# SANTAK HOLDINGS LIMITED

ANNUAL REPORT 2019

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this document including the correctness of any of the figures used, statements or opinions made.

This document has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document including the correctness of any of the statements or opinions made or reports contained in this document.

The contact person for the Sponsor is Ms. Foo Quee Yin
Telephone number: 6221 0271

# Contents

# Corporate Profile

Established in 1978, the Santak Group is a manufacturing and trading group of companies with 2 divisions i.e. the Precision Engineering Division and the Trading and Distribution Division structured under the holding company, Santak Holdings Limited.

The Precision Engineering and Assembly Division's main business is in the manufacture of precision machined components specially tailored to meet our customers' requirements. Its clientele include multi-national companies and other main contract manufacturers. Its products are mainly used in hard-disk drive, fibre-optics connectors, consumer electronic devices, oil & gas equipment, telecommunication devices, mobile phones, optical instrument devices, medical equipment, connectors/contacts as well as computer peripherals.

The Trading and Distribution Division specialises in sourcing and supplying custom-made electronic, electrical and mechanical components/products. It acts as a representative for suppliers in the Asian region and facilitate the supply of these components/ products based on the specifications of customers. Its focus is on OEM assembly of card readers, contactless smartcards, die-cast & machined parts, metal enclosures and stamped parts, heatsinks, solenoids and coils.

Strategic investments have been made in high precision and automated production machinery in addition to the training and development of the Group's workforce. On-going marketing efforts are supported by manufacturing and engineering expertise, built up over the past 41 years.

# Chairman's Statement

On behalf of the Board of Directors, I hereby present the Annual Report and Financial Statements of Santak Holdings Limited (the "Company") and its subsidiary companies (the "Group") for the Financial Year ended 30 June 2019 ("FY2019").

As part of its effort for cost rationalization and optimisation and streamlining of the Group's operations, the Group had completed its acquisition of a new factory property in Johor Malaysia (as announced on 12 December 2018) and is currently in the process of gradually relocating in stages its current manufacturing facility from Singapore to this new factory in Johor for better management of cost and availability of labour in the long term which will also enhance the Group's competitiveness. However, there will be additional costs such as shifting, set-up and employees training costs etc expected over the short term in FY2020.

In line with the above Group's strategy, the Group has announced on 27 June 2019 the grant of an option to purchase (the "Option") dated 27 June 2019 to an independent third party purchaser (the "Purchaser"), for the sale of the leasehold property of a wholly-owned subsidiary (the "Property") for an aggregate consideration of S$10.50 million ("Consideration") ("Proposed Disposal"). Further, as announced on 10 July 2019, the Purchaser has exercised the Option on 10 July 2019 and the Group has received the balance deposit of 10% of the Consideration less the option money that was paid earlier in accordance with the terms of the Option. The Option and the Proposed Disposal are subject to, inter alia, the JTC's Approval of the Purchaser's application to purchase the Property and approval of the Shareholders (unless such requirement for Shareholders' approval is waived by the Singapore Exchange Securities Trading Limited). The Company will make further announcements in relation the Proposed Disposal as and when there are material developments. In addition, the Board and the Management will continue to seek opportunities which offer potential growth for the Group and enhancement of value for the Shareholders as and when appropriate.

**FY2019 vs FY2018**
**Review of Income Statement**

Revenue increased by 4.0% from S$13.58 million in FY2018 to S$14.12 million in FY2019. The increase was mainly due to higher sales derived from the Group's Trading & Distribution Division ("T&D") at S$5.33 million in FY2019, an increase of S$1.05 million or 24.5% compared to S$4.28 million in FY2018. This increase was mainly due to higher demand from the security/access control systems business. On the other hand, the above increase was partially offset by the Group's Precision Engineering Division's ("PE") revenue at S$8.79 million, a decrease of S$0.51 million or 5.5% compared to prior corresponding year. The decrease in sales in PE compared to prior year was mainly due to the lower sales arising from weaker demand from its fibre optics connectors, data storage and oil & gas sectors.

The Group's gross profit was substantially higher at S$2.43 million in FY2019 compared to S$1.35 million in FY2018 resulting in higher gross profit margin of approximately 17.2% in FY2019. This was mainly due to reduction in production overhead mainly arising from the lower depreciation expense and reduction in payroll cost. The decrease in depreciation expense by approximately S$0.58 million in FY2019 was mainly due to a decrease in depreciation charge by S$0.29 million on plant and machinery as more machines became fully depreciated as well as the absence of depreciation charge of approximately S$0.29 million on the leasehold property of a wholly-owned subsidiary (the "Property") in FY2019 following the reclassification of the Property to assets of a subsidiary classified as held for sale in the second half of the previous financial year FY2018.

# Chairman's Statement

The significantly higher other operating expenses in FY2019 of S$1.018 million, an increase of 376% compared to S$0.214 million in the previous corresponding year was mainly due to the S$0.833 million loss in diminution of value of the Property which was classified as held for sale following the grant of an option to purchase (the "Option") dated 27 June 2019 to an independent third party purchaser (the "Purchaser"), for the sale of the Property for an aggregate consideration of S$10.50 million ("Consideration") ("Proposed Disposal") less the estimated transactional expenses of approximately S$0.125 million to be incurred in connection with the Proposed Disposal as announced on 27 June 2019. Further, as announced on 10 July 2019, the Purchaser has exercised the Option on 10 July 2019 and the Group has received the balance deposit of 10% of the Consideration less the option money that was paid earlier in accordance with the terms of the Option. The Option and the Proposed Disposal are subject to, inter alia, the JTC's Approval of the Purchaser's application to purchase the Property and approval of the Shareholders (unless such requirement for Shareholders' approval is waived by the Singapore Exchange Securities Trading Limited).

Other operating income decreased by S$0.03 million mainly due to lower government grant received and sale of scraps as well as absence of write-back of payables in FY2019. The increase in distribution and selling expenses by S$0.175 million to S$1.45 million was mainly due to higher payroll cost and freight charges in FY2019 in line with the higher turnover. The lower administrative expenses of S$1.56 million in FY2019 compared to S$1.62 million in the previous corresponding year was mainly due to lower administrative payroll expenses in FY2019. The decrease in financial costs by approximately S$5,000 in FY2019 was the result of reduced interest expense arising from the lower finance lease obligations during FY2019 compared to FY2018.

A lower loss before tax of S$1.55 million was registered for FY2019 compared to S$1.69 million in the previous year. The prior year FY2018 tax expense of S$0.01 million was restated to a tax credit of S$0.23 million via a prior year adjustment of S$0.24 million as explained in following paragraphs. As stated earlier, during FY2018, the Group reclassified the Property from property, plant and equipment ("PPE") to assets of a subsidiary classified as held for sale. As the Property had previously claimed Industrial Building Allowance ("IBA"), this had resulted in a taxable temporary difference of which deferred tax liability was provided for. With the previous proposed disposal as announced on 25 July 2018, a balancing charge would arise upon completion of the proposed disposal. The tax balancing charge on the temporary difference between the original qualifying cost of $4.04million and the depreciated accounting base of $2.25million as at 30 June 2018, amounting to $0.30 million should be taken to other comprehensive income ("OCI") whilst that on the temporary difference arising from the depreciated accounting base and tax written down value ("TWDV") of S$0.38 million tax expense accounted for in profit or loss in FY2018. Unrecognised tax credits in the form of unutilized tax losses and unabsorbed capital allowances of $3.67mil have been applied against the balancing charge resulting in tax credit of S$0.62 million. Therefore, a total net tax credit of S$0.24 million is adjusted in FY2018 profit & loss which would result in a decrease in loss after tax and an increase in retained earnings of $0.24 million and a corresponding decrease in deferred tax liabilities by the same amount. Revaluation reserve and total OCI would increase by $0.35 million and a corresponding decrease in deferred tax liabilities by the same amount. As such, the deferred tax liabilities as at 30 June 2018 would decrease by a total of S$0.59 million and is restated from S$0.67 million to S$0.08 million. As at 30 June 2019, there is a deferred tax assets balance of S$0.08 million instead of a deferred tax liabilities due to the further recognition of unutilised tax losses and unabsorbed capital allowance brought forward from prior years.

The loss after tax for FY2019 was S$1.59 million compared to the loss after tax for FY2018 of S$1.46 million which was restated from a loss of S$1.70 million. The Group's basic and diluted loss per share were both 1.48 cents for FY2019 versus the prior year restated basic and diluted loss per share of 1.36 cents.

# Chairman's Statement

**Review of Financial Position**

The increase in property, plant and equipment by S$3.78 million was mainly due to the completion of the acquisition of a factory property in Johor Malaysia on 27 November 2018 by the Group's new subsidiary in Malaysia as announced on 12 December 2018.

The decrease in trade receivables by S$1.32 million as at 30 June 2019 versus 30 June 2018 was mainly due to faster collection of trade receivables in FY2019 versus FY2018. The increase in inventories by S$0.44 million was mainly due to higher inventories build to meet the higher sales order from customers as at end of FY2019. The decrease in prepayment by S$0.37 million was mainly due to the reclassification of the down payment of S$0.39 million for the acquisition of the factory property in Johor Malaysia to property, plant and equipment as the acquisition was completed as explained earlier.

The decrease in assets of a subsidiary classified as held for sale by S$0.833 million to S$10.375 million as at 30 June 2019 versus S$11.208 million as at 30 June 2018 was due to the loss in diminution of value of the leasehold property classified as held for sale following the grant of the Option for the Proposed Disposal as explained earlier.

The decrease in trade payables by S$0.37 million was in line with the lower cost of sales arising from lower turnover in second half of FY2019 compared to the prior corresponding period. The increase in other payables by S$0.21 million was mainly due to the deposit received for the Proposed Disposal and higher accruals of payroll expenses and sales commission as at 30 June 2019. The higher provision for taxation of S$0.22 million mainly arose from the under provision of tax in respect of prior years.

The decrease in cash and cash equivalent by S$3.50 million from S$7.05 million to S$3.55 million is explained in the cash flow explanation in the following paragraph below. The decrease in finance lease obligations by approximately S$0.07 million was a result of repayments made during FY2019.

**Review of Cash Flow**

The Group's operations generated net cash flows from operating activities of approximately S$0.14 million in FY2019 compared to net cash flows used in operating activities of S$2.06 million in the previous corresponding year. This was mainly attributable to a lower loss before tax recorded in FY2019 as well as cash inflow arising from working capital changes (which mainly due to decline in trade receivables and increase in other payables which were partially offset by increase in inventories and decline in trade payables).

Net cash used in investing activities was higher at S$3.54 million in FY2019 compared to S$0.40million in FY2018 mainly as a result of the full payment of S$3.14 million for the acquisition of a factory property in Johor Malaysia and payment of S$0.40 million for renovation of factory in FY2019.

The decrease in net cash used in financing activities during the year by S$0.08 million to S$0.08 million was mainly due to the absence of repayments of bank borrowings in FY2019 compared to previous corresponding year. Overall, cash and cash equivalents decreased by S$3.50 million during FY2019 to S$3.55 million as at 30 June 2019 compared to the balance of S$7.05 million as at 30 June 2018.

No dividend has been declared or recommended for the FY2019. This is to conserve cash for working capital and capital expenditure purposes. The market in which the Group operates remains competitive and demanding going forward in the current financial year ending 30 June 2020 ("FY2020") and challenges remain in terms of pricing and costs as well as foreign exchange volatility as in prior years.

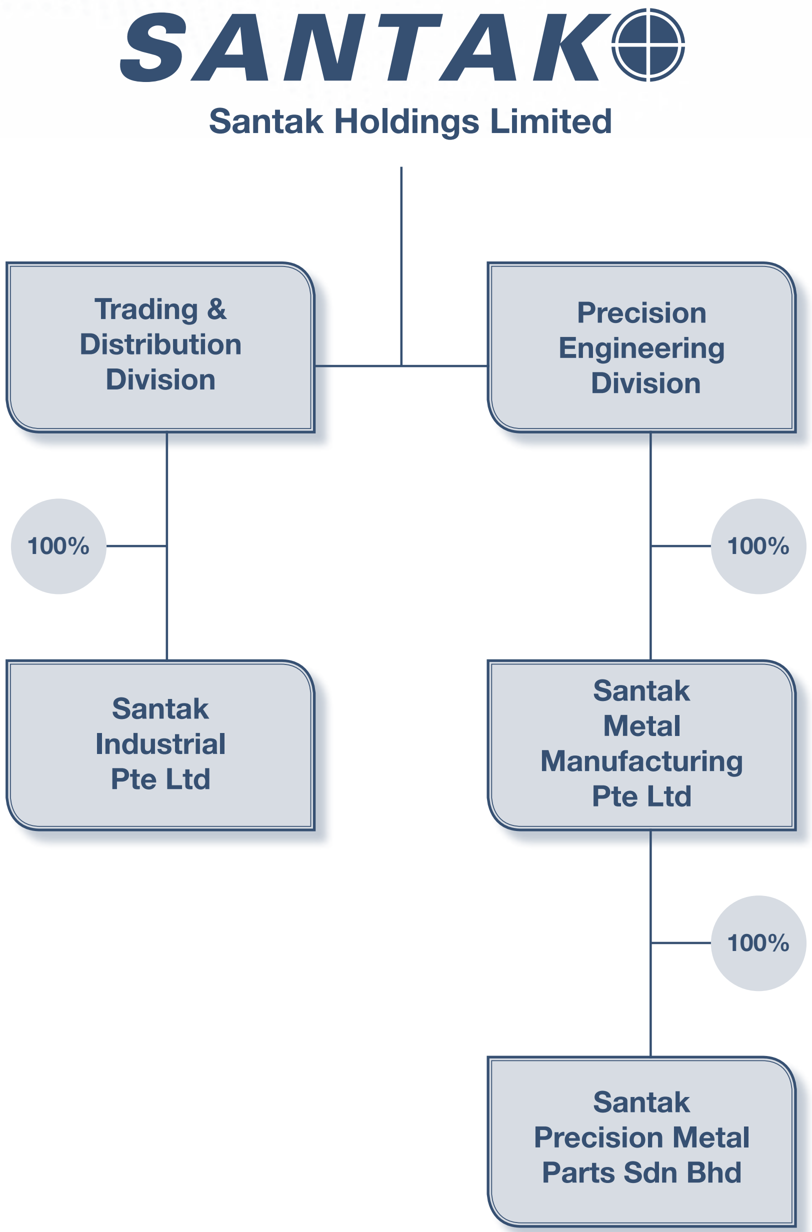
Our heartfelt appreciation goes to all our customers, shareholders and business associates for their support, confidence and trust throughout the years. I would also like to extend my gratitude to my fellow Board members for their counsel and guidance. Last but not least, we would like to thank our management and staff of the Group for their contributions and dedication. We look forward to your continued support in the future.

**Lee Keen Whye**
Chairman

# Corporate Data

| | |
|---|---|
| **Company Registration Number:** | 200101065H |
| **Board of Directors:** | Lee Keen Whye (Non-Executive Chairman/ Independent Director)<br>Tan Chee Hawai (Group Managing Director)<br>Ng Weng Wei (Executive Director)<br>Tan Sin Hock (Executive Director)<br>Heng Kheng Hwai (Non-Executive Director)<br>Ch'ng Jit Koon (Independent Director) |
| **Audit Committee:** | Lee Keen Whye (Chairman)<br>Ch'ng Jit Koon<br>Heng Kheng Hwai |
| **Nominating Committee:** | Ch'ng Jit Koon (Chairman)<br>Lee Keen Whye<br>Tan Chee Hawai |
| **Remuneration Committee:** | Lee Keen Whye (Chairman)<br>Ch'ng Jit Koon<br>Ng Weng Wei |
| **Company Secretary**: | Lai Foon Kuen |
| **Registered Office:** | 31 Senoko South Road,<br>Woodlands East Industrial Estate<br>Singapore 758084<br><br>Tel: 6755 4788<br>Fax: 6754 7088/6754 7388<br>Email: santak.holdings@santak.com.sg<br>Website: www.santak.com.sg |
| **Share Registrar:** | Boardroom Corporate & Advisory Services Pte. Ltd.<br>50 Raffles Place #32-01, Singapore Land Tower,<br>Singapore 048623 |
| **Auditors:** | Ernst & Young LLP<br>Public Accountants and Chartered Accountants<br>One Raffles Quay North Tower<br>Level 18 Singapore 048583<br><br>Partner-in-charge: Ken Ong (since FY2016) |

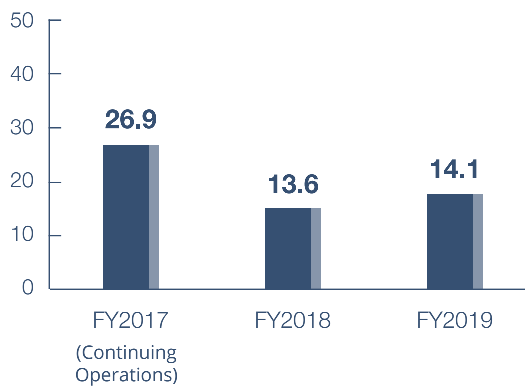
# Corporate Structure



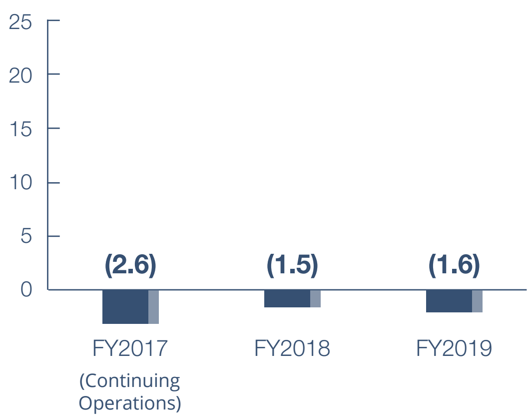

*Note: The above chart shows the principal subsidiary companies of the Group.*

# Financial Highlights

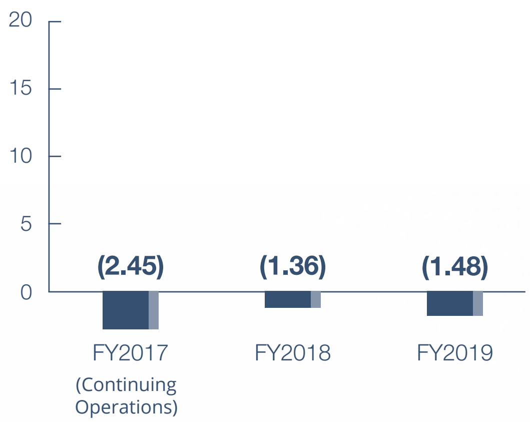
**TURNOVER**
(IN S$MILLION)



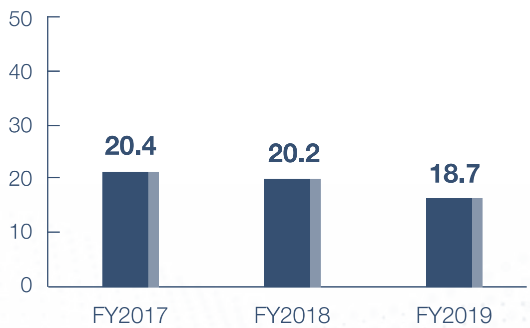

**LOSS AFTER TAX**
(IN S$MILLION)




**BASIC/DILUTED LOSS PER SHARE**
(IN CENTS)




**NET ASSET VALUE PER SHARE**
(IN CENTS)



# Financial Report

# Directors' Statement

The directors present their statement to the members together with the audited consolidated financial statements of Santak Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2019.

## Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and

(ii) 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.

## Directors

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

Lee Keen Whye
Tan Chee Hawai
Ng Weng Wei
Tan Sin Hock
Heng Kheng Hwai
Ch'ng Jit Koon

## Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

# Directors' Statement

## Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly–owned subsidiaries) as stated below:

| | Direct interest as at | | Deemed interest as at | |
|---|---|---|---|---|
| Name of director | At the beginning of financial year or date of appointment | At the end of financial year | At the beginning of financial year or date of appointment | At the end of financial year |
| ***Ordinary shares of the Company*** | | | | |
| Lee Keen Whye | 200,000 | 200,000 | – | – |
| Tan Chee Hawai | 47,858,570 | 47,858,570 | 4,667,000 | 4,667,000 |
| Ng Weng Wei | 1,618,000 | 1,618,000 | – | – |
| Tan Sin Hock | 6,704,100 | 6,704,100 | – | – |
| Heng Kheng Hwai | 4,667,000 | 4,667,000 | 47,858,570 | 47,858,570 |

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2019.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

## Options

No options were issued by the Company during the financial year. As at 30 June 2019, there are no options on the unissued shares of the Company or any other body corporate which were outstanding.

# Directors' Statement

**Audit Committee**

The Audit Committee (the "AC") comprises one non-executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the AC are:

Lee Keen Whye (Chairman)
Ch'ng Jit Koon
Heng Kheng Hwai

The AC performed the functions set out in the Companies Act, and Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited: Rules of Catalist. In performing those functions, the AC reviewed the overall scope of the external audit functions and the assistance given by the Company's officers to the auditors.

The AC had met with the external auditors to discuss the results of their audit. The AC had reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2019, as well as the external auditor's report thereon.

Based on the internal controls established and maintained by the Group, work performed by the internal auditors, the external auditors and ISO 9001 auditors as well as reviews performed by management, the AC and the Board, the Board with the concurrence of the AC is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, are adequate and effective to meet the needs of the Group within the current scope of the Group's business operations.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

# Directors' Statement

**Auditor**

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors,

Tan Chee Hawai
Director

Ng Weng Wei
Director

Singapore
26th September 2019

# Independent Auditor's Report

For The Financial Year Ended 30 June 2019

**Independent Auditor's Report to the members of Santak Holdings Limited**

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Santak Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2019, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and balance sheet and the statement of changes in equity 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) (SFRSs(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities* for the *Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

# Independent Auditor's Report

For The Financial Year Ended 30 June 2019

**Independent Auditor's Report to the members of Santak Holdings Limited (cont'd)**

**Key Audit Matters (cont'd)**

**Allowance for obsolete inventories**

As of 30 June 2019, the total inventories and the related allowances for obsolete inventories amounted to $2.14 million and $1.20 million respectively. The allowance for inventory obsolescence relates mainly to raw materials, finished goods and work-in-progress. We focused on this area as the gross inventory and the allowance for obsolete inventories carrying amounts are material to the financial statements and the determination of allowance for obsolete inventories involves a high level of management judgement.

As part of our audit, we attended and observed management's inventory counts at all material inventory locations and observed management's identification of obsolete and slow-moving inventories. We tested on a sample basis, the carrying value of the inventories by testing the reasonableness of the costing, ageing of inventories, and analysis of obsolete inventories. We evaluated, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete inventories, and the expected demand and selling price. We also assessed the adequacy of the disclosures related to inventories in Note 12.

**Recoverability of trade receivables**

The Group has trade receivables amounting to $2.42 million as at 30 June 2019 and there was no allowance for expected credit losses provided during the financial period. The Group applied the simplified approach and records lifetime expected credit losses on trade receivables. In applying the expected credit loss model, the Group uses historical loss rate which was based on bad debts written off in the prior years. The historical loss was also adjusted with forward-looking information which incorporated forecasted macroeconomic factors. The application of expected credit losses model required significant management judgment and estimation, as such, we determined that to be a key audit matter.

As part of the audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables. Our audit procedures included, amongst others, requesting confirmation of trade receivable balances and reviewing for collectability by way of obtaining evidence of receipts from the customers subsequent to the year-end. We evaluated management's assumptions used to determine the provision matrix, through analyses of ageing of trade receivables and historical credit loss experience, as well as assessment of significant overdue trade receivables by reviewing historical payment patterns and whether any payments subsequent to year-end had been received up to the date of completing our audit procedures. We checked the data inputs used and arithmetic accuracy of loss allowance computation and reviewed the forward-looking factors specific to the debtors and the economic environment. We also assessed the adequacy of the Group's disclosures related to the impairment of trade receivables and the related risks such as credit risk and liquidity risk set out in Note 13 to the financial statements.

# Independent Auditor's Report

For The Financial Year Ended 30 June 2019

**Independent Auditor's Report to the members of Santak Holdings Limited (cont'd)**

### Other Information

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

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

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

### Responsibilities of Management and Directors for the Financial Statements

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

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

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

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

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

# Independent Auditor's Report

For The Financial Year Ended 30 June 2019

**Independent Auditor's Report to the members of Santak Holdings Limited (cont'd)**

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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.

# Independent Auditor's Report

For The Financial Year Ended 30 June 2019

**Independent Auditor's Report to the members of Santak Holdings Limited (cont'd)**

**Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)**

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

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

**Report on Other Legal and Regulatory Requirements**

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
26th September 2019

# Consolidated Income Statement

For The Financial Year Ended 30 June 2019

| | Note | 2019 | 2018 |
|---|---|---|---|
| | | $ | $ |
| | | | (Restated) |
| **Revenue** | 3 | 14,121,786 | 13,582,453 |
| Cost of sales | | (11,687,395) | (12,231,158) |
| **Gross profit** | | 2,434,391 | 1,351,295 |
| Other operating income | 4 | 46,885 | 75,268 |
| Distribution and selling expenses | | (1,449,526) | (1,274,254) |
| Administrative expenses | | (1,563,824) | (1,623,432) |
| Other operating expenses | 4 | (1,017,768) | (214,740) |
| Finance costs | 5 | (9,539) | (13,831) |
| Finance income | 5 | 8,369 | 6,026 |
| **Loss before tax** | 6 | (1,551,012) | (1,693,668) |
| Taxation | 7 | (42,294) | 230,751 |
| **Loss, net of taxation** | | (1,593,306) | (1,462,917) |
| **Loss attributable to:** | | | |
| Owners of the Company | | | |
| Loss, net of taxation | | (1,593,306) | (1,462,917) |
| **Loss for the year attributable to owners of the Company** | | (1,593,306) | (1,462,917) |
| **Loss per share attributable to owners of the Company (cents per share)** | | | |
| Basic | 8 | (1.48) | (1.36) |
| Diluted | 8 | (1.48) | (1.36) |
| **Loss per share (cents per share)** | | | |
| Basic | 8 | (1.48) | (1.36) |
| Diluted | 8 | (1.48) | (1.36) |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Statement of Comprehensive Income

For The Financial Year Ended 30 June 2019

| | Note | 2019<br>$ | 2018<br>$<br>(Restated) |
|---|---|---|---|
| **Loss for the year** | | (1,593,306) | (1,462,917) |
| **Other comprehensive income:** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Adjustment to revaluation reserves relating to deferred tax liabilities | 22(i) | – | 1,201,679 |
| Foreign currency translation | 22(ii) | (36,532) | (370) |
| **Total other comprehensive income for the year, net of taxation** | | (36,532) | 1,201,309 |
| **Total comprehensive income for the year** | | (1,629,838) | (261,608) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (1,629,838) | (261,608) |
| **Attributable to:** | | | |
| Owners of the Company | | | |
| Total comprehensive income, net of taxation | | (1,629,838) | (261,608) |
| **Total comprehensive income for the year attributable to owners of the Company** | | (1,629,838) | (261,608) |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Balance Sheets

As At 30 June 2019

| | Note | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | 30.6.2019 | 30.6.2018 | 1.7.2017 | 30.6.2019 | 30.6.2018 | 1.7.2017 |
| | | $ | $ | $ | $ | $ | $ |
| | | | (Restated) | | | | |
| **Non-current assets** | | | | | | | |
| Property, plant and equipment | 9 | 4,255,576 | 471,744 | 12,392,170 | 83,369 | 112,651 | 144,021 |
| Investments in subsidiary companies | 10 | – | – | – | 8,113,176 | 8,113,176 | 8,113,176 |
| Intangible assets | 11 | 49,777 | 62,188 | 75,204 | 165 | 294 | 375 |
| Loan to a subsidiary company | 14 | – | – | – | – | – | 4,030,000 |
| Deferred tax assets | 20 | 79,077 | – | – | 6,923 | 6,793 | 6,860 |
| | | 4,384,430 | 533,932 | 12,467,374 | 8,203,633 | 8,232,914 | 12,294,432 |
| **Current assets** | | | | | | | |
| Inventories | 12 | 2,143,116 | 1,699,890 | 1,938,788 | – | – | – |
| Prepayments | | 60,507 | 432,591 | 66,362 | 12,320 | 12,129 | 20,924 |
| Trade receivables | 13 | 2,419,810 | 3,739,997 | 3,555,905 | – | – | – |
| Other receivables | 13 | 69,557 | 84,694 | 880 | – | – | – |
| Loan to a subsidiary company | 14 | – | – | – | 4,030,000 | 4,030,000 | – |
| Due from subsidiary companies (non-trade) | 13 | – | – | – | 1,851,298 | 1,769,375 | 1,684,470 |
| Cash and cash equivalents | 15 | 3,551,651 | 7,047,672 | 9,684,983 | 133,179 | 48,049 | 71,049 |
| | | 8,244,641 | 13,004,844 | 15,246,918 | 6,026,797 | 5,859,553 | 1,776,443 |
| Assets of subsidiary classified as held for sale | 16 | 10,375,000 | 11,207,937 | – | – | – | – |
| | | 18,619,641 | 24,212,781 | 15,246,918 | 6,026,797 | 5,859,553 | 1,776,443 |
| **Current liabilities** | | | | | | | |
| Trade payables | 17 | 1,230,618 | 1,603,460 | 2,439,560 | – | – | – |
| Other payables | 17 | 1,265,870 | 1,057,826 | 1,335,565 | 376,403 | 336,323 | 429,590 |
| Loans and borrowings | 18 | – | – | 87,712 | – | – | – |
| Obligations under finance leases | 19 | 75,127 | 72,277 | 69,535 | 36,626 | 35,337 | 34,102 |
| Provision for taxation | | 223,443 | 23,980 | 13,808 | 30,263 | 14,199 | 4,098 |
| | | 2,795,058 | 2,757,543 | 3,946,180 | 443,292 | 385,859 | 467,790 |
| **Net current assets** | | 15,824,583 | 21,455,238 | 11,300,738 | 5,583,505 | 5,473,694 | 1,308,653 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Balance Sheets

As At 30 June 2019

| | Note | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | **30.6.2019** | **30.6.2018** | **1.7.2017** | **30.6.2019** | **30.6.2018** | **1.7.2017** |
| | | $ | $ | $ | $ | $ | $ |
| | | | (Restated) | | | | |
| **Non-current liabilities** | | | | | | | |
| Obligations under finance leases | 19 | 124,574 | 199,648 | 271,925 | 31,504 | 68,130 | 103,459 |
| Deferred tax liabilities | 20 | – | 75,245 | 1,520,302 | – | – | – |
| | | 124,574 | 274,893 | 1,792,227 | 31,504 | 68,130 | 103,459 |
| **Net assets** | | 20,084,439 | 21,714,277 | 21,975,885 | 13,755,634 | 13,638,478 | 13,499,626 |
| **Equity attributable to owners of the Company** | | | | | | | |
| Share capital | 21 | 12,852,187 | 12,852,187 | 12,852,187 | 12,852,187 | 12,852,187 | 12,852,187 |
| Revaluation reserve | 22(i) | 9,521,142 | 9,521,142 | 8,319,463 | – | – | – |
| Translation reserve | 22(ii) | (62,565) | 444 | 814 | – | – | – |
| (Accumulated losses)/ retained earnings | | (2,226,325) | (659,496) | 803,421 | 903,447 | 786,291 | 647,439 |
| | | 20,084,439 | 21,714,277 | 21,975,885 | 13,755,634 | 13,638,478 | 13,499,626 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Statements of Changes in Equity

For The Financial Year Ended 30 June 2019

| | | Attributable to owners of the Company | | | |
|---|---|---|---|---|---|
| **2019 Group** | **Share capital (Note 21)** $ | **Accumulated losses** $ | **Revaluation reserve (Note 22(i))** $ | **Translation reserve (Note 22(ii))** $ | **Total equity** $ |
| At 1 July 2018 (Restated) | 12,852,187 | (659,496) | 9,521,142 | 444 | 21,714,277 |
| Loss for the year | – | (1,593,306) | – | – | (1,593,306) |
| <u>Other comprehensive income</u> | | | | | |
| Foreign currency translation | – | – | – | (36,532) | (36,532) |
| Realisation of translation reserve on strike off of subsidiary | – | 26,477 | – | (26,477) | – |
| Other comprehensive income for the year, net of tax | – | 26,477 | – | (63,009) | (36,532) |
| Total comprehensive income for the year | – | (1,566,829) | – | (63,009) | (1,629,838) |
| At 30 June 2019 | 12,852,187 | (2,226,325) | 9,521,142 | (62,565) | 20,084,439 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Statements of Changes in Equity

For The Financial Year Ended 30 June 2019

| | | Attributable to owners of the Company | | | |
|---|---|---|---|---|---|
| **2018 Group** | **Share capital (Note 21)** | **Accumulated losses** | **Revaluation reserve (Note 22(i))** | **Translation reserve (Note 22(ii))** | **Total equity** |
| | $ | $ | $ | $ | $ |
| At 1 July 2017 | 12,852,187 | 803,421 | 8,319,463 | 814 | 21,975,885 |
| Loss for the year, as previously stated | – | (1,703,558) | – | – | (1,703,558) |
| Prior year adjustment | – | 240,641 | – | – | 240,641 |
| Loss for the year (Restated) | – | (1,462,917) | – | – | (1,462,917) |
| <u>Other comprehensive income</u> | | | | | |
| Adjustment to revaluation reserves relating to deferred tax liabilities, as previously stated | – | – | 852,087 | – | 852,087 |
| Foreign currency translation | – | – | – | (370) | (370) |
| Prior year adjustment | – | – | 349,592 | – | 349,592 |
| Other comprehensive income for the year, net of tax | – | – | 1,201,679 | (370) | 1,201,309 |
| Total comprehensive income for the year | – | (1,462,917) | 1,201,679 | (370) | (261,608) |
| At 30 June 2018 (Restated) | 12,852,187 | (659,496) | 9,521,142 | 444 | 21,714,277 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Statements of Changes in Equity

For The Financial Year Ended 30 June 2019

| | Attributable to equity holders of the Company | | |
|---|---|---|---|
| **Company** | **Share capital (Note 21)** | **Retained earnings** | **Total equity** |
| | $ | $ | $ |
| **2019** | | | |
| At 1 July 2018 | 12,852,187 | 786,291 | 13,638,478 |
| Profit for the year, representing total comprehensive income for the year | – | 117,156 | 117,156 |
| At 30 June 2019 | 12,852,187 | 903,447 | 13,755,634 |
| **2018** | | | |
| Opening balance at 1 July 2017 | 12,852,187 | 647,439 | 13,499,626 |
| Profit for the year, representing total comprehensive income for the year | – | 138,852 | 138,852 |
| At 30 June 2018 | 12,852,187 | 786,291 | 13,638,478 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Cash Flow Statement

For The Financial Year Ended 30 June 2019

| | 2019<br>$ | 2018<br>$ |
|---|---|---|
| **Cash flows from operating activities** | | |
| Loss before tax | (1,551,012) | (1,693,668) |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 146,333 | 726,832 |
| Amortisation of intangible assets | 13,081 | 13,365 |
| Loss in diminution of value of leasehold property | 832,937 | – |
| Write-off of property, plant and equipment | – | 391 |
| Interest expense | 9,539 | 13,831 |
| Interest income | (8,369) | (6,026) |
| Unrealised exchange gain | (20,868) | (1,351) |
| **Operating cash flows before changes in working capital** | (578,359) | (946,626) |
| Changes in working capital | | |
| Decrease/(increase) in: | | |
| Inventories | (443,226) | 238,898 |
| Trade receivables | 1,320,187 | (184,092) |
| Other receivables and prepayments | (1,682) | (60,891) |
| Increase/(decrease) in: | | |
| Trade payables | (372,842) | (836,100) |
| Other payables | 208,044 | (277,739) |
| **Total changes in working capital** | 710,481 | (1,119,924) |
| **Cash flows from operations** | 132,122 | (2,066,550) |
| Interest received | 8,369 | 6,026 |
| Income taxes refund/(paid) | 3,058 | (2,367) |
| **Net cash flows generated from/(used in) operating activities** | 143,549 | (2,062,891) |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Consolidated Cash Flow Statement

For The Financial Year Ended 30 June 2019

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| **Cash flows from investing activities** | | |
| Purchase of property, plant and equipment | (3,543,842) | (14,756) |
| Purchase of intangible assets | (670) | (349) |
| Down payment for purchase of property, plant and equipment | – | (389,152) |
| **Net cash flows used in investing activities** | (3,544,512) | (404,257) |
| **Cash flows from financing activities** | | |
| Repayment of loans and borrowings | – | (82,005) |
| Interest paid | (9,539) | (13,831) |
| Repayment of finance leases | (72,224) | (69,535) |
| **Net cash flows used in financing activities** | (81,763) | (165,371) |
| Net decrease in cash and cash equivalents | (3,482,726) | (2,632,519) |
| Effect of exchange rate changes on cash and cash equivalents | (13,295) | (4,792) |
| Cash and cash equivalents at beginning of year | 7,047,672 | 9,684,983 |
| **Cash and cash equivalents at end of year (Note 15)** | 3,551,651 | 7,047,672 |

*The accompanying accounting policies and explanatory notes form an integral part of the financial statements.*

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 1. Corporate information

Santak Holdings Limited is a limited liability company, incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084.

The principal activities of the Company are those of investment holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of its subsidiary companies are disclosed in Note 10 to the financial statements.

## 2. Summary of significant accounting policies

### *2.1 Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 30 June 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the year ended 30 June 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "$"), except where otherwise indicated.

<u>Fundamental accounting concept</u>

The Group recorded a gross profit of $2.43 million, loss before tax of $1.55 million and generated operating cash flow of $0.14 million for this financial year. The directors have prepared the consolidated financial statements on a going concern basis. As at 30 June 2019, the Group's current and total assets exceeded current and total liabilities by $15.82 million (2018: $21.46 million) and $20.08 million (2018: $21.71 million) respectively.

Management has prepared cash flow forecasts for the 15 months following the date of the financial statement taking into consideration assumptions and estimates such as the sales growth rate, projected purchases and operating expenses. Based on the cash flow forecast, the Group's existing cash and cash equivalents of $3.55 million as at 30 June 2019 will be sufficient to meet the Group's operational needs and pay its debts as and when they fall due for the 12 months following the date of the financial statements.

In addition, the Group has banking facilities as disclosed in Note 23(c) that would provide adequate cash flow to meet the Group's operational needs when necessary.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### 2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I))

These financial statements for the year ended 30 June 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 June 2019, together with the comparative period data for the year ended 30 June 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 July 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 January 2018 are disclosed below.

**New accounting standards effective on 1 January 2018**

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

On 1 July 2018, the Group adopted SFRS(I) 9 Financial instruments, which is effective for annual periods beginning on or after 1 January 2018

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The comparative information was prepared in accordance with the requirements of FRS 39.

*Classification and measurement*

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVPL). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 July 2018, and then applied retropectively to those financial assets that were not derecognied before 1 July 2018.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

**2. Summary of significant accounting policies (cont'd)**

**2.2 First-time adoption of Singapore Financial Reporting Standards (International) (SFRS(I)) (cont'd)**

**SFRS(I) 9 *Financial Instruments* (cont'd)**

*Classification and measurement (cont'd)*

The Group's debt instruments have contractual cash flows that are solely payments of principal and interest. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. The Group has assessed that there is no material impact arising from classification and measurement of debt instruments under SFRS(I) 9.

*Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

The Group has applied SFRS(I) 9 on a modified retrospective approach, with the initial application date of 1 July 2018. The adoption of the expected credit losses requirements of SFRS(I) 9 did not result in any material change on the carrying amounts of the Group's financial instruments at the transition date.

**SFRS(I) 15 *Revenue from Contracts with Customers***

On 1 July 2018, the Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the practical expedient in accordance with the transition provisions in SFRS(I) 15, where for completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 July 2017.

The Group is in the business of manufacturing precision machined components and trading of custom made electronic, electrical and mechanical products.

The Group has assessed that there is no material impact on the adoption of SFRS(I) 15. Prior to adoption of SFRS(I) 15, revenue recognition is based on the transfer of risk and rewards which is based on incoterms that coincides with the fulfilment of performance obligation of transfer of control to the customers upon the adoption of SFRS(I) 15.

The Group's contracts with customers for the sale of goods generally include a single performance obligation. The Group has concluded that revenue from sale of goods should be recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of goods or in accordance with the delivery terms agreed with the customer. Therefore, the adoption of SFRS(I) 15 did not have an impact on the timing of revenue recognition.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.3 Standards issued but not yet effective*

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

| *Description* | *Effective for annual periods on or after* |
|---|---|
| SFRS(I) 16 Leases | 1 January 2019 |
| SFRS(I) INT 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to SFRS(I) 1-28 Long-term Interests in Associates and Joint Ventures | 1 January 2019 |
| Annual Improvements to SFRS(I)s 2015-2017 Cycle | 1 January 2019 |
| Amendments to References to the Conceptual Framework in SFRS(I) Standards | 1 January 2020 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | Date to be determined |

Except for SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

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

SFRS(I) 16 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 July 2019. On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 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 statement of financial position immediately before 1 July 2019.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.3 Standards issued but not yet effective (cont'd)*

SFRS(I) 16 *Leases* *(cont'd)*

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases

- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019

- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

### *2.4 Significant accounting estimates*

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

#### (a) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.4 Significant accounting estimates (cont'd)*

### (a) Key sources of estimation uncertainty (cont'd)

#### (i) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment annually and at other times when such indicators exist. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 9.

#### (ii) Useful life of building

The cost of the building is depreciated on a straight-line basis over its useful life. Management estimates the useful lives of the building to be 50 years. The estimation of the useful lives and residual amount involves assumptions concerning the future and expected level of usage. Changes in the expected useful life of the building would affect the net carrying amount of the building, and the depreciation charge for the financial year. The carrying amounts of the Group's building as at 30 June 2019 is disclosed in Note 9.

#### (iii) Carrying value of investments in subsidiary companies and loan to a subsidiary company

The Company assesses at each reporting date whether there is an indication that the investment in subsidiary companies and loan to a subsidiary company may be impaired. Where an indication of impairment exists, recoverable value is assessed based on an estimation of the value in use of the subsidiaries. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiary companies and loan to a subsidiary company at the end of the reporting period are disclosed in Note 10 and Note 14 to the financial statements respectively.

#### (iv) Allowance for obsolete inventories

The Group reviews periodically for any excess inventories and decline in net realisable value below cost. An allowance is recorded against the inventories balance for such declines. These reviews require the Group to consider the future saleability of the inventories.

In determining the amount of allowance or write down, the Group considers factors including the ageing analysis and the consumption patterns. Such an evaluation requires judgement and affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of the Group's inventories as at 30 June 2019 was $2,143,116 (2018: $1,699,890, 1 July 2017: 1,938,788). More details are given in Note 12 to the financial statements.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.4 Significant accounting estimates (cont'd)*

#### (a) Key sources of estimation uncertainty (cont'd)

##### (v) Recoverability of trade receivables

The Company uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 13.

The carrying amount of trade receivables as at 30 June 2019 is $2,419,810 (2018: $3,739,997, 1 July 2017: $3,555,905) respectively.

### *2.5 Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.5 Basis of consolidation (cont'd)*

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

### *2.6 Foreign currency*

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

#### (a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

#### (b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.7 Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment other than leasehold property are measured at cost less accumulated depreciation and any accumulated impairment losses.

Leasehold property is measured at fair value less accumulated depreciation and any accumulated impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the leasehold property at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to accumulated losses on retirement or disposal of the asset.

Freehold land is not depreciated. Depreciation on other property, plant and equipment begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Leasehold Property | - | 50 years |
| Building | - | 50 years |
| Plant and machinery | - | 5 to 8 years |
| Motor vehicles | - | 10 years |
| Computers | - | 2 to 5 years |
| Office equipment/Furniture & fittings | - | 10 years |
| Air-conditioners | - | 10 years |
| Renovation/Electrical installation | - | 10 years |
| Tools and equipment | - | 2 to 5 years |

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

# Notes to Financial Statements
For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.8 Intangible assets*

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

#### (a) Club membership

Club membership is stated at cost less impairment losses and is amortised on a straight-line basis over its finite useful life of 37 years starting from the financial year ended 30 June 1994.

#### (b) Computer software licenses

Costs of SAP application software licenses and other software licenses are stated at cost less impairment losses and are amortised on a straight-line basis over 10 years and 3 to 5 years respectively.

### *2.9 Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

# Notes to Financial Statements
For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.9 Impairment of non-financial assets (cont'd)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

### *2.10 Subsidiary companies*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

### *2.11 Financial instruments*

#### (a) Financial assets

**Initial recognition and measurement**

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instruments.

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.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

**Subsequent measurement**

*Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.11 Financial instruments (cont'd)*

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

**Subsequent measurement (cont'd)**

*(i) Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

*(ii) Fair value through other comprehensive income (FVOCI)*

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

*(iii) Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

**Derecognition**

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.11 Financial instruments (cont'd)*

#### (b) Financial liabilities

**Initial recognition and measurement**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

**Subsequent measurement**

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

### *2.12 Impairment of financial assets*

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECLs).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.12 Impairment of financial assets (cont'd)*

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

### *2.13 Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, which are subject to an insignificant risk of changes in value.

### *2.14 Inventories*

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis; and
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

### *2.15 Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

### *2.16 Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to income, the grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

# Notes to Financial Statements
For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.17 Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### *2.18 Employee benefits*

#### (a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund scheme in Singapore and the Employees' Provident Fund in Malaysia, which are defined contribution pension schemes. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

#### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

### *2.19 Leases*

#### As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

# Notes to Financial Statements
For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.20 Non-current assets held for sale*

Non-current assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Non-current assets classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

### *2.21 Revenue from contracts with customers*

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Group is in the business of manufacturing and trading. Revenue from contracts with customers is recognised when control of the goods are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

**Sale of goods**

The Group manufactures precision machined components and trading of custom made electronic, electrical and mechanical products.

Revenue from sale of goods is recognized based on agreed shipping terms with customers, which is typically upon the delivery of products to the customers. That is the point when the customer obtains control of the goods, and the Group has no remaining control over the products. The Group generally does not allow returns except in the case of damaged products or products with quality issues. Revenue is recognised based on invoiced amount that can be measured reliably.

Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.22 Taxes*

#### (a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

#### (b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.22 Taxes (cont'd)*

#### (b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax are recognised in the profit or loss except that deferred tax relating to items recognised outside profit or loss is recognised either in other comprehensive income or directly in equity.

#### (c) Sales tax

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

### *2.23 Share capital and share issue expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### *2.24 Contingencies*

A contingent liability is:

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

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

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

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

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 2. Summary of significant accounting policies (cont'd)

### *2.24 Contingencies (cont'd)*

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

## 3. Revenue

***Disaggregation of revenue***

| | **Precision engineering** | | **Trading and distribution** | | **Total revenue** | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $ | $ | $ | $ | $ | $ |
| **Primary geographical markets** | | | | | | |
| Singapore | 282,864 | 235,129 | – | – | 282,864 | 235,129 |
| Asean (excluding Singapore) | 6,233,689 | 6,420,109 | 38,864 | 61,538 | 6,272,553 | 6,481,647 |
| North Asia | 76,690 | 269,978 | 25,420 | 4,205 | 102,110 | 274,183 |
| America and Europe | 2,090,097 | 2,218,207 | 5,262,940 | 4,211,310 | 7,353,037 | 6,429,517 |
| Others | 111,222 | 161,977 | – | – | 111,222 | 161,977 |
| | 8,794,562 | 9,305,400 | 5,327,224 | 4,277,053 | 14,121,786 | 13,582,453 |
| | | | | | | |
| Timing of transfer of goods or services | | | | | | |
| At a point in time | 8,794,562 | 9,305,400 | 5,327,224 | 4,277,053 | 14,121,786 | 13,582,453 |
| | 8,794,562 | 9,305,400 | 5,327,224 | 4,277,053 | 14,121,786 | 13,582,453 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 4. Other operating income

### Other operating expenses

| | Group 2019 $ | Group 2018 $ |
|---|---|---|
| **(a) Other operating income** | | |
| Sale of scrap | 31,613 | 38,493 |
| Government grant | 13,646 | 21,522 |
| Write-off of other payables | – | 13,000 |
| Others | 1,626 | 2,253 |
| | 46,885 | 75,268 |
| **(b) Other operating expenses** | | |
| Foreign exchange loss, net | (108,228) | (211,699) |
| Loss in diminution of value of leasehold property | (832,937) | – |
| Write-off of property, plant and equipment | – | (391) |
| Relocation Cost | (37,397) | – |
| Others | (39,206) | (2,650) |
| | (1,017,768) | (214,740) |

## 5. Finance costs

### Finance income

| | Group 2019 $ | Group 2018 $ |
|---|---|---|
| **(a) Finance costs** | | |
| Interest expense on: | | |
| - term loans | – | (1,161) |
| - finance leases | (9,539) | (12,281) |
| - overdraft | – | (389) |
| | (9,539) | (13,831) |
| **(b) Finance income** | | |
| Interest income from: | | |
| - bank balances and fixed deposits | 8,369 | 6,026 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 6. Loss before tax

The following items have been included in arriving at loss before tax:

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| Audit fees: | | |
| - Auditors of the Company | 76,167 | 77,500 |
| Non-audit fees: | | |
| - Auditors of the Company | 18,500 | 17,900 |
| Depreciation of property, plant and equipment | 146,333 | 726,832 |
| Amortisation of intangible assets | 13,081 | 13,365 |
| Operating lease expenses | 146,057 | 148,367 |
| Employee benefits expense (including directors): | | |
| - Salaries and bonuses | 4,345,225 | 4,651,460 |
| - Contributions to defined contribution plans | 316,232 | 373,816 |
| - Other personnel expenses | 46,936 | 43,214 |

## 7. Taxation

Major components of income tax expense/(credit)

The major components of income tax expense/(credit) for the years ended 30 June 2019 and 2018 are:

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| | | (Restated) |
| Current income tax | | |
| - Current income taxation | 31,756 | 19,103 |
| - Under/(over provision) in respect of previous years | 164,860 | (6,476) |
| Deferred tax | | |
| - Origination and reversal of temporary differences | (154,322) | (243,378) |
| Income tax expense/(credit) recognised in profit or loss (Note 29) | 42,294 | (230,751) |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 7. Taxation (cont'd)

Relationship between income tax expense/(credit) and accounting loss

A reconciliation between income tax expense/(credit) and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 30 June 2019 and 2018 is as follows:

| | Group | |
|---|---|---|
| | 2019 | 2018 |
| | $ | $ |
| | | (Restated) |
| Loss before taxation | (1,551,012) | (1,693,668) |
| Accounting loss before taxation | (1,551,012) | (1,693,668) |
| Tax at the domestic rates applicable to profits in the countries where the Group operates | (168,429) | (327,362) |
| Adjustments: | | |
| Non-deductible expenses | 183,710 | 149,294 |
| Income not subject to taxation | (101,534) | – |
| Effect of partial tax exemption and tax relief | (36,313) | (46,207) |
| Under/(over) provision in respect of previous years | 164,860 | (6,476) |
| Income tax expense/(credit) recognised in profit or loss (Note 29) | 42,294 | (230,751) |

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 8. Loss per share

Basic loss per share is calculated by dividing the loss for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated by dividing the loss for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. There is no share option being granted during the year.

The following reflects the loss for the year and share data used in the computation of basic and diluted loss per share for the years ended 30 June:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ (Restated) |
| Loss for the year, net of tax, attributable to owners of the Company used in the computation of basic and diluted loss per share | (1,593,306) | (1,462,917) |
| Weighted average number of ordinary shares for basic and diluted loss per share computation | 107,580,980 | 107,580,980 |

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

The basic and diluted loss per share are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted loss per share computation. These loss and share data are presented in the table above.

For the financial year ended 30 June 2018, the basic and diluted loss per share as previously stated was (1.58) cents. The loss for the year, net of tax, attributable to the owners of the Company and the weighted average number of ordinary shares used for the computation of basic and diluted loss per share was ($1,703,558) and 107,580,980 respectively.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 9. Property, plant and equipment

| Group | At valuation | At cost | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold property | Freehold Land | Building | Plant and machinery | Motor vehicles | Computers | Office equipment/ Furniture & Fitting | Air-conditioners | Renovation / Electrical Installation | Tools and equipment | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Cost or valuation** | | | | | | | | | | | |
| At 1 July 2016 | 11,500,000 | – | – | 28,785,365 | 731,207 | 628,238 | 369,629 | 344,535 | 621,762 | 715,325 | 43,696,061 |
| Additions | – | – | – | – | – | 2,701 | 3,026 | – | – | – | 5,727 |
| Disposals | – | – | – | – | (86,556) | – | – | (82,509) | – | – | (169,065) |
| Revaluation surplus | 1,179,487 | – | – | – | – | – | – | – | – | – | 1,179,487 |
| Elimination of accumulated depreciation on revaluation | (1,179,487) | – | – | – | – | – | – | – | – | – | (1,179,487) |
| Exchange differences | – | – | – | – | – | 725 | 432 | – | 103 | – | 1,260 |
| At 30 June and 1 July 2017 | 11,500,000 | – | – | 28,785,365 | 644,651 | 631,664 | 373,087 | 262,026 | 621,865 | 715,325 | 43,533,983 |
| Additions | – | – | – | – | – | 10,480 | 596 | 3,680 | – | – | 14,756 |
| Disposals | – | – | – | – | – | – | – | (7,078) | – | – | (7,078) |
| Attributable to reclassification of leasehold property to assets held for sale (Note 16) | (11,500,000) | – | – | – | – | – | – | – | – | – | (11,500,000) |
| Exchange differences | – | – | – | – | – | (338) | (200) | – | (48) | – | (586) |
| At 30 June and 1 July 2018 | – | – | – | 28,785,365 | 644,651 | 641,806 | 373,483 | 258,628 | 621,817 | 715,325 | 32,041,075 |
| Additions | – | 1,488,780 | 2,040,611 | – | – | 2,339 | 610 | – | 399,543 | 863 | 3,932,746 |
| Disposals | – | – | – | – | – | – | – | (12,140) | – | – | (12,140) |
| Exchange differences | – | – | – | – | – | (313) | (184) | – | (44) | – | (541) |
| At 30 June 2019 | – | 1,488,780 | 2,040,611 | 28,785,365 | 644,651 | 643,832 | 373,909 | 246,488 | 1,021,316 | 716,188 | 35,961,140 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

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

| Group | At valuation | At cost | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Leasehold property | Freehold Land | Building | Plant and machinery | Motor vehicles | Computers | Office equipment/ Furniture & Fitting | Air-conditioners | Renovation/ Electrical Installation | Tools and equipment | Total |
| | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ | $ |
| **Accumulated depreciation** | | | | | | | | | | | |
| At 1 July 2016 | 786,324 | – | – | 27,990,858 | 314,038 | 603,829 | 352,383 | 286,757 | 578,816 | 715,325 | 31,628,330 |
| Depreciation charge for the year | 393,163 | – | – | 350,492 | 61,124 | 16,968 | 4,757 | 10,827 | 7,118 | – | 844,449 |
| Disposals | – | – | – | – | (70,113) | – | – | (82,508) | – | – | (152,621) |
| Elimination of accumulated depreciation on revaluation | (1,179,487) | – | – | – | – | – | – | – | – | – | (1,179,487) |
| Exchange differences | – | – | – | - | – | 657 | 382 | – | 103 | – | 1,142 |
| At 30 June and 1 July 2017 | – | – | – | 28,341,350 | 305,049 | 621,454 | 357,522 | 215,076 | 586,037 | 715,325 | 31,141,813 |
| Depreciation charge for the year | 292,063 | – | – | 346,429 | 58,788 | 8,283 | 4,188 | 10,472 | 6,609 | – | 726,832 |
| Disposals | – | – | – | – | – | – | – | (6,687) | – | – | (6,687) |
| Attributable to reclassification of leasehold property to assets held for sale (Note 16) | (292,063) | – | – | – | – | – | – | – | – | – | (292,063) |
| Exchange differences | – | – | – | – | – | (341) | (179) | – | (44) | – | (564) |
| At 30 June and 1 July 2018 | – | – | – | 28,687,779 | 363,837 | 629,396 | 361,531 | 218,861 | 592,602 | 715,325 | 31,569,331 |
| Depreciation charge for the year | – | – | 3,590 | 59,643 | 58,787 | 4,790 | 2,861 | 10,373 | 6,252 | 37 | 146,333 |
| Disposals | – | – | – | – | – | – | – | (9,490) | – | – | (9,490) |
| Exchange differences | – | – | (36) | (43) | – | (314) | (173) | – | (44) | – | (610) |
| At 30 June 2019 | – | – | 3,554 | 28,747,379 | 422,624 | 633,872 | 364,219 | 219,744 | 598,810 | 715,362 | 31,705,564 |
| **Net carrying amount** | | | | | | | | | | | |
| At 1 July 2017 | 11,500,000 | – | – | 444,015 | 339,602 | 10,210 | 15,565 | 46,950 | 35,828 | – | 12,392,170 |
| At 30 June 2018 | – | – | – | 97,586 | 280,814 | 12,410 | 11,952 | 39,767 | 29,215 | – | 471,744 |
| At 30 June 2019 | – | 1,488,780 | 2,037,057 | 37,986 | 222,027 | 9,960 | 9,690 | 26,744 | 422,506 | 826 | 4,255,576 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

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

| **Company** | **Computers** | **Motor vehicles** | **Total** |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| At 1 July 2017, 30 June 2018 and 1 July 2018 | 298,200 | 321,418 | 619,618 |
| At 30 June 2019 | 298,200 | 321,418 | 619,618 |
| **Accumulated depreciation** | | | |
| At 1 July 2017 | 294,680 | 180,917 | 475,597 |
| Depreciation charge for the year | 2,804 | 28,566 | 31,370 |
| At 30 June 2018 and 1 July 2018 | 297,484 | 209,483 | 506,967 |
| Depreciation charge for the year | 716 | 28,566 | 29,282 |
| At 30 June 2019 | 298,200 | 238,049 | 536,249 |
| **Net carrying amount** | | | |
| At 1 July 2017 | 3,520 | 140,501 | 144,021 |
| At 30 June 2018 | 716 | 111,935 | 112,651 |
| At 30 June 2019 | – | 83,369 | 83,369 |

*Revaluation of leasehold property*

The leasehold property of the Group was revalued as at 30 June 2018 and 30 June 2017 based on independent professional valuations carried out by an accredited valuer. These valuations are determined by the valuer based on the direct comparison method that makes reference to recent market transactions.

If the leasehold property was stated at cost less accumulated depreciation, the net carrying amount would have been $2,137,000 (2018: $2,225,000, 2017: 2,313,000)

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

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

*Assets held under finance leases*

The carrying amount of motor vehicles of the Group held under finance leases at the balance sheet date was $222,027 (2018: $280,814, 2017: $339,602). The Company's motor vehicles were held under finance leases.

Leased assets are pledged as security for the related finance lease liabilities.

*Assets pledged as security*

In addition to assets under finance leases, the Group's leasehold property was mortgaged to a bank as security for term loan (Note 18). The leasehold property is a Jurong Town Corporation ("JTC") detached factory located at 31 Senoko South Road on a leasehold land area of 8,944 square metres. The leasehold property is subject to a 30 years lease commencing from 16 September 1993 with an entitlement for a further term of 30 years.

## 10. Investments in subsidiary companies

| | | **Company** | |
|---|---|---|---|
| | **30.6.2019** | **30.6.2018** | **1.7.2017** |
| | $ | $ | $ |
| Unquoted equity shares, at cost | 8,356,338 | 8,356,338 | 8,356,338 |
| Impairment losses | (243,162) | (243,162) | (243,162) |
| | 8,113,176 | 8,113,176 | 8,113,176 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 10. Investments in subsidiary companies (cont'd)

The Group has the following significant investments in subsidiary companies.

| Name of company | Country of incorporation and place of business | Principal activities | Percentage of equity held | | | Cost of investment | | |
|---|---|---|---|---|---|---|---|---|
| | | | 30.6. 2019 | 30.6. 2018 | 1.7. 2017 | 30.6. 2019 | 30.6. 2018 | 1.7. 2017 |
| | | | % | % | % | $ | $ | $ |
| **Held by the Company** | | | | | | | | |
| Santak Metal Manufacturing Pte Ltd (1) | Singapore | Manufacture of precision machined components | 100 | 100 | 100 | 8,113,173 | 8,113,173 | 8,113,173 |
| Santak Industrial Pte Ltd (1) | Singapore | Trading and distribution of electronic, electrical and mechanical components/ products | 100 | 100 | 100 | 243,162 | 243,162 | 243,162 |
| Santak Electronics Pte Ltd (1) | Singapore | Trading and distribution of electronic, electrical and mechanical components/ products (currently dormant) | 100 | 100 | 100 | 3 | 3 | 3 |
| | | | | | | 8,356,338 | 8,356,338 | 8,356,338 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 10. Investments in subsidiary companies (cont'd)

| Name of company | Country of incorporation and place of business | Principal activities | Percentage of equity held | | |
|---|---|---|---|---|---|
| | | | 30.6. 2019 | 30.6. 2018 | 1.7. 2017 |
| | | | % | % | % |
| **Held by Santak Metal Manufacturing Pte Ltd** | | | | | |
| T.N.K. Precision Engineering Work Pte Ltd [(1)] | Singapore | Manufacture of precision machined components (currently dormant) | 100 | 100 | 100 |
| Hang Yip Metal Manufacturing Pte Ltd [(3)] | Singapore | Manufacture of precision machined components (deregistered) | – | 100 | 100 |
| Santak Precision Metal Parts Sdn Bhd [(2)] [(4)] | Malaysia | Manufacture of precision machined components | 100 | 100 | – |
| **Held by Santak Electronics Pte Ltd** | | | | | |
| Santak Electronics Sdn Bhd [(5)] | Malaysia | Manufacture of electronic, electrical and mechanical components and products (deregistered) | – | 100 | 100 |

(1) Audited by Ernst & Young LLP, Singapore.
(2) Audited by Ernst & Young Malaysia.
(3) Deregistered on 8 July 2018.
(4) Incorporated during the financial year ended 30 June 2018.
(5) Deregistered on 27 August 2018.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 11. Intangible assets

| Group | Club membership | Computer software licenses | Total |
|---|---|---|---|
| | $ | $ | $ |
| **Cost** | | | |
| At 1 July 2017 | 152,160 | 327,364 | 479,524 |
| Addition | – | 349 | 349 |
| At 30 June 2018 and 1 July 2018 | 152,160 | 327,713 | 479,873 |
| Addition | – | 670 | 670 |
| At 30 June 2019 | 152,160 | 328,383 | 480,543 |
| **Accumulated amortisation** | | | |
| At 1 July 2017 | 133,562 | 270,758 | 404,320 |
| Amortisation | 1,379 | 11,986 | 13,365 |
| At 30 June 2018 and 1 July 2018 | 134,941 | 282,744 | 417,685 |
| Amortisation | 1,379 | 11,702 | 13,081 |
| At 30 June 2019 | 136,320 | 294,446 | 430,766 |
| **Net carrying amount** | | | |
| At 1 July 2017 | 18,598 | 56,606 | 75,204 |
| At 30 June 2018 | 17,219 | 44,969 | 62,188 |
| At 30 June 2019 | 15,840 | 33,937 | 49,777 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 11. Intangible assets (cont'd)

| Company | Computer software license $ |
|---|---|
| **Cost** | |
| At 1 July 2017 | 211,812 |
| Addition | 349 |
| At 30 June 2018 and 30 June 2019 | 212,161 |
| **Accumulated amortisation** | |
| At 1 July 2017 | 211,437 |
| Amortisation | 430 |
| At 30 June 2018 and 1 July 2018 | 211,867 |
| Amortisation | 129 |
| At 30 June 2019 | 211,996 |
| **Net carrying amount** | |
| At 1 January 2017 | 375 |
| At 30 June 2018 | 294 |
| At 30 June 2019 | 165 |

The amortisation expense is included in the "Administrative expenses" and "Distribution and selling expenses" line items in profit or loss.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 12. Inventories

| | Group | | |
|---|---|---|---|
| | **30.6.2019** | **30.6.2018** | **1.7.2017** |
| | $ | $ | $ |
| **Balance sheet:** | | | |
| Raw materials | 371,421 | 350,456 | 357,208 |
| Work-in-progress | 395,397 | 505,103 | 375,092 |
| Finished goods | 1,376,298 | 844,331 | 1,206,488 |
| Total inventories at lower of cost and net realisable value | 2,143,116 | 1,699,890 | 1,938,788 |

The allowance for obsolete inventories as at 30 June 2019 amounted to $1,198,748 (2018: $1,213,166, 2017: $1,286,644).

| | Group | | |
|---|---|---|---|
| | **30.6.2019** | **30.6.2018** | **1.7.2017** |
| | $ | $ | $ |
| **Income statement:** | | | |
| Inventories recognised as an expense in cost of sales | 7,058,051 | 11,295,628 | 24,261,679 |
| | | | |
| Inclusive of the following charge/(credit): | | | |
| - inventories written down | 48,569 | 67,131 | 163,123 |
| - reversal of write down of inventories | (19,990) | (52,317) | (47,446) |

The reversal of write down of inventories is made when the related inventories were utilised or sold above their carrying amounts.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 13. Trade and other receivables

| | Note | Group 30.6.2019 | Group 30.6.2018 | Group 1.7.2017 | Company 30.6.2019 | Company 30.6.2018 | Company 1.7.2017 |
|---|---|---|---|---|---|---|---|
| | | $ | $ | $ | $ | $ | $ |
| **Trade and other receivables (current)** | | | | | | | |
| Trade receivables | | 2,419,810 | 3,739,997 | 3,555,905 | – | – | – |
| Amount due from subsidiary companies (non-trade) | | – | – | – | 1,851,298 | 1,769,375 | 1,684,470 |
| Other receivables: | | | | | | | |
| - Other debtors | | – | 83,964 | 80 | – | – | – |
| - Deposits | | 69,557 | 730 | 800 | – | – | – |
| Total trade and other receivables (current) | | 2,489,367 | 3,824,691 | 3,556,785 | 1,851,298 | 1,769,375 | 1,684,470 |
| *Add:* Loan to a subsidiary company | 14 | – | – | – | 4,030,000 | 4,030,000 | 4,030,000 |
| *Add:* Cash and cash equivalents | 15 | 3,551,651 | 7,047,672 | 9,684,983 | 133,179 | 48,049 | 71,049 |
| *Less:* Goods and Services Tax ("GST") receivables | | (63,152) | (74,103) | (91,296) | – | – | – |
| Total financial assets carried at amortised cost | | 5,977,866 | 10,798,260 | 13,150,472 | 6,014,477 | 5,847,424 | 5,785,519 |

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition. Included in the trade receivables is an amount of $63,152 (2018: $74,103, 2017: $91,296) relating to GST receivables.

Trade and other receivables denominated in foreign currencies at 30 June are as follows:

| | Group 30.6.2019 | Group 30.6.2018 | Group 1.7.2017 | Company 30.6.2019 | Company 30.6.2018 | Company 1.7.2017 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| United States Dollar | 2,282,174 | 3,481,369 | 3,412,067 | – | – | – |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

**13. Trade and other receivables (cont'd)**

Amount due from subsidiary companies

Amount due from subsidiary companies is non-trade related, unsecured, non-interest bearing, repayable upon demand and is to be settled in cash.

Receivables that are past due but not impaired

The Group has the following trade receivables that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **30.6.2018** | **1.7.2017** |
| | $ | $ |
| **Trade receivables past due:** | | |
| Less than 30 days | 982,476 | 975,157 |
| 30 to 90 days | 660,440 | 381,905 |
| More than 90 days | 63,556 | 117,985 |
| | 1,706,472 | 1,475,047 |

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

| | Group | |
|---|---|---|
| | **Individually impaired** | |
| | **30.6.2018** | **1.7.2017** |
| | $ | $ |
| Trade receivables – nominal | 73,806 | 73,806 |
| Less: Allowance for doubtful receivables | (73,806) | (73,806) |
| | – | – |

There is no movement in allowance for the financial years ended 30 June 2018 and 30 June 2017.

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 13. Trade and other receivables (cont'd)

Expected credit losses ("ECLs")

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECLs are as follows:

| | Group<br>Trade receivables<br>30.6.2019<br>$ |
|---|---|
| *Movements in allowance accounts:* | |
| Balance at beginning of the year | 73,806 |
| Written off | (73,806) |
| Charge for the year | – |
| Balance at end of the year | – |

***Credit risk exposure on trade receivables using a provision matrix***

**Group**

| **30 June 2019** | | Days past due | | |
|---|---|---|---|---|
| | Current | <90 days | > 90 days | Total |
| | $ | $ | $ | $ |
| Carrying amount of trade receivables | 1,532,571 | 884,500 | 2,739 | 2,419,810 |
| Expected credit losses | – | – | – | – |

## 14. Loan to a subsidiary company

The loan to a subsidiary company is unsecured, non-interest bearing, repayable upon demand and to be settled in cash.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 15. Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand.

Cash at banks earns interest at floating rates based on daily bank deposit rates.

As at 30 June 2019, the Group had available, undrawn committed banking facilities of $5,985,000 (2018: $5,959,000) in respect of which all conditions precedent had been met.

Cash and cash equivalents denominated in foreign currencies at 30 June are as follows:

| | Group | | |
|---|---|---|---|
| | **30.6.2019** | **30.6.2018** | **1.7.2017** |
| | $ | $ | $ |
| United States Dollar | 2,829,691 | 3,773,478 | 9,242,591 |
| Euro | 16,235 | 12,166 | 51,405 |
| Malaysia Ringgit | 205,771 | – | – |

## 16. Assets of subsidiary classified as held for sale

On March 2018, a directors' resolution had been passed to authorise the relocation plan of the Group's manufacturing operations to Malaysia by purchasing a freehold property in Malaysia and to dispose the Singapore leasehold property.

On 25 July 2018, the Group granted an option to purchase to a third party for its Singapore leasehold property situated at 31 Senoko South Road for a consideration of S$11,500,000, subject to relevant terms and conditions of the Option. However, the option lapsed as the buyer, who operates in the food industry, did not obtain the necessary JTC approval. Nevertheless, the Group continued to search for a new buyer for the aforesaid property.

On 27 June 2019, The Group announced that they granted an option to purchase ("Option") to an independent third-party purchaser for the sale of the Singapore's leasehold property for a consideration of S$10,500,000 ("Proposed Disposal"). As at 30 June 2019, the Group has received 1% option money ("Option Money") from the third-party purchaser in the sum of $105,000.

The carrying amount of the Group's asset classified as held for sale as at 30 June 2019 was $10,375,000 (2018: S$11,207,937).

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 17. Trade and other payables

| | Note | Group | | | Company | | |
|---|---|---|---|---|---|---|---|
| | | 30.6.2019 | 30.6.2018 | 1.7.2017 | 30.6.2019 | 30.6.2018 | 1.7.2017 |
| | | $ | $ | $ | $ | $ | $ |
| **Trade and other payables** | | | | | | | |
| Trade payables | | 1,230,618 | 1,603,460 | 2,439,560 | – | – | – |
| Other payables: | | | | | | | |
| - Other payables | | 128,909 | 92,679 | 117,976 | 62,462 | 29,658 | 55,674 |
| - Accrued operating expenses | | 1,001,426 | 934,341 | 1,186,489 | 313,941 | 306,665 | 373,916 |
| - Advances from customers | | 30,535 | 30,806 | 31,100 | – | – | – |
| - Option Money | 16 | 105,000 | – | – | – | – | – |
| Total trade and other payables | | 2,496,488 | 2,661,286 | 3,775,125 | 376,403 | 336,323 | 429,590 |
| *Add:* Loans and borrowings | 18 | – | – | 87,712 | – | – | – |
| *Add:* Finance lease liabilities | 19 | 199,701 | 271,925 | 341,460 | 68,130 | 103,467 | 137,561 |
| *Less:* Advances from customers | | (30,535) | (30,806) | (31,100) | – | – | – |
| *Less:* Goods and Services Tax ("GST") payables | | (17,652) | (18,312) | (37,378) | (16,188) | (18,312) | (37,378) |
| *Less:* Option Money | 16 | (105,000) | – | – | – | – | – |
| Total financial liabilities carried at amortised cost | | 2,543,002 | 2,884,093 | 4,135,819 | 428,345 | 421,478 | 529,773 |

Trade and other payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms. Other payables are non-interest bearing and are granted average credit terms of three to six months.

Trade payables denominated in foreign currencies at 30 June are as follows:

| | Group | | |
|---|---|---|---|
| | 30.6.2019 | 30.6.2018 | 1.7.2017 |
| | $ | $ | $ |
| United States Dollar | 596,167 | 961,367 | 1,904,555 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 18. Loans and borrowings

| | Maturities | Group 30.6.2019 | Group 30.6.2018 | Group 1.7.2017 |
|---|---|---|---|---|
| | | $ | $ | $ |
| **Secured term loans** | | | | |
| Term loan I – USD loan | 2010 – 2018 | – | – | 87,712 |
| **Total loans and borrowings** | | – | – | 87,712 |
| Due within 12 months | | – | – | 87,712 |

(a) Term loans I is secured by:-

(i) a legal mortgage over a subsidiary company's leasehold property as disclosed in Note 9 to the financial statements;

(ii) a corporate guarantee from the Company.

(b) Term loan I is repayable over 91 months commencing from December 2010 and bears interest at 1.5% per annum over the 1-month Singapore Inter Bank Offer Rate ("SIBOR").

The loan was fully repaid at the end of the financial year ended 30 June 2018.

A reconciliation of liabilities arising from financing activities is as follows:

| | 2019 | Cash flows | 2018 | Cash flows | Non-cash changes: Foreign exchange movement | Non-cash changes: Other | 2017 |
|---|---|---|---|---|---|---|---|
| | $ | $ | $ | | $ | $ | $ |
| Loans and borrowings | | | | | | | |
| - Current | – | – | – | (82,005) | (5,707) | – | 87,712 |
| Obligations under finance leases | | | | | | | |
| - Current | 75,127 | 2,850 | 72,277 | (69,535) | – | 72,277 | 69,535 |
| - Non-current | 124,574 | (75,074) | 199,648 | – | – | (72,277) | 271,925 |
| Total | 199,701 | (72,224) | 271,925 | (151,540) | (5,707) | – | 429,172 |

The 'Other' column relates to reclassification of non-current portion of obligations under finance leases due to passage of time.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

### 19. Obligations under finance leases

The Group's property, plant and equipment include leased office equipment and motor vehicles used in the business operations of the precision engineering division. These leases are classified as finance leases, which expire over the next 4 years and do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rates in the leases range from 3.59% to 5.84% (2018: 3.59% to 5.84%) per annum.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

| | Maturities | Minimum lease payments 2019 | Present value of payments 2019 | Minimum lease payments 2018 | Present value of payments 2018 | Minimum lease payments 2017 | Present value of payments 2017 |
|---|---|---|---|---|---|---|---|
| **Group** | | $ | $ | $ | $ | $ | $ |
| Not later than one year | | 81,817 | 75,127 | 81,817 | 72,277 | 81,817 | 69,535 |
| Later than one year but not later than five years | 2018 - 2021 | 129,984 | 124,574 | 211,739 | 199,648 | 282,089 | 260,648 |
| More than five years | 2022 | – | – | – | – | 11,466 | 11,277 |
| Total minimum lease payments | | 211,801 | 199,701 | 293,556 | 271,925 | 375,372 | 341,460 |
| Less: amounts representing finance charges | | (12,100) | – | (21,631) | – | (33,912) | – |
| Present value of minimum lease payments | | 199,701 | 199,701 | 271,925 | 271,925 | 341,460 | 341,460 |
| **Company** | | | | | | | |
| Not later than one year | | 38,472 | 36,626 | 38,472 | 35,337 | 38,472 | 34,102 |
| Later than one year but not later than five years | 2018 - 2021 | 32,014 | 31,504 | 70,486 | 68,130 | 108,958 | 103,459 |
| Total minimum lease payments | | 70,486 | 68,130 | 108,958 | 103,467 | 147,430 | 137,561 |
| Less: amounts representing finance charges | | (2,356) | – | (5,491) | – | (9,869) | – |
| Present value of minimum lease payments | | 68,130 | 68,130 | 103,467 | 103,467 | 137,561 | 137,561 |

# Notes to Financial Statements
For The Financial Year Ended 30 June 2019

## 20. Deferred taxation

Deferred income tax as at 30 June relates to the following:

| | Group | | | | | |
|---|---|---|---|---|---|---|
| | Balance sheets | | | Consolidated income statement | | |
| | 30.6.2019 | 30.6.2018 | 1.7.2017 | 30.6.2019 | 30.6.2018 | 1.7.2017 |
| | $ | $ | $ | $ | $ | $ |
| | | (Restated) | | | (Restated) | |
| ***Deferred tax liabilities*** | | | | | | |
| Differences in depreciation for tax purposes | (376,469) | (401,445) | (453,104) | (24,976) | (51,659) | 7,677 |
| Revaluation of leasehold property to fair value | (304,408) | (304,408) | (1,565,585) | – | (59,498) | (53,827) |
| | (680,877) | (705,853) | (2,018,689) | | | |
| ***Deferred tax assets*** | | | | | | |
| Unutilised tax losses | 753,031 | 623,815 | 475,323 | (129,216) | (148,492) | (475,323) |
| Provisions | 6,923 | 6,793 | 23,064 | (130) | 16,271 | 3,062 |
| | 759,954 | 630,608 | 498,387 | | | |
| Deferred tax assets/ (liabilities), net (Note 29) | 79,077 | (75,245) | (1,520,302) | | | |
| Deferred tax income | | | | (154,322) | (243,378) | (518,411) |

| | Company | | |
|---|---|---|---|
| | Balance sheets | | |
| | 30.6.2019 | 30.6.2018 | 1.7.2017 |
| | $ | $ | $ |
| ***Deferred tax assets*** | | | |
| Provisions | 6,923 | 6,793 | 6,860 |
| Deferred tax assets, net | 6,923 | 6,793 | 6,860 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 21. Share capital

| | Group and Company | | | | | |
|---|---|---|---|---|---|---|
| | 2019 | | 2018 | | 1 July 2017 | |
| | No. of shares | $ | No. of shares | $ | No. of shares | $ |
| **Issued and fully paid ordinary shares** | | | | | | |
| At 1 July and 30 June | 107,580,980 | 12,852,187 | 107,580,980 | 12,852,187 | 107,580,980 | 12,852,187 |

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

## 22. Other reserves

### *(i) Revaluation reserve*

The revaluation reserve represents increases in the fair value of leasehold property, net of tax, and decrease to the extent that such decreases relates to an increase on the same asset previously recognised in other comprehensive income.

| | Group | | |
|---|---|---|---|
| | 30.6.2019 | 30.6.2018 | 1.7.2017 |
| | $ | $ (Restated) | $ |
| At beginning of the year | 9,521,142 | 8,319,463 | 7,346,394 |
| Surplus on revaluation of leasehold property | – | – | 1,179,487 |
| Deferred tax on revaluation of leasehold property | – | 1,201,679 | (206,418) |
| Net surplus on revaluation of leasehold property | – | 1,201,679 | 973,069 |
| At end of the year (Note 29) | 9,521,142 | 9,521,142 | 8,319,463 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 22. Other reserves (cont'd)

### *(ii) Translation reserve*

The translation reserve records exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

| | Group | | |
|---|---|---|---|
| | **30.6.2019** | **30.6.2018** | **1.7.2017** |
| | $ | $ | $ |
| At beginning of the year | 444 | 814 | 2,176,927 |
| Net effect of exchange differences arising from translation of financial statements of foreign operations | (36,532) | (370) | (68,416) |
| Realisation of translation reserve on strike off of a subsidiary company | (26,477) | – | – |
| Realisation of translation reserve on disposal of a subsidiary company | – | – | (2,107,697) |
| At end of the year | (62,565) | 444 | 814 |

## 23. Commitments and contingent liabilities

### (a) Operating lease commitments

The Group has an operating lease agreement for its offices and factory premises. The lease has a 30 years lease tenure commencing from 16 September 1993 with a further term of 30 years with no contingent rent provision included in the contract. Lease terms do not contain restrictions on the Group's activities concerning dividends or additional debt. Operating lease payments recognised in the consolidated income statement during the year amounted to $146,057 (2018: $148,367).

Future minimum lease payments payable under non-cancellable operating lease as at 30 June are as follows:

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| Not later than one year | 146,057 | 146,057 |
| Later than one year but not later than five years | 468,600 | 584,229 |
| Later than five years | – | 30,429 |
| | 614,657 | 760,715 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 23. Commitments and contingent liabilities (cont'd)

### (b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements as follows:

| | Group | | |
|---|---|---|---|
| | **30.6.2019** | **30.6.2018** | **1.7.2017** |
| | $ | $ | $ |
| Capital commitments in respect to property, plant and equipment | 171,000 | 3,035,000 | – |

At the end of the financial year ended 30 June 2019, the commitments relate to the renovation of the building of the Group's manufacturing operation in Malaysia. At the end of the financial year ended 30 June 2018, the commitments relate to the acquisition of the freehold land and building in Malaysia.

### (c) Contingent liabilities

*Corporate guarantees*

At the end of the reporting period, the Company had corporate guarantees amounting to approximately $7,343,000 (2018: $7,343,000) in favour of certain financial institutions for banking facilities and finance leases granted to and utilised by a subsidiary company. The fair value of such guarantees was not significant in the current and previous financial years.

At the end of the reporting period, the outstanding liabilities of the subsidiary company which were secured by the abovementioned corporate guarantees amounted to approximately $84,000 (2018: $109,000).

*Available, undrawn committed banking facilities*

At the end of the financial year, the Group has banking facilities amounting to $5,985,000 (2018: $5,959,000) comprising of $5,500,000 (2018: $5,500,000), $385,000 (2018: $359,000) and $100,000 (2018: $100,000) pertaining to bank loan, performance guarantees and credit card withdrawal limit respectively. There is no drawdown of bank loan at the end of financial year.

## 24. Related party transactions

### (a) Sale and purchase of services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

| | Company | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| **Income** | | |
| Management fee income from subsidiary companies | 1,191,600 | 1,269,600 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 24. Related party transactions (cont'd)

### (b) Compensation of key management personnel

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| Salaries and other short-term employee benefits | 1,310,012 | 1,276,452 |
| Contributions to defined contribution plans | 81,389 | 79,782 |
| | 1,391,401 | 1,356,234 |
| *Comprise amounts paid/payable to:* | | |
| - Directors of the Company | 884,438 | 877,200 |
| - Other key management personnel | 506,963 | 479,034 |
| | 1,391,401 | 1,356,234 |

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

## 25. Fair value of assets and liabilities

### (a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 25. Fair value of assets and liabilities (cont'd)

### (b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

| | Group | | | |
|---|---|---|---|---|
| | S$ '000 | | | |
| | Fair value measurements at the end of the reporting period using | | | |
| | Quoted prices in active markets for identical instruments (Level 1) | Significant observable inputs other than quoted prices (Level 2) | Significant unobservable inputs (Level 3) | Total |
| **2019** | | | | |
| **Assets measured at fair value** | | | | |
| **Non-financial assets:** | | | | |
| Assets of subsidiary classified as held for sale | | | | |
| *Leasehold property* | – | – | 10,375 | 10,375 |
| **2018** | | | | |
| **Assets measured at fair value** | | | | |
| **Non-financial assets:** | | | | |
| Assets of subsidiary classified as held for sale | | | | |
| *Leasehold property* | – | – | 11,500 | 11,500 |
| **2017** | | | | |
| **Assets measured at fair value** | | | | |
| **Non-financial assets:** | | | | |
| Property, plant and equipment | | | | |
| *Leasehold property* | – | – | 11,500 | 11,500 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 25. Fair value of assets and liabilities (cont'd)

### (c) Level 3 fair value measurements

#### (i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

| Description | Fair value | Valuation techniques | Unobservable inputs | Range |
|---|---|---|---|---|
| | S$'000 | | | |
| **Recurring fair value measurements** | | | | |
| **As at 30 June 2019** | | | | |
| *Leasehold property* | 10,375 | Arm length transaction price^ | N/A | N/A |
| **As at 30 June 2018** | | | | |
| *Leasehold property* | 11,500 | Comparable sales approach | Yield adjustments# | +/- 10% |
| **As at 1 July 2017** | | | | |
| *Leasehold property* | 11,500 | Comparable sales approach | Yield adjustments# | +/- 19% |

^ The arm's length transaction price is based on the sale consideration that was agreed with an independent third-party purchaser (Note 16).

# The yield adjustments are made based on valuer's assumptions for any difference in nature, location or condition of the property.

For leasehold property, a significant increase (decrease) in yield adjustments based on valuer's assumptions would result in a significantly lower (higher) fair value measurement.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 25. Fair value of assets and liabilities (cont'd)

### (c) Level 3 fair value measurements (cont'd)

#### (ii) Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs (Level 3):

| | Group 2019 S$ | |
|---|---|---|
| | Fair value measurements using significant unobservable inputs (Level 3) | |
| | Property, plant and equipment | Total |
| | Leasehold property | |
| Opening balance* | 11,207,937 | 11,207,937 |
| Total gains or losses for the period | | |
| Included in profit or loss | (832,937) | (832,937) |
| Closing balance* | 10,375,000 | 10,375,000 |

| | Group 2018 S$ | |
|---|---|---|
| | Fair value measurements using significant unobservable inputs (Level 3) | |
| | Property, plant and equipment | Total |
| | Leasehold property | |
| Opening and closing balance* | 11,500,000 | 11,500,000 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 25. Fair value of assets and liabilities (cont'd)

### (c) Level 3 fair value measurements (cont'd)

#### (ii) Movements in Level 3 assets measured at fair value (cont'd)

| | Group 2017 S$ | |
|---|---|---|
| | Fair value measurements using significant unobservable inputs (Level 3) | |
| | Property, plant and equipment | Total |
| | Leasehold property | |
| Opening balance | 10,320,513 | 10,320,513 |
| Total gains or losses for the period | | |
| Included in profit or loss | 206,418 | 206,418 |
| Included in other comprehensive income | 973,069 | 973,069 |
| Closing balance | 11,500,000 | 11,500,000 |

* The Group measured the assets of a subsidiary held for sale – leasehold property at the lower of carrying amount or fair value less cost of disposal at the end of each reporting periods.

#### (iii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs (including those developed internally by the Group), it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available.

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

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 25. Fair value of assets and liabilities (cont'd)

### (d) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

*Trade receivables (Note 13), other receivables (Note 13), loan to a subsidiary company (Note 14), due from subsidiary companies (Note 13), cash and cash equivalents (Note 15), trade payables (Note 17) and other payables (Note 17).*

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature.

*Obligations under finance leases (Note 19).*

The carrying amount recorded at the balance sheet date approximates its fair value as the interest rates of the finance leases closely approximates the market interest rates on or near the end of the reporting period.

## 26. Financial risk management objectives and policies

The Group's and the Company's principal financial instruments comprise lease obligations, bank borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the current and previous financial years, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The main risks arising from the Group's and the Company's financial instruments are liquidity risk, credit risk and foreign currency risk. The Group's overall approach to risk management is to minimise potential adverse effects on the financial performance of the Group.

There has been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

***Liquidity risk***

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To manage liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effect of fluctuations in cash flows.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 26. Financial risk management objectives and policies (cont'd)

***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at balance sheet date based on the contractual undiscounted payments.

| 2019 | Within 1 year<br>$ | 1 to 5 Years<br>$ | Total<br>$ |
|---|---|---|---|
| **Group** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables (excluding GST receivables) | 2,426,215 | – | 2,426,215 |
| Cash and cash equivalents | 3,551,651 | – | 3,551,651 |
| Total undiscounted financial assets | 5,977,866 | – | 5,977,866 |
| ***Financial liabilities:*** | | | |
| Trade payables | (1,230,618) | – | (1,230,618) |
| Other payables (excluding GST payables and advances from customers and Option Money) (Note 17) | (1,112,683) | – | (1,112,683) |
| Obligations under finance leases | (81,817) | (129,984) | (211,801) |
| Total undiscounted financial liabilities | (2,425,118) | (129,984) | (2,555,102) |
| Total net undiscounted financial assets/(liabilities) | 3,552,748 | (129,984) | 3,422,764 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 26. Financial risk management objectives and policies (cont'd)

***Liquidity risk (cont'd)***

| 2018 | Within 1 year $ | 1 to 5 Years $ | Total $ |
|---|---|---|---|
| **Group** | | | |
| ***Financial assets:*** | | | |
| Trade and other receivables (excluding GST receivables) | 3,750,588 | – | 3,750,588 |
| Cash and cash equivalents | 7,047,672 | – | 7,047,672 |
| Total undiscounted financial assets | 10,798,260 | – | 10,798,260 |
| ***Financial liabilities:*** | | | |
| Trade payables | (1,603,460) | – | (1,603,460) |
| Other payables (excluding GST payables and advances from customers) (Note 17) | (1,008,708) | – | (1,008,708) |
| Obligations under finance leases | (81,817) | (211,739) | (293,556) |
| Total undiscounted financial liabilities | (2,693,985) | (211,739) | (2,905,724) |
| Total net undiscounted financial assets/(liabilities) | 8,104,275 | (211,739) | 7,892,536 |

| 2019 | | | |
|---|---|---|---|
| **Company** | | | |
| ***Financial assets:*** | | | |
| Loan to a subsidiary company | 4,030,000 | – | 4,030,000 |
| Due from subsidiary companies (non-trade) | 1,851,298 | – | 1,851,298 |
| Cash and cash equivalents | 133,179 | – | 133,179 |
| Total undiscounted financial assets | 6,014,477 | – | 6,014,477 |
| ***Financial liabilities:*** | | | |
| Other payables (excluding GST payables) | (360,215) | – | (360,215) |
| Obligations under finance leases | (38,472) | (32,014) | (70,486) |
| Total undiscounted financial liabilities | (398,687) | (32,014) | (430,701) |
| Total net undiscounted financial assets/(liabilities) | 5,615,790 | (32,014) | 5,583,776 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 26. Financial risk management objectives and policies (cont'd)

### *Liquidity risk (cont'd)*

| 2018 | Within 1 year $ | 1 to 5 Years $ | Total $ |
|---|---|---|---|
| **Company** | | | |
| ***Financial assets:*** | | | |
| Loan to a subsidiary company | 4,030,000 | – | 4,030,000 |
| Due from subsidiary companies (non-trade) | 1,769,375 | – | 1,769,375 |
| Cash and cash equivalents | 48,049 | – | 48,049 |
| Total undiscounted financial assets | 5,847,424 | – | 5,847,424 |
| ***Financial liabilities:*** | | | |
| Other payables (excluding GST payables) | (318,011) | – | (318,011) |
| Obligations under finance leases | (38,472) | (70,486) | (108,958) |
| Total undiscounted financial liabilities | (356,483) | (70,486) | (426,969) |
| Total net undiscounted financial assets/(liabilities) | 5,490,941 | (70,486) | 5,420,455 |

### *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The Group's objective is to seek continual revenue growth while minimising losses incurred due to credit risk exposure. The Group trades only with recognised and creditworthy third parties. Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

At balance sheet date, the Group has 69% (2018: 72%) of its trade receivables relating to two (2018: two) customers. The carrying amount of trade and other receivables, cash and cash equivalents represent the Group's maximum exposure to credit risk. Cash and cash equivalents are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade debts based upon expected collectability of all trade receivables.

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 30 June 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as market forecast of economic conditions where the gross domestic product may deteriorate over the next year, which may lead to an increase in number of defaults. The provision matrix is disclosed in Note 13.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 26. Financial risk management objectives and policies (cont'd)

***Credit risk (cont'd)***

Exposure to credit risk

At the end of the financial year, the Group's maximum exposure to credit risk is represented by:

- A nominal amount of $7,343,000 (2018: $7,343,000) relating to corporate guarantees provided by the Company to the banks in relation to a subsidiary company's bank facilities.

- Information regarding trade and other receivables is disclosed in Note 13.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the balance sheet date is as follows:

| | Group | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| | $ | % of total | $ | % of total |
| **By country:** | | | | |
| Asean excluding Singapore | 1,010,714 | 42 | 2,454,005 | 66 |
| Singapore | 133,209 | 5 | 140,411 | 4 |
| America and Europe | 1,237,492 | 51 | 1,080,566 | 29 |
| People's Republic of China | 11,429 | 1 | 43,190 | 1 |
| Others | 26,966 | 1 | 21,825 | – |
| | 2,419,810 | 100 | 3,739,997 | 100 |
| **By operating segments:** | | | | |
| Precision engineering | 1,467,080 | 61 | 2,868,778 | 77 |
| Trading and distribution | 952,730 | 39 | 871,219 | 23 |
| | 2,419,810 | 100 | 3,739,997 | 100 |

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 13.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 26. Financial risk management objectives and policies (cont'd)

***Foreign currency risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"). The Group manages its transactional currency exposures by matching as far as possible, its receipt and payment in each individual currency.

The Group also held cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in USD. At the end of the reporting period, such foreign currency balances are disclosed in Note 15.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

| | | **Group** | |
|---|---|---|---|
| | | ***Loss before tax*** | |
| | | **2019** | **2018** |
| | | $'000 | $'000 |
| USD/SGD | - strengthened 5% (2018: 5%) | 221 | 284 |
| | - weakened 5% (2018: 5%) | (221) | (284) |

## 27. Segment information

For management purposes, the Group is organised into three main operating divisions, namely Precision engineering, Trading and distribution and Investment and management services:

| | |
|---|---|
| Precision engineering: | Manufacture of precision machined components. |
| Trading and distribution: | Trading and distribution of electronic, electrical and mechanical components/products. |
| Investment and management services: | Investments holding, provision of management, administrative, supervisory and consultancy services to Group entities. |

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Transfer prices between operating segments took place at terms agreed between the parties during the financial year.

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 27. Segment information (cont'd)

### (a) Operating segments

The following table presents revenue and results information, assets and liabilities information regarding the Group's operating segments for the years ended 30 June 2019 and 2018.

| **2019** | **Precision engineering** | **Trading and distribution** | **Investment and management services** | **Adjustments and eliminations** | **Notes** | **Total** |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | $ |
| **Revenue** | | | | | | |
| Sales to external customers | 8,794,562 | 5,327,224 | – | – | | 14,121,786 |
| Inter-segment sales | – | – | 1,191,600 | (1,191,600) | A | - |
| Total revenue | 8,794,562 | 5,327,224 | 1,191,600 | (1,191,600) | | 14,121,786 |
| **Results** | | | | | | |
| Interest income | 8,055 | 314 | – | – | | 8,369 |
| Interest expenses | (6,404) | – | (3,135) | – | | (9,539) |
| Depreciation and amortisation | (129,591) | (413) | (29,410) | – | | (159,414) |
| Other non-cash expenses | (881,506) | – | – | – | B | (881,506) |
| Taxation | (14,155) | (15,112) | (13,027) | – | | (42,294) |
| Segment (loss)/profit | (1,895,411) | 177,123 | 117,156 | 7,826 | | (1,593,306) |
| **Group** | | | | | | |
| **Assets** | | | | | | |
| Additions to non-current assets | 3,933,320 | – | 95 | – | C | 3,933,415 |
| Segment assets | 21,629,937 | 1,514,039 | 14,230,431 | (14,370,336) | D | 23,004,071 |
| **Liabilities** | | | | | | |
| Segment liabilities | 7,442,427 | 1,259,569 | 474,796 | (6,257,160) | E | 2,919,632 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 27. Segment information (cont'd)

### (a) Operating segments (cont'd)

| 2018 | Precision engineering | Trading and distribution | Investment and management services | Adjustments and eliminations | Notes | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | | $ |
| | (Restated) | | | | | |
| **Revenue** | | | | | | |
| Sales to external customers | 9,305,400 | 4,277,053 | – | – | | 13,582,453 |
| Inter-segment sales | – | – | 1,269,600 | (1,269,600) | A | – |
| Total revenue | 9,305,400 | 4,277,053 | 1,269,600 | (1,269,600) | | 13,582,453 |
| **Results** | | | | | | |
| Interest income | 5,723 | 303 | – | – | | 6,026 |
| Interest expenses | (9,453) | – | (4,378) | – | | (13,831) |
| Depreciation and amortisation | (708,131) | (266) | (31,800) | – | | (740,197) |
| Other non-cash expenses | (67,522) | – | – | – | B | (67,522) |
| Taxation | 243,507 | (5,629) | (7,127) | – | | 230,751 |
| Segment (loss)/profit | (1,749,949) | 148,182 | 138,850 | – | | (1,462,917) |
| **Group** | | | | | | |
| **Assets** | | | | | | |
| Additions to non-current assets | 14,756 | – | 349 | – | C | 15,105 |
| Segment assets | 23,481,066 | 1,458,196 | 14,085,675 | (14,278,224) | D | 24,746,713 |
| **Liabilities** | | | | | | |
| Segment liabilities | 7,364,625 | 1,385,663 | 447,196 | (6,165,048) | E | 3,032,436 |

Notes: *Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements*

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 27. Segment information (cont'd)

### (a) Operating segments (cont'd)

A *Inter-segment revenues are eliminated on consolidation.*

B *Other non-cash expenses consist of inventories written down amounting to $48,569 (2018: $67,131), write off of property, plant and equipment amounting to $Nil (2018: $391) and loss in diminution of value of leasehold property amounting S$832,937 (2018: $Nil) as presented in the respective notes to the financial statements.*

C *Additions to non-current assets mainly comprises additions to plant and machinery and intangible assets.*

D *The following items are deducted from segment assets to arrive at total assets reported in the balance sheets:*

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Investments in subsidiary companies | (8,113,176) | (8,113,176) |
| Inter-segment assets | (6,257,160) | (6,165,048) |
| | (14,370,336) | (14,278,224) |

E *The following item is deducted from segment liabilities to arrive at total liabilities reported in the balance sheets:*

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Inter-segment liabilities | (6,257,160) | (6,165,048) |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 27. Segment information (cont'd)

### (b) Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Revenue | Non-current assets |
|---|---|---|
| | $ | $ |
| **2019** | | |
| Singapore | 282,864 | 471,007 |
| Asean (excluding Singapore) | 6,272,553 | 3,913,423 |
| North Asia | 102,110 | – |
| America and Europe | 7,353,037 | – |
| Others | 111,222 | – |
| Total | 14,121,786 | 4,384,430 |
| **2018** | | |
| Singapore | 235,129 | 533,932 |
| Asean (excluding Singapore) | 6,481,647 | – |
| North Asia | 274,183 | – |
| America and Europe | 6,429,517 | – |
| Others | 161,977 | – |
| Total | 13,582,453 | 533,932 |

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the balance sheets.

Information about major customers

The Group derives revenue from four (2018: four) major customers from the operating segments as follows:

| | 2019 | 2018 |
|---|---|---|
| | $ | $ |
| Customer A | 5,474,103 | 5,384,903 |
| Customer B | 2,662,815 | 2,464,262 |
| Customer C | 1,403,713 | 1,591,154 |
| Customer D | 2,165,965 | 1,521,473 |
| | 11,706,596 | 10,961,792 |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 28. Capital management

The primary objective of the Group's capital management is to maintain a strong capital base in order to maintain investors, creditors and market confidence and to sustain future development of the business. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the Group's approach to capital management.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade payables and other payables other than advances from customers, less cash and cash equivalents. Capital means all equities attributable to the owners of the Company. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

| | Group | |
|---|---|---|
| | **2019** | **2018** |
| | $ | $ |
| | | (Restated) |
| Trade payables (Note 17) | 1,230,618 | 1,603,460 |
| Other payables (Note 17) | 1,265,870 | 1,057,826 |
| Obligations under finance leases (Note 19) | 199,701 | 271,925 |
| *Less:* Cash and cash equivalents (Note 15) | (3,551,651) | (7,047,672) |
| *Net debt* | (855,462) | (4,114,461) |
| Equity attributable to the owners of the Company | 20,084,439 | 21,714,277 |
| **Capital and net debt** | 19,228,977 | 17,599,816 |
| **Gearing ratio** | (4%) | (23%) |

# Notes to Financial Statements

For The Financial Year Ended 30 June 2019

## 29. Prior year adjustment

| Group | As previously reported | Adjustments | Restated |
|---|---|---|---|
| | 30 June 2018 | | |
| | $ | $ | $ |
| **Balance sheets** | | | |
| Deferred tax liabilities | 665,478 | (590,233) | 75,245 |
| Revaluation reserve | 9,171,550 | 349,592 | 9,521,142 |
| Accumulated losses | (900,137) | 240,641 | (659,496) |
| **Income statement** | | | |
| Taxation | (9,890) | 240,641 | 230,751 |

With the announced proposed disposal of the Singapore leasehold property, the Group reclassified its leasehold property from property, plant and equipment ("PPE") to assets of subsidiary classified as held for sale in the previous financial year (Note 16).

As the aforesaid property had previously claimed Industrial Building Allowance ("IBA"), this had resulted in a taxable temporary difference of which deferred tax liability was previously provided for. Given the proposed disposal, the expected manner of recovery of the leasehold property would be through sale instead of use and a balancing charge would arise upon completion of the proposed disposal.

The balancing charge on the temporary difference between the original qualifying cost and the carrying amount should be taken to other comprehensive income ("OCI") whilst the temporary difference arising from the carrying amount and tax written down value ("TWDV") remains accounted for in profit or loss.

Consequently, unrecognised tax credits in the form of unutilized tax losses and unabsorbed capital allowances have been applied against the balancing charge resulting in tax credit.

## 30. Subsequent events

On 10 July 2019, the third-party purchaser (the "Purchaser") of the Group's Singapore leasehold property situated at 31 Senoko South Road exercised the Option granted to the Purchaser on 27 June 2019. The Group has received the balance deposit of 10% of the consideration less the 1% the Option Money that was paid earlier in accordance with the terms of the Option. The Option and the Proposed Disposal are subject to, inter alia, the JTC's Approval of the Purchaser's application to purchase the Property and approval of the Shareholders (unless such requirement for Shareholders' approval is waived by the Singapore Exchange Securities Trading Limited).

## 31. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 26th September 2019.

# Additional Information

SGX-ST Listing Manual Requirements

## REPORT ON CORPORATE GOVERNANCE

This report is prepared in accordance with the requirements of Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"): Rules of Catalist (the "Rules of Catalist") to describe our corporate governance practices with reference to the Code of Corporate Governance 2012 ("Code"). The Board of Directors (the "Board") is pleased to report the Company's compliance with the Code except where otherwise explained. In areas where we have not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly.

## BOARD MATTERS

The Board comprises six directors, which consist of two Independent Directors, one Non-Executive Director and three Executive Directors. The Board believes that the existing two Independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board has taken into account the scope and nature of the operations of the Company and considers its current size to be adequate for effective decision making. The Board comprises Directors who as a group provide core competencies such as accounting and finance, business management experience and industry knowledge. The composition of the Board will be reviewed regularly and changes will be made as and when appropriate. Key information regarding the Directors is set out on pages 104 to 105 of the Annual Report.

The Board meets at least twice a year and additional meetings are held whenever necessary. The Board is free to request for further clarification and information from management on all matters within their purview. In addition, informal discussions among Non-Executive Directors to exchange views on any aspect of the Group's operations or business are held as and when the need arises. The Company's Constitution provides for meetings of the Board to be conducted by way of telephone conference or similar means of communication. The number of meetings held during the financial year ended 30 June 2019 ("FY2019") and the attendance of the Directors are as follows:

| Name of Director | Board Appointment | Date of Appointment and Date of Last Re-election | Board | | Audit Committee | | Remuneration Committee | | Nominating Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended | No. of Meetings Held | No. of Meetings Attended |
| Lee Keen Whye | Non-Executive Chairman/ Independent Director | 12 March 2001 (29 October 2018) | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |
| Tan Chee Hawai | Group Managing Director/ Executive Director | 11 June 2012 (24 October 2012) | 2 | 2 | 2 | 2# | 1 | 1# | 1 | 1 |
| Ng Weng Wei | Executive Director | 12 March 2001 (27 October 2017) | 2 | 2 | 2 | 2# | 1 | 1 | 1 | NA |
| Tan Sin Hock | Executive Director | 12 March 2001 (30 December 2016) | 2 | 2 | 2 | 2# | 1 | NA | 1 | NA |
| Heng Kheng Hwai | Non-Executive Director | 12 March 2001 (29 October 2018) | 2 | 2 | 2 | 2 | 1 | NA | 1 | NA |
| Ch'ng Jit Koon | Independent Non-Executive Director | 12 March 2001 (27 October 2017) | 2 | 2 | 2 | 2 | 1 | 1 | 1 | 1 |

*Notes:*
*NA: Not applicable*
*#: Attendance by invitation*

# Additional Information

SGX-ST Listing Manual Requirements

## BOARD MATTERS (CONT'D)

The Board objectively takes decisions in the interests of the Company. Apart from its statutory duties and responsibilities, the Board undertakes the following:-

(i) supervises the management of the business and affairs of the Group;
(ii) approves the Group's strategic directions, major capital investments and divestments and major funding decisions including the acceptance of major banking facilities;
(iii) provides entrepreneurial leadership and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
(iv) reviews the financial performance of the Group;
(v) reviews and monitors the performance of management;
(vi) approves nominations and re-appointments of Directors and appointments to Board committees;
(vii) sets the Group's value and assumes responsibility for corporate governance;
(viii) establishes a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of Shareholders' interest and Group's assets;
(ix) identifies the key stakeholder groups and recognise that their perceptions affect the Group's reputation; and
(x) considers sustainability issues e.g. environment and social factors, as part of its strategic formulation.

These functions are carried out either directly by the Board or through Board committees or through a system of delegation to management staff. Such delegation improves operational efficiency and encourages management decision making while maintaining control over major Group's policies and decisions. The Company has adopted internal guidelines setting forth matters that require Board approval. These matters which are specifically reserved for the Board's decision include (a) matters involving a conflict of interest with a substantial shareholder or Director, (b) reviewing and approving the audited financial statements for the Group and the Directors' statement thereto, (c) reviewing and approving interim and annual results announcements, as well as other SGXNET announcements including matters required to be announced on SGXNET in accordance with the Rules of Catalist of the SGX-ST; (d) dividend payments or other returns to shareholders, (e) convening of shareholders' meetings, (f) corporate restructuring and share issuance, and (g) significant acquisitions and disposals. Non-Executive Directors are encouraged to constructively challenge and help develop proposals on strategy. The Non-Executive Directors also review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They are also encouraged to meet regularly without management's presence.

Management provides the Board with reports of the Company's performance, financial statements and prospects including sales forecasts as well as papers containing relevant background or explanatory information on a half yearly basis which is deemed sufficient in view of the current state of the Company. The Board has separate and independent access to senior management and the Company Secretary who will assist them in discharging their duties and responsibilities. The Company Secretary's responsibilities also include ensuring good information flows within the Board and its Board committees and between management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. In addition, the Company works closely with professionals to provide the Board with updates on changes to relevant laws, regulations and accounting standards. Upon appointment as a Director, a formal letter is provided setting out the Director's duties and obligations. Newly appointed Directors will be given an orientation on the Group's business operations and training is provided in areas such as accounting, legal and industry-specific knowledge. Directors are encouraged to keep abreast of developments in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops. For FY2019, Directors were briefed in areas such as updates on Rules of Catalist of the SGX-ST, Code of Corporate Governance, changes to financial reporting standards and regulatory developments. Relevant news release issued by SGX-ST and Accounting and Corporate Regulatory Authority of Singapore were also circulated to the Board.

# Additional Information

SGX-ST Listing Manual Requirements

## BOARD MATTERS (CONT'D)

To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the Company has a clear division of responsibilities at the top of the Company. The Chairman of the Company (the "Chairman") and the Group Managing Director (the "CEO") have separate roles in the Company and the Chairman and CEO are not related to each other.

The Chairman is a Non-Executive Chairman who is independent from the daily operations of the Group's business. The Chairman's responsibilities include, *inter-alia*, the following:

a) the scheduling and chairing of Board meetings;
b) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda and ensure adequate time available for discussion of agenda items;
c) the controlling of the quality, quantity and timeliness of information supplied to the Board;
d) ensuring compliance with the Company's guidelines on corporate governance;
e) encourages constructive relations between the Board and management as well as Executive Directors and Non-Executive Directors;
f) facilitates the effective contribution of Non-Executive Directors;
g) ensures effective communication with shareholders; and
h) promote a culture of openness and debate at the Board.

The CEO leads the management team and directs the business of the Group in line with the Group's strategic directions and policies. The CEO keeps in regular communication with the Chairman and the Board to update them on corporate issues and developments.

The role of the Company Secretary is clearly defined and includes the responsibility of ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary and/or her representative attend all Board and Board committees' meetings. The appointment and the removal of the Company Secretary is a matter for the Board as a whole. The Directors have separate and independent access to the Company Secretary.

Should Directors, whether as a group or individually, need independent professional advice in the furtherance of their duties, the cost of such professional advice will be borne by the Company.

## NOMINATING COMMITTEE

The Nominating Committee ("NC"), which is chaired by Mr Ch'ng Jit Koon, comprises two Independent Non-Executive Directors and one Executive Director. The other members are Mr Lee Keen Whye and Mr Tan Chee Hawai.

The NC had adopted a written terms of reference, which sets out its functions and responsibilities. The duties of the NC shall include, *inter-alia*, the following:

1) to make recommendations to the Board on the appointment and re-appointment of Directors (as well as alternate Directors where applicable) and the suitability of such Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board. As part of the selection, appointment and re-appointment of Directors, the NC shall consider issues including composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director;

# Additional Information

SGX-ST Listing Manual Requirements

**NOMINATING COMMITTEE (CONT'D)**

2) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

3) to assess nominees or candidates for appointment or re-appointment to the Board, determining whether or not such nominee has the requisite qualification and whether he/she is independent;

4) to review and make recommendations to the Board on matter relating to plans for succession, in particular for the Chairman and for the CEO;

5) to make recommendations to the Board on matter relating to the development of a process for evaluation of the performance of the Board, its Board committees and Directors;

6) to make recommendations to the Board on matter relating to review of training and professional development programs for the Board;

7) to determine and review rigorously (where applicable), on an annual basis and as and when circumstances require, whether a Director is independent, bearing in mind the circumstances set forth in the Code and its Guidelines 2.3 and 2.4 and such any other salient factors as may be applicable;

8) to recommend Directors who are retiring by rotation to be put forward for re-election and all Directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;

9) to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations and other principal commitments;

10) to recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and

11) to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board, and to disclose the assessment process annually.

Pursuant to Regulation 91 of the Company's Constitution, one third of the Directors (apart from managing director) is required to retire by rotation at every AGM. Mr Tan Chee Hawai, being a managing director need not retire from office by rotation based on Regulation 91. However, based on the new Rule 720(4) of the Rules of Catalist effective this year, a listed issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years. Accordingly, the NC has recommended Mr Tan Chee Hawai and Mr Tan Sin Hock to be nominated for re-election as Directors at the forthcoming AGM. In considering the nominations, the NC took into account the contribution of the Directors with reference to their attendance and participation at Board and Board committees' meetings, as well as the proficiency with which they have discharged their responsibilities.

The retiring Directors, being eligible, had consented to continue in office and would seek re-election/re-appointment at the forthcoming AGM. Mr Tan Chee Hawai being interested in the matter had abstained from all discussions and recommendations in respect of his own re-election/re-appointment.

# Additional Information

SGX-ST Listing Manual Requirements

## NOMINATING COMMITTEE (CONT'D)

Details of the Directors seeking re-election pursuant to Rule 720(4) of the Rules of Catalist are provided in the table below in accordance with the requirements under Rule 720(5) of the Rules of Catalist:-

| Key Information | Name of Director | |
|---|---|---|
| | **Tan Chee Hawai** | **Tan Sin Hock** |
| **Date of appointment** | 11 June 2012 | 12 March 2001 |
| **Date of last re-appointment** | 24 October 2012 | 30 December 2016 |
| **Age** | 69 | 58 |
| **Country of principal residence** | Singapore | Singapore |
| **The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)** | Mr Tan's extensive knowledge and more than 36 years of vast industry experience in the precision-machined components industry and good relationship and rapport with the customers and many industry players will continue to enhance the board deliberations and contribute towards the core competencies of the Board.<br><br>According to the Company's Constitution, Mr Tan is a managing director and is not subject to re-appointment.<br><br>However, to meet the requirement of Rule 720(4) of the Rules of Catalist effective 1 January 2019 where all directors have to submit themselves for re-nomination and re-appointment at least once every 3 years, Mr Tan has submitted himself for re-nomination and re-appointment at the forthcoming Annual General Meeting this year. | Mr Tan is one of the early pioneers involved in the introduction of CNC Machines into Santak Metal Manufacturing Pte Ltd's operations in 1983 and underwent overseas training at the supplier's manufacturing plant in Japan and Switzerland. His expertise in the CNC machines will add relevant knowledge, skills and experience to the Board on the operations side. |
| **Whether the appointment is executive and if so, please state the area of responsibility** | Yes. Oversees the planning and review of corporate strategies and policies of the Group, as well as to coordinate the overall management functions. In addition, will also seek out new business opportunities and expansion possibilities for our Group. | Executive |
| **Job title (e.g. Lead ID, AC Chairman, AC member, etc)** | • Group Managing Director<br>• Member of Nominating Committee | Executive Director |
| **Professional memberships/ qualifications** | Nil | Nil |
| **Working experience and occupation(s) during the past 10 years** | Over 36 years experiences in the Precision machined components industry. With his vast experience in this business, Mr Tan has built up good relationship with many industry players. He is very much in touch with the changes in the market in terms of shifts in the market requirements, as well as changes in key market players. | Director of Santak Metal Manufacturing Pte. Ltd., Santak Industrial Pte. Ltd., T.N.K. Precision Engineering Work Pte. Ltd., Santak Precision Metal Parts Sdn. Bhd., Santak Electronics Pte. Ltd., Santak Electronics Sdn. Bhd., Santak Metal Manufacturing (Wuxi) Co. Ltd. and Wuxi Tech Precision Engineering Co. Ltd. |

# Additional Information

SGX-ST Listing Manual Requirements

## NOMINATING COMMITTEE (CONT'D)

| **Key Information** | **Name of Director** | |
|---|---|---|
| | **Tan Chee Hawai** | **Tan Sin Hock** |
| | One of the co-founders of our Group when Santak Metal started as a partnership in 1978. He continued with our Group when Santak Metal Manufacturing Pte Ltd was incorporated as a private limited company in October 1983.<br><br>Was the Group Chairman and Managing Director of Santak Group until August 2004. Mr Tan has actively directed the growth of our Group's business since its inception.<br><br>Was Advisor to Santak Group from 2005 to 2012. | |
| **Shareholding interest in the Company and its subsidiaries** | Please refer to Directors' Statement on the Director's interests in shares and debentures on page 10. | Please refer to Directors' Statement on the Director's interests in shares and debentures on page 10. |
| **Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries** | Brother of Mr Tan Sin Hock (Executive Director and Substantial Shareholder) and Mr Tan Ah Wo (Substantial Shareholder).<br><br>Spouse of Ms Heng Kheng Hwai (Non-Executive Director and Substantial Shareholder). | Brother of Mr Tan Chee Hawai (Group Managing Director and Substantial Shareholder) and Mr Tan Ah Wo (Substantial Shareholder).<br><br>Brother in-law of Ms Heng Kheng Hwai (Non-Executive Director and Substantial Shareholder). |
| **Conflict of Interest (including any competing business)** | Nil | Nil |
| **Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?** | Yes | Yes |
| **<u>Current directorships</u>**<br><br>- **Private companies** | • Santak Metal Manufacturing Pte. Ltd.<br>• Santak Precision Metal Parts Sdn Bhd | • Santak Metal Manufacturing Pte. Ltd.<br>• Santak Industrial Pte. Ltd.<br>• Santak Precision Metal Parts Sdn Bhd<br>• T.N.K. Precision Engineering Work Pte. Ltd.<br>• Santak Electronics Pte. Ltd. |
| **<u>Past directorships (in the last 5 years)</u>**<br><br>- **Private companies** | • Santak Metal Manufacturing (Wuxi) Co. Ltd<br>• Wuxi Tech Precision Engineering Co. Ltd | • Santak Electronics Sdn Bhd<br>• Santak Metal Manufacturing (Wuxi) Co. Ltd<br>• Wuxi Tech Precision Engineering Co. Ltd |
| **Any prior experience as a director of an issuer listed on the Exchange?** | Not applicable. This is a re-election of a director | Not applicable. This is a re-election of a director. |

# Additional Information

SGX-ST Listing Manual Requirements

## NOMINATING COMMITTEE (CONT'D)

| *The general statutory disclosures of the Directors are as follows:* | | Tan Chee Hawai | Tan Sin Hock |
|---|---|---|---|
| (a) | Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| (b) | Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) | Whether there is any unsatisfied judgment against him? | No | No |
| (d) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | Yes<br><br>On 23 August 2004, Mr Tan was convicted under Section 6(b) of the Prevention of Corruption Act for offering a gratification of S$150 to a police officer for possible drink driving and speeding offences. He was sentenced to 6 weeks imprisonment (see item h). | No |
| (e) | Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) | Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |
| (g) | Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |

# Additional Information

SGX-ST Listing Manual Requirements

## NOMINATING COMMITTEE (CONT'D)

| ***The general statutory disclosures of the Directors are as follows:*** | | | **Tan Chee Hawai** | **Tan Sin Hock** |
|---|---|---|---|---|
| (h) | Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | | Yes<br><br>Following conviction under Section 6(b) of the Prevention of Corruption Act (see item d), Mr Tan was subject to an automatic disqualification from acting as a director for 5 years commencing from his release from prison. The disqualification period is over. | No |
| (i) | Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | | No | No |
| (j) | Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:- | | No | No |
| | (i) | any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or | No | No |
| | (ii) | any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No | No |
| | (iii) | any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No | No |
| | (iv) | any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No |
| (k) | Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | | No | No |

# Additional Information

SGX-ST Listing Manual Requirements

**NOMINATING COMMITTEE (CONT'D)**

The NC has conducted a rigorous review of the independence of the Independent Directors, Mr Lee Keen Whye and Mr Ch'ng Jit Koon and determined that they have maintained their independence after considering the recommendations set out in the Code. Notwithstanding that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon have served the Board since March 2001, the Board after taking into account the views of the NC, is fully satisfied that they demonstrate complete independence, robustness of character and judgement both in their designated role and as a Board member. In addition, the Board confirms that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon have not been involved in any executive functions as well as day-to-day operations of the Group and that notwithstanding the 9 years time frame they have continued to be and are deemed independent and have the requisite qualifications, experience and integrity as Independent Directors. No NC member was involved in the deliberation in respect of his own independence. With respect of the company's plans for the progressive refreshing of the board, as required by Guideline 2.4 of the Code, the Board considers continuity and stability of the Board important and that it is not in the interest of the Company to require directors who have served more than nine years or longer to be ineligible for re-election (as independent directors). The Board is of the view that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon are valuable to the Group in terms of their experience and knowledge in finance, understanding of the precision components business and the markets notwithstanding their long tenure. The Board believes that the existing two independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

The Company has adopted a formal search and nomination process for new board directors. Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills, the NC, in consultation with the Management and the Board as appropriate, determines the selection criteria such as qualification, skill set, competence and expertise required or expected of a new Board member taking into account the size, structure, composition and progressive renewal of the Board. The NC will assess the suitability of the potential candidates before he or she is appointed to the Board. The NC could tap on the directors' recommendations of potential candidates or external resources. The potential candidates will go through a shortlisting process and thereafter, interviews are set up with the shortlisted candidates for the NC to assess them before a decision is made. Recommendations of the NC are then put to the Board for its consideration. The Board will review the recommendation and approve the appointment as appropriate.

The NC has adopted a formal process for the evaluation of the performance of the Board. The performance criteria encompasses the achievement of financial targets which includes return of equity, an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, monitoring of management performance, process for determining remuneration and compensation of Directors and key executives, financial reporting and communication with shareholders. The assessment process involves and includes input from Board members, applying the performance criteria recommended by the NC and approved by the Board. The NC assessed the Board's performance as a whole in FY2019 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

The Board is of the view that the effectiveness of each Director is best assessed by a qualitative assessment of the Director's contribution and his ability to devote sufficient time and attention to the Company's affairs. The Board has not determined the maximum number of listed company board representations which a Director may hold as it does not wish to omit from consideration, outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board. The Board does not have any alternate Directors.

# Additional Information

SGX-ST Listing Manual Requirements

## REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises three Directors, of whom two are Independent Directors. The RC is chaired by Mr Lee Keen Whye, the Non-Executive Chairman of the Board. The other members are Mr Ch'ng Jit Koon and Mr Ng Weng Wei. The Board is of the opinion that the membership of Mr Ng Weng Wei, Executive Director, would not give rise to potential conflict of interest as Mr Ng Weng Wei is not involved in deciding his own remuneration. The RC had adopted a written terms of reference, which sets out its functions and responsibilities.

The RC is responsible for recommending to the Board a framework of remuneration for the Board and key management executives, and to determine specific remuneration packages for each Executive Director. The RC's recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits in kind. If necessary, the RC will seek experts' advice on the remuneration of all Directors. No remuneration consultant was engaged by the Company during FY2019.

The Company sets remuneration packages which are competitive and sufficient to attract, retain and motivate Directors and key management executives with the required experience and expertise to run the Group successfully. The RC aims to be fair and avoid rewarding poor performance. In setting remuneration packages, the RC may take into consideration the pay and employment conditions within the industry and in comparable companies. The Board also ensures that the remuneration policy supports the Company's objectives and strategies. The framework of remuneration adopted by the Group is one that comprises a fixed component and a variable component. The variable component is linked to the performance of the respective entity of the Group in which an individual staff is employed as well as the performance of the individual. The letters of employment with the Executive Directors are not subject to onerous removal clauses and may be terminated by either the Company or the Executive Directors by giving 3 months notice to the other party. The remuneration of the Non-Executive Directors is appropriate to their level of contribution taking into account factors such as effort, time spent and responsibilities and not over compensated to the extent that their independence may be compromised.

No Director is involved in determining his own remuneration. All Directors, except for Directors who are controlling shareholders with shareholdings of 15% or more and their associates, are eligible for the share options under the Santak Share Option Scheme 2001 (the "Scheme") which is administered by the RC. The Scheme had expired on 12 March 2016 and the Company currently does not has any long term incentive scheme. The RC will consider implementation of such long term incentive scheme when deemed necessary.

# Additional Information

SGX-ST Listing Manual Requirements

The following table shows a breakdown of the remuneration of Directors of the Company for FY2019.

**DIRECTORS' REMUNERATION**

| Remuneration Bands | Salary | Bonus | Fee[(1)] | Other | Total |
|---|---|---|---|---|---|
| **Directors** | **%** | **%** | **%** | **%** | **%** |
| **Below S$250,000** | | | | | |
| Lee Keen Whye | – | – | 100 | – | 100 |
| Ng Weng Wei | 73 | 6 | 6 | 15 | 100 |
| Tan Sin Hock | 77 | 6 | 13 | 4 | 100 |
| Heng Kheng Hwai | – | – | 100 | – | 100 |
| Ch'ng Jit Koon | – | – | 100 | – | 100 |
| **Between S$250,000 - S$500,000** | | | | | |
| Tan Chee Hawai | 81 | 7 | 3 | 9 | 100 |

The following table shows a breakdown of the remuneration of management executives (who are not Directors or CEO of the Company) during FY2019.

**MANAGEMENT EXECUTIVES' REMUNERATION**

| Remuneration Bands | Salary | Bonus | Other | Total |
|---|---|---|---|---|
| **Management Executives** | **%** | **%** | **%** | **%** |
| **Below S$250,000** | | | | |
| Loo Hwee Beng | 81 | 6 | 13 | 100 |
| Oh Juan Jong | 76 | 5 | 19 | 100 |
| Soh Cheng Lock | 84 | 6 | 10 | 100 |
| Leong Yoke May | 69 | 20 | 11 | 100 |

*Notes:*

*(1) These fees are subject to the approval of the shareholders at the AGM for FY2019. Non-Executive Directors are paid Directors' fees compensated based on time and effort.*

# Additional Information

SGX-ST Listing Manual Requirements

## REMUNERATION COMMITTEE (CONT'D)

The adjustments to the remuneration packages of employees who are related to a Director and Substantial Shareholder are subject to the annual review of the RC. For FY2019, the total remuneration paid to such employee amounted to S$64,000 (2018: S$65,000). Save for Ms Tan Aik Hua who is the sister of the CEO, Mr Tan Chee Hawai and Executive Director, Mr Tan Sin Hock, there is no other employee who is an immediate family member of a Director or Substantial Shareholder whose remuneration exceeds S$50,000 for FY2019. The remuneration of Ms Tan Aik Hua exceeds S$50,000 and is below S$100,000 during FY2019.

There are no termination, retirement and post-employment benefits that may be granted to Directors, the CEO and the key management executives (who are not Directors or the CEO). The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management executives in exceptional circumtances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that full disclosure of the actual remuneration of each Director, the CEO and key management executives pursuant to Rule 1204(15) and Rule 1204(12) of the Rules of Catalist and Guidelines 9.2 and 9.3 of the Code would not be in the interests of the Company as such information is confidential and sensitive in nature, and can be exploited by competitors. The Board is also of the view that a disclosure of the aggregate total remuneration paid to the top 5 key management executives (who are not Directors or the CEO) would not be in the interests of the Company, for the same reasons.

The Board is of the opinion that the information disclosed above would be sufficient for shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

## ACCOUNTABILITY AND AUDIT

## AUDIT COMMITTEE

The Board is accountable to Shareholders for the management of the Group. The Board will present to Shareholders a balanced and understandable assessment of the Group's performance, position and prospects through half yearly results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Board takes adequate steps to ensure compliance with legislative and regulatory requirements including requirements under the rules of Catalist. The management is accountable to the Board by providing the Board with adequate financial information for the discharge of its duties. Management accounts of the Group are provided to the Chairman of the Board and Audit Committee ("AC") as well as the Executive Directors on a monthly basis.

The Board has established an AC and has approved the written terms of reference which set out its functions and responsibilities. The AC consists of three members, two of whom are Independent Directors and one Non- Executive Director. The Chairman of the AC is the Non-Executive Chairman of the Board, Mr Lee Keen Whye. The other members are Mr Ch'ng Jit Koon and Ms Heng Kheng Hwai. The Board considers Mr Lee Keen Whye and Mr Ch'ng Jit Koon as having sufficient financial, business management and accounting knowledge and experience to discharge their responsibilities as members of AC. No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC.

# Additional Information

SGX-ST Listing Manual Requirements

**ACCOUNTABILITY AND AUDIT (CONT'D)**

**AUDIT COMMITTEE (CONT'D)**

The AC meets periodically, at least twice a year. The functions of the AC include:

(1) reviewing with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;
(2) reviewing the adequacy and effectiveness of the Company's risk management and internal controls that address financial, operational, compliance and information technology controls annually;
(3) reviewing with external auditors, their understanding of the system of internal financial controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls and management's response thereon;
(4) reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board and the external auditors' report on these financial statements;
(5) reviewing half-year and full year financial results before submission to the Board for approval;
(6) reviewing the independence, cost effectiveness and objectivity of external auditors annually and the nomination of their re-appointment as auditors of the Company;
(7) reviewing all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
(8) reviewing the assistance given by the management to the external auditors and internal auditors;
(9) reviewing interested person transactions falling within the scope of the Rules of Catalist;
(10) reviewing the adequacy and effectiveness of the Company's internal audit function; and
(11) reviewing the arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The AC is authorised to investigate any matters within its terms of reference and has been given full access to and is provided with the co-operation of the Company's management. The AC has reasonable resources to enable it to discharge its functions properly. The AC has full discretion to invite any Director or management staff to attend its meetings. The AC also meets with the external auditors without the presence of the Company's management at least once a year. This is to review the co-operation rendered by management to the external auditors, the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audit, the independence and objectivity of the external auditors.

The AC, having reviewed the volume of non-audit services to the Company by the external auditors during the year, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The breakdown of their fees for audit and non-audit services is found on note 6 to the financial statements on page 47. The AC is satisfied that the Group has complied with Rules 712 and 715 of the Rules of Catalist, in relation to the appointment of auditing firms.

The AC keeps abreast of changes to accounting standards and issues which have a direct impact on financial statements through the report presented by the external auditors on the scope and results of the external audit and changes to accounting standards as well as through their discussions with the external auditors.

# Additional Information

SGX-ST Listing Manual Requirements

## ACCOUNTABILITY AND AUDIT (CONT'D)

### AUDIT COMMITTEE (CONT'D)

The Group has outsourced its internal audit function to RT LLP, a reputable public accounting firm registered in Singapore on an on-going basis. The internal auditors report directly to the Chairman of the AC on internal audit matters. The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The Internal auditors carry out their audit works in accordance with the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

The internal auditors plan their audit schedules in consultation with but independent of management. The internal audit plan is submitted to the AC for approval prior to implementation. The AC reviews the activities of the internal auditors, and meets with the internal auditors at least once a year to approve their plans and to review their report for the prior reporting period. The AC ensures that the internal auditors have the necessary resources to perform its functions adequately. The AC also meets with the internal auditors without the presence of the Company's management at least once a year.

The AC has reviewed the adequacy and effectiveness of the internal auditor function at least annually and is satisfied that the internal audit function is effective and the internal auditors are adequately resourced, staffed with persons with the relevant qualifications and experience as well as having the appropriate standing and independence within the Group to fulfil their mandate. The AC is also of the view that the internal auditors have unfettered access to all the Group's documents, records, properties and personnel including access to the AC.

The Group has in place a system of internal controls that address financial, operational, compliance and information technology risks, and risk management systems, to safeguard Shareholders' investment and the Group's assets. The internal controls maintained by the management, includes inter alia the SAP Enterprise Resources Planning (ERP) system and the ISO 9001:2015 Quality Management System, are in place throughout the financial year to provide reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, compliance with appropriate legislation, regulations and best practices, and the identification and containment of operational and business risks. The Board recognises that the internal controls system provides reasonable but not absolute assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. The internal auditors and the external auditors in the course of their statutory audit, carry out a review of the effectiveness of the Group's material internal controls to the extent of their scope as laid out in their respective audit plans. Material non-compliance and internal control weaknesses noted during their audits, and the internal and external auditors' recommendations, are reported to the AC. In addition, the AC and the Board reviews the Group's internal controls and risk management practices annually, taking into consideration the risks to which the business is exposed to, the likelihood of the occurrence of such risks and the cost of implementing mitigating controls. Based on the internal controls established and maintained by the Group, work performed by the internal auditors, the external auditors and ISO 9001 auditors as well as reviews performed by management, the AC and the Board, the Board with the concurrence of the AC is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, are adequate and effective to meet the needs of the Group within the current scope of the Group's business operations.

# Additional Information
SGX-ST Listing Manual Requirements

## ACCOUNTABILITY AND AUDIT (CONT'D)

### AUDIT COMMITTEE (CONT'D)

The Board has also received from the CEO and the Executive Director, Group Finance and Administration assurances that the Group's financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and that the Group's risk management and internal control systems are adequate and effective to meet the needs of the Group within the current scope of the Group's business operations.

The Company has put in place a whistle-blowing framework, which provide staff with accessible channels within the Group for reporting possible improprieties in matters of financial reporting or other matters in confidence so that appropriate follow-up actions will be taken.

## SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

Information is disseminated via SGXNET and the Company website (http://www.santak.com.sg). The Company does not practise selective disclosure and ensures timely and adequate disclosure of price sensitive and material information to Shareholders of the Company via SGXNET in accordance with Rules of Catalist.

The Group believes in regular, effective and fair communication with its Shareholders and is committed to hearing Shareholders' views and addressing their concerns where possible. The Group's officers promptly communicate with its Shareholders and analysts through analysts briefings whenever appropriate and attend to their queries or concerns. The Group's officers also manages the dissemination of corporate information to the media, public, institutional investors and public shareholders, and acts as a liason point for such entities and parties. The Company does not have formalized investor relations policy at present as the Board and management is of the view the Group is able to communicate effectively with its shareholders as material information is disclosed and communicated in a comprehensive, accurate and timely manner. However, the Company will consider appointing professional investor relations officer to manage the function should the need arises.

All Shareholders of the Company receive annual reports and/or circulars for its general meetings. The notice of general meetings is also advertised in a local newspaper and made available on SGXNET. At AGMs, the Company encourages Shareholders' participation and all Shareholders are given the opportunity to voice their views and to direct queries regarding the Group to Directors, including the chairpersons of each Board committees. The external auditors are also present to assist the Directors in addressing any relevant queries from the Shareholders.

The Company ensures that there are separate resolutions at general meetings on each distinct issue. Pursuant to the Company's Constitution, a poll may be demanded by the Chairman of the general meeting or by any member representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting. The Company will be conducting poll voting for all the resolutions proposed at the forthcoming AGM for greater transparency in the voting process in accordance with the Rules of Catalist. Electronic polling is currently not used after cost-benefit analysis.

Minutes are taken for all general meetings, and where appropriate, include all substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting and the responses from the Board and management. Such minutes, which are subsequently approved by the Board, will be made available to Shareholders upon written request.

# Additional Information

SGX-ST Listing Manual Requirements

## SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES (CONT'D)

The Company's Constitution allows a member of the Company to appoint not more than two proxies to attend and vote at general meetings. In line with the amendments to the Companies Act. Cap. 50, relevant intermediaries such as banks, capital market services licence holders who provide nominee or custodial services for securities are allowed to appoint more than two proxies to attend, speak and vote at general meetings. The Company does not provide for absentia voting methods such as by mail, email, or fax due to concerns as to the integrity of such information and authentication of the identity of Shareholders voting by such means.

The Company does not have a formal policy on the payment of dividends. However, the Board is mindful of the need to reward shareholders as and when the performance of the Company, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. For FY2019, no dividend has been proposed by the Board as the Group intends to conserve cash for working capital and capital expenditure purposes.

## DEALINGS IN SECURITIES

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by its officers within the Group. This internal code has been disseminated to officers of the Group. The Directors and officers are prohibited from dealing in the securities of the Company while they are in posession of unpublished material price-sensitive information and during the period commencing one month before the announcement of the Company's half year and full year results and ending on the date of the announcement. Also, they are discouraged from dealing in the Company's securities on short term considerations. The Company has confirmed that it has complied with Rule 1204 (19) of the Rules of Catalist.

## MATERIAL CONTRACTS

There are no material contracts to which the Company or any subsidiary is a party and which involve Directors' and controlling shareholders' interests subsisting at the end of the financial year or have been entered into during the financial year, except as disclosed separately under Interested Person transactions on page 103.

## SPONSORSHIP

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Asian Corporate Advisors Pte. Ltd. There was no non-sponsor fee paid to the Sponsor or any of its affiliates for FY2019.

# Additional Information

SGX-ST Listing Manual Requirements

## INTERESTED PERSON TRANSACTIONS

The Company has established procedures whereby the AC will review all transactions with interested persons to ensure that the transactions are carried out at arm's length on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The AC would ensure that the provisions of Chapter 9 of the Rules of Catalist and the internal procedures have been complied with.

There are no IPT for the financial year ended 30 June 2019.

## RISKS MANAGEMENT

*Operational Risks*

The main operational risks faced by the Group include our dependence on the hard disk drive, fibre optics, oil & gas, telecommunication, consumer electronics and computer industries, loss of any major customers, loss of key personnel and market price erosion of our products. Other risks include our inability to adapt to technological changes, increased competition, increased costs, failure of our key suppliers to meet demand, adverse changes in political, economic and regulatory environments in those countries that we operate in or trade with.

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks within the Group's policies and strategies.

*Financial risks*

These are set out in Note 26 to the Financial Statements, on pages 75 to 80 of this Annual Report.

# Additional Information

SGX-ST Listing Manual Requirements

## DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

### Directors

**Mr Lee Keen Whye** is the Non-Executive Chairman/Independent Director of our Group. He is also Chairman of both the Audit and Remuneration Committees and a member of the Nominating Committee. Mr Lee is currently the Managing Director of Strategic Alliance Capital Pte Ltd ("SAC"), a venture capital and investment management advisory company. Prior to founding SAC, Mr Lee was the founder and Managing Director of Rothschild Ventures Asia Pte Ltd, a member of the N M Rothschild & Sons global merchant banking group, and worked there from 1990 to 1997. He was Associate Director with Kay Hian James Capel Pte Ltd which he joined in 1987 as Head of Research for Singapore and Malaysia. Between 1985 and 1987, Mr Lee was based in California and worked with venture capital companies seeking investments in emerging growth companies. Prior to that, he was an Investment Manager with the Government of Singapore Investment Corporation. Mr Lee currently sits on the boards of several companies, including Ntegrator International Ltd which is listed on the SGX-ST as well as Healthperm Resourcing Ltd trading on the ISDX Growth market in London. Mr Lee holds a Master's Degree in Business Administration from Harvard Business School and a Bachelor's Degree in Business Administration from the University of Singapore.

**Mr Tan Chee Hawai** was appointed as the Group Managing Director with effect from 11 June 2012. He is also a member of the Nominating Committee. He oversees the planning and review of corporate strategies and policies of the Group, as well as to coordinate the overall management functions. Mr Tan has more than 36 years experience in the Precision-Machined Components industry. With his vast experience in this business, Mr Tan has built up good relationship with many industry players. He is very much in touch with the changes in the market in terms of shifts in the market requirements, as well as changes in key market players. He will, with this, also seek out new business opportunities and expansion possibilities for our Group. He is one of the co-founders of our Group when Santak Metal started as a partnership in 1978. He continued with our Group when Santak Metal was incorporated as a private limited company in October 1983. Mr Tan has actively directed the growth of our Group's business since its inception. Mr Tan was the Group Chairman and Managing Director until 20 August 2004 and he was subsequently appointed as business advisor to the Group since 1 January 2005 until 10 June 2012. His role as business advisor includes advising senior management in the running of the business and its operations.

**Mr Ng Weng Wei** is the Executive Director for Group Finance and Administration of our Group and a member of the Remuneration Committee. He oversees the accounting, human resources and administrative functions as well as information systems in the Group. In addition, he handles our Group's corporate finance and treasury activities. Mr Ng is also involved in the development of the business policies and strategies of our Group. Mr Ng joined our Group in March 2000 and before that, he was a Manager in an international accounting firm in Singapore. Prior to that, he worked as a Senior Accountant at an international accounting firm in Sydney from 1994 to 1996. Mr Ng holds a Bachelor of Accountancy (Honours) Degree from Nanyang Technological University and is a Chartered Accountant of both the Chartered Accountants Australia and New Zealand and the Institute of Singapore Chartered Accountants respectively. He is also a member of the Singapore Institute of Directors.

**Mr Tan Sin Hock** is an Executive Director of our Group. He joined us in May 1980 when Santak Metal was still a partnership. He has continued with us when Santak Metal was incorporated as a private limited company in October 1983. Over more than 36 years, he had been involved in the Precision-Machined Components business of the Santak Group. He was one of our early pioneers involved in the introduction of CNC Machines into Santak Metal's operation in 1983. He underwent overseas training at our machine suppliers' manufacturing plants in Japan and Switzerland. Over the years, he held several operating portfolios at Santak Metal, including process planning, process troubleshooting and improvement, and equipment maintenance. He is currently responsible for equipment upgrading and plant maintenance.

# Additional Information

SGX-ST Listing Manual Requirements

## DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE (CONT'D)

### Directors (Cont'd)

**Ms Heng Kheng Hwai** is a Non-Executive Director and a member of the Audit Committee. She joined our Group in 1983 and took on the role of personal assistant to the Managing Director. She was also involved in the office administration work of our Group. Ms Heng resigned from employment in October 2000 and was appointed as Non-Executive Director of the Group in 2001.

**Mr Ch'ng Jit Koon** is a Non-Executive Independent Director of our Group. He is also Chairman of the Nominating Committee and member of both the Audit and Remuneration Committees. He also sits on the boards of Pan-United Corporation Ltd and Progen Holdings Limited. He was previously a director of Ho Bee Land Limited. From 1968 to 1996, Mr Ch'ng was a Member of the Singapore Parliament. He was holding the post of Senior Minister of State, Ministry of Community Development when he retired in January 1997. Mr Ch'ng also serves in several voluntary community organizations. Mr Ch'ng holds a Bachelor of Arts (Economics and Political Science) degree from Nanyang University, Singapore (now Nanyang Technological University) in March 1960.

### Management Executives

**Mr Loo Hwee Beng** is the Operation Director for our Precision Engineering Division and is responsible for the manufacturing operation. Mr Loo joined our Group in October 1999. Mr Loo holds a Bachelor of Mechanical Engineering (Honours) Degree from the National University of Singapore.

**Mr Oh Juan Jong** is the Senior Manager for Sales and Marketing of our Precision Engineering Division. Mr Oh joined the Division in July 2003 and was responsible for the sales and marketing function up to 30 June 2019. Mr Oh holds both an Advanced Diploma in Business information System and a Diploma in Mechanical Engineering from Singapore Polytechnic.

**Mr Soh Cheng Lock** is the Engineering Manager of our Precision Engineering Division. Mr Soh joined the Division in February 1986 and is currently responsible for the engineering function. Mr Soh holds a Diploma in Production Technology from the German-Singapore Institute.

**Ms Leong Yoke May** is the Senior Manager for Sales and Marketing of our Trading and Distribution Division. Ms Leong joined the Division in 1989 and is currently responsible for the sales and marketing function. Ms Leong holds a Diploma in Mechanical Engineering from Ngee Ann Polytechnic and a Diploma in Sales and Marketing Management from the Management Institute of Singapore.

# Statistics of Shareholdings

As at 24 September 2019

## DISTRIBUTION OF SHAREHOLDINGS

| | | |
|---|---|---|
| Number of Shares | : | 107,580,980 |
| Class of Shares | : | Ordinary Shares |
| Voting Right | : | One Vote Per Ordinary Share |
| Subsidiary Holdings | : | Nil |

There are no treasury shares held in the issued share capital of the Company.

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 99 | 3 | 1.08 | 11 | 0.00 |
| 100 - 1,000 | 74 | 26.62 | 68,900 | 0.06 |
| 1,001 - 10,000 | 80 | 28.78 | 462,731 | 0.43 |
| 10,001 - 1,000,000 | 109 | 39.21 | 10,886,858 | 10.12 |
| 1,000,001 AND ABOVE | 12 | 4.31 | 96,162,480 | 89.39 |
| **TOTAL** | **278** | **100.00** | **107,580,980** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | TAN CHEE HAWAI | 47,858,570 | 44.49 |
| 2 | TAN AH WO | 16,776,810 | 15.59 |
| 3 | TAN SIN HOCK | 6,704,100 | 6.23 |
| 4 | GO MEI LIN | 6,107,600 | 5.68 |
| 5 | YAP QUAN OR CHRISTINE YAP LYE KUM | 5,647,000 | 5.25 |
| 6 | HENG KHENG HWAI | 4,667,000 | 4.34 |
| 7 | LOW BOON YONG | 2,080,900 | 1.93 |
| 8 | NG WENG WEI | 1,618,000 | 1.50 |
| 9 | LOW WEI MIN JAMES (LIU WEIMING, JAMES) | 1,449,000 | 1.35 |
| 10 | KOH CHIN HWA | 1,150,000 | 1.07 |
| 11 | IP WAN KEUNG | 1,057,500 | 0.98 |
| 12 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 1,046,000 | 0.97 |
| 13 | LAW KUNG YING | 771,000 | 0.72 |
| 14 | LOW YEE MIN (LIU YUMING) | 755,000 | 0.70 |
| 15 | CHAN PECK SIM | 522,000 | 0.49 |
| 16 | SOH CHENG LOCK | 510,000 | 0.47 |
| 17 | LIM YEE MIN | 500,000 | 0.46 |
| 18 | TAN KIAN CHUAN (CHEN JIANZHUAN) | 500,000 | 0.46 |
| 19 | TAN CHOON KWANG | 420,000 | 0.39 |
| 20 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 390,000 | 0.36 |
| | **TOTAL** | **100,530,480** | **93.43** |

# Statistics of Shareholdings

As at 24 September 2019

Approximately 16.7% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual, Section B: Rules of Catalist of SGX-ST.

## SUBSTANTIAL SHAREHOLDERS AS AT 24 SEPTEMBER 2019

| | Name of Shareholders | Direct Interest | Deemed Interest |
|---|---|---|---|
| 1. | Tan Chee Hawai [(a)] | 47,858,570 | 4,667,000 |
| 2. | Tan Ah Wo | 16,776,810 | - |
| 3. | Tan Sin Hock | 6,704,100 | - |
| 4. | Go Mei Lin | 6,107,600 | - |
| 5. | Heng Kheng Hwai [(b)] | 4,667,000 | 47,858,570 |
| 6. | Yap Quan or Christine Yap Lye Kum | 5,647,000 | - |

[(a)] Mr Tan Chee Hawai's deemed interest is derived from 4,667,000 shares held by his spouse, Mdm Heng Kheng Hwai.

[(b)] Mdm Heng Kheng Hwai's deemed interest is derived from 47,858,570 shares held by her spouse, Mr Tan Chee Hawai.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **SANTAK HOLDINGS LIMITED** (the "**Company**") will be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on Thursday, 24 October 2019 at 2.30 p.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2019 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors who are retiring by rotation pursuant to Regulation 91 of the Company's Constitution and who, being eligible, have offered themselves for re-election:

   Mr Tan Chee Hawai **(Resolution 2)**
   Mr Tan Sin Hock **(Resolution 3)**

   *Mr Tan Chee Hawai will, upon re-election as a Director of the Company, remain as an Executive Director and Group Managing Director of the Company and a member of the Nominating Committee.*

   *Mr Tan Sin Hock will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.*

3. To approve the payment of Directors' fees of S$155,000 (2018: S$155,000) for the financial year ended 30 June 2019. **(Resolution 4)**

4. To re-appoint Ernst & Young LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

**AS SPECIAL BUSINESS**

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

6. **Authority to issue new shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 ("**Companies Act**") and Rule 806 of the SGX-ST Catalist Rules, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company whether by way of rights or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, debentures or other Instruments convertible into shares,

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

# Notice of Annual General Meeting

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("**AGM**") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 6)**

By Order of the Board

Lai Foon Kuen
Company Secretary
Singapore, 9 October 2019

# Notice of Annual General Meeting

**Explanatory Notes:**

(i) The Ordinary Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

**Notes:**

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote in his/her stead at the AGM.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084, not less than forty-eight (48) hours before the time appointed for holding the Meeting.

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the SGX-ST. The Company's Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Ms Foo Quee Yin
Telephone number: 6221 0271

# Notice of Annual General Meeting

**Personal data privacy:**

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

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# SANTAK HOLDINGS LIMITED

(Incorporated in Singapore)
(Company Registration No. 200101065H)

## PROXY FORM

*(PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)*

**IMPORTANT**

CPF Investors
1. For investors who have used their CPF monies to buy the Company's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

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

*I/We, ______________________________ (Name)

of ______________________________ (Address)

being a member/members of SANTAK HOLDINGS LIMITED (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to attend, speak or vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on Thursday, 24 October 2019 at 2.30 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

| No | Resolutions relating to: | [1] No. of Votes For | [1] No. of Votes Against |
|---|---|---|---|
| 1 | Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2019 | | |
| 2 | Re-election of Mr Tan Chee Hawai as a Director | | |
| 3 | Re-election of Mr Tan Sin Hock as a Director | | |
| 4 | Approval of Directors' fees for the financial year ended 30 June 2019 | | |
| 5 | Re-appointment of Ernst & Young LLP as Auditors | | |
| 6 | Authority to issue new shares | | |

[1] If you wish to exercise all your votes "For" or "Against" the relevant Resolution, please tick (√) within the relevant box provided. Alternatively, if you wish to exercise all your votes for both "For" or "Against" the relevant Resolution, please indicate the number of votes as appropriate in the boxes provided.

Dated this __________ day of ______________ 2019

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

______________________________

Signature of Shareholder(s)/
or, Common Seal of Corporate Shareholder

*Delete where inapplicable

**Notes:**

1. Please insert the total number of shares of the Company ("**Shares**") held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A Member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead. A proxy need not be a Member of the Company.

3. Where a Member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy pursuant to Regulation 71(C) of the Company's constitution.

4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

   Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy shall not preclude a Member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 October 2019.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Designed
& Produced by
+65 6880 2828 Xpress®

**SANTAK HOLDINGS LIMITED**
co. reg. no. 200101065H

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Singapore 758084
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