The fair values of current financial assets and liabilities carried at amortised cost approximate their carrying amounts.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (e) Fair value measurements (continued)

The following table presents the changes in Level 3 instruments:

SFRS(I) 13  
(93(e))

	Interest rate <u>swaps</u>	Unlisted debt <u>instruments</u>	Mandatorily redeemable preference <u>shares</u>	Contingent consideration <u>p payable</u>	
<b>2019</b>	\$'000	\$'000	\$'000	\$'000	
Beginning of financial year	117	4,094	2,300	(350)	
Purchases	-	500	-	-	SFRS (I) 13 (93(e)(iii))
Disposal	-	(4,633)	-	-	SFRS (I) 13 (93(e)(iii))
Fair value gain/(losses) recognised in					
- other comprehensive income (line item: fair value gains/losses – debt instruments)	-	564	-	-	SFRS (I) 13 (93(e)(ii))
- profit or loss (line item: other gains and losses)	41	-	50	(150)	SFRS (I) 13 (93(e)(i))
End of financial year	158	525	2,350	(500)	
Total unrealised gains/(losses) for the period included in profit or loss for assets and liabilities held at the end of the financial year (Note (a))	20	-	50	(150)	SFRS(I) 13 (93(f))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (e) Fair value measurements (continued)

2018	Interest rate <u>swaps</u> \$'000	Unlisted debt <u>instruments</u> \$'000	Mandatorily redeemable preference <u>shares</u> \$'000	Contingent consideration <u>payable</u> \$'000	
Beginning of financial year	41	4,237	1,110	(350)	
Transfer from level 2	70	-	-	-	SFRS(I) 13 (93(e)(iv))
Fair value (losses)/gains recognised in					
- other comprehensive income (line item: fair value losses – debt instruments)	-	(143)	-	-	SFRS (I) 13 (93(e)(ii))
- profit or loss (line item: other gains and losses)	6	-	1,190	-	SFRS (I) 13 (93(e)(i))
End of financial year	117	4,094	2,300	(350)	
Total unrealised gains recognised in profit or loss for assets and liabilities held at the end of the financial year (Note (a))	4	-	1,190	-	SFRS(I) 13 (93(f))

(a) The unrealised gains/losses are presented in “other gains/losses” in the statement of comprehensive income.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (e) Fair value measurements (continued)

#### Valuation techniques and inputs used in Level 3 fair value measurements

SFRS(I) 13  
(93(d), 99)

Description	Fair value at 31 December 2019 (\$'000)	Unobservable inputs <sup>(a)</sup>	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Interest rate swaps	158 (2018: 117)	Credit default rate	24% (2018: 25%)	The higher the credit default rate, the lower the fair value.
Unlisted debt instruments	525 (2018: 4,094)	Credit default rate	14% (2018: 15%)	The higher the credit default rate, the lower the fair value.
		Risk-adjusted discount rate	10% - 11% (2018: 9% - 11%)	The higher the discount rate, the lower the fair value.
Mandatorily redeemable preference shares	2,350 (2018: 2,300)	Risk-adjusted discount rate	9% - 12% (2018: 10% - 13%)	The higher the discount rate, the lower the fair value.
Contingent consideration payable	500 (2018: 350)	Risk-adjusted discount rate	13% (2018: 14%)	The higher the discount rate, the lower the fair value.
		Estimated cumulative net profit	\$5,250,000 to \$6,500,000 2018: \$5,000,000 to \$6,250,000)	The higher the estimated cumulative net profit, the higher the fair value.

<sup>(a)</sup> There were no significant inter-relationship between unobservable inputs.

The Level 3 financial instruments were valued using discounted cash flow analysis.

There were no transfers between Levels 2 and 3 during the year. During the financial year ended 31 December 2018, the Group transferred a forward foreign exchange contract from Level 2 to Level 3. The counterparty encountered significant financial difficulties, which resulted in an increase in the credit risk specific to the counterparty.

SFRS(I) 13  
(93(e)(iv))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – Fair value measurements

#### Classes of assets and liabilities

SFRS(I) 13  
(94)

1. The disclosures in SFRS(I) 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering:
  - (a) the nature, characteristics and risks of the asset or liability, and
  - (b) the level of the fair value hierarchy within which the fair value measurement is categorised
2. A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet.

SFRS(I) 13  
(94)

#### Sensitivity analysis

3. For fair value measurements in Level 3, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, that fact shall be stated and the effect of these changes disclosed. Significance shall be judged with respect to profit or loss, total assets or liabilities or total equity.

SFRS(I) 13  
(93(h)(ii))

### Financial instruments carried at other than fair value

4. An entity should disclose the fair value for each class of financial assets and financial liabilities (per SFRS(I) 7(6)) in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following:
  - (a) when the carrying amount is a reasonable approximation of fair value for example, for financial instruments such as short-term trade receivables and payables;
  - (b) a contract containing a discretionary participation feature (as described in SFRS(I) 4, 'Insurance contracts') if the fair value of that feature cannot be measured reliably; or
  - (c) for lease liabilities.

SFRS(I) 7  
(25), (29)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Financial risk management – Fair value measurements (continued)

#### Financial instruments carried at other than fair value (continued)

5. A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.
6. The information about the fair values can be provided either in a combined financial instruments note or in the individual notes. However, fair values should be separately disclosed for each class of financial instrument, which means that each line item in the table would have to be broken down into individual classes.
7. For each class of assets and liabilities not measured at fair value in the balance sheet but for which fair value is disclosed, an entity shall disclose the information required as follows:
  - (a) the level of the fair value hierarchy within the fair value measurements are categorised in their entirety level (Level 1, 2 or 3);
  - (b) for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation technique(s) and the inputs used in the fair value measurement. If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reason(s) for making it; and
  - (c) for recurring and non-recurring fair value measurements of non-financial assets, if the highest and best use differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use.

SFRS(I) 13  
(97)

SFRS(I) 13  
(93(b))

SFRS(I) 13  
(93(d))

SFRS(I) 13  
(93(ii))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (f) Financial instruments by category

SFRS(I) 7 (8)

The carrying amount of the different categories of financial instruments are as follows:

	<u>Group</u>	<u>Company</u>
	\$'000	\$'000
<b>31 December 2019</b>		
Financial assets, at FVPL	17,706	150
Financial liabilities, at FVPL	3,590	-
Financial assets, at FVOCI	4,725	1,615
Financial assets, at amortised cost	129,721	29,907
Financial liabilities, at amortised cost <sup>1</sup>	160,667	81,647
<b>31 December 2018</b>		
Financial assets, at FVPL	15,762	211
Financial liabilities, at FVPL	1,726	-
Financial assets, at FVOCI	13,452	1,600
Financial assets, at amortised cost	58,213	26,231
Financial liabilities, at amortised cost <sup>1</sup>	125,921	81,154

### Guidance notes

1. Volume discount and refund liabilities are considered as financial liabilities as they require payments to the customers. PwC Holdings Ltd has determined this to be the case.

However, these should be excluded from financial liabilities if the arrangement is executory.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (g) Offsetting financial assets and financial liabilities

SFRS(I) 7  
(13C)

The Group has the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

<u>Group</u>	<u>Related amounts set off in the balance sheet</u>			<u>Related amounts not set off in the balance sheet<sup>†</sup></u>		
	<u>Gross amounts – financial assets</u>	<u>Gross amounts – financial liabilities</u>	<u>Net amounts – presented in balance sheet</u>	<u>Financial assets/ (liabilities)</u>	<u>Financial collateral received</u>	<u>Net amount</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2019</b>						
Derivative financial assets	3,372	(416)	2,956	(622)	-	2,334
Trade receivables	8,114	(1,988)	6,126	-	-	6,126
	<u>11,486</u>	<u>(2,404)</u>	<u>9,082</u>	<u>(622)</u>	<u>-</u>	<u>8,460</u>
Derivative financial liabilities	3,506	(416)	3,090	(622)	-	2,468
Trade payables	1,988	(1,988)	-	-	-	-
	<u>5,494</u>	<u>(2,404)</u>	<u>3,090</u>	<u>(622)</u>	<u>-</u>	<u>2,468</u>



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (g) Offsetting financial assets and financial liabilities (continued)

SFRS(I) 7  
(13C)

<u>Group</u>	<u>Related amounts set off in the balance sheet</u>			<u>Related amounts not set off in the balance sheet<sup>†</sup></u>		
	Gross amounts – financial <u>assets</u>	Gross amounts – financial <u>liabilities</u>	Net amounts – presented in balance <u>sheet</u>	Financial assets/ <u>(liabilities)</u>	Financial collateral <u>received</u>	Net <u>amount</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2018</b>						
Derivative financial assets	2,756	(594)	2,162	(275)	-	1,887
Trade receivables	8,214	(2,549)	5,665	-	-	5,665
	<u>10,970</u>	<u>(3,143)</u>	<u>7,827</u>	<u>(275)</u>	<u>-</u>	<u>7,552</u>
Derivative financial liabilities	1,970	(594)	1,376	(275)	-	1,101
Trade payables	2,549	(2,549)	-	-	-	-
	<u>4,519</u>	<u>(3,143)</u>	<u>1,376</u>	<u>(275)</u>	<u>-</u>	<u>1,101</u>

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (g) Offsetting financial assets and financial liabilities (continued)

SFRS(I) 7  
(13C)

<u>Company</u>	<u>Related amounts set off in the balance sheet</u>			<u>Related amounts not set off in the balance sheet<sup>1</sup></u>		
	<u>Gross amounts – financial assets</u>	<u>Gross amounts – financial liabilities</u>	<u>Net amounts – presented in balance sheet</u>	<u>Financial assets/ (liabilities)</u>	<u>Financial collateral received</u>	<u>Net amount</u>
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 31 December 2019</b>						
Derivative financial assets	200	(50)	150	-	-	150
Derivative financial liabilities	50	(50)	-	-	-	-
<b>At 31 December 2018</b>						
Derivative financial assets	345	(134)	211	-	-	211
Derivative financial liabilities	134	(134)	-	-	-	-

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 43. Financial risk management (continued)

### (g) Offsetting financial assets and financial liabilities (continued)

Agreements with derivative counterparties are based on an International Swap Derivatives Association ("ISDA") Master Agreement. Under the terms of these arrangements, only upon the occurrence of certain credit events (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right to set-off, these amount have not been offset in the balance sheet, but have been presented separately in the table above.

SFRS(I) 7  
(13E, B50)

### Guidance notes

#### Offsetting of financial assets and financial liabilities

- These amounts are not set off in the balance sheet as the agreements do not meet some or all of the offsetting criteria in SFRS(I) 1-32.
- Alternatively, the offsetting information may be presented in the following format:

SFRS(I) 7  
(13C)

<b>31 December 2019</b> <b>(\$'000)</b>	Derivative financial <u>assets</u>	Derivative financial <u>liabilities</u>	Trade <u>receivables</u>	Trade <u>payables</u>
Gross amount	3,372	3,506	8,114	1,988
Less: Gross amount set off in balance sheet	(416)	(416)	(1,988)	(1,988)
Net amount presented in balance sheet	2,956	3,090	6,126	-
Less: related amount not set off in balance sheet	(622)	(622)	-	-
Less: financial collateral received/pledged	-	-	-	-
Net amount	2,334	2,468	6,126	-

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 44. Immediate and ultimate holding corporations

The Company's immediate holding corporation is PwC Corporate Limited, incorporated in Singapore. The ultimate holding corporation is PwC Global Limited, incorporated in the United Kingdom.

SFRS(I) 1-1  
(138(c))  
SFRS(I) 1-24  
(13)  
CA 201(11)

### Guidance notes

#### Immediate and ultimate holding corporation

#### Ultimate controlling party

1. An entity shall disclose the name of the entity's parent and if different, the name of the ultimate controlling party, which can be an individual person or an entity that is not an incorporated entity.

SFRS(I) 1-24  
(13)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 45. Related party transactions

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

### (a) Sales and purchases of goods and services

SFRS(I) 1-24  
(18, 24)

	<u>Group</u> <b>31 December</b>		
	<b>2019</b>	<b>2018</b>	
	<b>\$'000</b>	<b>\$'000</b>	
Sales of goods and/or services to			
- associates	<b>2,354</b>	1,792	SFRS(I) 1-24 (19(d))
- other related parties	<b>1,043</b>	658	SFRS(I) 1-24 (19(g))
Purchases of materials from			
- associates	<b>17,232</b>	15,235	SFRS(I) 1-24 (19(d))
- fellow subsidiaries	<b>89,023</b>	72,789	SFRS(I) 1-24 (19(g))
Purchase of plant and equipment from other related parties	<b>800</b>	500	SFRS(I) 1-24 (19(g))
Payments made on behalf and reimbursed by the immediate holding corporation	<b>328</b>	144	SFRS(I) 1-24 (19(g))
Professional fees received from other related parties	<b>128</b>	200	SFRS(I) 1-24 (19(g))
Technical fees received from other related parties	<b>12</b>	8	SFRS(I) 1-24 (19(g))
Purchase commitments from other related parties	<b>350</b>	250	

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members.

SFRS(I) 1-24  
(9)

Outstanding balances at 31 December 2019, arising from sale/purchase of goods and services, are unsecured and receivable/payable within 12 months from balance sheet date and are disclosed in Notes 18 and 30 respectively.

SFRS(I) 1-24  
(18(b)(i))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 45. Related party transactions (continued)

### (b) Key management personnel compensation<sup>1</sup>

SFRS(I) 1-24  
(17)

Key management personnel compensation is as follows:

	<u>Group</u>	
	<b>2019</b>	2018
	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	<b>4,827</b>	3,998
Employer's contribution to defined contribution plans, including Central Provident Fund	<b>398</b>	220
Termination benefits	<b>120</b>	-
Other long-term benefits	<b>85</b>	40
Share option expense	<b>420</b>	350
	<b>5,850</b>	4,608

SFRS(I) 1-24  
(17(a))

SFRS(I) 1-24  
(17(b))

SFRS(I) 1-24  
(17(d))

SFRS(I) 1-24  
(17(c))

SFRS(I) 1-24  
(17(e))

## Guidance notes

### Related party transactions

#### Commitments

SFRS(I) 1-24  
(18)

- If an entity has had related party transactions during the period, it shall disclose the nature of the related party relationships as well as information about these transactions and outstanding balances, including commitments. An entity shall disclose commitments to do something if a particular event occurs or does not occur in the future, including recognised and unrecognised executory contracts.

The following are examples of commitments which could require disclosure of the amounts as at the balance sheet date, and the related terms and conditions:

- Long-term incentive schemes for key management personnel.
- Agreements with members of key management personnel to pay certain benefits in the event of termination of employment ("golden parachutes").
- Agreements (including options) between the entity and a related party to purchase or sell assets.
- Agreements (including options) to provide services to or receive services from a related party.
- Commitments under lease agreements with related parties.

The above list is not exhaustive.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Related party transactions (continued)

#### Key management personnel services provided by separate management entity

2. If an entity incurred amounts for the provision of key management personnel services that are provided by a separate management entity, these amounts must be disclosed.

SFRS(I) 1-24  
(18A)

#### Investment entities

3. An investment entity is exempt from consolidating certain subsidiaries and measures them at fair value through profit or loss instead. Investment entities must disclose any transactions and outstanding balances with those subsidiaries, as they are not eliminated on consolidation.

## 46. Segment information

The Executive Committee (“Exco”) is the Group’s chief operating decision-maker. The Exco comprises the Chief Executive Officer, the Chief Financial Officer, and the heads of each business within each primary geographic segment. Management has determined the operating segments based on the reports reviewed by the Exco that are used to make strategic decisions, allocate resources and assess performance.

SFRS(I) 8  
(22(a))

The Exco considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in the three primary geographic areas namely, Singapore, People’s Republic of China and the Philippines. From a business segment perspective, management separately considers the manufacture, sale, and construction activities in these geographic areas. All the geographic areas are engaged in the manufacture and sale of electronic component parts.

SFRS(I) 8  
(22(b))

In addition, the Singapore geographic area derives revenue from construction of specialised equipment, while the People’s Republic of China and the Philippines geographic areas derive revenues from the sale of household and office furniture.

Although the Exco receives separate reports for the furniture retail and wholesale businesses, they have been aggregated into one reportable segment as they have similar economic growth rates.

SFRS(I) 8  
(22(aa))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

Other segments included the sale of furniture in Vietnam and Malaysia and investment holding and provision of logistic services in Singapore and People's Republic of China. These are not included within the reportable operating segments as they are not separately reported to the Exco. The results of these operations are included in the "all other segments" column. The manufacture and sale of electronic component parts in Thailand was previously under the "component parts" reportable segment of Group. However, the entire results from this segment was presented separately on the statement of comprehensive income as "Discontinued operations" for the year ended 31 December 2019 (Note 11).

SFRS(I) 8 (16)

SFRS(I) 5  
(41(d))

The Exco assesses the performance of the operating segments based on a measure of earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA") for continuing operations. This measurement basis excludes the effects of expenditure from the operating segments such as restructuring costs and impairment loss that are not expected to recur regularly in every period which are separately analysed. Interest income and finance expenses are not allocated to segments, as this type of activity is driven by the Group Treasury, which manages the cash position of the Group.

SFRS(I) 8  
(27(b))

Sales between segments are carried out at market terms. The revenue from external parties reported to the Exco is measured in a manner consistent with that in the statement of comprehensive income.

SFRS(I) 8  
(27(a))



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

The segment information provided to the Exco for the reportable segments are as follows:

	← Singapore →		← China →		← Philippines →			
	Component Parts	Construction	Component Parts	Furniture	Component Parts	Furniture	All other segments	Total for continuing operations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2019</b>								
<b>Sales</b>								
Total segment sales	103,785	29,824	73,337	43,857	2,758	29,485	5,870	288,916
Inter-segment sales	(23,857)	-	(11,835)	(4,869)	(780)	(1,929)	-	(43,270)
Sales to external parties	79,928	29,824	61,502	38,988	1,978	27,556	5,870	245,646
<b>Adjusted EBITDA*</b>								
	31,699	23,651	12,026	13,781	955	8,435	509	91,056
Depreciation*	(8,319)	(4,773)	(1,928)	(2,319)	(1,754)	(1,546)	(514)	(21,153)
Amortisation	(1,019)	-	(135)	(64)	(123)	(42)	(60)	(1,443)
Goodwill impairment	-	-	-	(500)	-	-	-	(500)
Share of profit of associates and joint venture	-	-	387	-	-	-	374	761
<b>Segment assets</b>	74,259	52,353	113,396	54,963	3,680	37,522	13,073	349,246
<b>Segment assets includes:</b>								
Investment in associates and joint venture	-	-	-	-	-	-	10,121	10,121
<b>Additions to:</b>								
- property, plant and equipment	322	451	750	357	681	-	-	2,561
- investment property	735	-	-	-	-	-	-	735
- intangible assets	758	-	2,188	-	256	-	883	4,085
<b>Segment liabilities</b>	(15,947)	(9,366)	(24,325)	(8,165)	(266)	(2,776)	(1,136)	(61,981)

\*See (d) below for details regarding the impact of changes in the Group's accounting policies on segment information.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

	← Singapore →		← China →		← Philippines →			
	Component Parts	Construction	Component Parts	Furniture	Component Parts	Furniture	All other segments	Total for continuing operations
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>								
<b>Sales</b>								
Total segment sales	86,464	29,015	54,001	34,225	3,152	28,453	5,460	240,770
Inter-segment sales	(22,158)	-	(11,552)	(4,580)	(742)	(2,840)	-	(41,872)
Sales to external parties	64,306	29,015	42,449	29,645	2,410	25,613	5,460	198,898
<b>Adjusted EBITDA*</b>								
	23,709	18,829	9,574	10,971	760	6,715	373	70,931
Depreciation*	(5,059)	(2,877)	(1,162)	(1,398)	(1,057)	(932)	(265)	(12,750)
Amortisation	(674)	-	(89)	(42)	(81)	(28)	(40)	(954)
Goodwill impairment	-	-	(1,081)	-	-	-	-	(1,081)
Share of profit of associates and joint venture	-	-	-	-	-	-	340	340
<b>Segment assets</b>								
	56,823	39,621	85,819	41,596	2,785	28,397	9,578	264,619
<b>Segment assets includes:</b>								
Investment in associates and joint venture	-	-	-	-	-	-	9,063	9,063
Additions to:								
- property, plant and equipment	378	530	882	420	801	-	-	3,011
- investment property	246	-	-	-	-	-	-	246
- intangible assets	1,191	-	151	-	138	-	12	1,492
<b>Segment liabilities</b>								
	(5,329)	(4,252)	(3,427)	(3,300)	(211)	(2,200)	(818)	(19,537)

\*See (d) below for details regarding the impact of changes in the Group's accounting policies on segment information.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

### (a) Reconciliations

#### (i) Segment profits

A reconciliation of adjusted EBITDA to profit before tax and discontinued operations is as follows:

SFRS(I)  
8 (28(b))

	2019 \$'000	2018 \$'000
Adjusted EBITDA for reportable segments	90,547	70,558
Adjusted EBITDA for other segments	509	373
Total adjusted EBITDA*	91,056	70,931
Depreciation*	(21,153)	(12,750)
Amortisation	(1,443)	(954)
Impairment loss on goodwill	(500)	(1,081)
Finance expense*	(9,739)	(7,213)
Interest income	2,357	2,144
<b>Profit before tax and discontinued operations</b>	<b>60,578</b>	<b>51,077</b>

\*See (d) below for details regarding the impact of changes in the Group's accounting policies on segment information.

#### (ii) Segment assets

The amounts reported to the Exco with respect to total assets are measured in a manner consistent with that of the financial statements. All assets are allocated to reportable segments other than assets associated with disposal group, deferred income tax assets, short-term bank deposits, derivative financial instruments, financial assets at FVPL, financial assets, at FVOCI and other investments at amortised cost.

SFRS(I)  
8 (27(c))

**Notes to the Financial Statements**

For the financial year ended 31 December 2019

**46. Segment information (continued)**

## (a) Reconciliations (continued)

## (ii) Segment assets (continued)

Segment assets are reconciled to total assets as follows:

	<b>2019</b>	2018
	<b>\$'000</b>	\$'000
Segment assets for reportable segments*	<b>336,173</b>	255,041
Other segment assets*	<b>13,073</b>	9,578
Total segment assets*	<b>349,246</b>	264,619
Unallocated:		
Assets associated with disposal group	<b>2,818</b>	-
Deferred income tax assets	<b>2,784</b>	3,306
Short-term bank deposits	<b>13,487</b>	11,963
Derivative financial instruments	<b>2,956</b>	2,162
Financial assets, at FVPL and at FVOCI and other investments at amortised cost	<b>22,972</b>	29,455
Total assets	<b>394,263</b>	311,505

\*See (d) below for details regarding the impact of changes in the Group's accounting policies on segment information.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

### (a) Reconciliations (continued)

#### (iii) Segment liabilities

The amounts provided to the Exco with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than liabilities associated with disposal group, income tax liabilities, borrowings (excluding lease liabilities) and derivative financial instruments.

SFRS(I) 8  
(27(d))

Segment liabilities are reconciled to total liabilities as follows:

	2019 \$'000	2018 \$'000
Segment liabilities for reportable segments*	60,845	18,719
Other segment liabilities*	1,136	818
Total segment liabilities*	61,981	19,537
Unallocated:		
Liabilities associated with disposal group	287	-
Current income tax liabilities	800	1,700
Deferred income tax liabilities	13,587	12,360
Borrowings	105,732	110,378
Derivative financial instruments	3,090	1,376
Total liabilities	185,477	145,351

\*See (d) below for details regarding the impact of changes in the Group's accounting policies on segment information.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

(b) Revenue from major products and services

Revenues from external customers are derived mainly from the sale of electronic parts, sale of household and office furniture and construction of specialised equipment. Investment holding and provision of logistics services are included in “Others”. The breakdown of the Group’s revenue by products and services is provided under Note 4(a).

SFRS(I) 8 (32)

Revenues of \$21,797,500 (2018: \$21,675,300) are derived from a single external customer. These revenues are attributable to the Singapore manufacture and sale of component parts segment.

SFRS(I) 8 (34)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

### (c) Geographical information

The Group's three business segments operate in four main geographical areas:

SFRS(I) 8 (23)

- Singapore – the Company is headquartered and has operations in Singapore. The operations in this area are principally the manufacture and sale of electronic component parts, construction of specialised equipment, provision of logistics services and investment holding;
- People's Republic of China – the operations in this area are principally the sale of furniture, manufacture and sale of electronic component parts and provision of logistics services;
- The Philippines – the operations in this area are principally the manufacture and sale of electronic component parts and sale of furniture; and
- Other countries – the operations include the sale of furniture in Vietnam and Malaysia.

	<u>Non-current assets</u>		SFRS(I) 8 (33)(b)
	<b>2019</b>	2018	
	<b>\$'000</b>	\$'000	
Singapore	<b>92,771</b>	80,656	
People's Republic of China	<b>97,921</b>	85,134	
The Philippines	<b>23,462</b>	20,398	
Other countries	<b>492</b>	428	
	<b>214,646</b>	186,616	

The Group's revenue by geographical areas is disclosed under Note 4(a).

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 46. Segment information (continued)

### (d) Changes in accounting policy

- (i) The adoption of the new leasing standard described in Note 2.1 had the following impact<sup>3</sup> on the adjusted EBITDA in the current year:

SFRS(I) 8  
(27(e))

	Adjusted EBITDA before adoption of SFRS(I) 16 \$'000	Rental expenses under SFRS(I) 1-17, when the Group is a lessee \$'000	Adjusted EBITDA after adoption of SFRS(I) 16 \$'000
Component parts	39,857	4,823	44,680
Construction	22,309	1,342	23,651
Furniture	21,284	932	22,216
Others	455	54	509
	<b>83,905</b>	<b>7,151</b>	<b>91,056</b>

- (ii) The adoption of the new leasing standard resulted in the recognition of ROU assets and lease liabilities, which increased segment assets and liabilities as at 31 December 2019 as follows:

	Segment assets \$'000	Segment liabilities \$'000
Component parts	33,435	25,000
Construction	7,956	5,745
Furniture	5,024	6,336
Others	305	244
	<b>46,720</b>	<b>37,325</b>

DV

- (iii) The recognition of ROU assets and lease liabilities on the balance sheet resulted in an increase in depreciation and finance expenses in the consolidated statement of comprehensive income in the current year as follows:

SFRS(I) 8  
(27(e))

	Depreciation \$'000	Finance expense \$'000
Component parts	1,306	1,153
Construction	652	503
Furniture	428	254
Others	32	18
	<b>2,418</b>	<b>1,928</b>

Comparative segment information has not been restated. As a consequence, the segment information disclosed for the items above is not entirely comparable to the information disclosed for the prior year.

DV



# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Segment information

#### EBITDA

1. The measure of profit that is reported here depends on what the Chief Operating Decision Maker ("CODM") reviews. EBITDA should not be used if it is not the measure of profit that the CODM reviews.

#### Description of segments

2. Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. Entities must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics.

SFRS(I)  
8  
(22(a),  
22(aa))

#### Changes in accounting policies

3. Changes made to the measurement methods adopted in preparing the segment information will need to be disclosed under paragraph 27(e) of SFRS(I) 8. SFRS(I) 8 does not provide any guidance on how to deal with the changes in accounting policies in the segment disclosures. Management may decide not to restate comparative information and may not adjust segment measures for changes made to accounting policies. Where comparative segment information has not been restated, entities may consider disclosing the impact of changes in accounting policies on the current period, as illustrated above.

SFRS(I)  
8  
(27(e))

#### Additions to non-current assets

4. An entity shall disclose the amount of additions to the non-current assets for each reportable segment, including the additions to ROU assets. For the purpose of this publication, the ROU assets are classified within 'property, plant and equipment' and therefore, the additions to ROU assets are not separately disclosed in segment information.

SFRS(I)  
8  
(24(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 47. Business combinations

On 1 June 2019, the Group acquired a 95% equity interest in AB Components Co., Ltd (now known as PwC Components (Dalian) Co., Ltd ("PwC Components Dalian"). The principal activity of PwC Components (Dalian) is that of manufacturing and trading of component parts in China. As a result of the acquisition, the Group is expected to increase its presence in China. It also expects to reduce costs through economies of scale.

SFRS(I) 3  
(B64(a-d))

Details of the consideration paid, the assets acquired and liabilities assumed, the non-controlling interest recognised and the effects on the cash flows of the Group, at the acquisition date, are as follows:

	\$'000	
(a) Purchase consideration		
Cash paid	10,452	SFRS(I) 3 (B64(f)(i))
Contingent consideration (Note (e) below)	500	SFRS(I) 3 (B64) ((f)(iii), (g)(i))
Total purchase consideration	10,952	SFRS(I) 3 (B64(f))
Less: Indemnification asset (Note (i) below)	(400)	SFRS(I) 3 (B64(g)(i))
<b>Consideration transferred for the business</b>	<b>10,552</b>	
(b) Effect on cash flows of the Group		
Cash paid (as above)	10,452	SFRS(I) 1-7 (40)(b)
Less: Cash and cash equivalents in subsidiary acquired	(3,374)	SFRS(I) 1-7 (40)(c)
<b>Cash outflow on acquisition</b>	<b>7,078</b>	SFRS(I) 1-7 (40)(a)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 47. Business combinations (continued)

(c) Identifiable assets acquired and liabilities assumed	At fair value	SFRS(I) 3 (B64(i))
	\$'000	
		SFRS(I) 1-7 (40(d))
Cash and cash equivalents	3,374	
Property, plant and equipment <sup>7,8</sup> (Note 26)	7,240	
Trademarks and licences (included in intangibles) (Note 29(b) and note (g) below)	535	
Inventories	3,210	
Trade and other receivables (Note (f) below)	4,356	
Total assets	18,715	
Trade and other payables	(4,350)	
Borrowings <sup>7,8</sup>	(2,500)	
Contingent liability (included in provisions) (Note 35(c) and Note (h) below)	(500)	
Current tax liabilities (Note 10(b))	(310)	
Deferred tax liabilities (Note 36)	(985)	
Total liabilities	(8,645)	
<b>Total identifiable net assets</b>	<b>10,070</b>	
Less: Non-controlling interest at fair value	(768)	SFRS(I) 3 (B64(o)(i))
Add: Goodwill (Note 29(a) and Note (k) below)	1,250	
<b>Consideration transferred for the business</b>	<b>10,552</b>	

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 47. Business combinations (continued)

### (d) Acquisition-related costs

SFRS(I) 3  
(B64(m))

Acquisition-related costs of \$250,000 are included in “administrative expenses” in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

### (e) Contingent consideration

SFRS(I) 3  
(B64((f)(iii),  
(g)))

The Group is required to pay the former owners of PwC Components Dalian \$800,000 in cash if PwC Components Dalian achieves a cumulative net profit of \$13,000,000 or more for the period from 1 June 2019 to 31 May 2021.

The fair value of the contingent consideration as at the acquisition date was estimated to amount to \$500,000 based on an income approach. This fair value was based on an estimated cumulative net profit of PwC Components Dalian ranging from \$12,000,000 to \$13,500,000 for the relevant period, discounted at 7% per annum. This is a Level 3 fair value measurement.

### (f) Acquired receivables

SFRS(I) 3  
(B64(h))

The fair value of trade and other receivables is \$4,356,000 and includes trade receivables with a fair value of \$4,250,000. The gross contractual amount for trade receivables due is \$4,350,000, of which \$100,000 is expected to be uncollectible.

### (g) Fair values

SFRS(I) 3 (45)

The fair value of the acquired identifiable intangible assets of \$535,000 (trademarks and licences) was finalised during the year. No adjustments were required to be recognised.

### (h) Contingent liability

SFRS(I) 3  
(B64(i)),  
SFRS(I) 3  
(B67(c))  
SFRS(I) 1-37  
(84,85)

A contingent liability of \$500,000 has been recognised for a pending lawsuit in which the entity is a defendant. The claim has arisen from a customer alleging defective products. It is expected that a decision on this case will be reached by the relevant court of law by the end of 2021. The potential undiscounted amount of all future payments that the Group could be required to make is estimated to be between \$400,000 and \$600,000, if an adverse decision is made. As at 31 December 2019, there has been no change in the amount recognised for the liability since the acquisition date, as there has been no change in the range of outcome or assumptions used to develop the estimates.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 47. Business combinations (continued)

### (i) Indemnification asset

The seller of PwC Components Dalian has contractually agreed to indemnify the Group for the claim that may become payable in respect of the lawsuit disclosed in (h) above, up to a maximum amount of \$400,000. As is the case with the indemnified liability, there has been no change in the amount recognised for the indemnification asset since the acquisition date.

SFRS(I) 3  
(27,57)  
SFRS(I) 3  
(B64(g))

### (j) Non-controlling interests

The Group has chosen to recognise the 5% non-controlling interest at its fair value of \$768,000. The fair value was estimated by applying an income approach. This is a Level 3 fair value measurement. The fair value estimates are based on:

SFRS(I) 3  
(B64(o))

- an assumed discount rate of 7% per annum;
- an assumed terminal value based on a range of terminal EBITDA multiples between three and five times;
- long-term sustainable growth rate of 2%;
- assumed financial multiples of companies deemed to be similar to PwC Components Dalian; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider.

### (k) Goodwill

The goodwill of \$1,250,000 arising from the acquisition is attributable to the distribution network in China and the synergies expected to arise from the economies of scale in combining the operations of the Group with those of PwC Components Dalian. It is not deductible for tax purposes.

SFRS(I) 3  
(B64)(e),  
B64(k))

### (l) Revenue and profit contribution

The acquired business contributed revenue of \$24,950,000 and net profit of \$3,250,000 to the Group from the period from 1 June 2019 to 31 December 2019.

SFRS(I) 3  
(B64(q))

Had PwC Components Dalian been acquired from 1 January 2019, consolidated revenue and consolidated profit for the year ended 31 December 2019 would have been \$49,950,000 and \$6,620,000 respectively.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Business combinations

#### Comparative disclosures for business combinations in prior year

- Under SFRS(I) 1-1, comparative information must be given for all numerical information reported in the financial statements, including narratives. However, SFRS(I) 3 does not separately require comparative information in respect of business combinations. In our view, the SFRS(I) 3 disclosures are required only for business combinations occurring during the period. This means that in the period following the combination, the disclosures required in paragraph B64 of SFRS(I) 3 do not need to be repeated. However, if the initial accounting for a business combination in the prior year was incomplete, the disclosures that are required in relation to a prior business combination in paragraph B67 of SFRS(I) 3 must be made.

SFRS(I) 1-1  
(38)

#### Equity interests issued as purchase consideration

- When equity interests are issued or issuable as part of the cost of acquisition, the entity shall disclose the number of instruments or interests issued and the method of determining their fair value.

SFRS(I) 3  
(B64(f)(iv))

#### Business combination achieved in stages

- Where the business combination was achieved in stages, the fair value of the previously held interest immediately before the acquisition date shall form part of the total purchase consideration. That acquisition-date fair value shall be disclosed together with the amount of any gain or loss recognised as a result of remeasuring to fair value the previously held interest, and the line item in the statement of comprehensive income where that gain or loss is included.

SFRS(I) 3  
(B64(p))

#### Indemnification assets

- When the seller agrees to contractually indemnify the acquirer for the outcome of a contingency or uncertainty related to a specific asset or liability, the acquirer recognises an indemnification asset with an equivalent amount deducted from the consideration transferred for the business combination. The amount recognised, a description of the arrangement and an estimate of the range of outcomes shall be disclosed.

SFRS(I) 3 (27)  
SFRS(I) 3  
(B64(g))

#### Provisional fair values and subsequent adjustments during the measurement period

- If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete and the reason why the initial accounting is incomplete.

SFRS(I) 3  
(B67)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Business combinations (continued)

#### Provisional fair values and subsequent adjustments during the measurement period (continued)

6. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. The acquirer shall disclose information that enables users of financial statements to evaluate the financial effects of adjustments recognised.

SFRS(I) 3  
(B67)

#### Impact of SFRS(I) 3 as a result of adoption of SFRS(I) 16

7. For leases in which the acquiree is the lessee, the acquirer shall recognise right-of-use assets and lease liabilities for leases identified in accordance with SFRS(I) 16.

SFRS(I) 3  
(28A)

The acquirer is not required to recognise right-of-use assets and lease liabilities for leases for which the lease term ends within 12 months of the acquisition date or leases for which the underlying asset is of low value.

8. The acquirer shall measure the lease liability at the present value of the remaining lease payments (as defined in SFRS(I) 16) as if the acquired lease was a new lease at the acquisition date.

SFRS(I) 3  
(28B)

The acquirer shall measure the right-of-use asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 48. Events occurring after balance sheet date

On 24 February 2020, the Group issued \$4,300,000 6.5% Singapore Dollar bonds to finance the purchase of an additional 40% interest in an associate, PwC A Property (Hong Kong) Limited ("PwC Hong Kong") and new equipment in the construction segment. The bonds are repayable on 25 February 2025.

SFRS(I) 1-10  
(21)

On 1 March 2020, the Group acquired a 100% interest in PwC Philippines Logistics Pte Ltd ("PwC Philippines"), a company incorporated in Philippines which is engaged in provision of logistics services, for a cash consideration of \$12,500,000. The fair value of the Group's share of the identifiable net assets of PwC Philippines at the date of acquisition has been provisionally determined at \$11,200,000. Acquisition-related costs of \$360,000 have been incurred and will be included in administrative expenses in the statement of comprehensive income for the year ending 31 December 2020. Details of the assets acquired and liabilities assumed, non-controlling interest that will be recognised, revenue and profit contribution of PwC Philippines and the effect on the cash flows for the Group are not disclosed, as the accounting for this acquisition is still incomplete at the time these financial statements have been authorised for issue. PwC Philippines will be consolidated with effect from 1 March 2020.

SFRS(I) 1-10  
(21)  
SFRS(I) 1-10  
(22(a))  
SFRS(I) 3  
(B66)

## Guidance notes

### Business combinations occurring after balance sheet date but before the financial statements are authorised for issue

1. SFRS(I) 3 requires an acquirer to disclose the same information for business combinations occurring after balance sheet date but before the financial statements are authorised for issue as what is disclosed for business combinations occurring during the reporting period. The only exception is if the accounting for such business combination is incomplete at the time the financial statements are authorised for issue, in which case the acquirer shall describe which disclosures could not be made and the reasons why.

SFRS(I) 3  
(B66)



## Notes to the Financial Statements

For the financial year ended 31 December 2019

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### 49. New or revised accounting standards and interpretations

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3. To be considered a business, an acquisition would have to include an output and a substantive process that together significantly contribute to the ability to create outputs. A framework is introduced to evaluate when an input and substantive process are present. To be a business without outputs, there will now need to be an organised workforce.

The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits.

It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

Entities can apply a 'concentration test' that, if met, eliminates the need for further assessment. Under this optional test, where substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets), the assets acquired would not represent a business.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### New or revised accounting standards and interpretations

1. Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the current period and on foreseeable future transactions. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future.
2. It is not required to list all SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s that have been issued but are not effective at date of authorisation of financial statements. Only those relevant to the entity's operations should be indicated.

SFRS(I) 1-8  
(30)

## 50. Authorisation of financial statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of PwC Holdings Ltd on 20 March 2020.

SFRS(I) 1-10  
(17)

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## 51. Listing of significant companies in the Group

SGX 715-718

<u>Name of companies</u>	<u>Principal Activities</u>	<u>Country of business/ incorporation</u>	<u>Equity holding</u>	
			31 December <b>2019</b>	2018
<u>Significant subsidiaries</u>			%	%
PwC Construction Pte Ltd <sup>(a)</sup>	Construction of specialised equipment	Singapore	<b>100</b>	100
PwC Property (Singapore) Pte Ltd <sup>(a)</sup>	Investment holding	Singapore	<b>100</b>	100
PwC Furniture (PRC) Co., Ltd <sup>(d)</sup>	Sale of furniture	People's Republic of China	<b>85</b>	85
PwC Components (Singapore) Pte Ltd <sup>(a),(g)</sup>	Manufacture of component parts	Singapore	<b>45</b>	45
PwC Components (PRC) Co., Ltd <sup>(d)</sup>	Manufacture of component parts	People's Republic of China	<b>80</b>	80
PwC Components (China) Pte Ltd <sup>(d)</sup>	Manufacture of component parts	People's Republic of China	<b>70</b>	70
PwC Furniture (Philippines) Pte Ltd <sup>(b)</sup>	Sale of furniture	The Philippines	<b>70</b>	70
PwC Components (Dalian) Co., Ltd <sup>(d)</sup>	Manufacture of component parts	People's Republic of China	<b>95</b>	-
<u>Significant joint venture</u>				
PwC JV Logistics (PRC) Co., Ltd <sup>(d),(f)</sup>	Provision of logistics services	People's Republic of China	<b>60</b>	60
<u>Significant associates</u>				
PwC A Property (Hong Kong) Limited <sup>(e)</sup>	Investment holding	Hong Kong	<b>35</b>	35
PwC A Furniture Sdn Bhd <sup>(c)</sup>	Sale of furniture	Malaysia	<b>25</b>	25

(a) Audited by PricewaterhouseCoopers LLP, Singapore

(b) Audited by Isla Lipana &amp; Co, Philippines

(c) Audited by Tan &amp; Co., Malaysia

(d) Audited by Great Wall CPA Company Limited, People's Republic of China

(e) Not required to be audited under the laws of the country of incorporation

(f) Not consolidated as the entity is not controlled by the Group and deemed to be a joint venture as the Group shares the control of the entity

(g) Deemed to be a subsidiary as the Group has the ability to nominate a majority of the directors of the subsidiary.

(h) In accordance to Rule 716 of The Singapore Exchange Securities Trading Limited – Listing Rules, the Audit Committee and Board of Directors of the Company confirmed that they are satisfied that the appointment of different auditors for its subsidiaries and significant associates would not compromise the standard and effectiveness of the audit of the Company.

SFRS(I) 12  
(9(a))SFRS(I) 12  
(9(b))

# Notes to the Financial Statements

For the financial year ended 31 December 2019

## Guidance notes

### Listing of significant companies in the Group

1. The term “significant” is not defined in SFRS(I). However, in the SGX-ST Listing Manual, a subsidiary or associate is considered significant if its net tangible assets represent 20% or more of the issuer’s consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer’s consolidated pre-tax profits. In the absence of a formal definition in SFRS(I), it is preferable to adopt this definition set out in the SGX-ST Listing Manual. SGX 718
2. Companies listed on the Singapore Exchange are also required to disclose name(s) of auditing firm(s) of its significant subsidiaries and associates. It is a good practice for listed companies to inform the auditing firm(s) that their name(s) will be disclosed in the financial statements. SGX 717
3. It shall be noted that under the SGX-ST Listing Manual, an issuer may appoint different auditors for its subsidiaries or significant associates provided that:
  - (i) the issuer’s board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or
  - (ii) the issuer’s subsidiary or associate, is listed on a stock exchange. SGX 716
4. It shall be noted that under the Companies Act, a holding company is required to ensure that the financial year of its subsidiaries coincides with its financial year within two years after incorporation and/or acquisition. CA 200(1)

# Other Disclosures

## Additional Disclosure Requirements

- Additional requirements of Singapore Exchange Securities Trading Listing Manual
- Shareholders' information at 13 March 2020

## Additional Illustrative Disclosures

- Appendix 1
- Appendix 2



## Additional Disclosure Requirements

For the financial year ended 31 December 2019

### Additional requirements of Singapore Exchange Securities Trading Listing Manual

#### (a) Corporate information

##### Company secretary

S.M. Barker

SGX 1207 (1)

##### Registered office

350 Harbour Street

#30-00 PwC Centre

Singapore 049929

Telephone number : (65) 6226 5066

Facsimile number : (65) 6226 5788

Website : <http://www.pwcholdings.com.sg>

SGX 1207 (2)

##### Share registrar

Independent Registry Firm

10 Collyer Quay #19-00

Ocean Building Singapore 049315

SGX 1207 (3)

##### Auditor

PricewaterhouseCoopers LLP

7 Straits View, Marina One,

East Tower, Level 12,

Singapore 018936

Audit Partner: Ken Wang

Year of appointment : 2015

SGX 713

#### (b) Material contracts<sup>1</sup>

SGX 1207 (8)

In 2019, the Company entered into a two-year contract with ABAS Consultancy Pte Ltd, which is a firm owned by the wife of Mr Ang Boon Chew, a director of the Company. The firm provided professional services to the Company amounting to \$212,000 (2018: \$149,000) during the financial year. Based on the long term contract, the Company was able to obtain professional services slightly below the normal price. As an average, services were charged at 5% below the normal price in 2019 (2018: 4% below the normal price).

#### (c) Directors' remuneration<sup>2</sup>

Please refer to information disclosed in Section (B) of the Corporate Governance Report.

SGX 1207  
(12-15)

## Additional Disclosure Requirements

For the financial year ended 31 December 2019

### Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

(d) Auditors' fees<sup>3</sup>

SGX 1207  
(6)(a)

	2019	2018
	\$'000	\$'000
Auditor's remuneration paid/payable to <sup>3</sup>		
- Auditor of the Company	440	386
- Other auditors*	410	358
Other fees paid/payable to <sup>3</sup>		
- Auditor of the Company	125	120
- Other auditors	210	212
	<b>1,185</b>	<b>1,076</b>

\*Includes the network of member firms of PricewaterhouseCoopers International Limited (PwCIL).

(e) Appointment of auditors

The Group has complied with Rules 712 and Rule 715 or 716 of the Listing Manual issued by Singapore Exchange Securities Trading Limited in relation to its auditors.

SGX 1207  
(6)(c)

(f) Review of the provision of non-audit services by the auditors<sup>5</sup>

The Audit Committee has undertaken a review of non-audit services provided by the auditor<sup>5</sup> and they would not, in the Audit Committee's opinion, affect their independence.

SGX 1207  
(6)(b)

(g) Internal controls<sup>6</sup>

Please refer to information disclosed in Section (CG.11) of the Corporate Governance Report.

SGX 1207  
(10)



## Additional Disclosure Requirements

For the financial year ended 31 December 2019

### Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

#### (h) Properties of the Group

SGX 1207  
(11)(a)

##### Major properties held for development

<u>Location</u>	<u>Description</u>	<u>Intended Use</u>	<u>Stage of completion</u>	<u>Expected date of completion</u>	<u>Site area (sq m)</u>	<u>Gross floor area (sq m)</u>	<u>Group's Effective interest in the property</u>
Upper Thomson Road	3-storey building	Commercial	20%	June 2021	400	1,122	100%

##### Major properties held for investment

SGX 1207  
(11)(b)

<u>Location</u>	<u>Description</u>	<u>Existing Use</u>	<u>Tenure</u>	<u>Unexpired term of lease</u>
Cairnhill, Singapore	Apartment Unit	Residential	Freehold	-
Jurong East, Singapore	2-storey apartment unit	Residential	Leasehold	95
Tampines, Singapore	5-storey building	Commercial	Leasehold	70

#### (i) Interested person transactions

SGX 1207 (17)  
SGX 901

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 each)

<u>Name of interested person</u>	<u>Transactions not conducted under shareholders' mandate pursuant to Rule 920</u>		<u>Transactions conducted under shareholders' mandate pursuant to Rule 920</u>	
	<b>2019</b>	2018	<b>2019</b>	2018
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Abacus Subsidiary Pte Ltd:				
- sale of goods	-	-	470	729
Sandoz Family Business Pte Ltd:				
- sale of plant and equipment	600	-	-	-
ABAS Consultancy Pte Ltd:				
- purchase of professional services	-	361	-	-

# Additional Disclosure Requirements

For the financial year ended 31 December 2019

## Guidance notes

### Additional requirements of Singapore Exchange Securities Trading Listing Manual

#### Material contracts

1. Disclosure is required of material contracts of the company and its subsidiaries involving the interests of the chief executive officer, 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. Where no material contract has been entered into, the following negative statement can be considered:

SGX 1207 (8)

*“There are no material contracts entered into by the Company or any of its subsidiaries involving the interest of the chief executive officer, any director or controlling shareholder, either still subsisting at the end of the year or entered into since the end of the previous financial year.”*

#### Directors’ remuneration

2. A listed entity should make disclosure as recommended in the Code of Corporate Governance. If not, it should disclose and explain any deviation from the recommendation.

#### Auditors’ fees

3. Disclosure must be made on the aggregate of the fees paid to the auditors, broken down into audit and non-audit services. If there are no audit or non-audit fees paid, an appropriate negative statement shall be made.

SGX 1207 (12)

SGX 1207  
(6)(a)

There may also be fees paid to the auditor of the company which are not included in determining the group/company’s profit from operations, for example, those fees that are capitalised or charged immediately to equity. It is appropriate to include such fees for this disclosure note.

## Additional Disclosure Requirements

For the financial year ended 31 December 2019

### Guidance notes

#### Additional requirements of Singapore Exchange Securities Trading Listing Manual (continued)

SGX 1207  
(6)(b)  
CA 206 (1A)

4. A public company shall undertake a review of the fees, expenses and emoluments of its auditor to determine whether the independence of the auditor has been compromised under prescribed conditions, and the outcome of the review shall be sent to all persons entitled to receive notice of general meetings of the company. This outcome is normally communicated through the Directors' statement or the Corporate Governance Report.

This review shall be undertaken if the total amount of the fees paid to the auditor for non-audit services in any financial year of the company exceeds 50% of the total amount of fees paid to the auditor in that financial year.

5. The Audit Committee shall also provide a confirmation in the annual report that it has undertaken a review of non-audit services provided by the auditor and they would not, in the Audit Committee's opinion, affect the independence of the auditor.

SGX 1207  
(6)(b)

#### Internal controls

6. The Board with the concurrence of the Audit Committee shall provide an opinion on the adequacy of the internal controls, addressing financial, operational and compliance risks.

SGX 1207 (10)

### Shareholders' information as at 13 March 2020<sup>1</sup>

#### Preference shareholdings

SGX 1207  
(9)(a)

Issued and Paid-Up Capital	: \$30,000,000
Class of Shares	: Preference shares
Voting Rights	: No voting rights

The preference shares are held entirely by PwC Corporate Limited, the immediate holding corporation of the Company.

SGX 1207  
(9)(b)

## Additional Disclosure Requirements

For the financial year ended 31 December 2019

### Shareholders' information as at 13 March 2020<sup>1</sup> (continued)

#### Ordinary shareholdings

Issued and Paid-Up Capital	: \$41,495,000	SGX1207 (9)(a)
Class of Shares	: Ordinary shares	
Voting Rights	: One vote per share	SGX.1207 (9)(b)

No. of ordinary shares held	No. of shareholders	%	No. of Ordinary Shares	%
1 – 99	1,035	17.67	85,540	0.36
100 – 1,000	3,401	58.08	2,945,920	12.25
1,001 – 10,000	1,402	23.94	4,966,760	20.65
10,001 – 1,000,000	14	0.24	431,145	1.79
1,000,001 and above	4	0.07	15,620,635	64.95
	<u>5,856</u>	<u>100.00</u>	<u>24,050,000</u>	<u>100.00</u>

#### Substantial shareholders

SGX.1207  
(9)(c)

As shown in the Register of Substantial Shareholders:

	Number of ordinary shares		
	Direct <u>Interests</u>	Deemed <u>Interests</u>	Beneficial <u>Interests</u>
PwC Corporate Limited	7,130,825	-	7,130,825
Mr David Grey	1,270,000	1,500,000	2,770,000
Mr Sandoz Wood	3,609,905	-	3,609,905
Sun Holdings (Pte) Ltd	<u>3,609,905</u>	<u>-</u>	<u>3,609,906</u>

Mr David Grey is deemed to have an interest in 1,500,000 ordinary shares in PwC Holdings Ltd via his holdings of 1,000,000 ordinary shares in PwC Global Limited, which in turn holds 10,000,000 ordinary shares in PwC Corporate Limited.

**Additional Disclosure Requirements**

For the financial year ended 31 December 2019

**Shareholders' information as at 13 March 2020<sup>1</sup> (continued)****Twenty largest ordinary shareholders**SGX 1207  
(9)(d)

As shown in the Register of Members and Depository Register:

	No. of ordinary shares	%
PwC Corporate Limited	7,130,825	29.65
Mr Sandoz Wood	3,609,905	15.01
Sun Holdings (Pte) Ltd	3,609,905	15.01
Mr David Grey	2,770,000	11.52
MacPherson Investments Pte Ltd	103,415	0.43
Mr Ang Boon Chew	97,000	0.40
Sembawang Private Ltd	36,075	0.15
Mr Soh Koh Hong	26,455	0.11
Sommerset Holdings Pte Ltd	26,455	0.11
Geylang Investments CoPte Ltd	24,050	0.10
Tanglin Halt (Pte) Ltd	21,645	0.09
Changi Holdings Pte Ltd	14,430	0.06
Ms Tham Lee Keng	14,430	0.06
Padang Consolidated Ltd	14,430	0.06
Whitley Investments Ltd	14,430	0.06
Cairnhill Co Pte Ltd	14,430	0.06
Bukit Timah Haulage Co Ltd	11,875	0.05
Bedok Nominees Ltd	12,025	0.05
Madam Ng Pin	9,620	0.04
Kranji Equity Ltd	9,620	0.04
	<b>17,571,020</b>	<b>73.06</b>

Based on the information available to the Company as at 13 March 2020, approximately 22.11% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

SGX 1207  
(9)(e)**Treasury shares and subsidiary holdings**

Number of treasury shares:	1,135,000
Number of subsidiary holdings:	nil
Percentage of treasury shares against the total number of issued ordinary shares:	4.7%
Percentage of subsidiary holdings against the total number of issued ordinary shares:	0%

SGX 1207  
(9)(f)  
SGX 1207  
(9)(g)SGX 1207  
(9)(h)  
SGX 1207  
(9)(h)

Additional Disclosure Requirements

For the financial year ended 31 December 2019

Guidance notes

Shareholders' information

- 1. Shareholders' information shall be made up to a date not earlier than one month from the date of notice of the annual general meeting or summary financial statements, whichever is earlier.

Issuers with dual class share structures

- 2. Entities with dual class share structures must prominently include: (i) a statement on the cover page that the entity is a company with a dual class share structure; and (ii) the following details for each holder of multiple voting shares:

SGX 1207  
(9)(i)

Name of shareholder	Number of multiple voting shares	Total voting rights of multiple voting shares	Number of ordinary voting shares	Total voting rights of ordinary voting shares	Total voting rights of both multiple voting shares and ordinary voting shares
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## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

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#### Appendix 1 Areas not relevant to PwC Holdings Ltd Group

1. Alternative presentations for statement of comprehensive income
2. Provision for dismantlement, removal and restoration
3. Post-employment benefits – pension and medical benefits
4. Defaults and breaches of loans payable
5. Foreign currency convertible bonds – classify as liability in entirety
6. Related party disclosures for government related entities

#### Appendix 2 SFRS(I) 16 Leases

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 1: Alternative presentations for statement of comprehensive income

##### Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature

	Note	2019 \$'000	2018 \$'000	SFRS(I) 1-1 (10)(b), 10A) SGX 1207 (5(a))
<b>Continuing operations</b>				
Sales	4	245,646	198,898	SFRS(I) 1-1 (82)(a)
Other income				
- Interest	7	2,357	2,144	SFRS(I) 1-1 (102)
- Others	7	5,227	3,623	SFRS(I) 1-1 (102)
Other gains and losses				
- Impairment loss on financial assets and contract assets		(850)	(266)	
- Others	8	(1,990)	(30)	
Expenses				
- Purchases of inventories and construction materials		(69,832)	(57,711)	SFRS(I) 1-1 (102)
- Amortisation and depreciation	5	(22,596)	(13,704)	SFRS(I) 1-1 (102)
- Impairment loss on goodwill	5	(500)	(1,081)	SFRS(I) 1-1 (102)
- Employee compensation	6	(44,827)	(42,903)	SFRS(I) 1-1 (102)
- Sub-contractors charges		(13,238)	(12,610)	
- Advertising		(11,938)	(9,304)	
- Rental on operating leases		(5,586)	(10,673)	
- Research		(785)	(645)	SFRS(I) 1-17 (35)(c)
- Transportation		(5,245)	(4,713)	SFRS(I) 1-38 (126)
- Reversal of inventory write-down		380	-	
- Finance	9	(9,739)	(7,213)	SFRS(I) 1-2 (36)(e,f)
- Other		(1,705)	(1,292)	SFRS(I) 1-1 (82)(b)
- Changes in inventories		(4,962)	8,217	
Total expenses		(190,573)	(153,632)	SFRS(I) 1-1 (102)
Share of profit of associates and joint venture	22,23	761	340	SFRS(I) 1-1 (82)(c)
Profit before income tax		60,578	51,077	
Income tax expense	10(a)	(15,893)	(14,567)	SFRS(I) 1-1 (82)(d)
<b>Profit from continuing operations</b>		<b>44,685</b>	<b>36,510</b>	
<b>Discontinued operations</b>				SFRS(I) 1-1 (82)(ea)
Profit from discontinued operations	11	422	1,310	SFRS(I) 5 (33)(a)
<b>Total profit</b>		<b>45,107</b>	<b>37,820</b>	



**Additional Illustrative Disclosures**

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 1: Alternative presentations for statement of comprehensive income**  
(continued)Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature (continued)SGX 1207  
(9)(d)

	Note	2019 \$'000	2018 \$'000	SFRS(l) 1-1 (10(b),10A) SGX 1207 (5(a))
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				SFRS(l) 1-1 (82A)
Financial assets, at FVOCI				
- Fair value gains/(losses) – debt instruments		571	(105)	
- Reclassification		(145)	-	
Cash flow hedges				
- Fair value gains/(losses)		173	(500)	
- Reclassification		625	523	
Share of other comprehensive income of associates	22	68	35	
Currency translation differences arising from consolidation				
- Gains		489	600	
- Reclassification		-	19	
		<u>1,781</u>	<u>572</u>	
<i>Items that will not be reclassified subsequently to profit or loss:</i>				
Revaluation gains on property, plant and equipment		540	457	
Financial assets, at FVOCI				
- Fair value gains/(losses) - equity investments		885	(1,085)	
Currency translation differences arising from consolidation				
- Gains		362	408	
<b>Other comprehensive income, net of tax</b>	10(c)	<u>3,568</u>	<u>352</u>	
<b>Total comprehensive income</b>		<u>48,675</u>	<u>38,172</u>	
<b>Profits attributable to:</b>				SFRS(l) 1-1 (81B)(a)
Equity holders of the Company		41,483	34,416	
Non-controlling interests		3,624	3,404	
		<u>45,107</u>	<u>37,820</u>	

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 1: Alternative presentations for statement of comprehensive income**  
(continued)Scenario 1: One-statement presentation of statement of comprehensive income based on a classification of expenses by nature (continued)SGX 1207  
(9)(d)SFRS(I) 1-1  
(10(b), 10A)  
SGX 1207  
(5(a))

	Note	2019 \$'000	2018 \$'000
<b>Profit attributable to equity holders of the Company relates to:</b>			
Profit from continuing operations		<b>41,124</b>	33,302
Profit from discontinued operations		<b>359</b>	1,114
		<b>41,483</b>	<b>34,416</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company		<b>44,684</b>	34,355
Non-controlling interests		<b>3,991</b>	3,817
		<b>48,675</b>	<b>38,172</b>

SFRS(I) 5  
(33(d))SFRS(I) 1-1  
(81B)(b)**Earnings per share ("EPS") for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)****Basic EPS**

- From continuing operations	12(a)	<b>1.53</b>	1.38
- From discontinued operations	12(a)	<b>0.01</b>	0.05

SFRS(I) 1-33  
(66)SFRS(I) 1-33  
(68)**Diluted EPS**

- From continuing operations	12(b)	<b>1.41</b>	1.25
- From discontinued operations	12(b)	<b>0.01</b>	0.04

SFRS(I) 1-33  
(66)SFRS(I) 1-33  
(68)

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 1: Alternative presentations for statement of comprehensive income**  
(continued)Scenario 2: Two-statement presentation of statement of comprehensive income based on a classification of expenses by function

<b>Consolidated income statement</b>	Note	<b>2019</b>	<b>2018</b>	
		<b>\$'000</b>	<b>\$'000</b>	
<b>Continuing operations</b>				
Sales	4	<b>245,646</b>	198,898	SFRS(I) 1-1 (82)(a)
Cost of sales	5	<b>(87,701)</b>	(71,511)	SFRS(I) 1-1 (103)
Gross profit		<b>157,945</b>	127,387	SFRS(I) 1-1 (103)
Other income				
- Interest	7	<b>2,357</b>	2,144	SFRS(I) 1-1 (103)
- Others	7	<b>5,227</b>	3,623	
Other gains and losses				
- Impairment loss on financial assets and contract assets		<b>(850)</b>	(266)	
- Others	8	<b>(1,990)</b>	(30)	
Expenses				
- Distribution and marketing	5	<b>(55,872)</b>	(47,571)	SFRS(I) 1-1 (103)
- Administrative	5	<b>(37,261)</b>	(27,337)	SFRS(I) 1-1 (103)
- Finance	9	<b>(9,739)</b>	(7,213)	SFRS(I) 1-1 (82)(b)
Share of profit of associates and joint venture	22,23	<b>761</b>	340	SFRS(I) 1-1 (82)(c)
Profit before income tax		<b>60,578</b>	51,077	
Income tax expense	10(a)	<b>(15,893)</b>	(14,567)	SFRS(I) 1-1 (82)(d)
<b>Profit from continuing operations</b>		<b>44,685</b>	36,510	
<b>Discontinued operations</b>				SFRS(I) 1-1 (82)(ea)
Profit from discontinued operations	11	<b>422</b>	1,310	SFRS(I) 5 (33)(a)
<b>Total profit</b>		<b>45,107</b>	37,820	

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 2: Two-statement presentation of statement of comprehensive income based on a classification of expenses by function (continued)

<b>Consolidated income statement</b> (continued)	Note	<b>2019</b>	2018	
		<b>\$'000</b>	<b>\$'000</b>	
<b>Attributable to:</b>				
Equity holders of the Company		<b>41,483</b>	34,416	SFRS(I) 1-1 (81B)(a)
Non-controlling interests		<b>3,624</b>	3,404	
		<b>45,107</b>	<b>37,820</b>	
<b>Earnings per share ("EPS") for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)</b>				
<b>Basic EPS</b>				
- From continuing operations	12(a)	<b>1.53</b>	1.38	SFRS(I) 1-33 (66)
- From discontinued operations	12(a)	<b>0.01</b>	0.05	SFRS(I) 1-33 (68)
<b>Diluted EPS</b>				
- From continuing operations	12(b)	<b>1.41</b>	1.25	SFRS(I) 1-33 (66)
- From discontinued operations	12(b)	<b>0.01</b>	0.04	SFRS(I) 1-33 (68)

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 1: Alternative presentations for statement of comprehensive income**  
(continued)Scenario 2: Two-statement presentation of statement of comprehensive income  
based on a classification of expenses by function (continued)**Consolidated statement of comprehensive income**

	Note	2019 \$'000	2018 \$'000
<b>Profit for the year</b>		<b>45,107</b>	37,820
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets, at FVOCI			
- Fair value gains/(losses) – debt instruments		571	(105)
- Reclassification		(145)	-
Cash flow hedges			
- Fair value gains/(losses)		173	(500)
- Reclassification		625	523
Share of other comprehensive income of associates	22	68	35
Currency translation differences arising from consolidation			
- Gains		489	600
- Reclassification		-	19
		<b>1,781</b>	572
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation gains on property, plant and equipment		540	457
Financial assets, at FVOCI			
- Fair value gains/(losses) - equity investments		885	(1,085)
Currency translation differences arising from consolidation			
- Gains		362	408
<b>Other comprehensive income, net of tax</b>	10(c)	<b>3,568</b>	352
<b>Total comprehensive income</b>		<b>48,675</b>	38,172

SFRS(I) 1-1  
(82A)

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 2: Two-statement presentation of statement of comprehensive income  
based on a classification of expenses by function (continued)

#### Consolidated statement of comprehensive income (continued)

	Note	2019 \$'000	2018 \$'000	
<b>Total comprehensive income attributed to:</b>				
Equity holders of the Company		<b>44,684</b>	34,355	SFRS(I) 1-1 (81B)(b)
Non-controlling interest		<b>3,991</b>	3,817	
		<b>48,675</b>	<b>38,172</b>	

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 1: Alternative presentations for statement of comprehensive income (continued)

##### Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature

Consolidated income statement	Note	2019 \$'000	2018 \$'000	
<b>Continuing operations</b>				
Sales	4	245,646	198,898	SFRS(I) 1-1 (82)(a)
Other income				
- Interest	7	2,357	2,144	SFRS(I) 1-1 (102)
- Others	7	5,227	3,623	SFRS(I) 1-1 (102)
Other gains and losses				
- Impairment loss on financial assets and contract assets		(850)	(266)	
- Others	8	(1,990)	(30)	
Expenses				
- Purchases of inventories		(69,832)	(57,711)	SFRS(I) 1-1 (102)
- Amortisation and depreciation	5	(22,596)	(13,704)	SFRS(I) 1-1 (102)
- Impairment loss on goodwill	5	(500)	(1,081)	SFRS(I) 1-1 (102)
- Employee compensation	6	(44,827)	(42,903)	SFRS(I) 1-1 (102)
- Sub-contractors charges		(13,238)	(12,610)	
- Advertising		(11,938)	(9,304)	
- Rental on operating leases		(5,586)	(10,673)	
- Research		(785)	(645)	SFRS(I) 1-17 (35)(c)
- Transportation		(5,245)	(4,713)	SFRS(I) 1-38 (126)
- Reversal of inventory write-down		380	-	
- Finance	9	(9,739)	(7,213)	SFRS(I) 1-1 (82)(b)
- Other		(1,705)	(1,292)	
Changes in inventories		(4,962)	8,217	
Total expenses		(190,573)	(153,632)	SFRS(I) 1-1 (102)
Share of profit of associates and joint ventures	22,23	761	340	SFRS(I) 1-1 (82)(c)
Profit before income tax		60,578	51,077	
Income tax expense	10(a)	(15,893)	(14,567)	SFRS(I) 1-1 (82)(d)
<b>Profit from continuing operations</b>		<b>44,685</b>	<b>36,510</b>	
<b>Discontinued operations</b>				
Profit from discontinued operations	11	422	1,310	SFRS(I) 1-1 (82)(ea) SFRS(I) 5 (33)(a)
<b>Total profit</b>		<b>45,107</b>	<b>37,820</b>	

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 1: Alternative presentations for statement of comprehensive income (continued)

##### Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature (continued)

<b>Consolidated income statement</b> (continued)	Note	<b>2019</b> <b>\$'000</b>	<b>2018</b> <b>\$'000</b>	
<b>Attributable to</b>				
Equity holders of the Company		<b>41,483</b>	34,416	SFRS(I) 1-1 (81B)(a)
Non-controlling interests		<b>3,624</b>	3,404	
		<b>45,107</b>	<b>37,820</b>	
<b>Earnings per share ("EPS") for profit from continuing and discontinued operations attributable to equity holders of the Company (\$ per share)</b>				
<b>Basic EPS</b>				
- From continuing operations	12(a)	<b>1.53</b>	1.38	SFRS(I) 1-33 (66)
- From discontinued operations	12(a)	<b>0.01</b>	0.05	SFRS(I) 1-33 (68)
<b>Diluted EPS</b>				
- From continuing operations	12(b)	<b>1.41</b>	1.25	SFRS(I) 1-33 (66)
- From discontinued operations	12(b)	<b>0.01</b>	0.04	SFRS(I) 1-33 (68)



**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 1: Alternative presentations for statement of comprehensive income**  
(continued)Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature (continued)**Consolidated statement of comprehensive income**

	Note	2019 \$'000	2018 \$'000
<b>Profit for the year</b>		<b>45,107</b>	37,820
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Financial assets, at FVOCI			SFRS(I) 1-1 (82A)
- Fair value gains/(losses) – debt instruments		571	(105)
- Reclassification		(145)	-
Cash flow hedges			
- Fair value gains/(losses)		173	(500)
- Reclassification		625	523
Share of other comprehensive income of associates	22	68	35
Currency translation differences arising from consolidation			
- Gains		489	600
- Reclassification		-	19
		<b>1,781</b>	572
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation gains on property, plant and equipment		540	457
Financial assets, at FVOCI			
- Fair value gains/(losses) - equity investments		885	(1,085)
Currency translation differences arising from consolidation			
- Gains		362	408
<b>Other comprehensive income, net of tax</b>	10(c)	<b>3,568</b>	352
<b>Total comprehensive income</b>		<b>48,675</b>	38,172

## Additional Illustrative Disclosures

Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

### Example 1: Alternative presentations for statement of comprehensive income (continued)

Scenario 3: Two-statement presentation of the statement of comprehensive income based on a classification of expenses by nature (continued)

#### Consolidated statement of comprehensive income (continued)

	Note	2019 \$'000	2018 \$'000	
<b>Total comprehensive income attributed to:</b>				
Equity holders of the Company		44,684	34,355	SFRS(I) 1-1 (81B)(b)
Non-controlling interests		3,991	3,817	
		<u>48,675</u>	<u>38,172</u>	

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 2: Provision for dismantlement, removal and restoration

*Extracts of significant accounting policies:*

#### **Property, plant and equipment<sup>1</sup>**

##### Measurement

##### *Components of costs*

SFRS(I) 1-16  
(16)(c)

“... The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories.”

#### **Provisions**

Provisions for asset dismantlement, removal or restoration are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amounts have been reliably estimated.

SFRS(I) 1-37  
(14)

The Group recognises the estimated costs of dismantlement, removal or restoration of items of property, plant and equipment arising from the acquisition or use of assets. This provision is estimated based on the best estimate of the expenditure required to settle the obligation, taking into consideration time value.

SFRS(I) 1-37  
(36)

Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement, removal and restoration costs are adjusted against the cost of the related property, plant and equipment, unless the decrease in the liability exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such cases, the excess of the decrease over the carrying amount of the asset or the changes in the liability is recognised in profit or loss immediately.

SFRS(I) Int 1  
(5)

*Extracts of notes to the financial statements:*

#### **Dismantlement, removal or restoration of property, plant and equipment**

SFRS(I) 1-37  
(85)(a)

The Group uses various chemicals in the manufacture of component parts.

A provision is recognised for the present value of costs to be incurred for the restoration of the manufacturing sites. It is expected that \$[ ] will be used during 2020 and \$[ ] during 2021.

Total expected costs to be incurred are \$[ ] (2018: \$[ ]).

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 2: Provision for dismantlement, removal and restoration (continued)

Movement in this provision is as follows:

	Group		Company		
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	
Beginning of financial year	[ ]	[ ]	[ ]	[ ]	SFRS(I) 1-37 (84)(a)
Provision made	[ ]	[ ]	[ ]	[ ]	SFRS(I) 1-37 (84)(b)
Provision utilised	[ ]	[ ]	[ ]	[ ]	SFRS(I) 1-37 (84)(c)
Amortisation of discount	[ ]	[ ]	[ ]	[ ]	SFRS(I) 1-37 (84)(d)
End of financial year	[ ]	[ ]	[ ]	[ ]	SFRS(I) 1-37 (84)(e)

#### Guidance notes

##### Costs of dismantlement, removal or restoration costs in respect of right-of-use assets

- The cost of the right-of-use assets includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

SFRS(I) 16 (24)(d)

The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Accordingly, such costs should be included in the carrying amount of the ROU assets and this set of accounting policies should be disclosed under Note 2.17 if the leased asset is separately presented on the balance sheet as right-of-use assets.

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits

##### Employee compensation

###### (a) Pension benefits

The Group operates both defined benefit and defined contribution post-employment benefit plans.

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

SFRS(I) 1-19  
(8)

Defined benefit plans are post-employment benefit pension plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

SFRS(I) 1-19  
(51)  
SFRS(I) 1-19  
(8)

The liability recognised in the balance sheet in respect of a defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have tenures approximating to that of the related post-employment benefit obligations.

SFRS(I) 1-19  
(57)  
SFRS(I) 1-19  
(67)  
SFRS(I) 1-19  
(83)

Actuarial gains and losses<sup>1</sup> arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise. The experience adjustments are not to be reclassified to profit or loss in a subsequent period<sup>2</sup>.

SFRS(I) 1-19  
(120)(c), (127,  
128)

Past service costs are recognised immediately in profit or loss.

Some Group companies provide post-employment healthcare benefits to their retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit plans. Actuarial gains and losses<sup>1</sup> arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period when they arise. These obligations are valued annually by independent qualified actuaries.

SFRS(I) 1-19  
(72)  
SFRS(I) 1-19  
(120)(c)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Guidance notes

##### Post-employment benefits

1. When an entity has more than one defined benefit plan, disclosures may be made in total, separately for each plan, or in such groupings considered to be more useful. It may be useful to distinguish groupings by criteria such as follows:

- (a) the geographical location of the plans, e.g. by distinguishing domestic plans from foreign plans; or
- (b) whether plans are subject to materially different risks, e.g. by distinguishing flat salary pension plans from final salary pension plans and from post-employment medical plans.

When an entity provides disclosures in total for a grouping of plans, such disclosures are provided in the form of weighted averages or of relatively narrow ranges.

2. The entity may however elect to transfer remeasurements gains or losses arising from experience adjustments recognised in other comprehensive income within equity.

SFRS(I) 1-19  
(138)

SFRS(I) 1-19  
(144)

SFRS(I) 1-19  
(122)

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 3: Post-employment benefits – pension and medical benefits**  
(continued)

## (a) Pension benefits (continued)

*Extracts of notes to the financial statements:*

	Group	
	2019	2018
	\$'000	\$'000
Obligations recognised in the balance sheet for:		
Defined pension benefits	3,684	1,900
Post-employment medical benefits	1,410	701
	<b>5,094</b>	<b>2,601</b>

Expenses charged to profit or loss:		
Defined pension benefits	948	561
Post-employment medical benefits	184	119
	<b>1,132</b>	<b>680</b>

Remeasurements recognised in other comprehensive income for:		
Defined pension benefits	(84)	717
Post-employment medical benefits	(35)	193

	Group	
	2019	2018
	\$'000	\$'000

The amount recognised in the balance sheet relates to funded and unfunded plans as follows:

SFRS(I) 1-19  
(138)(e)

Present value of funded obligations	6,155	2,943
Fair value of plan assets	(5,211)	(2,797)
Deficit of funded plans	944	146
Present value of unfunded obligations	2,426	1,549
Total deficit of defined benefit pension plans	3,370	1,695
Impact of minimum funding requirement/asset ceiling	314	205
Liability recognised in the balance sheet	<b>3,684</b>	<b>1,900</b>

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 3: Post-employment benefits – pension and medical benefits**  
(continued)

## (a) Pension benefits (continued)

The movement in the defined benefit obligation is as follows:

Group

	Present value of obligation \$'000	Fair value of plan assets \$'000	Total \$'000	Impact of minimum funding requirement/ asset ceiling \$'000	Total \$'000	
At 1 January 2018	3,155	(2,242)	913	120	1,033	
Current service cost	498	-	498	-	498	SFRS(I) 1- 19(141)(a)
Interest expense/(income)	214	(156)	58	5	63	SFRS(I) 1- 19(141)(b)
	<b>712</b>	<b>(156)</b>	<b>556</b>	<b>5</b>	<b>561</b>	
Remeasurements:						
- Return on plan assets, excluding amounts included in interest income	-	(85)	(85)	-	(85)	SFRS(I) 1- 19(141)(c)
- Loss from change in demographic assumptions	20	-	20	-	20	
- Loss from change in financial assumptions	61	-	61	-	61	
- Experience losses	641	-	641	-	641	
- Change in asset ceiling excluding amounts included in interest expense	-	-	-	80	80	
	<b>722</b>	<b>(85)</b>	<b>637</b>	<b>80</b>	<b>717</b>	
Exchange differences	-	-	-	-	-	SFRS(I) 1- 19(141)(e)
Contributions:						SFRS(I) 1- 19(141)(f)
- Employers	-	(411)	(411)	-	(411)	
- Plan participants	30	(30)	-	-	-	
Payment from plans:						SFRS(I) 1- 19(141)(g)
- Benefits payments	(127)	127	-	-	-	
<b>At 31 December 2018</b>	<b>4,492</b>	<b>(2,797)</b>	<b>1,695</b>	<b>205</b>	<b>1,900</b>	



**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 3: Post-employment benefits – pension and medical benefits**  
(continued)

## (a) Pension benefits (continued)

Group	Present value of obligation \$'000	Fair value of plan assets \$'000	Total \$'000	Impact of minimum funding requirement/ asset ceiling \$'000	Total \$'000	
At 1 January 2019	4,492	(2,797)	1,695	205	1,900	
Current service cost	751	-	751	-	751	SFRS(I) 1-19(141)(a)
Interest expense/(income)	431	(308)	123	9	132	SFRS(I) 1-19(141)(b)
Past service cost and gains and losses on settlements	65	-	65	-	65	SFRS(I) 1-19(141)(d)
	<b>1,247</b>	<b>(308)</b>	<b>939</b>	<b>9</b>	<b>948</b>	
Remeasurements:						
- Return on plan assets, excluding amounts included in interest income	-	(187)	(187)	-	(187)	SFRS(I) 1-19(141)(c)
- Loss from change in demographic assumptions	32	-	32	-	32	
- Loss from change in financial assumptions	121	-	121	-	121	
- Experience losses	(150)	-	(150)	-	(150)	
- Change in asset ceiling excluding amounts included in interest expense	-	-	-	100	100	
	<b>3</b>	<b>(187)</b>	<b>(184)</b>	<b>100</b>	<b>(84)</b>	
Exchange differences	(61)	(25)	(86)	-	(86)	SFRS(I) 1-19(141)(e)
Contributions:						
- Employers	-	(908)	(908)	-	(908)	SFRS(I) 1-19(141)(f)
- Plan participants	55	(55)	-	-	-	
Payment from plans:						
- Benefits payments	(556)	556	-	-	-	SFRS(I) 1-19(141)(g)
- Settlements	(280)	280	-	-	-	
Acquired in a business combination	3,691	(1,777)	1,914	-	1,914	SFRS(I) 1-19(141)(h)
<b>At 31 December 2019</b>	<b>8,591</b>	<b>(5,221)</b>	<b>3,370</b>	<b>314</b>	<b>3,684</b>	

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits (continued)

##### (a) Pension benefits (continued)

One of the plans has a surplus that is not recognised on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

SFRS(I)  
1-19 (141)

In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective 31 December 2019, which settled all retirement benefit plan obligations relating to the employees of that factory.

SFRS(I)  
1-19 (139)(c)

##### Group

SFRS(I) 1-19  
(138)(a)

	2019				2018			
	UK \$'000	US \$'000	Others \$'000	Total \$'000	UK \$'000	US \$'000	Others \$'000	Total \$'000
Present value of obligation	3,843	4,215	523	8,581	2,962	1,050	480	4,492
Fair value of plan assets	(2,674)	(2,102)	(435)	(5,211)	(2,018)	(394)	(385)	(2,797)
	1,169	2,113	88	3,370	944	656	95	1,695
Impact of minimum funding requirement/asset ceiling	-	-	314	314	-	-	205	205
<b>Total</b>	<b>1,169</b>	<b>2,113</b>	<b>402</b>	<b>3,684</b>	<b>944</b>	<b>656</b>	<b>300</b>	<b>1,900</b>

SFRS(I)  
1-19 (144)

The significant actuarial assumptions used were as follows:

Group	2019		2018	
	UK	US	UK	US
Discount rate	5.1%	5.2%	5.5%	5.6%
Salary growth rate	4.0%	4.5%	4.5%	4.0%
Pension growth rate	3.0%	2.8%	3.1%	2.7%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits (continued)

##### (a) Pension benefits (continued)

Group	2019		2018	
	UK	US	UK	US
Retiring at the end of the reporting period				
- Male	22	20	22	20
- Female	25	24	25	24
Retiring 20 years after the end of the reporting period				
- Male	24	23	24	23
- Female	27	26	27	26

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

SFRS(I)  
1-19 (144)(a)

Group	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	0.50%	Decrease by 8.2%	Increase by 9.0%
Salary growth rate	0.50%	Increase by 1.8%	Decrease by 1.7%
Pension growth rate	0.50%	Increase by 4.7%	Decrease by 4.4%
	<b>Increase by 1 year in assumption</b>	<b>Decrease by 1 year in assumption</b>	
Life expectancy	Increase by 2.8%	Decrease by 2.9%	

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied when calculating the pension liability recognised within the statement of financial position.

SFRS(I) 1-19  
(145)(b)

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

SFRS(I) 1-19  
(145)(c)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits (continued)

##### (b) Post-employment medical benefits

The Group operates a number of post-employment medical benefit schemes, principally in the US. The majority of these plans are unfunded. The method of accounting, significant assumptions and the frequency of valuations are similar to those used for defined benefit pension schemes set out above with the addition of actuarial assumptions relating to the long-term increase in healthcare costs of 8.0% a year (2018: 7.6%) and claim rates of 6% (2018: 5.2%).

SFRS(I) 1-19  
(139)(a)

SFRS(I) 1-19  
(144)

The amount recognised in the balance sheet relates to funded and unfunded plan is as follows:

SFRS(I) 1-19  
(138)(e)

	2019 \$'000	2018 \$'000
<u>Group</u>		
Present value of funded obligations	705	340
Fair value of plan assets	(620)	(294)
Deficit of the funded plans	85	46
Present value of unfunded obligations	1,325	655
Liability recognised in the balance sheet	1,410	701

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 3: Post-employment benefits – pension and medical benefits**  
(continued)

## (b) Post-employment medical benefits (continued)

The movement in the net defined benefit obligation over the year is as follows:

SFRS(I) 1-19  
(140)(a),(141)

<u>Group</u>	<b>Present value of obligation \$'000</b>	<b>Fair value of plan assets \$'000</b>	<b>Total \$'000</b>	
<b>At 1 January 2018</b>	<b>708</b>	<b>(207)</b>	<b>501</b>	
Current service cost	107	–	107	SFRS(I) 1-19(141)(a)
Interest expense/(income)	25	(13)	12	SFRS(I) 1-19(141)(b)
	<b>132</b>	<b>(13)</b>	<b>119</b>	
Remeasurements:				
-Return on plan assets, excluding amounts included in interest income	–	(11)	(11)	SFRS(I) 1-19(141)(c)
-Loss from change in demographic assumptions	3	–	3	
-Loss from change in financial assumptions	7	–	7	
-Experience losses	194	–	194	
	<b>204</b>	<b>(11)</b>	<b>193</b>	
Exchange differences	(31)	2	(29)	SFRS(I) 1-19(141)(e)
Contributions:				SFRS(I) 1-19(141)(f)
- Employers	(10)	(73)	(83)	
Payments from plans:				SFRS(I) 1-19(141)(g)
- Benefit payments	(8)	8	–	
<b>At 31 December 2018</b>	<b>995</b>	<b>(294)</b>	<b>701</b>	

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 3: Post-employment benefits – pension and medical benefits**  
(continued)

## (b) Post-employment medical benefits (continued)

<u>Group</u>	<b>Present value of obligation \$'000</b>	<b>Fair value of plan assets \$'000</b>	<b>Total \$'000</b>	
<b>At 1 January 2019</b>	<b>995</b>	<b>(294)</b>	<b>701</b>	
Current service cost	153	–	153	SFRS(I) 1- 19(141)(a)
Interest expense/(income)	49	(18)	31	SFRS(I) 1- 19(141)(b)
	<b>202</b>	<b>(18)</b>	<b>184</b>	
<b>Remeasurements:</b>				SFRS(I) 1- 19(141)(c)
-Return on plan assets, excluding amounts included in interest income	–	(33)	(33)	
-Loss from change in demographic assumptions	4	–	4	
-Loss from change in financial assumptions	10	–	10	
-Experience gains	(16)	–	(16)	
	<b>(2)</b>	<b>(33)</b>	<b>(35)</b>	
Exchange differences	37	(5)	32	SFRS(I) 1- 19(141)(e)
<b>Contributions:</b>				SFRS(I) 1- 19(141)(f)
- Employers	(12)	(185)	(197)	
<b>Payments from plans:</b>				SFRS(I) 1- 19(141)(g)
- Benefit payments	(7)	7	–	
Acquired in a business combination	802	(77)	725	SFRS(I) 1- 19(141)(h)
<b>At 31 December 2019</b>	<b>2,015</b>	<b>(605)</b>	<b>1,410</b>	

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits (continued)

##### (c) Post-employment benefits (pension and medical)

SFRS(I)  
1-19 (142)

Plan assets are comprised as follows:

Group	2019			2018			
	Quoted \$'000	Un- quoted \$'000	Total \$'000	In %	Quoted \$'000	Un- quoted \$'000	Total \$'000
Equity instruments			<b>1,824</b>	<b>31%</b>			1,216
Information technology	502	–	502		994	–	994
Energy	557	–	557		–	–	–
Manufacturing	746	–	746		194	–	194
Other	–	19	19		–	28	28
Debt instruments			<b>2,186</b>	<b>37%</b>			571
Government	941	–	941		321	–	321
Corporate bonds (Investment grade)	900	–	900		99	–	99
Corporate bonds (Non-investment grade)	68	277	345		41	110	151
Property			<b>1,047</b>	<b>18%</b>			246
In US	–	800	800		–	–	–
In UK	–	247	247		–	246	246
Qualifying insurance policies	–	496	<b>496</b>	<b>9%</b>	–	190	190
Cash and cash equivalents	177	–	<b>177</b>	<b>3%</b>	94	–	94
Investment funds	111	–	<b>111</b>	<b>2%</b>	77	–	77
<b>Total</b>	<b>4,002</b>	<b>1,839</b>	<b>5,841</b>	<b>100%</b>	<b>1,820</b>	<b>574</b>	<b>2,394</b>

SFRS(I)  
1-19 (143)

Pension and medical plan assets include the Company's ordinary shares with a fair value of \$136,000 (2018: \$126,000) and US real estate occupied by the Group with a fair value of \$612,000 (2018: \$609,000).

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits (continued)

##### Risk exposure

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility	<p>The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the UK and US plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.</p> <p>As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed in FY2017 with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in UK and US government securities only. The corporate bonds are global securities with an emphasis on the UK and US.</p> <p>However, the Group believes that due to the long-term nature of the plan liabilities and the strength of the supporting group, a level of continuing equity investment is an appropriate element of the Group's long term strategy to manage the plans efficiently. See below for more details on the Group's asset-liability matching strategy.</p>
Changes in bond yields	<p>A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.</p>
Inflation risk	<p>The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.</p> <p>In the US plans, the pensions in payment are not linked to inflation, so this is a less material risk.</p>
Life expectancy	<p>The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the UK plan, where inflationary increases result in higher sensitivity to changes in life expectancy.</p>



## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits (continued)

In case of the funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency.

SFRS(I) 1-19  
(146))

The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. A large portion of assets in FY2019 consists of equities and bonds, although the Group also invests in property, bonds, cash and investment (hedge) funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in the UK and Europe, 30% in the US and the remainder in emerging markets.

SFRS(I) 1-  
19(147)(a)

The Group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis and the current agreed contribution rate is 14% of pensionable salaries in the UK and 12% in the US. The next triennial valuation is due to be completed as at 31 December 2020. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly.

SFRS(I) 1-  
19(147)(b)

Expected contributions to post-employment benefit plans for the year ending 31 December 2020 are \$1,150,000.

SFRS(I) 1-  
19(147)(c)  
SFRS(I) 1-  
19(147)(c)

The weighted average duration of the defined benefit obligation is 25.2 years.

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 3: Post-employment benefits – pension and medical benefits (continued)

Expected maturity analysis of undiscounted pension and post-employment medical benefits:

#### Group

<b>At 31 December 2019</b>	<b>Less than 1 year \$'000</b>	<b>Between 1-2 years \$'000</b>	<b>Between 2-5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Total \$'000</b>
Pension benefits	628	927	2,004	21,947	25,506
Post-employment medical benefits	127	174	714	4,975	5,990
<b>Total as at 31 December 2019</b>	<b>755</b>	<b>1,101</b>	<b>2,718</b>	<b>26,922</b>	<b>31,496</b>

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 4: Defaults and breaches of loans payable

##### Defaults of loan payments

*Extracts of notes to the financial statements on borrowings:*

##### **Scenario 1:**

SFRS(I) 7 (18)

##### **Defaults of loan payments – classification of loan as “current” at reporting date**

The Company has experienced a temporary shortage of funding because cash outflows in the second quarter for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[ ] on the Company's loan with Bank A due by [date] remained unpaid as at 31 December 2019. The carrying amount of the loan payable in default as at 31 December 2019 is \$[ ].

SFRS(I) 7 (18)  
(a-b)

In January 2020, the Company obtained a new loan with Bank B having a maturity of three years to settle its existing debt with Bank A. The loan with Bank A was settled on 27 January 2020.

SFRS(I) 7  
(18)(c)  
SFRS(I) 1-1  
(73)(76)

The loan with Bank A is presented as current liability as at 31 December 2019.

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 4: Defaults and breaches of loans payable (continued)

##### Defaults of loan payments (continued)

*Extracts of notes to the financial statements on borrowings (continued):*

##### Scenario 2:

##### Defaults of loan payments and classification of loan as “non-current” at reporting date

The Company has bank borrowings with a carrying amount of \$[ ] which are due in 2021. Interest payments of \$[ ] on these borrowings was overdue as at 30 September 2019. The Company experienced a temporary shortage of funding because cash outflows in the second and third quarters for business expansion in [countries] were higher than anticipated. As a result, interest payables of \$[ ] due by [date] remained unpaid and the Bank served the Company a default notice on 1 November 2019.

SFRS(I) 1-1  
(73)  
SFRS(I) 7  
(18)(a-b)  
SFRS(I) 7  
(18)

The Company has paid all overdue amounts (including additional interest and penalties for the late payment) and the Bank has agreed the remaining continued to be due in 2021.

Management expects that the Company will be able to meet all contractual obligations from borrowings on a timely basis going forward

SFRS(I) 1-1  
(73),(74)  
SFRS(I) 7  
(18)(c)

##### Breaches of loan covenants

*Extracts of notes to the financial statements on borrowings:*

##### Scenario 1:

##### Breaches of loan covenants – classification of loan as “current” at reporting date

Some of the Company's loan agreements (classified as non-current during the year) are subjected to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[ ], of which the Company has currently drawn an amount of \$[ ].

SFRS(I) 1-1  
(73),(74),  
(135)(e)

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[ ]. The outstanding balance is presented as a current liability as at 31 December 2019.

The bank had not requested early repayment of the loan as of the date when these financial statements were approved by the Board of Directors. Management is in the process of renegotiating the terms of the loan agreement with the bank and expects that a revised loan agreement will be in place in the second quarter of 2020.

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Breaches of loan covenants (continued)

*Extracts of notes to the financial statements on borrowings (continued):*

#### Scenario 2: Breaches of loan covenants – classification of loan as “non-current” at reporting date<sup>1</sup>

SFRS(I) 7 (19)

Some of the Company’s loan agreements are subject to covenant clauses, whereby the Company is required to meet certain key financial ratios. The Company did not fulfil the debt/equity ratio as required in the contract for a credit line of \$[ ], of which the Company has currently drawn an amount of \$[ ].

Due to this breach of the covenant clause, the bank is contractually entitled to request for immediate repayment of the outstanding loan amount of \$[ ].

However, prior to the end of the financial year, the bank has agreed to a period of grace ending in first quarter of 2021.

SFRS(I) 1-1  
(75),(135)(e)

The outstanding balance is presented as a non-current liability as at 31 December 2019.

#### Non-current classification

1. If the breach occurs after the end of the reporting period, then the liability would still be shown as non-current, unless the breach was so serious that the financial statements could not be presented on a going concern basis.

#### Example 5: Foreign currency convertible bonds – equity conversion option classified as derivative liability

*Extracts of significant accounting policies:*

#### Foreign currency convertible bonds

On issuance of the foreign currency convertible bonds, the proceeds are allocated between the embedded equity conversion option and the liability component. The embedded option is recognised at its fair value. The liability component is recognised as the difference between total proceeds and the fair value of the equity conversion option.

SFRS(I) 9  
(4.3.3)

The equity conversion option is subsequently carried at its fair value with fair value changes recognised in profit or loss. The foreign currency-denominated liability component is carried at amortised cost until the liability is extinguished on conversion or redemption.

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 5: Foreign currency convertible bonds – equity conversion option classified as derivative liability (continued)

*Extracts of significant accounting policies (continued):*

#### Foreign currency convertible bonds (continued)

When an equity conversion option is exercised, the carrying amounts of the liability component and the equity conversion option are derecognised with a corresponding recognition of share capital.

Extracts of notes to the financial statements:

#### Other gains and losses

	<u>Group</u>	
	2019	2018
	\$'000	\$'000
Fair value gains on equity conversion option in convertible bonds	<b>4,083</b>	-

SFRS(I) 7  
(20)(a)(v)

#### Finance expenses

	<u>Group</u>	
	2019	2018
	\$'000	\$'000
Interest expense: Convertible bonds	<b>16,966</b>	-

SFRS(I) 7  
(20)(b)

#### Foreign currency convertible bonds

On 1 October 2019, the Group issued zero coupon convertible bonds at a nominal value of US\$500 million (equivalent to \$700 million) due on 4 October 2022. The bonds may be redeemed on 4 October 2021 at their nominal value or can be converted into shares of the Company (the “conversion option”) at the holder’s option at a conversion price of US\$2.20 per share at any time on and after 14 November 2019 up to the close of business on 24 September 2022 if not called for redemption. On full conversion, up to 320,000,000 conversion shares are issued and allotted to the holders of the bonds, if the full carrying amount of bonds is converted into shares instead of being redeemed.

**Additional Illustrative Disclosures**

## Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

**Example 5: Foreign currency convertible bonds – equity conversion option classified as derivative liability (continued)***Extracts of significant accounting policies (continued):***Foreign currency convertible bonds (continued)**

The convertible bonds recognised in the balance sheet are analysed as follows:

<b><u>Group</u></b>	<b>2019</b>
	<b>\$'000</b>
Face value of convertible bonds issued, net of transaction costs	700,000
Embedded equity conversion option	(4,083)
Liability component at initial recognition	<u>695,917</u>
	<b>\$'000</b>
Accumulated amortisation of interest expense	16,966
Currency translation differences	(5,898)
Liability component at end of financial year	<u>706,985</u>

The fair value of the liability component of the convertible bonds at 31 December 2019 is \$707,545,000. The fair value is calculated using cash flows discounted at a borrowing rate of 6.48%.

SFRS(I) 7 (25)  
SFRS(I) 13  
(93)(d)

## Additional Illustrative Disclosures

### Appendix 1 – Areas not relevant to PwC Holdings Ltd Group

#### Example 6: Related party disclosures for government-related entities

##### *Extracts of notes to accounts<sup>1</sup>:*

Government S, indirectly, owns 75% of Company's outstanding shares. In addition to the related party information and transactions disclosed elsewhere in the financial statements, the Company's significant transactions with Government S and other entities controlled, jointly controlled or significantly influenced by Government S include the purchase of approximately 90% of the Company's/Group's power supply from [...], a government controlled entity.

SFRS(I) 1-24  
(26)

In addition, during the year ended 31 December 2019, Government S has sold a piece of land to the Company for a total consideration of \$400,000, settled partly in cash and partly on credit terms.

A loan of \$240,000 from Government S is repayable in quarterly instalments over the next two years. Interest is charged on the loan at a rate of 2.15%, which is comparable to that charged on the Company's bank loans.

#### Guidance notes

##### **Related party disclosures for government-related entities**

1. The disclosure is relevant for transactions among government related entities and the Government. Specifically, a reporting entity is exempt from the general disclosure requirements of SFRS(I) 1-24 in relation to related party transactions and outstanding balances (including commitments) with the government and other government related entities. However, where a reporting entity is exempt from the general disclosure requirements above, the revised SFRS(I) 1-24 requires the reporting entity to disclose the following information about the transactions and related outstanding balances:

SFRS(I) 1-24  
(25),(26)

- the name of the government and the nature of its relationship with the reporting entity (i.e. control, joint control or significant influence);
- the following information in sufficient detail about:
  - the nature and amount of each individually significant transaction; and
  - for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.



## Additional Illustrative Disclosures

### Appendix 2 – SFRS(I) 16 Leases

#### SFRS(I) 16 Leases

Disclosures not illustrated: not applicable to PwC Holdings Ltd

Lessees that are not applying the simplified transitional approach will need to apply the lessee accounting requirements of SFRS(I) 16 retrospectively to each prior reporting period in accordance with the requirements in SFRS(I) 1-8. These entities will also need to disclose the impact of the adoption of SFRS(I) 16 on each line item in the financial statements for the current period, each prior period presented and to periods before those presented, to the extent practicable.

SFRS(1) 1-8  
(28)(f)

This is illustrated in the following disclosure.

PwC Holdings Ltd has applied SFRS(I) 16 retrospectively without using the simplified transitional approach permitted under SFRS(I) 16. The table below show the adjustments recognised for each individual line item as at 1 January 2018, 31 December 2018 and 31 December 2019.

Balance sheet (extract)	31 December 2019 (SFRS(I) 1-17) \$'000	SFRS(I) 16 \$'000	31 December 2019 – as presented \$'000	31 December 2018 As originally presented \$'000	SFRS(I) 16 \$'000	31 December 2018 Restated \$'000
<b>Non-current assets</b>						
Property, plant and equipment	127,076	16,853	143,929	143,556	21,175	164,731
Investment properties	5,238	9,094	14,332	5,970	11,368	17,338
Trade and other receivables	2,622	7,711	10,333	1,840	9,837	11,677
Deferred tax assets	2,402	786	3,188	3,306	765	4,071
<b>Current assets</b>						
Trade and other receivables	17,377	2,800	20,177	17,317	2,750	20,067
<b>Non-current liabilities</b>						
Borrowings	118,402	25,911	144,313	101,223	32,816	134,039
<b>Current liabilities</b>						
Borrowings	12,367	11,414	23,781	9,155	14,456	23,611
Retained profits	132,512	(81)	132,431	109,608	(1,377)	108,231

# Additional Illustrative Disclosures

## Appendix 2 – SFRS(I) 16 Leases

Balance sheet (extract)	1 January 2018 As originally presented \$'000	SFRS(I) 16 \$'000	1 January 2018 Restated \$'000
<b>Non-current assets</b>			
Property, plant and equipment	153,661	25,497	179,158
Investment properties	5,550	13,642	19,192
Trade and other receivables	3,322	11,460	14,782
Deferred tax assets	3,319	730	4,049
<b>Current assets</b>			
Trade and other receivables	18,126	3,203	21,329
<b>Non-current liabilities</b>			
Borrowings	118,300	39,721	158,021
<b>Current liabilities</b>			
Borrowings	9,524	17,498	27,022
Retained profits	82,617	(2,687)	79,930

Statement of profit or loss (extract)	2019 (SFRS(I) 1-17) \$'000	SFRS(I) 16 \$'000	2019 – as presented \$'000	2018 As originally presented \$'000	SFRS(I) 16 \$'000	2018 Restated \$'000
Distribution and marketing	(53,245)	117	(53,128)	(47,571)	338	(47,233)
Administration expense	(35,659)	225	(35,434)	(27,337)	677	(26,660)
Finance cost	(6,927)	(1,928)	(8,855)	(7,213)	(2,011)	(9,224)
Income tax expense	(14,919)	21	(14,898)	(14,567)	35	(14,532)

Statement of cash flows (extract)	2019 (SFRS(I) 1-17) \$'000	SFRS(I) 16 \$'000	2019 – as presented \$'000	2018 As originally presented \$'000	SFRS(I) 16 \$'000	2018 Restated \$'000
Cash generated from operations	95,241	5,415	100,656	63,989	5,270	69,259
Interest paid	(4,384)	(1,398)	(5,782)	(5,087)	(1,471)	(6,558)
Principal payment of lease liabilities	(158)	(5,415)	(5,573)	(164)	(5,270)	(5,434)

# Disclosure Checklist

SFRS(I) 7

SFRS(I) 15

SFRS(I) 16



**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Significance of financial instruments for financial position and performance</b>			
		<b>Statement of financial position</b>	
<b>Categories of financial assets and financial liabilities</b>			
1	8	<p>The carrying amounts of each of the following categories, as specified in SFRS(I) 9, shall be disclosed either in the statement of financial position or in the notes:</p> <p>(a) financial assets measured at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SFRS(I) 9 and (ii) those mandatorily measured at fair value through profit or loss in accordance with SFRS(I) 9.</p> <p>(b) financial liabilities at fair value through profit or loss, showing separately (i) those designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SFRS(I) 9 and (ii) those that meet the definition of held for trading in SFRS(I) 9.</p> <p>(c) financial assets measured at amortised cost.</p> <p>(d) financial liabilities measured at amortised cost.</p> <p>(e) financial assets measured at fair value through other comprehensive income, showing separately (i) financial assets that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 9; and (ii) investments in equity instruments designated as such upon initial recognition in accordance with paragraph 5.7.5 of SFRS(I) 9.</p>	<p>Note 14. All of PwC Holdings Ltd's financial assets are mandatorily measured at FVPL</p> <p>Note 43(f)</p> <p>Note 43(f)</p> <p>Note 43(f)</p> <p>Note 16</p>

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Financial assets or financial liabilities at fair value through profit or loss</b>			
2	9	<p>If the entity has designated as measured at fair value through profit or loss a financial asset (or group of financial assets) that would otherwise be measured at fair value through other comprehensive income or amortised cost, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the maximum exposure to credit risk (see paragraph 36(a)) of the financial asset (or group of financial assets) at the end of the reporting period.</li> <li>(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk (see paragraph 36(b)).</li> <li>(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either: <ul style="list-style-type: none"> <li>(i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or</li> <li>(ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.</li> </ul> </li> </ul> <p>Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.</p> <ul style="list-style-type: none"> <li>(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.</li> </ul>	Not illustrated.

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Financial assets or financial liabilities at fair value through profit or loss (continued)</b>			
3	10	<p>If the entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SFRS(I) 9 and is required to present the effects of changes in that liability's credit risk in other comprehensive income (see paragraph 5.7.7 of SFRS(I) 9), it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of SFRS(I) 9 for guidance on determining the effects of changes in a liability's credit risk).</li> <li>(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.</li> <li>(c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.</li> <li>(d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.</li> </ul>	Not illustrated.
4	10A	<p>If an entity has designated a financial liability as at fair value through profit or loss in accordance with paragraph 4.2.2 of SFRS(I) 9 and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (see paragraphs 5.7.7 and 5.7.8 of SFRS(I) 9), it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability (see paragraphs B5.7.13–B5.7.20 of SFRS(I) 9 for guidance on determining the effects of changes in a liability's credit risk); and</li> <li>(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation.</li> </ul>	Not illustrated.

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Financial assets or financial liabilities at fair value through profit or loss (continued)</b>			
5	11	<p>The entity shall also disclose:</p> <ul style="list-style-type: none"> <li>(a) a detailed description of the methods used to comply with the requirements in paragraphs 9(c), 10(a) and 10A(a) and paragraph 5.7.7(a) of SFRS(I) 9, including an explanation of why the method is appropriate.</li> <li>(b) if the entity believes that the disclosure it has given, either in the statement of financial position or in the notes, to comply with the requirements in paragraph 9(c), 10(a) or 10A(a) or paragraph 5.7.7(a) of SFRS(I) 9 does not faithfully represent the change in the fair value of the financial asset or financial liability attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.</li> <li>(c) a detailed description of the methodology or methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss (see paragraphs 5.7.7 and 5.7.8 of SFRS(I) 9). If an entity is required to present the effects of changes in a liability's credit risk in profit or loss (see paragraph 5.7.8 of SFRS(I) 9), the disclosure must include a detailed description of the economic relationship described in paragraph B5.7.6 of SFRS(I) 9.</li> </ul>	Not illustrated.
<b>Investments in equity instruments designated at fair value through other comprehensive income</b>			
6	11A	<p>If an entity has designated investments in equity instruments to be measured at fair value through other comprehensive income, as permitted by paragraph 5.7.5 of SFRS(I) 9, it shall disclose:</p> <ul style="list-style-type: none"> <li>(a) which investments in equity instruments have been designated to be measured at fair value through other comprehensive income.</li> <li>(b) the reasons for using this presentation alternative.</li> </ul>	<p>Note 16</p> <p>Note 2.11</p>



**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Investments in equity instruments designated at fair value through other comprehensive income (continued)</b>			
6	11A	<p>(c) the fair value of each such investment at the end of the reporting period.</p> <p>(d) dividends recognised during the period, showing separately those related to investments derecognised during the reporting period and those related to investments held at the end of the reporting period.</p> <p>(e) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers.</p>	<p>Note 16</p> <p>Note 7</p> <p>Note 16</p>
7	11B	<p>If an entity derecognised investments in equity instruments measured at fair value through other comprehensive income during the reporting period, it shall disclose:</p> <p>(a) the reasons for disposing of the investments.</p> <p>(b) the fair value of the investments at the date of derecognition.</p> <p>(c) the cumulative gain or loss on disposal.</p>	<p>Note 16</p> <p>Note 16</p> <p>Note 16</p>
<b>Reclassification</b>			
8	12B	<p>An entity shall disclose if, in the current or previous reporting periods, it has reclassified any financial assets in accordance with paragraph 4.4.1 of SFRS(I) 9. For each such event, an entity shall disclose:</p> <p>(a) the date of reclassification.</p> <p>(b) a detailed explanation of the change in business model and a qualitative description of its effect on the entity's financial statements.</p> <p>(c) the amount reclassified into and out of each category.</p>	Not illustrated.
9	12C	For each reporting period following reclassification until derecognition, an entity shall disclose for assets reclassified out of the fair value through profit or loss category so that they are measured at amortised cost	Not illustrated.

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Reclassification (continued)</b>			
9	12C	<p>or fair value through other comprehensive income in accordance with paragraph 4.4.1 of SFRS(I) 9:</p> <p>(a) the effective interest rate determined on the date of reclassification; and</p> <p>(b) the interest revenue recognised.</p>	
10	12D	<p>If, since its last annual reporting date, an entity has reclassified financial assets out of the fair value through other comprehensive income category so that they are measured at amortised cost or out of the fair value through profit or loss category so that they are measured at amortised cost or fair value through other comprehensive income it shall disclose:</p> <p>(a) the fair value of the financial assets at the end of the reporting period; and</p> <p>(b) the fair value gain or loss that would have been recognised in profit or loss or other comprehensive income during the reporting period if the financial assets had not been reclassified.</p>	Not illustrated.
<b>Offsetting financial assets and financial liabilities</b>			
11	13B	An entity shall disclose information to enable users of its financial statements to evaluate the effect or potential effect of netting arrangements on the entity's financial position. This includes the effect or potential effect of rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A.	Note 43(g)
12	13C	<p>To meet the objective in paragraph 13B, an entity shall disclose, at the end of the reporting period, the following quantitative information separately for recognised financial assets and recognised financial liabilities that are within the scope of paragraph 13A:</p> <p>(a) the gross amounts of those recognised financial assets and recognised financial liabilities;</p> <p>(b) the amounts that are set off in accordance with the criteria in paragraph 42 of SFRS(I) 1-32 when determining the net amounts presented in the statement of financial position;</p>	Note 43(g)

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
		<p>(c) the net amounts presented in the statement of financial position;</p> <p>(d) the amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in paragraph 13C(b), including:</p> <p>(i) amounts related to recognised financial instruments that do not meet some or all of the offsetting criteria in paragraph 42 of SFRS(I) 1-32; and</p> <p>(ii) amounts related to financial collateral (including cash collateral); and</p> <p>(e) the net amount after deducting the amounts in (d) from the amounts in (c) above.</p> <p>The information required by this paragraph shall be presented in a tabular format, separately for financial assets and financial liabilities, unless another format is more appropriate.</p>	
13	13E	An entity shall include a description in the disclosures of the rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements that are disclosed in accordance with paragraph 13C(d), including the nature of those rights.	Note 43(g)
<b>Collateral</b>			
14	14	<p>An entity shall disclose:</p> <p>(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 3.2.23(a) of SFRS(I) 9; and</p> <p>(b) the terms and conditions relating to its pledge.</p>	Note 31(a)
15	15	<p>When an entity holds collateral (of financial or non financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:</p> <p>(a) the fair value of the collateral held;</p>	Not illustrated

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
		(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and  (c) the terms and conditions associated with its use of the collateral.	
<b>Allowance account for credit losses</b>			
16	16A	The carrying amount of financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 9 is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements.	Note 16, Note 43(b)

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Statement of comprehensive income</b>			
<b>Items of income, expense, gains or losses</b>			
17	20	<p>An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes:</p> <p>(a) net gains or net losses on:</p> <ul style="list-style-type: none"> <li>(i) financial assets or financial liabilities measured at fair value through profit or loss, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with paragraph 6.7.1 of SFRS(I) 9, and those on financial assets or financial liabilities that are mandatorily measured at fair value through profit or loss in accordance with SFRS(I) 9 (eg financial liabilities that meet the definition of held for trading in SFRS(I) 9). For financial liabilities designated as at fair value through profit or loss, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss.</li> <li>(ii) financial liabilities measured at amortised cost.</li> <li>(iii) financial assets measured at amortised cost.</li> <li>(iv) investments in equity instruments designated at fair value through other comprehensive income in accordance with paragraph 5.7.5 of SFRS(I) 9.</li> <li>(v) financial assets measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.</li> </ul>	<p>Note 8. All financial assets and liabilities are mandatorily measured at FVPL.</p> <p>Note 9. Loss on modification.</p> <p>Not illustrated.</p> <p>Consolidated Statement of Comprehensive Income</p> <p>Consolidated Statement of Comprehensive Income</p>

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Statement of comprehensive income (continued)</b>			
<b>Items of income, expense, gains or losses (continued)</b>			
17	20	<p>(b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at fair value through other comprehensive income in accordance with paragraph 4.1.2A of SFRS(I) 9 (showing these amounts separately); or financial liabilities that are not measured at fair value through profit or loss.</p> <p>(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:</p> <p>(i) financial assets and financial liabilities that are not at fair value through profit or loss; and</p> <p>(ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.</p>	<p>Note 7, 9</p> <p>Not illustrated.</p>
18	20A	An entity shall disclose an analysis of the gain or loss recognised in the statement of comprehensive income arising from the derecognition of financial assets measured at amortised cost, showing separately gains and losses arising from derecognition of those financial assets. This disclosure shall include the reasons for derecognising those financial assets.	Not illustrated.
<b>Other disclosures</b>			
<b>Hedge accounting</b>			
19	21A	<p>An entity shall apply the disclosure requirements in paragraphs 21B–24F for those risk exposures that an entity hedges and for which it elects to apply hedge accounting. Hedge accounting disclosures shall provide information about:</p> <p>(a) an entity's risk management strategy and how it is applied to manage risk;</p>	Note 43

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Other disclosures (continued)</b>			
<b>Hedge accounting (continued)</b>			
19	21A	<p>(b) how the entity's hedging activities may affect the amount, timing and uncertainty of its future cash flows; and</p> <p>(c) the effect that hedge accounting has had on the entity's statement of financial position, statement of comprehensive income and statement of changes in equity.</p>	<p>Note 2.12(b)</p> <p>Note 2.12</p>
20	21B	An entity shall present the required disclosures in a single note or separate section in its financial statements. However, an entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross-reference from the financial statements to some other statement, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross-reference, the financial statements are incomplete.	Reporting entity to consider in disclosures made.
21	21C	When paragraphs 22A–24F require the entity to separate by risk category the information disclosed, the entity shall determine each risk category on the basis of the risk exposures an entity decides to hedge and for which hedge accounting is applied. An entity shall determine risk categories consistently for all hedge accounting disclosures.	Note 43(a)(i) Note 43(a)(iii)
22	21D	To meet the objectives in paragraph 21A, an entity shall (except as otherwise specified below) determine how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed. However, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in this SFRS(I) and SFRS(I) 13 <i>Fair Value Measurement</i> .	Reporting entity to consider in disclosures made.

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The risk management strategy</b>			
23	22A	<p>An entity shall explain its risk management strategy for each risk category of risk exposures that it decides to hedge and for which hedge accounting is applied. This explanation should enable users of financial statements to evaluate (for example):</p> <ul style="list-style-type: none"> <li>(a) how each risk arises.</li> <li>(b) how the entity manages each risk; this includes whether the entity hedges an item in its entirety for all risks or hedges a risk component (or components) of an item and why.</li> <li>(c) the extent of risk exposures that the entity manages.</li> </ul>	<p>Note 43</p> <p>Note 43</p> <p>Note 43</p>
24	22B	<p>To meet the requirements in paragraph 22A, the information should include (but is not limited to) a description of:</p> <ul style="list-style-type: none"> <li>(a) the hedging instruments that are used (and how they are used) to hedge risk exposures;</li> <li>(b) how the entity determines the economic relationship between the hedged item and the hedging instrument for the purpose of assessing hedge effectiveness; and</li> <li>(c) how the entity establishes the hedge ratio and what the sources of hedge ineffectiveness are.</li> </ul>	<p>Note 43</p> <p>Note 43</p> <p>Note 43</p>
25	22C	<p>When an entity designates a specific risk component as a hedged item (see paragraph 6.3.7 of SFRS(I) 9) it shall provide, in addition to the disclosures required by paragraphs 22A and 22B, qualitative or quantitative information about:</p> <ul style="list-style-type: none"> <li>(a) how the entity determined the risk component that is designated as the hedged item (including a description of the nature of the relationship between the risk component and the item as a whole); and</li> <li>(b) how the risk component relates to the item in its entirety (for example, the designated risk component historically covered on average 80 per cent of the changes in fair value of the item as a whole).</li> </ul>	Not illustrated.



## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The amount, timing and uncertainty of future cash flows</b>			
26	23A	Unless exempted by paragraph 23C, an entity shall disclose by risk category quantitative information to allow users of its financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows of the entity.	Note 15
27	23B	To meet the requirement in paragraph 23A, an entity shall provide a breakdown that discloses: <ul style="list-style-type: none"> <li>(a) a profile of the timing of the nominal amount of the hedging instrument; and</li> <li>(b) if applicable, the average price or rate (for example strike or forward prices etc) of the hedging instrument.</li> </ul>	Note 15  Note 15
28	23C	In situations in which an entity frequently resets (ie discontinues and restarts) hedging relationships because both the hedging instrument and the hedged item frequently change (ie the entity uses a dynamic process in which both the exposure and the hedging instruments used to manage that exposure do not remain the same for long—such as in the example in paragraph B6.5.24(b) of SFRS(I) 9) the entity: <ul style="list-style-type: none"> <li>(a) is exempt from providing the disclosures required by paragraphs 23A and 23B.</li> <li>(b) shall disclose:               <ul style="list-style-type: none"> <li>(i) information about what the ultimate risk management strategy is in relation to those hedging relationships;</li> <li>(ii) a description of how it reflects its risk management strategy by using hedge accounting and designating those particular hedging relationships; and</li> <li>(iii) an indication of how frequently the hedging relationships are discontinued and restarted as part of the entity's process in relation to those hedging relationships.</li> </ul> </li> </ul>	Not illustrated.
29	23D	An entity shall disclose by risk category a description of the sources of hedge ineffectiveness that are expected to affect the hedging relationship during its term.	Note 43

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The amount, timing and uncertainty of future cash flows (continued)</b>			
30	23E	If other sources of hedge ineffectiveness emerge in a hedging relationship, an entity shall disclose those sources by risk category and explain the resulting hedge ineffectiveness.	Not illustrated.
31	23F	For cash flow hedges, an entity shall disclose a description of any forecast transaction for which hedge accounting had been used in the previous period, but which is no longer expected to occur.	Not illustrated.
<b>The effects of hedge accounting on financial position and performance</b>			
32	24A	<p>An entity shall disclose, in a tabular format, the following amounts related to items designated as hedging instruments separately by risk category for each type of hedge (fair value hedge, cash flow hedge or hedge of a net investment in a foreign operation):</p> <ul style="list-style-type: none"> <li>(a) the carrying amount of the hedging instruments (financial assets separately from financial liabilities);</li> <li>(b) the line item in the statement of financial position that includes the hedging instrument;</li> <li>(c) the change in fair value of the hedging instrument used as the basis for recognising hedge ineffectiveness for the period; and</li> <li>(d) the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments.</li> </ul>	<p>Note 15</p> <p>Note 15</p> <p>Note 15</p> <p>Note 15</p>
33	24B	<p>An entity shall disclose, in a tabular format, the following amounts related to hedged items separately by risk category for the types of hedges as follows:</p> <ul style="list-style-type: none"> <li>(a) for fair value hedges: <ul style="list-style-type: none"> <li>(i) the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);</li> </ul> </li> </ul>	Note 15

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The effects of hedge accounting on financial position and performance (continued)</b>			
33	24B	(ii) the accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item recognised in the statement of financial position (presenting assets separately from liabilities);	Note 15
		(iii) the line item in the statement of financial position that includes the hedged item;	Note 15
		(iv) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period; and	Note 15
		(v) the accumulated amount of fair value hedge adjustments remaining in the statement of financial position for any hedged items that have ceased to be adjusted for hedging gains and losses in accordance with paragraph 6.5.10 of SFRS(I) 9.	Not illustrated
		(b) for cash flow hedges and hedges of a net investment in a foreign operation:	
		(i) the change in value of the hedged item used as the basis for recognising hedge ineffectiveness for the period (ie for cash flow hedges the change in value used to determine the recognised hedge ineffectiveness in accordance with paragraph 6.5.11(c) of SFRS(I) 9);	Note 15
		(ii) the balances in the cash flow hedge reserve and the foreign currency translation reserve for continuing hedges that are accounted for in accordance with paragraphs 6.5.11 and 6.5.13(a) of SFRS(I) 9; and	Note 38
		(iii) the balances remaining in the cash flow hedge reserve and the foreign currency translation reserve from any hedging relationships for which hedge accounting is no longer applied.	Not illustrated

# Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The effects of hedge accounting on financial position and performance (continued)</b>			
34	24C	<p>An entity shall disclose, in a tabular format, the following amounts separately by risk category for the types of hedges as follows:</p> <p>(a) for fair value hedges:</p> <p>(i) hedge ineffectiveness – ie the difference between the hedging gains or losses of the hedging instrument and the hedged item – recognised in profit or loss (or other comprehensive income for hedges of an equity instrument for which an entity has elected to present changes in fair value in other comprehensive income in accordance with paragraph 5.7.5 of SFRS(I) 9); and</p> <p>(ii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness.</p> <p>(b) for cash flow hedges and hedges of a net investment in a foreign operation:</p> <p>(i) hedging gains or losses of the reporting period that were recognised in other comprehensive income;</p> <p>(ii) hedge ineffectiveness recognised in profit or loss;</p> <p>(iii) the line item in the statement of comprehensive income that includes the recognised hedge ineffectiveness;</p> <p>(iv) the amount reclassified from the cash flow hedge reserve or the foreign currency translation reserve into profit or loss as a reclassification adjustment (see SFRS(I) 1-1) (differentiating between amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur, and amounts that have been transferred because the hedged item has affected profit or loss);</p>	<p>Note 15</p> <p>Note 15</p> <p>Note 38</p> <p>Note 15</p> <p>Note 15</p> <p>Note 38</p>

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The effects of hedge accounting on financial position and performance (continued)</b>			
34	24C	<p>(v) the line item in the statement of comprehensive income that includes the reclassification adjustment (see SFRS(I) 1-1); and</p> <p>(vi) for hedges of net positions, the hedging gains or losses recognised in a separate line item in the statement of comprehensive income (see paragraph 6.6.4 of SFRS(I) 9).</p>	<p>Note 38</p> <p>Not illustrated.</p>
35	24D	When the volume of hedging relationships to which the exemption in paragraph 23C applies is unrepresentative of normal volumes during the period (ie the volume at the reporting date does not reflect the volumes during the period) an entity shall disclose that fact and the reason it believes the volumes are unrepresentative.	Not illustrated.
36	24E	<p>An entity shall provide a reconciliation of each component of equity and an analysis of other comprehensive income in accordance with SFRS(I) 1-1 that, taken together:</p> <p>(a) differentiates, at a minimum, between the amounts that relate to the disclosures in paragraph 24C(b)(i) and (b)(iv) as well as the amounts accounted for in accordance with paragraph 6.5.11(d)(i) and (d)(iii) of SFRS(I) 9;</p> <p>(b) differentiates between the amounts associated with the time value of options that hedge transaction related hedged items and the amounts associated with the time value of options that hedge time- period related hedged items when an entity accounts for the time value of an option in accordance with paragraph 6.5.15 of SFRS(I) 9; and</p>	<p>Note 38</p> <p>Not illustrated.</p>

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The effects of hedge accounting on financial position and performance (continued)</b>			
36	24E	(c) differentiates between the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge transaction related hedged items, and the amounts associated with forward elements of forward contracts and the foreign currency basis spreads of financial instruments that hedge time-period related hedged items when an entity accounts for those amounts in accordance with paragraph 6.5.16 of SFRS(I) 9.	Not illustrated.
37	24F	An entity shall disclose the information required in paragraph 24E separately by risk category. This disaggregation by risk may be provided in the notes to the financial statements.	Note 38
<b>Option to designate a credit exposure as measured at fair value through profit or loss</b>			
38	24G	<p>If an entity designated a financial instrument, or a proportion of it, as measured at fair value through profit or loss because it uses a credit derivative to manage the credit risk of that financial instrument it shall disclose:</p> <p>(a) for credit derivatives that have been used to manage the credit risk of financial instruments designated as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of SFRS(I) 9, a reconciliation of each of the nominal amount and the fair value at the beginning and at the end of the period;</p> <p>(b) the gain or loss recognised in profit or loss on designation of a financial instrument, or a proportion of it, as measured at fair value through profit or loss in accordance with paragraph 6.7.1 of SFRS(I) 9; and</p>	Not illustrated.

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Option to designate a credit exposure as measured at fair value through profit or loss (continued)</b>			
38	24G	(c) on discontinuation of measuring a financial instrument, or a proportion of it, at fair value through profit or loss, that financial instrument's fair value that has become the new carrying amount in accordance with paragraph 6.7.4 of SFRS(I) 9 and the related nominal or principal amount (except for providing comparative information in accordance with SFRS(I) 1-1, an entity does not need to continue this disclosure in subsequent periods).	
<b>Fair value</b>			
39	28	<p>In some cases, an entity does not recognise a gain or loss on initial recognition of a financial asset or financial liability because the fair value is neither evidenced by a quoted price in an active market for an identical asset or liability (ie a Level 1 input) nor based on a valuation technique that uses only data from observable markets (see paragraph B5.1.2A of SFRS(I) 9). In such cases, the entity shall disclose by class of financial asset or financial liability:</p> <p>(a) its accounting policy for recognising in profit or loss the difference between the fair value at initial recognition and the transaction price to reflect a change in factors (including time) that market participants would take into account when pricing the asset or liability (see paragraph B5.1.2A(b) of SFRS(I) 9).</p> <p>(b) the aggregate difference yet to be recognised in profit or loss at the beginning and end of the period and a reconciliation of changes in the balance of this difference.</p> <p>(c) why the entity concluded that the transaction price was not the best evidence of fair value, including a description of the evidence that supports the fair value.</p>	Not illustrated.

# Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Fair value (continued)</b>			
40	29	Disclosures of fair value are not required: <ul style="list-style-type: none"> <li>(a) when the carrying amount is a reasonable approximation of fair value, for example, for financial instruments such as short-term trade receivables and payables;</li> <li>(b) for a contract containing a discretionary participation feature (as described in SFRS(I) 4) if the fair value of that feature cannot be measured reliably; or</li> <li>(c) for lease liabilities.</li> </ul>	Reporting entity to consider in disclosures made.
41	30	In the case described in paragraph 29(b), an entity shall disclose information to help users of the financial statements make their own judgements about the extent of possible differences between the carrying amount of those contracts and their fair value, including: <ul style="list-style-type: none"> <li>(a) the fact that fair value information has not been disclosed for these instruments because their fair value cannot be measured reliably;</li> <li>(b) a description of the financial instruments, their carrying amount, and an explanation of why fair value cannot be measured reliably.</li> <li>(c) information about the market for the instruments;</li> <li>(d) information about whether and how the entity intends to dispose of the financial instruments; and</li> <li>(e) if financial instruments whose fair value previously could not be reliably measured are derecognised, that fact, their carrying amount at the time of derecognition, and the amount of gain or loss recognised.</li> </ul>	Not illustrated.
<b>Nature and extent of risks arising from financial instruments</b>			
42	31	An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period.	Note 43
43	32A	Providing qualitative disclosures in the context of quantitative disclosures enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial	Note 43



**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
		instruments. The interaction between qualitative and quantitative disclosures contributes to disclosure of information in a way that better enables users to evaluate an entity's exposure to risks.	
<b>Qualitative disclosures</b>			
44	33	<p>For each type of risk arising from financial instruments, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(a) the exposures to risk and how they arise;</li> <li>(b) its objectives, policies and processes for managing the risk and the methods used to measure the risk; and</li> <li>(c) any changes in (a) or (b) from the previous period.</li> </ul>	Note 43
<b>Quantitative disclosures</b>			
45	34	<p>For each type of risk arising from financial instruments, an entity shall disclose:</p> <ul style="list-style-type: none"> <li>(d) summary quantitative data about its exposure to that risk at the end of the reporting period. This disclosure shall be based on the information provided internally to key management personnel of the entity (as defined in SFRS(I)1-24 Related Party Disclosures), for example the entity's board of directors or chief executive officer.</li> <li>(e) the disclosures required by paragraphs 35A–42, to the extent not provided in accordance with (a).</li> <li>(f) concentrations of risk if not apparent from the disclosures made in accordance with (a) and (b).</li> </ul>	Note 43
46	35	If the quantitative data disclosed as at the end of the reporting period are unrepresentative of an entity's exposure to risk during the period, an entity shall provide further information that is representative.	Not illustrated.

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Credit risk</b>			
<b>Scope and objectives</b>			
47	35A	<p>An entity shall apply the disclosure requirements in paragraphs 35F–35N to financial instruments to which the impairment requirements in SFRS(I) 9 are applied. However:</p> <ul style="list-style-type: none"> <li>(a) for trade receivables, contract assets and lease receivables, paragraph 35J(a) applies to those trade receivables, contract assets or lease receivables on which lifetime expected credit losses are recognised in accordance with paragraph 5.5.15 of SFRS(I) 9, if those financial assets are modified while more than 30 days past due; and</li> <li>(b) paragraph 35K(b) does not apply to lease receivables.</li> </ul>	Note 43(b)
48	35B	<p>The credit risk disclosures made in accordance with paragraphs 35F–35N shall enable users of financial statements to understand the effect of credit risk on the amount, timing and uncertainty of future cash flows. To achieve this objective, credit risk disclosures shall provide:</p> <ul style="list-style-type: none"> <li>(a) information about an entity's credit risk management practices and how they relate to the recognition and measurement of expected credit losses, including the methods, assumptions and information used to measure expected credit losses;</li> <li>(b) quantitative and qualitative information that allows users of financial statements to evaluate the amounts in the financial statements arising from expected credit losses, including changes in the amount of expected credit losses and the reasons for those changes; and</li> <li>(c) information about an entity's credit risk exposure (ie the credit risk inherent in an entity's financial assets and commitments to extend credit) including significant credit risk concentrations.</li> </ul>	<p>Note 43(b)</p> <p>Note 43(b)</p> <p>Note 43(b)</p>

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Scope and objectives (continued)</b>			
49	35C	An entity need not duplicate information that is already presented elsewhere, provided that the information is incorporated by cross- reference from the financial statements to other statements, such as a management commentary or risk report that is available to users of the financial statements on the same terms as the financial statements and at the same time. Without the information incorporated by cross- reference, the financial statements are incomplete.	Reporting entity to consider in disclosures made.
50	35D	To meet the objectives in paragraph 35B, an entity shall (except as otherwise specified) consider how much detail to disclose, how much emphasis to place on different aspects of the disclosure requirements, the appropriate level of aggregation or disaggregation, and whether users of financial statements need additional explanations to evaluate the quantitative information disclosed.	Reporting entity to consider in disclosures made.
51	35E	If the disclosures provided in accordance with paragraphs 35F–35N are insufficient to meet the objectives in paragraph 35B, an entity shall disclose additional information that is necessary to meet those objectives.	Reporting entity to consider in disclosures made.
<b>The credit risk management practices</b>			
52	35F	<p>An entity shall explain its credit risk management practices and how they relate to the recognition and measurement of expected credit losses. To meet this objective an entity shall disclose information that enables users of financial statements to understand and evaluate:</p> <p>(a) how an entity determined whether the credit risk of financial instruments has increased significantly since initial recognition, including, if and how:</p> <p>(i) financial instruments are considered to have low credit risk in accordance with paragraph 5.5.10 of SFRS(I) 9, including the classes of financial instruments to which it applies; and</p>	<p>Note 43(b)</p> <p>Note 43(b)</p>

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The credit risk management practices (continued)</b>			
52	35F	<p>(ii) the presumption in paragraph 5.5.11 of SFRS(I) 9, that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has been rebutted;</p> <p>(b) an entity's definitions of default, including the reasons for selecting those definitions;</p> <p>(c) how the instruments were grouped if expected credit losses were measured on a collective basis;</p> <p>(d) how an entity determined that financial assets are credit-impaired financial assets;</p> <p>(e) an entity's write-off policy, including the indicators that there is no reasonable expectation of recovery and information about the policy for financial assets that are written-off but are still subject to enforcement activity; and</p> <p>(f) how the requirements in paragraph 5.5.12 of SFRS(I) 9 for the modification of contractual cash flows of financial assets have been applied, including how an entity:</p> <p>(i) determines whether the credit risk on a financial asset that has been modified while the loss allowance was measured at an amount equal to lifetime expected credit losses, has improved to the extent that the loss allowance reverts to being measured at an amount equal to 12-month expected credit losses in accordance with paragraph 5.5.5 of SFRS(I) 9; and</p> <p>(ii) monitors the extent to which the loss allowance on financial assets meeting the criteria in (i) is subsequently remeasured at an amount equal to lifetime expected credit losses in accordance with paragraph 5.5.3 of SFRS(I) 9.</p>	<p>Not illustrated.</p> <p>Note 43(b)</p> <p>Note 43(b)</p> <p>Note 43(b)</p> <p>Note 43(b)</p> <p>Not illustrated.</p> <p>Not illustrated.</p>
53	35G	An entity shall explain the inputs, assumptions and estimation techniques used to apply the requirements in Section 5.5 of SFRS(I) 9. For this purpose an entity shall disclose:	

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>The credit risk management practices (continued)</b>			
53	35G	<p>(a) the basis of inputs and assumptions and the estimation techniques used to:</p> <p>(i) measure the 12-month and lifetime expected credit losses;</p> <p>(ii) determine whether the credit risk of financial instruments has increased significantly since initial recognition; and</p> <p>(iii) determine whether a financial asset is a credit-impaired financial asset.</p> <p>(b) how forward-looking information has been incorporated into the determination of expected credit losses, including the use of macroeconomic information; and</p> <p>(c) changes in the estimation techniques or significant assumptions made during the reporting period and the reasons for those changes.</p>	<p>Note 43(b)</p> <p>Note 43(b)</p> <p>Note 43(b)</p> <p>Note 43(b)</p> <p>Not illustrated.</p>
<b>Quantitative and qualitative information about amounts arising from expected credit losses</b>			
54	35H	<p>To explain the changes in the loss allowance and the reasons for those changes, an entity shall provide, by class of financial instrument, a reconciliation from the opening balance to the closing balance of the loss allowance, in a table, showing separately the changes during the period for:</p> <p>(a) the loss allowance measured at an amount equal to 12-month expected credit losses;</p> <p>(b) the loss allowance measured at an amount equal to lifetime expected credit losses for:</p> <p>(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;</p> <p>(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and</p>	<p>Note 43(b)</p> <p>Note 43(b)</p> <p>Note 43(b)</p>

# Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Quantitative and qualitative information about amounts arising from expected credit losses (continued)</b>			
54	35H	<p>(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of SFRS(I) 9.</p> <p>(c) financial assets that are purchased or originated credit-impaired. In addition to the reconciliation, an entity shall disclose the total amount of undiscounted expected credit losses at initial recognition on financial assets initially recognised during the reporting period.</p>	<p>Note 43(b)</p> <p>Not illustrated.</p>
55	35I	<p>To enable users of financial statements to understand the changes in the loss allowance disclosed in accordance with paragraph 35H, an entity shall provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. The information shall be provided separately for financial instruments that represent the loss allowance as listed in paragraph 35H(a)–(c) and shall include relevant qualitative and quantitative information. Examples of changes in the gross carrying amount of financial instruments that contributed to the changes in the loss allowance may include:</p> <p>(a) changes because of financial instruments originated or acquired during the reporting period;</p> <p>(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets in accordance with SFRS(I) 9;</p> <p>(c) changes because of financial instruments that were derecognised (including those that were written-off) during the reporting period; and</p> <p>(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime expected credit losses.</p>	<p>Note 43(b)</p> <p>Not illustrated.</p> <p>Note 43(b)</p> <p>Note 43(b)</p>

# Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Quantitative and qualitative information about amounts arising from expected credit losses (continued)</b>			
56	35J	<p>To enable users of financial statements to understand the nature and effect of modifications of contractual cash flows on financial assets that have not resulted in derecognition and the effect of such modifications on the measurement of expected credit losses, an entity shall disclose:</p> <p>(a) the amortised cost before the modification and the net modification gain or loss recognised for financial assets for which the contractual cash flows have been modified during the reporting period while they had a loss allowance measured at an amount equal to lifetime expected credit losses; and</p> <p>(b) the gross carrying amount at the end of the reporting period of financial assets that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses.</p>	Not illustrated.
57	35K	<p>To enable users of financial statements to understand the effect of collateral and other credit enhancements on the amounts arising from expected credit losses, an entity shall disclose by class of financial instrument:</p> <p>(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with SFRS(I) 1-32).</p> <p>(b) a narrative description of collateral held as security and other credit enhancements, including:</p> <p>(i) a description of the nature and quality of the collateral held;</p>	<p>Note 43</p> <p>Not illustrated.</p> <p>Not illustrated.</p>

# Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Quantitative and qualitative information about amounts arising from expected credit losses (continued)</b>			
57	35K	<ul style="list-style-type: none"> <li>(ii) an explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and</li> <li>(iii) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.</li> <li>(c) quantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.</li> </ul>	<p>Not illustrated.</p> <p>Not illustrated.</p> <p>Not illustrated.</p>
58	35L	An entity shall disclose the contractual amount outstanding on financial assets that were written off during the reporting period and are still subject to enforcement activity.	Note 43(b)
<b>Credit risk exposure</b>			
59	35M	<p>To enable users of financial statements to assess an entity's credit risk exposure and understand its significant credit risk concentrations, an entity shall disclose, by credit risk rating grades, the gross carrying amount of financial assets and the exposure to credit risk on loan commitments and financial guarantee contracts. This information shall be provided separately for financial instruments:</p> <ul style="list-style-type: none"> <li>(a) for which the loss allowance is measured at an amount equal to 12-month expected credit losses;</li> <li>(b) for which the loss allowance is measured at an amount equal to lifetime expected credit losses and that are: <ul style="list-style-type: none"> <li>(i) financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets;</li> </ul> </li> </ul>	<p>Note 43(b)</p> <p>Note 43(b)</p>



**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Credit risk exposure (continued)</b>			
59	35M	<p>(ii) financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired); and</p> <p>(iii) trade receivables, contract assets or lease receivables for which the loss allowances are measured in accordance with paragraph 5.5.15 of SFRS(I) 9.</p> <p>(c) that are purchased or originated credit-impaired financial assets.</p>	<p>Note 43(b)</p> <p>Note 43(b)</p> <p>Not illustrated.</p>
60	35N	For trade receivables, contract assets and lease receivables to which an entity applies paragraph 5.5.15 of SFRS(I) 9, the information provided in accordance with paragraph 35M may be based on a provision matrix (see paragraph B5.5.35 of SFRS(I) 9).	Note 43(b)

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Credit risk exposure (continued)</b>			
61	36	<p>For all financial instruments within the scope of this SFRS(I), but to which the impairment requirements in SFRS(I) 9 are not applied, an entity shall disclose by class of financial instrument:</p> <p>(a) the amount that best represents its maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements (eg netting agreements that do not qualify for offset in accordance with SFRS(I) 1-32); this disclosure is not required for financial instruments whose carrying amount best represents the maximum exposure to credit risk.</p> <p>(b) a description of collateral held as security and other credit enhancements, and their financial effect (eg quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk (whether disclosed in accordance with (a) or represented by the carrying amount of a financial instrument).</p>	<p>Note 43(b)</p> <p>Not illustrated.</p>

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Collateral and other credit enhancements obtained</b>			
62	38	<p>When an entity obtains financial or non-financial assets during the period by taking possession of collateral it holds as security or calling on other credit enhancements (eg guarantees), and such assets meet the recognition criteria in other SFRS(I)s, an entity shall disclose for such assets held at the reporting date:</p> <ul style="list-style-type: none"> <li>(a) the nature and carrying amount of assets; and</li> <li>(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.</li> </ul>	Not illustrated.
<b>Transfer of financial assets</b>			
63	42B	<p>An entity shall disclose information that enables users of its financial statements:</p> <ul style="list-style-type: none"> <li>(a) to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and</li> <li>(b) to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.</li> </ul>	Not illustrated.
64	42C	<p>For the purposes of applying the disclosure requirements in paragraphs 42E–42H, an entity has continuing involvement in a transferred financial asset if, as part of the transfer, the entity retains any of the contractual rights or obligations inherent in the transferred financial asset or obtains any new contractual rights or obligations relating to the transferred financial asset. For the purposes of applying the disclosure requirements in paragraphs 42E–42H, the following do not constitute continuing involvement:</p> <ul style="list-style-type: none"> <li>(a) normal representations and warranties relating to fraudulent transfer and concepts of reasonableness, good faith and fair dealings that could invalidate a transfer as a result of legal action;</li> <li>(b) forward, option and other contracts to reacquire the transferred financial asset for which the contract price (or exercise price) is the fair value of the transferred financial asset; or</li> </ul>	Reporting entity to consider in disclosures made.

## Disclosure Checklist

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
		(c) an arrangement whereby an entity retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay the cash flows to one or more entities and the conditions in paragraph 3.2.5(a)–(c) of SFRS(I) 9 are met.	
<b>Transferred financial assets that are not derecognised in their entirety</b>			
65	42D	<p>An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. To meet the objectives set out in paragraph 42B(a), the entity shall disclose at each reporting date for each class of transferred financial assets that are not derecognised in their entirety:</p> <ul style="list-style-type: none"> <li>(a) the nature of the transferred assets.</li> <li>(b) the nature of the risks and rewards of ownership to which the entity is exposed.</li> <li>(c) a description of the nature of the relationship between the transferred assets and the associated liabilities, including restrictions arising from the transfer on the reporting entity's use of the transferred assets.</li> <li>(d) when the counterparty (counterparties) to the associated liabilities has (have) recourse only to the transferred assets, a schedule that sets out the fair value of the transferred assets, the fair value of the associated liabilities and the net position (the difference between the fair value of the transferred assets and the associated liabilities).</li> </ul>	Not illustrated.
		<ul style="list-style-type: none"> <li>(e) when the entity continues to recognise all of the transferred assets, the carrying amounts of the transferred assets and the associated liabilities.</li> <li>(f) when the entity continues to recognise the assets to the extent of its continuing involvement (see paragraphs 3.2.6(c)(ii) and 3.2.16 of SFRS(I) 9), the total carrying amount of the original assets before the transfer, the carrying amount of the assets that the entity continues to recognise, and the carrying amount of the associated liabilities.</li> </ul>	

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
<b>Transferred financial assets that are derecognised in their entirety</b>			
66	42E	<p>To meet the objectives set out in paragraph 42B(b), when an entity derecognises transferred financial assets in their entirety (see paragraph 3.2.6(a) and (c)(i) of SFRS(I) 9) but has continuing involvement in them, the entity shall disclose, as a minimum, for each type of continuing involvement at each reporting date:</p> <ul style="list-style-type: none"> <li>(a) the carrying amount of the assets and liabilities that are recognised in the entity's statement of financial position and represent the entity's continuing involvement in the derecognised financial assets, and the line items in which the carrying amount of those assets and liabilities are recognised.</li> <li>(b) the fair value of the assets and liabilities that represent the entity's continuing involvement in the derecognised financial assets.</li> <li>(c) the amount that best represents the entity's maximum exposure to loss from its continuing involvement in the derecognised financial assets, and information showing how the maximum exposure to loss is determined.</li> <li>(d) the undiscounted cash outflows that would or may be required to repurchase derecognised financial assets (eg the strike price in an option agreement) or other amounts payable to the transferee in respect of the transferred assets. If the cash outflow is variable then the amount disclosed should be based on the conditions that exist at each reporting date.</li> </ul>	Not illustrated.
		<ul style="list-style-type: none"> <li>(e) a maturity analysis of the undiscounted cash outflows that would or may be required to repurchase the derecognised financial assets or other amounts payable to the transferee in respect of the transferred assets, showing the remaining contractual maturities of the entity's continuing involvement.</li> <li>(f) qualitative information that explains and supports the quantitative disclosures required in (a)–(e).</li> </ul>	

**Disclosure Checklist**

SFRS(I) 7 Financial Instruments: Disclosure

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 7	Illustration
67	42G	<p>In addition, an entity shall disclose for each type of continuing involvement:</p> <ul style="list-style-type: none"> <li>(a) the gain or loss recognised at the date of transfer of the assets.</li> <li>(b) income and expenses recognised, both in the reporting period and cumulatively, from the entity's continuing involvement in the derecognised financial assets (eg fair value changes in derivative instruments).</li> <li>(c) if the total amount of proceeds from transfer activity (that qualifies for derecognition) in a reporting period is not evenly distributed throughout the reporting period (eg if a substantial proportion of the total amount of transfer activity takes place in the closing days of a reporting period): <ul style="list-style-type: none"> <li>(i) when the greatest transfer activity took place within that reporting period (eg the last five days before the end of the reporting period),</li> <li>(ii) the amount (eg related gains or losses) recognised from transfer activity in that part of the reporting period, and</li> <li>(iii) the total amount of proceeds from transfer activity in that part of the reporting period.</li> </ul> </li> </ul> <p>An entity shall provide this information for each period for which a statement of comprehensive income is presented.</p>	Not illustrated.

## Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

The disclosure checklist below sets out the disclosure requirements under the “disclosure” section under SFRS(I) 15.

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
1	110	<p>The objective of the disclosure requirements is for an entity to disclose sufficient information to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. To achieve that objective, an entity shall disclose qualitative and quantitative information about all of the following:</p> <ul style="list-style-type: none"> <li>(a) its contracts with customers;</li> <li>(b) the significant judgements, and changes in the judgements, made in applying this Standard to those contracts; and</li> <li>(c) any assets recognised from the costs to obtain or fulfil a contract with a customer in accordance with paragraph 91 or 95.</li> </ul>	<p>See paragraphs 113–122</p> <p>See paragraphs 123–126</p> <p>See paragraphs 127–128</p>
2	111	An entity shall consider the level of detail necessary to satisfy the disclosure objective and how much emphasis to place on each of the various requirements. An entity shall aggregate or disaggregate disclosures so that useful information is not obscured by either the inclusion of a large amount of insignificant detail or the aggregation of items that have substantially different characteristics.	Reporting entity to consider in disclosures made.
3	112	An entity need not disclose information in accordance with this Standard if it has provided the information in accordance with another Standard.	Reporting entity to consider in disclosures made.
<b>Contract with customers</b>			
4	113	<p>An entity shall disclose all of the following amounts for the reporting period unless those amounts are presented separately in the statement of comprehensive income in accordance with other Standards:</p> <ul style="list-style-type: none"> <li>(a) revenue recognised from contracts with customers, which the entity shall disclose separately from its other sources of revenue; and</li> </ul>	Note 4

**Disclosure Checklist**

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
<b>Contract with customers (continued)</b>			
4	113	(b) any impairment losses recognised (in accordance with SFRS(I) 9) on any receivables or contract assets arising from an entity's contracts with customers, which the entity shall disclose separately from impairment losses from other contracts.	
<b>Disaggregation of revenue</b>			
5	114	An entity shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. An entity shall apply the guidance in paragraphs B87–B89 when selecting the categories to use to disaggregate revenue.	Note 4(a)
6	115	In addition, an entity shall disclose sufficient information to enable users of financial statements to understand the relationship between the disclosure of disaggregated revenue (in accordance with paragraph 114) and revenue information that is disclosed for each reportable segment, if the entity applies the SFRS(I) 8 Operating Segments.	Note 4(a)
<b>Contract balances</b>			
7	116	An entity shall disclose all of the following: <ul style="list-style-type: none"> <li>(a) the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed;</li> <li>(b) revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period; and</li> <li>(c) revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods (for example, changes in transaction price).</li> </ul>	Note 4(b)  Note 4(ii)  Note 4(ii)



## Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
<b>Contract balances (continued)</b>			
8	117	An entity shall explain how the timing of satisfaction of its performance obligations (see paragraph 119(a)) relates to the typical timing of payment (see paragraph 119(b)) and the effect that those factors have on the contract asset and the contract liability balances. The explanation provided may use qualitative information.	Note 2.3
9	118	<p>An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period. The explanation shall include qualitative and quantitative information. Examples of changes in the entity's balances of contract assets and contract liabilities include any of the following:</p> <ul style="list-style-type: none"> <li>(a) changes due to business combinations;</li> <li>(b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;</li> <li>(c) impairment of a contract asset;</li> <li>(d) a change in the time frame for a right to consideration to become unconditional (ie for a contract asset to be reclassified to a receivable); and</li> <li>(e) a change in the time frame for a performance obligation to be satisfied (ie for the recognition of revenue arising from a contract liability).</li> </ul>	Note 4(b)
<b>Performance obligations</b>			
10	119	<p>An entity shall disclose information about its performance obligations in contracts with customers, including a description of all of the following:</p> <ul style="list-style-type: none"> <li>(a) when the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;</li> </ul>	Note 2.3

**Disclosure Checklist**

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
<b>Performance obligations (continued)</b>			
10	119	<ul style="list-style-type: none"> <li>(b) the significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained in accordance with paragraphs 56–58);</li> <li>(c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (ie if the entity is acting as an agent);</li> <li>(d) obligations for returns, refunds and other similar obligations; and</li> <li>(e) types of warranties and related obligations.</li> </ul>	
<b>Transaction price allocated to the remaining performance obligations</b>			
11	120	<p>An entity shall disclose the following information about its remaining performance obligations:</p> <ul style="list-style-type: none"> <li>(a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and</li> <li>(b) an explanation of when the entity expects to recognise as revenue the amount disclosed in accordance with paragraph 120(a), which the entity shall disclose in either of the following ways: <ul style="list-style-type: none"> <li>(i) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and</li> <li>(ii) by using qualitative information.</li> </ul> </li> </ul>	Note 4(b)(ii)
12	121	<p>As a practical expedient, an entity need not disclose the information in paragraph 120 for a performance obligation if either of the following conditions is met:</p> <ul style="list-style-type: none"> <li>(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or</li> </ul>	Note 4(b)(ii)

**Disclosure Checklist**

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
<b>Transaction price allocated to the remaining performance obligations (continued)</b>			
12	121	(b) the entity recognises revenue from the satisfaction of the performance obligation in accordance with paragraph B16.	
13	122	An entity shall explain qualitatively whether it is applying the practical expedient in paragraph 121 and whether any consideration from contracts with customers is not included in the transaction price and, therefore, not included in the information disclosed in accordance with paragraph 120. For example, an estimate of the transaction price would not include any estimated amounts of variable consideration that are constrained (see paragraphs 56–58).	Note 4(b)(ii)
<b>Significant judgements in the application of this Standard</b>			
14	123	<p>An entity shall disclose the judgements, and changes in the judgements, made in applying this Standard that significantly affect the determination of the amount and timing of revenue from contracts with customers.</p> <p>In particular, an entity shall explain the judgements, and changes in the judgements, used in determining both of the following:</p> <p>(a) the timing of satisfaction of performance obligations; and</p> <p>(b) the transaction price and the amounts allocated to performance obligations.</p>	<p>See paragraphs 124–125</p> <p>See paragraph 126</p>
<b>Determining the timing of satisfaction of performance obligations</b>			
15	124	<p>For performance obligations that an entity satisfies over time, an entity shall disclose both of the following:</p> <p>(a) the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied); and</p> <p>(b) an explanation of why the methods used provide a faithful depiction of the transfer of goods or services.</p>	Note 2.3
16	125	For performance obligations satisfied at a point in time, an entity shall disclose the significant	Note 2.3

**Disclosure Checklist**

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
		judgements made in evaluating when a customer obtains control of promised goods or services.	
<b>Determining the transaction price and the amounts allocated to performance obligations</b>			
17	126	<p>An entity shall disclose information about the methods, inputs and assumptions used for all of the following:</p> <ul style="list-style-type: none"> <li>(a) determining the transaction price, which includes, but is not limited to, estimating variable consideration, adjusting the consideration for the effects of the time value of money and measuring non-cash consideration;</li> <li>(b) assessing whether an estimate of variable consideration is constrained;</li> <li>(c) allocating the transaction price, including estimating stand-alone selling prices of promised goods or services and allocating discounts and variable consideration to a specific part of the contract (if applicable); and</li> <li>(d) measuring obligations for returns, refunds and other similar obligations.</li> </ul>	Note 2.3
<b>Assets recognised from the costs to obtain or fulfil a contract with a customer</b>			
18	127	<p>An entity shall describe both of the following:</p> <ul style="list-style-type: none"> <li>(a) the judgements made in determining the amount of the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95); and</li> <li>(b) the method it uses to determine the amortisation for each reporting period.</li> </ul>	<p>Note 4(c)</p> <p>Note 4(c)</p>
19	128	<p>An entity shall disclose all of the following:</p> <ul style="list-style-type: none"> <li>(a) the closing balances of assets recognised from the costs incurred to obtain or fulfil a contract with a customer (in accordance with paragraph 91 or 95), by main category of asset (for example, costs to obtain contracts with customers, pre-contract costs and setup costs); and</li> <li>(b) the amount of amortisation and any impairment losses recognised in the reporting period.</li> </ul>	<p>Note 4(c)</p> <p>Note 4(c)</p>

Disclosure Checklist

SFRS(I) 15 Revenue from Contracts with Customers

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 15	Illustration
Practical expedients			
20	129	If an entity elects to use the practical expedient in either paragraph 63 (about the existence of a significant financing component) or paragraph 94 (about the incremental costs of obtaining a contract), the entity shall disclose that fact.	Note 2.3(e)

**Disclosure Checklist**

SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
<b>Presentation</b>			
1	47	<p>A lessee shall either present in the statement of financial position, or disclose in the notes:</p> <p>(a) right-of-use assets separately from other assets. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee shall:</p> <p>(i) include right-of-use assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and</p> <p>(ii) disclose which line items in the statement of financial position include those right-of-use assets.</p> <p>(b) lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities.</p>	<p>Balance sheet Note 26</p> <p>Note 2.17</p> <p>Balance sheet Note 31</p>
2	48	The requirement in paragraph 47(a) does not apply to right-of-use assets that meet the definition of investment property, which shall be presented in the statement of financial position as investment property.	Balance sheet Note 25
3	49	In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of-use asset. Interest expense on the lease liability is a component of finance costs, which paragraph 82(b) of SFRS(I) 1-1 <i>Presentation of Financial Statements</i> requires to be presented separately in the statement of profit or loss and other comprehensive income.	Note 9 Note 27

**Disclosure Checklist**

## SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
<b>Presentation</b>			
4	50	<p>In the statement of cash flows, a lessee shall classify:</p> <ul style="list-style-type: none"> <li>(a) cash payments for the principal portion of the lease liability within financing activities;</li> <li>(b) cash payments for the interest portion of the lease liability applying the requirements in SFRS(I) 1-7 <i>Statement of Cash Flows</i> for interest paid; and</li> <li>(c) short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities.</li> </ul>	Statement of cash flows
<b>Disclosure for lessees</b>			
5	52	A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases.	Note 27
6	53	<p>A lessee shall disclose the following amounts for the reporting period:</p> <ul style="list-style-type: none"> <li>(a) depreciation charge for right-of-use assets by class of underlying asset;</li> <li>(b) interest expense on lease liabilities;</li> <li>(c) the expense relating to short-term leases accounted for by applying SFRS(I) paragraph 6;</li> <li>(d) the expense relating to leases of low-value assets accounted for applying SFRS(I) 16 paragraph 6. This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c);</li> <li>(e) the expense relating to variable lease payments not included in the measurement of lease liabilities;</li> <li>(f) income from subleasing right-of-use assets;</li> </ul>	<p>Note 27(b)</p> <p>Note 27(c)</p> <p>Note 27(d)</p> <p>Note 27(d)</p> <p>Note 27(d)</p> <p>Note 27(e)</p>

**Disclosure Checklist****SFRS(I) 16 Leases**

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
<b>Disclosure for lessees (continued)</b>			
		(g) income from subleasing right-of-use assets; (h) total cash outflow for leases;	Note 27(e) Note 27(f)
		(i) additions to right-of-use assets. (j) gains or losses arising from sale and leaseback transactions; and (k) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.	Note 27(g) Not illustrated. Note 27(a)
7	54	A lessee shall provide the disclosures specified in paragraph 53 in a tabular format, unless another format is more appropriate. The amounts disclosed shall include costs that a lessee has included in the carrying amount of another asset during the reporting period.	Reporting entity to consider in disclosures made.
8	55	A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying SFRS(I) 16 paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 53(c) relates.	Not illustrated.
9	57	If a lessee measures right-of-use assets at revalued amounts applying SFRS(I) 1-16, the lessee shall disclose the information required by paragraph 77 of SFRS(I) 1-16 for those right-of-use assets.	Note 26(c)
10	58	A lessee shall disclose a maturity analysis of lease liabilities applying paragraphs 39 and B11 of SFRS(I) 7 <i>Financial Instruments: Disclosures</i> separately from the maturity analyses of other financial liabilities.	Note 43(c)
11	59	In addition to the disclosures required in paragraphs 53–58, a lessee shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 51 (as described in paragraph B48). This additional information may	



**Disclosure Checklist**

## SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
		include, but is not limited to, information that helps users of financial statements to assess: (a) the nature of the lessee's leasing activities; (b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from: (i) variable lease payments (as described in paragraph B49); (ii) extension options and termination options (as described in paragraph B50); (iii) residual value guarantees (as described in paragraph B51); and (iv) leases not yet commenced to which the lessee is committed. (c) restrictions or covenants imposed by leases; and (d) sale and leaseback transactions (as described in paragraph B52).	Note 27     Note 27(h)(i)  Note 27(h)(ii) Not illustrated.  Not illustrated.  Note 27  Not illustrated.
12	60	A lessee that accounts for short-term leases or leases of low-value assets applying paragraph 6 shall disclose that fact.	Note 2.17
<b>Disclosure for lessors</b>			
13	90	A lessor shall disclose the following amounts for the reporting period: (a) for finance leases: (i) selling profit or loss; (ii) finance income on the net investment in the lease; and (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease.	Not illustrated. Note 28  Note 28
		(b) for operating leases, lease income, separately disclosing income relating to variable lease payments that do not depend on an index or a rate.	Note 28

**Disclosure Checklist**

SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
<b>Disclosure for lessors (continued)</b>			
14	91	A lessor shall provide the disclosures specified in paragraph 90 in a tabular format, unless another format is more appropriate.	Reporting entity to consider in disclosures made.
15	92	<p>A lessor shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 89. This additional information includes, but is not limited to, information that helps users of financial statements to assess:</p> <p>(c) the nature of the lessor's leasing activities; and</p> <p>(d) how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.</p>	<p>Note 28</p> <p>Note 28</p>
<b>Finance leases</b>			
16	93	A lessor shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases.	Note 28
17	94	A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted lease payments to the net investment in the lease. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value.	Note 28

**Disclosure Checklist**

## SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
<b>Operating leases</b>			
18	95	For items of property, plant and equipment subject to an operating lease, a lessor shall apply the disclosure requirements of SFRS(I) 1-16. In applying the disclosure requirements in SFRS(I) 1-16, a lessor shall disaggregate each class of property, plant and equipment into assets subject to operating leases and assets not subject to operating leases. Accordingly, a lessor shall provide the disclosures required by SFRS(I) 1-16 for assets subject to an operating lease (by class of underlying asset) separately from owned assets held and used by the lessor.	Not illustrated
19	97	A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.	Note 28
<b>Transition disclosures</b>			
20	C4	If an entity chooses the practical expedient in paragraph C3, it shall disclose that fact and apply the practical expedient to all of its contracts. As a result, the entity shall apply the requirements in paragraphs 9–11 only to contracts entered into (or changed) on or after the date of initial application.	Note 2.1

**Disclosure Checklist**

SFRS(I) 16 Leases

S/N	Paragraph	Extracts of disclosure requirements under SFRS(I) 16	Illustration
<b>Transition disclosures (continued)</b>			
21	C12	<p>If a lessee elects to apply this Standard in accordance with paragraph C5(b), the lessee shall disclose information about initial application required by paragraph 28 of SFRS(I) 1-8, except for the information specified in paragraph 28(f) of SFRS(I) 1-8. Instead of the information specified in paragraph 28(f) of SFRS(I) 1-8, the lessee shall disclose:</p> <ul style="list-style-type: none"> <li>a) the weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application; and</li> <li>b) an explanation of any difference between: <ul style="list-style-type: none"> <li>(i) operating lease commitments disclosed applying SFRS(I) 1-17 at the end of the annual reporting period immediately preceding the date of initial application, discounted using the incremental borrowing rate at the date of initial application as described in paragraph C8(a); and</li> <li>(ii) lease liabilities recognised in the statement of financial position at the date of initial application.</li> </ul> </li> </ul>	Note 2.1
22	C13	If a lessee uses one or more of the specified practical expedients in paragraph C10, it shall disclose that fact.	Note 2.1

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