SANTAK

SANTAK HOLDINGS LIMITED

ANNUAL REPORT 2023

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 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 drives, fibre-optics connectors, oil & gas equipment, medical equipments, sensor devices, consumer electronic devices, optical instrument devices, 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 security/access control systems, 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 45 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 2023 ("FY2023").

FY2023 VS FY2022 REVIEW OF INCOME STATEMENT

Revenue decreased by 26.1% from S$11.68 million in FY2022 to S$8.63 million in FY2023. The substantial decrease was mainly due to significantly lower sales derived from the Group's Precision Engineering Division's ("PE") at S$3.85 million, a decrease of S$2.65 million or 40.8% compared to FY2022. The drop in sales in PE compared to prior year was primarily due to significantly weaker demand from the data storage sector amidst a soft computers / servers market. On the other hand, the Group's Trading & Distribution Division's ("T&D") revenue at S$4.78 million in FY2023, represents a slight decrease of S$0.39 million or 7.6% compared to FY2022. The decrease in sales in T&D compared to prior year was mainly attributable to lower demand from its security / access control systems business.

The Group's gross profit was lower at approximately S$0.31 million in FY2023 compared to approximately S$1.65 million in FY2022 resulting in lower gross profit margin of approximately 3.6% in FY2023 compared to approximately 14.1% in FY2022. This was mainly due to significantly lower economies of scale recorded as a result of the substantially lower turnover registered in FY2023 compared to FY2022. The slight decrease in depreciation expense by approximately S$0.01 million in FY2023 was mainly due to lower depreciation expense of right-of-use assets by around S$0.02 million which was partially offset by increase in depreciation charge of property, plant and equipment by approximately S$0.01 million mainly on plant and machinery as well as motor vehicle.

Other expenses increased by S$0.23 million or 435.7% from around S$0.05 million in FY2022 to S$0.29 million in FY2023. This was due to a higher foreign exchange loss of S$0.29 million in FY2023 compared to S$0.05 million in FY2022 mainly arising from the higher depreciation of both US$ and RM against S$ as at 30 June 2023 versus 30 June 2022. Other income increased slightly compared to previous year mainly due to increase in a gain on short-term investment by approximately S$0.01 million compared to FY2022.

The decrease in distribution and selling expenses by S$0.34 million or 28.6% to S$0.86 million was primarily arising from lower payroll related cost, decrease in freight cost as well as lower sales commission in FY2023 compared to FY2022 in line with the lower turnover. The Group's administrative expenses decreased by S$0.07 million or 4.9% to approximately S$1.39 million in FY2023 compared to S$1.46 million in FY2022 mainly attributable to lower payroll related cost and decrease in depreciation expense in FY2023.

CHAIRMAN'S STATEMENT

The increase in finance income by approximately S$0.12 million or 439.8% to S$0.14 million in FY2023 was the results of increase in interest income from the fixed deposits placed with a bank in Singapore arising from higher interest rates during the year.

Loss before tax of S$2.04 million was recorded for FY2023 compared to the loss before tax of S$1.00 million in the prior year. The loss after tax for FY2023 was approximately S$2.05 million versus the loss after tax of S$1.01 million for FY2022. The Group's basic and diluted loss per share were both 1.90 cents for FY2023 compared to the prior year basic and diluted loss per share of 0.94 cents.

REVIEW OF FINANCIAL POSITION

The decrease in property, plant and equipment ("PPE") by approximately S$0.33 million to S$3.71 million as at 30 June 2023 compared to 30 June 2022 was mainly due to the depreciation of PPE as well as translation loss arising from the weakening of RM during FY2023. The increase in right-of-use assets by approximately S$0.11 million was mainly attributable to the extension renewal of the lease agreement of the Group's Clementi premise and was partially offset by depreciation of the right-of-use assets during FY2023. The decrease in intangible assets by approximately S$0.01 million as at 30 June 2023 was the results of the amortisation of intangible assets during FY2023.

The increase in inventories by S$0.30 million to S$1.74 million as at 30 June 2023 compared to S$1.44 million as at 30 June 2022 was mainly due to lower PE sales in FY2023. Nevertheless, the inventories balance as at 30 June 2023 was lower by S$0.60 million compared to 31 December 2022. The decrease in both trade receivables and trade payables by approximately S$0.71 million and S$0.66 million as at 30 June 2023 versus 30 June 2022 were mainly in line with the lower sales recorded in FY2023 especially in the last quarter of April-June 2023 in FY2023 compared to the last quarter of April-June 2022 in FY2022.

The decrease in short-term investment by S$1.30 million was the results of the liquidation of the short-term investment during FY2023 for working capital purposes. The fixed deposits placed with a bank in Singapore for 1 to 3 months terms were classified to cash and cash equivalents as at 30 June 2023 due to the change to shorter maturity terms of 3 months or less during the year compared to maturity term of 6 months as at 30 June 2022. The increase in cash and cash equivalents by S$4.13 million from S$2.35 million as at 30 June 2022 to S$6.48 million as at 30 June 2023 was mainly due to the classification of fixed deposits to cash and cash equivalents arising from the change to shorter maturity terms of 3 months or less during the year compared to 6 months term as at 30 June 2022.

The decrease in other payables by S$0.22 million to S$0.78 million as at 30 June 2023 was mainly due to lower accruals of payroll related cost and sub-contract labor cost as well as lower provision for audit fee as at 30 June 2023 versus 30 June 2022. The lease liabilities increased by approximately S$0.14 million to S$0.51 million as at 30 June 2023 primarily attributable to the extension renewal of the lease agreement of the Group's Clementi premise which was partially offset by the payment of lease liabilities during FY2023.

The Group's net asset value per share was 11.55 cents as at 30 June 2023 versus 13.48 cents as at 30 June 2022.

CHAIRMAN'S STATEMENT

REVIEW OF CASH FLOW

The higher net cash flows used in operating activities of approximately S$1.99 million in FY2023 compared to S$0.69 million in FY2022 was primarily due to a higher loss before tax and an increase in inventories and prepayments as well as a decrease in trade and other payables which was partially offset by a decrease in trade and other receivables.

Net cash generated from investing activities of S$6.32 million in FY2023 was mainly due to the transfer or classification of fixed deposit to cash and cash equivalent as well as the sale of short-term investment of S$1.32 million during the year. This was partially offset by the purchase of property, plant and equipment of S$0.10 million which mainly comprises payments for plant and machinery, renovation, computer as well as furniture and fittings. This is compared to net cash used in investing activities of $0.16 million in the prior year.

Net cash used in financing activities decreased by approximately S$0.03 million to S$0.16 million during FY2023 primarily due to lower payment of lease liabilities compared to FY2022.

Overall, cash and cash equivalents increased by approximately S$4.13 million during FY2023 to S$6.48 million as at 30 June 2023 compared to the balance of S$2.35 million as at 30 June 2022.

The market in which the Group operates remains competitive and demanding going forward in the current financial year ending 30 June 2024 ("FY2024"). The Group expects weakness in demand for its PE products to continue in the first half of FY2024, particularly products for the data storage sector in the midst of a soft computers / servers market and the current uncertain and challenging economic environment. The Group will continue its marketing and cost optimization efforts of the Group's operations.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.

No final dividend has been declared or recommended for the financial year ended 30 June 2023. This is to conserve cash for working capital and capital expenditure purposes.

Our heartfelt appreciation goes to all our customers, shareholders and business associates for their support, trust and confidence all these years. I would also like to extend my gratitude to my fellow Board members for their guidance and counsel. At the forthcoming 2023 Annual General Meeting, our long-serving Independent Director, Mr Ch'ng Jit Koon, will not be seeking re-election and will retire from the Board. On behalf of the Board and management, we extend our heartfelt appreciation for his many years of dedication and invaluable contributions. The Board has commenced its search for a new independent director and would take into consideration the Group and Board requirements and diversity. Last but not least, we would like to thank our management and staff of the Group for their efforts and contributions. We are grateful for 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)
Tan Chee Hawai
(Group Managing Director)
Ng Weng Wei
(Executive Director)
Tan Sin Hock
(Non-Executive Non-Independent Director)
Heng Kheng Hwai
(Non-Executive Non-Independent Director)
Ch'ng Jit Koon#
(Independent Director)

AUDIT COMMITTEE
Lee Keen Whye *(Chairman)*
Ch'ng Jit Koon#
Heng Kheng Hwai

NOMINATING COMMITTEE
Ch'ng Jit Koon# *(Chairman)*
Lee Keen Whye
Tan Chee Hawai

REMUNERATION COMMITTEE
Lee Keen Whye *(Chairman)*
Ch'ng Jit Koon#
Ng Weng Wei

SUSTAINABILITY COMMITTEE
Lee Keen Whye *(Chairman)*
Tan Chee Hawai
Ng Weng Wei

COMPANY SECRETARY
Lai Foon Kuen

REGISTERED OFFICE
4 Clementi Loop
#01-01
Singapore 129810

Tel: 6755 4788
Email: santak.holdings@santak.com.sg
Website: www.santak.com.sg

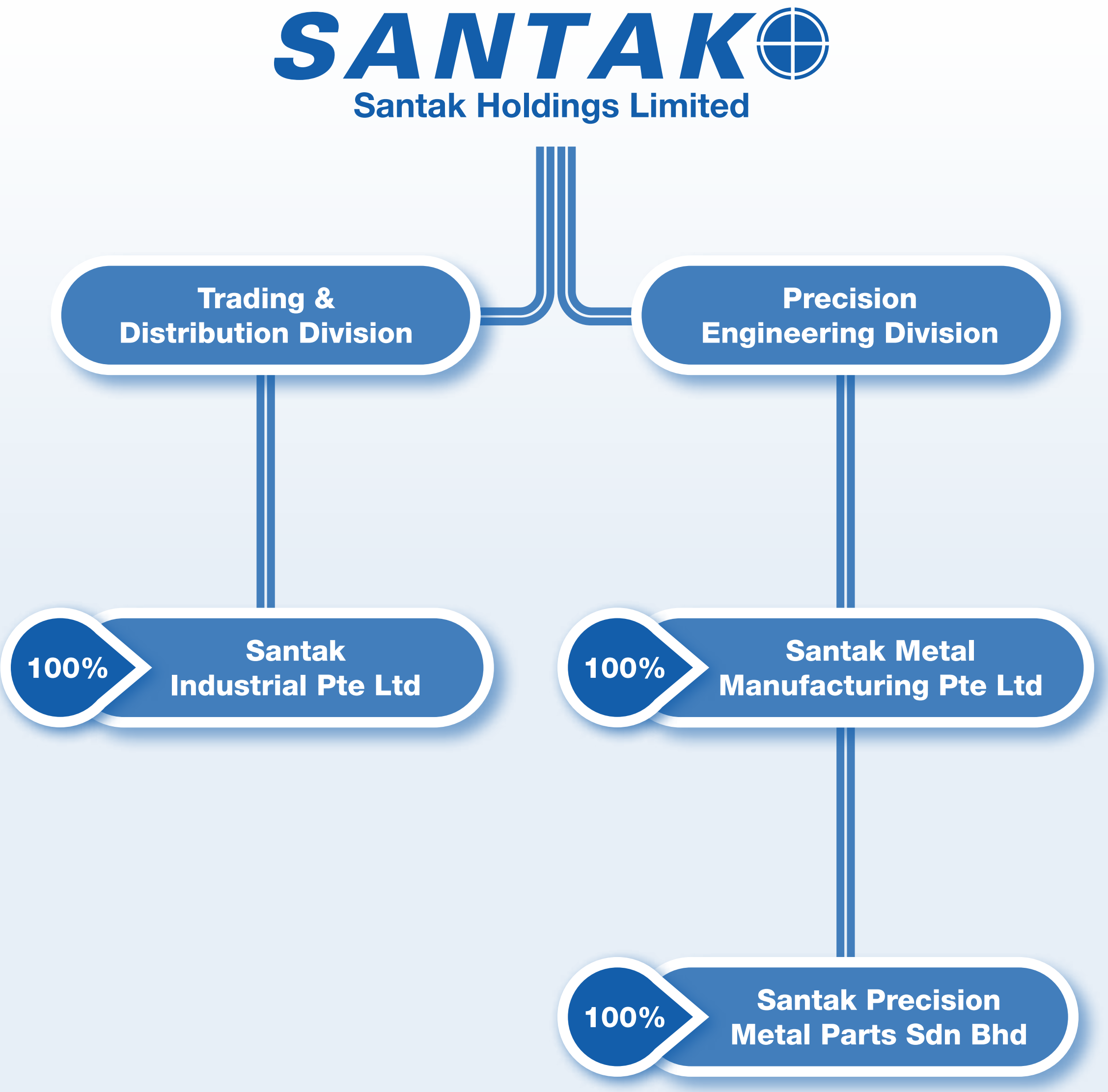
SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue
Keppel Bay Tower, #14-07
Singapore 098632

AUDITORS
Grant Thornton Audit LLP
Public Accountants and Chartered Accountants
8 Marina View #40-04/05
Asia Square Tower 1
Singapore 018960

Partner-in-charge: Yu Sze Min (appointed on 15 March 2023)

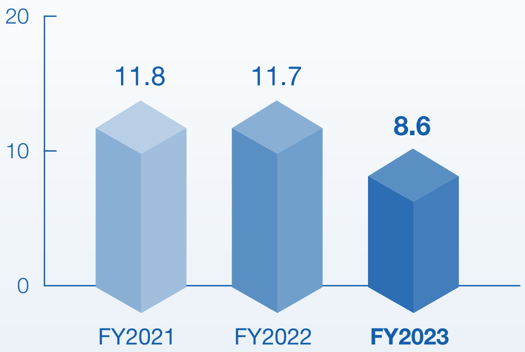
Note:
#: Mr Ch'ng Jit Koon will not be seeking re-election and will retire as a Director at the forthcoming Annual General Meeting.

CORPORATE STRUCTURE

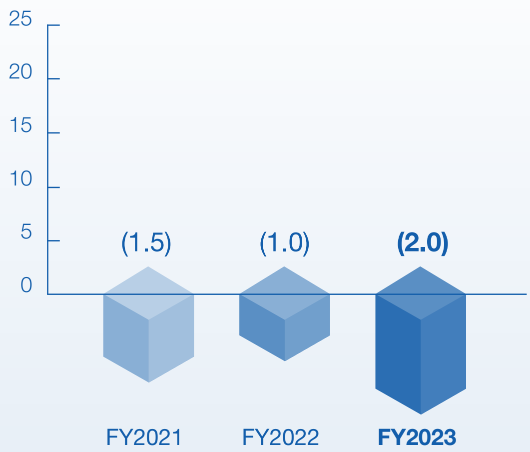


FINANCIAL HIGHLIGHTS

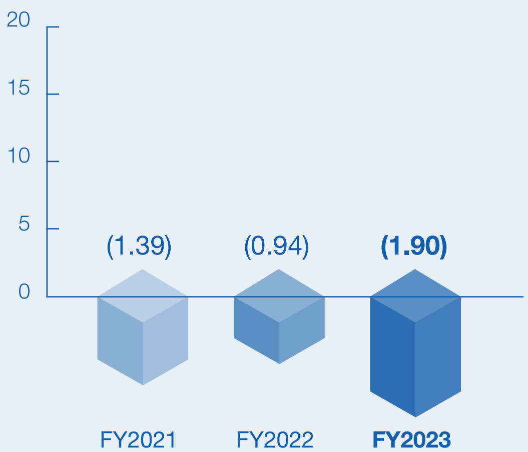
TURNOVER
(In S$Million)



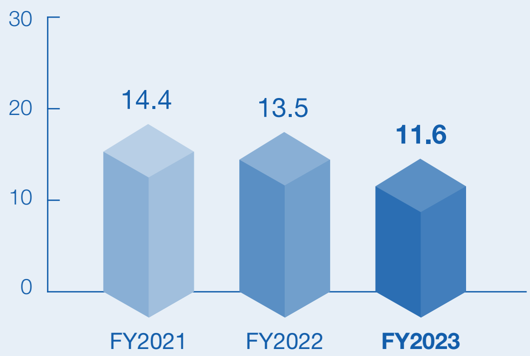
LOSS AFTER TAX
(In S$Million)



BASIC/DILUTED LOSS PER SHARE
(In Cents)



NET ASSET VALUE PER SHARE
(In Cents)



FINANCIAL REPORT

DIRECTORS' STATEMENT

The directors hereby 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 statement of financial position of the Company for the financial year ended 30 June 2023.

Opinion of the directors

In the opinion of the directors,

(i) the financial statements set out on pages 19 to 76 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 2023 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); 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

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 Companies Act 1967, an interest in shares, share options, warrants and debentures in the Company and related corporations (other than wholly–owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**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 2023.

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 2023, 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 non-independent 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 ("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 auditor.

The AC had met with the external auditor 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 2023, 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 auditor, the external auditor and ISO 9001 auditor 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 convened three 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.

The AC is satisfied with the independence of the external auditor and has recommended to the board of directors that the auditor, Grant Thornton Audit LLP, be nominated for re-appointment as auditor at the forthcoming Annual General Meeting of the Company. The AC has also conducted a review of interested person transactions.

In appointing the auditors for the Company and its subsidiaries, the Company has complied with Rules 712 and 715 of the Rules of Catalist.

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

DIRECTORS' STATEMENT

Auditor

Grant Thornton Audit LLP was appointed as auditor of the Company at the Extraordinary General Meeting of the Company held on 15 March 2023.

The auditor, Grant Thornton Audit LLP, has expressed their willingness to accept re-appointment.

On behalf of the board of directors,

Tan Chee Hawai
Director

Ng Weng Wei
Director

Singapore
29 September 2023

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2023

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 consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2023 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. 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 2023

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

Key Audit Matters

<table>
<tr><td colspan="2">Impairment assessment of property, plant and equipment ("PPE") and right-of-use assets ("ROU"), and, impairment assessment of investments in subsidiary companies.

Refer to Note 2.4(i)(ii) Use of judgements and estimates
Note 9 - Property, plant and equipment, and Note 19 – Leases;
Note 10 – Investments in subsidiary companies.</td></tr>
<tr><td>Key Audit Matter</td><td>How our audit addressed the Key Audit Matter</td></tr>
<tr><td>As at 30 June 2023, the Group has carrying amounts of PPE and ROU amounting to $3.71 million and $0.49 million respectively, and, the Company holds investments in subsidiary companies of $8.36 million. The carrying amounts of PPE and ROU are significant as they represent 28% of the total assets in the consolidated statement of financial position of the Group.

The cash generating unit ("CGU") related to precision engineering division was subjected to impairment test due to continued operating losses contributing to the impairment indicator. The Group performed impairment assessment on the CGU's non-financial assets (and the carrying value of investment in subsidiary company relating to the CGU) by estimating their recoverable amounts based on the fair value less cost to sell method.

Non-financial assets relates to the same CGU to which the PPE and ROU is allocated to.

The estimated fair values of the freehold land and building, and machineries were determined by independent external valuers. The impairment exercise and the estimation of the recoverable amount involves significant judgment and is subject to significant estimation uncertainties. As such, we determined this is a key audit matter.</td><td>Our audit procedures included, amongst others:

- evaluated management's assessment in determining the recoverable amounts being the higher of fair value less cost to sell and value in use.

- evaluated management's basis of determination and identification of the CGU within the Group.

- evaluated the independence, competency and objectivity of the external professional valuers engaged by management.

- held discussions with management and the external professional valuers to understand the valuation exercises.

- assessed the appropriateness of the valuation methodologies and management's key assumptions used to determine the fair valuation of the assets by the professional valuers.

- considered the adequacy of the Group's disclosures made in the financial statements in respect to the impairment testing.</td></tr>
</table>

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

Key Audit Matters (cont'd)

Valuation of inventories

Refer to Note 2.4(iii) Use of judgements and estimates
Note 12 – Inventories

Key Audit Matter	How our audit addressed the Key Audit Matter
As at 30 June 2023, the total inventories and the related allowances for obsolete inventories amounted to $1.74 million and $0.08 million respectively. The determination of allowance for obsolete inventories requires management to exercise judgement in identifying slow-moving or obsolete inventories and making estimates of their net realisable values. As such we determined this is a key audit matter.	Our audit procedures included, amongst others: - attended and observed management's inventory counts at all material inventory locations and observed management's identification of obsolete and slow-moving inventories. - tested the reasonableness of the costing methods. - reviewed the accuracy of ageing of inventories and analysis of obsolete inventories. - evaluated, amongst others, the analysis and assessments made by management with respect to slow moving and obsolete inventories, and the expected demand and selling price after year end. - assessed the adequacy of the disclosures related to inventories.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2023

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

Other matters

The consolidated financial statements of the Group and the statement of financial position of the Company for the year ended 30 June 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 5 October 2022.

Other Information

Management is responsible for the other information. Other information is defined as all information in the annual report other than the financial statements and our auditor's report thereon.

We have obtained all other information prior to the date of this auditor's report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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 2023

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

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 Yu Sze Min.

Grant Thornton Audit LLP
Public Accountants and
Chartered Accountants

Singapore
29 September 2023

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 June 2023

	Note	2023	2022
		$	$
Revenue	3	8,632,213	11,676,730
Cost of sales		(8,320,824)	(10,026,060)
Gross profit		311,389	1,650,670
Other income	4	63,500	61,617
Distribution and selling expenses		(862,610)	(1,207,512)
Administrative expenses		(1,389,490)	(1,460,760)
Other expenses	4	(285,715)	(53,334)
Results from operating activities		(2,162,926)	(1,009,319)
Finance costs	5	(21,001)	(20,170)
Finance income	5	141,899	26,289
Net finance income		120,898	6,119
Loss before tax	6	(2,042,028)	(1,003,200)
Taxation	7	(3,728)	(3,154)
Loss, net of taxation		(2,045,756)	(1,006,354)
Loss attributable to:			
Owners of the Company			
Loss, net of taxation		(2,045,756)	(1,006,354)
Loss for the year attributable to owners of the Company		(2,045,756)	(1,006,354)
Loss per share attributable to owners of the Company (cents per share)			
Basic	8	(1.90)	(0.94)
Diluted	8	(1.90)	(0.94)
Loss per share (cents per share)			
Basic	8	(1.90)	(0.94)
Diluted	8	(1.90)	(0.94)

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 2023

	Note	2023 $	2022 $
Loss for the year		(2,045,756)	(1,006,354)
Other comprehensive (loss)/income:			
Item that may be reclassified subsequently to profit or loss:			
Foreign currency translation	22	(23,185)	3,466
Total other comprehensive (loss)/income for the year, net of taxation		(23,185)	3,466
Total comprehensive loss for the year		(2,068,941)	(1,002,888)
Total comprehensive loss attributable to:			
Owners of the Company		(2,068,941)	(1,002,888)
Attributable to:			
Owners of the Company			
Total comprehensive loss, net of taxation		(2,068,941)	(1,002,888)
Total comprehensive loss for the year attributable to equity owners of the Company		(2,068,941)	(1,002,888)

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2023

	Note	Group		Company	
		2023	2022	2023	2022
		$	$	$	$
Non-current assets					
Property, plant and equipment	9	3,712,351	4,037,713	65,890	75,631
Right-of-use assets	19	491,857	377,645	–	–
Investments in subsidiary companies	10	–	–	8,356,335	8,356,335
Intangible assets	11	16,271	22,510	677	1,120
Deferred tax assets	20	7,203	10,907	7,203	10,907
Trade and other receivables	13	71,480	73,989	–	–
		4,299,162	4,522,764	8,430,105	8,443,993
Current assets					
Inventories	12	1,735,615	1,435,106	–	–
Trade and other receivables	13	2,226,148	2,948,300	1,950,066	1,936,516
Prepayments		79,753	54,594	9,487	10,090
Loan to a subsidiary company	14	–	–	4,030,000	4,030,000
Fixed deposits	15	–	5,021,776	–	–
Short-term investment	16	–	1,301,899	–	–
Cash and cash equivalents	17	6,477,826	2,345,624	90,264	86,043
		10,519,342	13,107,299	6,079,817	6,062,649
Current liabilities					
Trade and other payables	18	1,845,578	2,725,452	311,284	348,162
Lease liabilities	19	130,820	138,831	–	–
Provision for taxation		–	4,140	–	337
		1,976,398	2,868,423	311,284	348,499
Net current assets		8,542,944	10,238,876	5,768,533	5,714,150
Non-current liabilities					
Lease liabilities	19	376,432	227,025	–	–
Provisions	18	35,000	35,000	–	–
		411,432	262,025	–	–
Net assets		12,430,674	14,499,615	14,198,638	14,158,143
Equity attributable to owners of the Company					
Share capital	21	12,852,187	12,852,187	12,852,187	12,852,187
Translation reserve	22	(185,315)	(162,130)	–	–
(Accumulated losses)/retained earnings		(236,198)	1,809,558	1,346,451	1,305,956
		12,430,674	14,499,615	14,198,638	14,158,143

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2023

2023 **Group**	**Share capital (Note 21)** $	**(Accumulated losses)/ retained earnings** $	**Translation reserve (Note 22)** $	**Total equity** $
At 1 July 2022	12,852,187	1,809,558	(162,130)	14,499,615
Loss for the year	–	(2,045,756)	–	(2,045,756)
Other comprehensive loss				
Foreign currency translation	–	–	(23,185)	(23,185)
Other comprehensive loss for the year, net of taxation	–	–	(23,185)	(23,185)
Total comprehensive loss for the year	–	(2,045,756)	(23,185)	(2,068,941)
At 30 June 2023	12,852,187	(236,198)	(185,315)	12,430,674
2022 **Group**				
At 1 July 2021	12,852,187	2,815,912	(165,596)	15,502,503
Loss for the year	–	(1,006,354)	–	(1,006,354)
Other comprehensive income				
Foreign currency translation	–	–	3,466	3,466
Other comprehensive income for the year, net of taxation	–	–	3,466	3,466
Total comprehensive loss for the year	–	(1,006,354)	3,466	(1,002,888)
At 30 June 2022	12,852,187	1,809,558	(162,130)	14,499,615

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Loss before tax		(2,042,028)	(1,003,200)
Adjustments for:			
Depreciation of property, plant and equipment	9	203,733	190,848
Depreciation of right-of-use assets	19(a)	140,887	161,305
Amortisation of intangible assets	11	6,083	18,097
Write-off of property, plant and equipment	4(b)	90	765
Loss on disposal of property, plant and equipment	4(b)	–	958
Gain on short-term investment	4(a)	(15,345)	(1,899)
Interest expense – lease liabilities	5(a)	21,001	20,170
Interest income	5(b)	(141,899)	(26,289)
Write-off of inventories	12	15,080	–
(Write-back)/write-down of inventories, net		(34,129)	48,862
Unrealised exchange loss		123	145,544
Operating cash flows before changes in working capital		(1,846,404)	(444,839)
Changes in working capital			
(Increase)/decrease in:			
Inventories		(309,635)	(222,350)
Trade receivables and other receivables		675,574	(732,034)
Prepayments		(28,289)	435
(Decrease)/increase in:			
Trade payables and other payables		(517,991)	736,951
Total changes in working capital		(180,341)	(216,998)
Cash flows from operations		(2,026,745)	(661,837)
Interest received		36,336	107
Income taxes paid, net		(4,067)	(24,825)
Net cash flows used in operating activities		(1,994,476)	(686,555)
Cash flows from investing activities			
Purchase of property, plant and equipment		(104,949)	(159,104)
Purchase of intangible assets		(571)	(568)
Proceeds from disposal of property, plant and equipment		–	3,602
Transfer from fixed deposits		5,110,523	–
Proceeds from disposal of short-term investment		1,317,244	–
Net cash flows generated from/(used in) investing activities		6,322,247	(156,070)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2023

	Note	2023	2022
		$	$
Cash flows from financing activities			
Interest paid	19(e)	(21,001)	(20,170)
Payment of principal portion of lease liabilities	19(e)	(137,164)	(167,113)
Net cash flows used in financing activities		(158,165)	(187,283)
Net increase/(decrease) in cash and cash equivalents		4,169,606	(1,029,908)
Effect of exchange rate changes on cash and cash equivalents		(37,404)	(854)
Cash and cash equivalents at beginning of year		2,345,624	3,376,386
Cash and cash equivalents at end of year	17	6,477,826	2,345,624

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

1. Corporate information

Santak Holdings Limited is a limited liability company, incorporated and domiciled in Singapore and is listed on the Catalist Board of Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 4 Clementi Loop, #01-01, Singapore 129810.

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.

The financial statements of the Group as at and for the year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (“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.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 July 2022. The adoption of these standards did not have any material impact on the financial statements of the Group.

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*
Amendments to SFRS(I) 1-8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to SFRS(I) 1-12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
SFRS (I) 17 Insurance Contracts and Amendments to SFRS (I) 17 Insurance Contracts	1 January 2023
Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to SFRS(I) 16 Leases: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to SFRS(I) 1-1 Presentation of Financial Statements: Non-current Liabilities with Covenants	1 January 2024
Amendments to SFRS(I) 10 Consolidated Financial Statements and SFRS(I) 1-28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The directors do not anticipate any material impact on the financial statements in the financial year of initial application on the adoption of the standards above.

2.4 Use of judgements and 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.

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.

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

2.4 Use of judgements and estimates (cont'd)

Information about significant areas of estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

(i) Notes 9 and 19 – measurement of recoverable amounts of property, plant and equipment; and; right-of-use assets;

(ii) Note 10 – recoverability of investments in subsidiary companies; and

(iii) Note 12 – measurement of allowance for obsolete inventories.

2.5 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is 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 (with Level 3 being the lowest). Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 9 – property, plant and equipment.

2.6 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.

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

2.6 Basis of consolidation (cont'd)

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.

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 control 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.

2.7 Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment losses.

2.8 Foreign currencies

The Group's consolidated financial statements are presented in Singapore Dollars ("SGD"), which is also the Company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation and on disposal of a foreign operation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

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

2.8 Foreign currencies (cont'd)

(a) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

(b) Consolidated financial statements

On consolidation, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation 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 reclassified to profit or loss.

2.9 Property, plant and equipment

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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

2.9 Property, plant and equipment (cont'd)

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day maintenance servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

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	-	3 to 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 the end of each financial year, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised 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 derecognised.

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

2.10 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 on a straight-line basis 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 amortisation method are reviewed at the end of each reporting period. 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.

2.11 Impairment of non-financial assets

The carrying amounts of Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In assessing the fair value less costs of disposal, the Group engages external independent and appropriately recognised qualified valuers to provide the fair value less costs of disposal. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

2.11 Impairment of non-financial assets (cont'd)

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of the assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.12 Financial instruments

(a) Non-derivative 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.

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

2.12 Financial instruments (cont'd)

(a) Non-derivative financial assets (cont'd)

<u>Subsequent measurement</u>

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:

(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 derecognised.

(iii) Fair value through profit or loss ("FVTPL")

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.

<u>Derecognition</u>

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.

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

2.12 Financial instruments (cont'd)

(b) Non-derivative 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.

2.13 Impairment of non-derivative financial assets

The Group recognises an allowance for expected credit losses ("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).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and includes forward-looking information.

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

2.13 Impairment of non-derivative financial assets (cont'd)

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.

The Group considers a financial asset in default when it is probable that contractual payments due will not be collected in accordance with the terms of the agreement. 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.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash balances, and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value.

2.15 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.

2.16 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. Summary of significant accounting policies (cont'd)

2.17 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached 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.

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 Group 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

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities and restoration costs. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

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

2.19 Leases (cont'd)

Right-of-use assets (cont'd)

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

The Group's right-of-use assets are presented separately on the statement of financial position.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are disclosed in Note 19.

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

2.20 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 is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

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

2.20 Revenue from contracts with customers (cont'd)

Sales commissions cost to engage sales agents for securing sales contracts of the Group on a success basis are incremental costs of obtaining a contract. The Group elected the practical expedient, to recognise these costs as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

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 recognised 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 recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Contract liabilities

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e. transfers control of the related goods or services to the customer).

2.21 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 of 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.

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

2.21 Taxes (cont'd)

(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.

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 deferred tax relating to items recognised outside of profit or loss is recognised either in other comprehensive income or directly in equity.

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

2.22 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.

2.23 Contingencies

A contingent liability is:

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

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

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

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

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

Contingent liabilities and assets are not recognised on the statement of financial position of the Group.

3. Revenue

Disaggregation of revenue

	Precision engineering		Trading and distribution		Total revenue	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**
	$	$	$	$	$	$
Primary geographical markets						
Singapore	323,860	170,797	–	–	323,860	170,797
United States of America	674	157,994	4,657,207	5,026,715	4,657,881	5,184,709
Thailand	2,716,499	5,209,982		–	2,716,499	5,209,982
Ireland	732,568	832,015	–	–	732,568	832,015
Malaysia	61,140	69,977	51,729	40,099	112,869	110,076
Others	10,942	55,142	77,594	114,009	88,536	169,151
	3,845,683	6,495,907	4,786,530	5,180,823	8,632,213	11,676,730
Timing of transfer of goods or services						
At a point in time	3,845,683	6,495,907	4,786,530	5,180,823	8,632,213	11,676,730

Contract balances

The following table provides information about receivables and contract liabilities from contracts with customers.

	Group	
	2023	**2022**
	$	$
Trade receivables (Note 13)	2,021,688	2,731,107
Contract liabilities (Note 18)	(40,090)	(41,125)

The contract liabilities primarily relate to advance consideration received from customers for sales of electronic, electrical and mechanical components/products.

4. Other income/(expenses)

	Group	
	2023	2022
	$	$
(a) Other income		
Sale of scrap	21,465	40,979
Gain on short-term investment	15,345	1,899
Government grants*	22,331	14,539
Others	4,359	4,200
	63,500	61,617

* The Group had been granted approximately $22,000 (2022: $15,000) of government support through wage during the year. There are no unfulfilled conditions or contingencies attached to these grants. These grants are recognised in the profit or loss over the period to match them with the costs they are intended to compensate.

	Group	
	2023	2022
	$	$
(b) Other expenses		
Foreign exchange loss, net	(285,625)	(51,611)
Write-off of property, plant and equipment	(90)	(765)
Loss on disposal of property, plant and equipment	–	(958)
	(285,715)	(53,334)

5. Finance (costs)/income

	Group	
	2023	2022
	$	$
(a) Finance costs		
Interest expense on:		
- lease liabilities (Note 19)	(21,001)	(20,170)
(b) Finance income		
Interest income from:		
- fixed deposits and bank balances	141,899	26,289

6. Loss before tax

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

	Group	
	2023	**2022**
	$	$
Audit fees:		
- Auditor of the Company	62,000	79,514
- Other auditor	11,325	12,167
Non-audit fees:		
- Auditor of the Company	–	12,600
- Other auditor	4,080	–
Write-off of inventories (Note 12)	15,080	–
(Write-back)/write-down of inventories, net	(34,129)	48,862
Depreciation of property, plant and equipment (Note 9)	203,733	190,848
Depreciation of right-of-use assets (Note 19)	140,887	161,305
Amortisation of intangible assets (Note 11)	6,083	18,097
Employee benefits expense (including directors):		
- Salaries and bonuses	2,683,370	3,420,648
- Contributions to defined contribution plans	280,468	342,633
- Other personnel expenses	21,707	40,509

7. Taxation

Major components of income tax expense

The major components of income tax expense for the years ended 30 June 2023 and 2022 are:

	Group	
	2023	**2022**
	$	$
Current income tax		
- Under provision in respect of previous years	24	4,059
Deferred tax		
- Origination and reversal of temporary differences	3,704	(905)
Income tax expense recognised in profit or loss	3,728	3,154

7. Taxation (cont'd)

Relationship between income tax expense and accounting loss

A reconciliation between income tax expense and the product of accounting loss multiplied by the applicable corporate tax rate is as follows:

	Group	
	2023	**2022**
	$	$
Loss before tax	(2,042,028)	(1,003,200)
Tax using the Singapore tax rate of 17%	(347,145)	(170,544)
Effects of tax rates in foreign jurisdictions	(51,219)	(5,702)
Adjustments:		
Non-deductible expenses	56,259	51,500
Income not subject to taxation	–	(20,878)
Effect of partial tax exemption and tax relief	–	(1,544)
Deferred tax assets not recognised	345,809	146,263
Under provision in respect of previous years	24	4,059
Income tax expense recognised in profit or loss	3,728	3,154

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	
	2023	**2022**
	$	$
Loss for the year, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	(2,045,756)	(1,006,354)
Weighted average number of ordinary shares for basic and diluted loss per share computation	107,580,980	107,580,980

There has been no other transaction 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 losses and share data are presented in the table above.

9. Property, plant and equipment

Group	Freehold land	Building	Plant and machinery	Motor vehicles	Computers	Office equipment/ furniture & fittings	Air-conditioners	Renovation/ electrical installation	Tools and equipment	Total
	At cost									
	$	$	$	$	$	$	$	$	$	$
Cost										
At 1 July 2021	1,465,190	2,011,327	28,120,725	81,346	446,012	288,158	164,337	639,885	175,731	33,392,711
Prior year adjustments*	–	–	(3,939,103)	–	(6,420)	(12,732)	–	–	(125)	(3,958,380)
At 1 July 2021 (restated)	1,465,190	2,011,327	24,181,622	81,346	439,592	275,426	164,337	639,885	175,606	29,434,331
Additions	–	–	27,441	–	5,087	1,552	29,390	48,563	196	112,229
Disposals	–	–	(5,662)	–	(24,360)	(5,450)	–	(5,019)	–	(40,491)
Reclassification from right-of-use assets	–	–	–	66,710	–	–	–	–	–	66,710
Exchange differences	(55,055)	(51,030)	(40,978)	–	–	126	(1,224)	(11,672)	(1,720)	(161,553)
Prior year adjustments*	–	–	(216,609)	–	(225)	(40,390)	–	(27,900)	(135,256)	(420,380)
At 30 June 2022 and 1 July 2022 (restated)	1,410,135	1,960,297	23,945,814	148,056	420,094	231,264	192,503	643,857	38,826	28,990,846
Additions	–	–	83,688	–	4,748	4,067	–	12,446	–	104,949
Written-off	–	–	(3,050)	–	(37,737)	(7,176)	–	–	(2,756)	(50,719)
Reclassification from right-of-use assets	–	–	–	80,434	–	–	–	–	–	80,434
Exchange differences	(124,678)	(167,840)	8,343	–	(3,168)	(1,750)	(3,474)	(38,907)	(4,627)	(336,101)
At 30 June 2023	1,285,457	1,792,457	24,034,795	228,490	383,937	226,405	189,029	617,396	31,443	28,789,409

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

Group	Freehold land	Building	Plant and machinery	Motor vehicles	Computers	Office equipment/ furniture & fittings	Air-conditioners	Renovation/ electrical installation	Tools and equipment	Total
	Accumulated depreciation									
	$	$	$	$	$	$	$	$	$	$
Accumulated depreciation										
At 1 July 2021	–	84,345	28,112,504	2,711	412,796	266,862	47,137	98,941	172,135	29,197,431
Prior year adjustments*	–	–	(3,939,103)	–	(6,420)	(12,732)	–	–	(125)	(3,958,380)
At 1 July 2021 (restated)	–	84,345	24,173,401	2,711	406,376	254,130	47,137	98,941	172,010	25,239,051
Depreciation charge for the year	–	40,086	5,371	8,135	20,823	3,019	15,941	95,243	2,230	190,848
Disposals	–	–	(1,110)	–	(24,360)	(4,685)	–	(5,019)	–	(35,174)
Exchange differences	–	(2,823)	(15,239)	–	59	516	(231)	(2,200)	(1,294)	(21,212)
Prior year adjustments*	–	–	(216,609)	–	(225)	(40,390)	–	(27,900)	(135,256)	(420,380)
At 30 June 2022										
1 July 2022 (restated)	–	121,608	23,945,814	10,846	402,673	212,590	62,847	159,065	37,690	24,953,133
Depreciation charge for the year	–	37,791	19,368	24,384	12,625	2,924	15,202	90,204	1,235	203,733
Write-off	–	–	(3,050)	–	(37,737)	(7,086)	–	–	(2,756)	(50,629)
Reclassification from right-of-use assets	–	–	–	56,973	–	–	–	–	–	56,973
Exchange differences	–	(11,344)	(55,164)	–	(2,850)	(921)	(1,021)	(10,126)	(4,726)	(86,152)
At 30 June 2023	–	148,055	23,906,968	92,203	374,711	207,507	77,028	239,143	31,443	25,077,058
Carrying amounts										
At 30 June 2022	1,410,135	1,838,689	–	137,210	17,421	18,674	129,656	484,792	1,136	4,037,713
At 30 June 2023	1,285,457	1,644,402	127,827	136,287	9,226	18,898	112,001	378,253	–	3,712,351

* The prior year adjustments relate to removal of costs amounting to $3,958,380 and $420,380, and accumulated depreciation amounting to $3,958,380 and $420,380 which had been disposed off but were left in cost and accumulated depreciation as at 30 June 2021 and 30 June 2022 respectively. These amounts had been fully depreciated with $Nil carrying amounts as at 30 June 2021 and 30 June 2022 and $Nil impact to the consolidated income statement.

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

Company	Computers	Motor vehicles	Total
	$	$	$
Cost			
At 1 July 2021	304,786	81,346	386,132
Additions	2,690	–	2,690
At 30 June 2022 and 1 July 2022	307,476	81,346	388,822
Additions	2,035	–	2,035
Write-off	(28,366)	–	(28,366)
At 30 June 2023	281,145	81,346	362,491
Accumulated depreciation			
At 1 July 2021	299,468	2,711	302,179
Depreciation charge for the year	2,878	8,134	11,012
At 30 June 2022 and 1 July 2022	302,346	10,845	313,191
Depreciation charge for the year	3,641	8,135	11,776
Write-off	(28,366)	–	(28,366)
At 30 June 2023	277,621	18,980	296,601
Carrying amounts			
At 30 June 2022	5,130	70,501	75,631
At 30 June 2023	3,524	62,366	65,890

Impairment assessment

The Group performed impairment assessment on the CGU and the carrying value of investment in subsidiary company relating to the CGU by estimating their recoverable amounts based on the fair value less cost to sell ("FVLCTS") method.

The CGU – Precision engineering division, continues to incur operating losses, this has resulted in the Group reassessing the recoverable amounts of the property, plant and equipment and right-of-use assets (Note 19). The fair value is estimated based on the fair value of the freehold land and building as well as the plant and equipment.

The fair value of freehold land and building was determined by an independent external valuer with experience in the location and category of the property being valued. The freehold land and building have been valued using the comparison method within which significant inputs are comparable properties which have been sold or are being offered for sale and with adjustments made for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land.

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

The fair value of the plant and equipment which comprises mainly of machineries are being valued using depreciated replacement cost method by an independent external valuer. The significant inputs are aggregated amounts of gross replacement costs of the machineries, tools and equipment from which appropriate deductions may then be made for the age, condition, economic or functional obsolescence and environmental factors.

The impairment exercise and the estimation of the recoverable amount involves significant judgment and is subject to significant estimation uncertainties.

The impairment charge is $Nil for the financial year ended 30 June 2023 (2022: $Nil).

10. Investments in subsidiary companies

	Company	
	2023	2022
	$	$
Unquoted equity shares, at cost	8,356,335	8,356,335

The Group has the following significant investments in subsidiary companies.

Name of company	Principal place of business / Country of incorporation	Principal activities	Effective interest in equity		Cost of investment	
			2023	2022	2023	2022
			%	%	$	$
Held by the Company						
Santak Metal Manufacturing Pte Ltd [(1)]	Singapore	Manufacture of precision machined components	100	100	8,113,173	8,113,173
Santak Industrial Pte Ltd [(1)]	Singapore	Trading and distribution of electronic, electrical and mechanical components/ products	100	100	243,162	243,162
					8,356,335	8,356,335

10. Investments in subsidiary companies (cont'd)

Name of company	Principal place of business / Country of incorporation	Principal activities	Effective interest in equity	
			2023	2022
			%	%
Held by Santak Metal Manufacturing Pte Ltd				
Santak Precision Metal Parts Sdn Bhd [(2)]	Malaysia	Manufacture of precision machined components	100	100
T.N.K. Precision Engineering Work Pte Ltd [(3)]	Singapore	Dormant	–	100

(1) Audited by Grant Thornton Audit LLP.

(2) Audited by Grant Thornton Malaysia PLT.

(3) The financial statements of the subsidiary are not required to be audited as it had been placed under member's voluntary liquidation on 6 April 2022 in previous financial year and was completed on 31 March 2023 in the current financial year.

Impairment assessment

The subsidiary, Santak Metal Manufacturing Pte Ltd, continues to incur operating losses of $1,494,000 (2022: $1,245,000), showing that indicator of impairment exists. Accordingly, the Company performed an assessment of the recoverable amount of its investment in Santak Metal Manufacturing Pte Ltd (which includes its investment in the Malaysian subsidiary Santak Precision Metal Parts Sdn Bhd). Management determined the recoverable amounts of investment in Santak Metal Manufacturing Pte Ltd based on the FVLCTS method described in Note 9.

The impairment charge is $Nil for the financial year ended 30 June 2023 (2022: $Nil).

11. Intangible assets

Group	Club membership	Computer software licenses	Total
	$	$	$
Cost			
At 1 July 2021	152,160	353,380	505,540
Additions	–	568	568
Exchange differences	–	(676)	(676)
At 30 June 2022 and 1 July 2022	152,160	353,272	505,432
Additions	–	571	571
Exchange differences	–	(2,149)	(2,149)
At 30 June 2023	152,160	351,694	503,854
Accumulated amortisation			
At 1 July 2021	139,078	326,036	465,114
Amortisation	1,379	16,718	18,097
Exchange differences	–	(289)	(289)
At 30 June 2022 and 1 July 2022	140,457	342,465	482,922
Amortisation	1,379	4,704	6,083
Exchange differences	–	(1,422)	(1,422)
At 30 June 2023	141,836	345,747	487,583
Carrying amounts			
At 30 June 2022	11,703	10,807	22,510
At 30 June 2023	10,324	5,947	16,271

11. Intangible assets (cont'd)

Company	Computer software license $
Cost	
At 1 July 2021 and 30 June 2022	214,941
Additions	295
At 30 June 2023	215,236
Accumulated amortisation	
At 1 July 2021	213,181
Amortisation	640
At 30 June 2022 and 1 July 2022	213,821
Amortisation	738
At 30 June 2023	214,559
Carrying amounts	
At 30 June 2022	1,120
At 30 June 2023	677

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

12. Inventories

	Group	
	2023 $	**2022** $
Raw materials	199,511	212,924
Work-in-progress	439,157	217,823
Finished goods	1,096,947	1,004,359
Total inventories at lower of cost and net realisable value	1,735,615	1,435,106

The allowance for obsolete inventories as at 30 June 2023 amounted to $84,000 (2022: $118,000).

12. Inventories (cont'd)

	Group	
	2023	2022
	$	$
Income statement:		
Inventories recognised as an expense in cost of sales	7,084,065	8,994,224
Inclusive of the following charge/(credit):		
- inventories written off	15,080	–
- inventories written down	8,749	48,862
- reversal of previously written down inventories	(42,878)	(1,092)

Allowance for obsolete inventories

The Group periodically reviews for any stock obsolescence 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 these 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.

13. Trade and other receivables

	Note	Group		Company	
		2023	2022	2023	2022
		$	$	$	$
Non-current assets					
Deposits		71,480	73,989	–	–
Current assets					
Trade receivables*		2,021,688	2,731,107	–	–
Amounts due from subsidiary companies (non-trade)		–	–	1,950,066	1,936,516
Other receivables		26,834	10,017	–	–
Deposits		105,606	113,758	–	–
GST receivables*		72,020	93,418	–	–
		2,226,148	2,948,300	1,950,066	1,936,516
Total trade and other receivables		2,297,628	3,022,289	1,950,066	1,936,516
Add: Loan to a subsidiary company	14	–	–	4,030,000	4,030,000
Add: Cash and cash equivalents	17	6,477,826	2,345,624	90,264	86,043
Less: Goods and Services Tax ("GST") receivables		(72,020)	(93,418)	–	–
Total financial assets carried at amortised cost		8,703,434	5,274,495	6,070,330	6,052,559

* GST receivables which were included in trade receivables in the comparative year have been reclassified out of trade receivables for better clarity.

13. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are interest-free 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.

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

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
United States Dollar	1,927,953	2,701,372	–	–
Malaysia Ringgit	123,004	133,664	–	–

Amounts due from subsidiary companies

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

Expected credit losses

There are no movements for allowance for expected credit losses of trade receivables for the financial years ended 30 June 2023 and 2022.

Credit risk exposure on trade receivables using a provision matrix

Group

30 June 2023		Days past due		
	Current	<90 days	> 90 days	Total
	$	$	$	$
Carrying amount of trade receivables	1,277,349	645,527	98,812	2,021,688
Expected credit losses	–	–	–	–

30 June 2022		Days past due		
	Current	<90 days	> 90 days	Total
	$	$	$	$
Carrying amount of trade receivables	1,753,029	978,078	–	2,731,107
Expected credit losses	–	–	–	–

14. Loan to a subsidiary company

The loan to a subsidiary company is unsecured, interest-free, repayable on demand and to be settled in cash.

15. Fixed deposits

The fixed deposits placed with a licensed bank in Singapore for 1 to 3 months terms (2022: 6 months) and earns interests at the bank's prevailing fixed deposits rates were classified to cash and cash equivalents as at 30 June 2023 due to change to shorter maturity terms of 3 months or less during the financial year.

16. Short-term investment

	Group
	$
At 1 July 2022	1,301,899
Change in fair value	15,345
Disposals	(1,317,244)
At 30 June 2023	–
At 1 July 2021	1,300,000
Change in fair value	1,899
At 1 July 2022	1,301,899

Short-term investment relates to SGD Money Market Fund placed with a licensed bank in Singapore and classified as fair value through profit or loss ("FVTPL") (Note 25).

17. Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
Short-term deposits (cash equivalent)	4,946,587	–	–	–
Cash at bank and on hand	1,531,239	2,345,624	90,264	86,043
Total cash and cash equivalents	6,477,826	2,345,624	90,264	86,043

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits held with banks earns interest at the bank's prevailing fixed short-term deposits rates.

17. Cash and cash equivalents (cont'd)

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

	Group	
	2023	2022
	$	$
United States Dollar	1,084,517	1,719,338
Malaysia Ringgit	98,019	185,675
Euro	6,481	79,062

18. Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	$	$	$	$
Trade and other payables				
Trade payables	1,064,501	1,723,020	–	–
Other payables	51,164	97,696	26,674	17,773
Accrued operating expenses	689,823	863,611	284,610	330,389
Contract liabilities	40,090	41,125	–	–
Total trade and other payables	1,845,578	2,725,452	311,284	348,162
Less: Contract liabilities	(40,090)	(41,125)	–	–
Less: Goods and Services Tax ("GST") payables	(15,930)	(14,204)	(15,930)	(14,204)
Total financial liabilities carried at amortised cost	1,789,558	2,670,123	295,354	333,958

Contract liabilities

Revenue recognised that was included in the contract liability balance at the beginning of the year amounting to $Nil (2022: $9,000).

18. Trade and other payables (cont'd)

Trade and other payables

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

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

	Group	
	2023	**2022**
	$	$
United States Dollar	746,721	1,047,669
Malaysia Ringgit	193,327	257,706

Provisions

A provision has been recognised for reinstatement costs associated with removing leasehold improvements at premises leased by the Group's precision engineering operations.

Movement in provisions for reinstatement are as follows:

	Group
	$
At 1 July 2021, 30 June 2022 and 30 June 2023	35,000

19. Leases

Group as a lessee

The Group has lease contracts for leased premises, motor vehicles and office equipment used in the business operations, these leases do not contain restrictions concerning dividends, additional debt or further leasing.

The Group also has certain leases of properties with lease terms of 12 months or less. The Group applies the short-term recognition exemptions for these leases. The Group's lease liabilities for motor vehicles are secured by the lessor's title to the leased assets classified as right-of-use assets.

19. Leases (cont'd)

Group as a lessee (cont'd)

During the financial year, the Group renegotiated an existing lease contract for leased premises by extending the lease term for another 4 years. This is accounted as a lease modification with an addition to the right-of-use assets, presented under "Right-of-use assets". The corresponding remeasurement to lease liability is presented under "Lease liabilities" below.

(a) Carrying amounts of right-of-use assets

	Group			
	Leased premises	Motor vehicles	Leased office equipment	Total
	$	$	$	$
At 1 July 2021	477,597	78,215	–	555,812
Additions during the financial year	–	46,822	3,026	49,848
Reclassification to property, plant and equipment	–	(66,710)	–	(66,710)
Depreciation	(131,751)	(29,504)	(50)	(161,305)
At 30 June 2022 and 1 July 2022	345,846	28,823	2,976	377,645
Additions during the financial year	278,560	–	–	278,560
Reclassification to property, plant and equipment	–	(23,461)	–	(23,461)
Depreciation	(135,222)	(5,362)	(303)	(140,887)
At 30 June 2023	489,184	–	2,673	491,857

19. Leases (cont'd)

Group as a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the year.

(b) Lease liabilities

	Group
	$
At 1 July 2021	529,731
Addition	3,238
Accretion of interest	20,170
Repayments of principal and interest	(187,283)
At 30 June 2022 and 1 July 2022	365,856
Addition	278,560
Accretion of interest	21,001
Repayments of principal and interest	(158,165)
At 30 June 2023	507,252

	2023	2022
	$	$
Current	130,820	138,831
Non-current	376,432	227,025

There are no right-of-use assets and lease liabilities in the Company.

(c) Amounts recognised in consolidated income statement

	Group	
	2023	2022
	$	$
Depreciation charge for right-of-use assets	140,887	161,305
Interest expense on lease liabilities	21,001	20,170
Expense relating to short-term leases	18,477	22,563

(d) Total cash outflow

The Group had total cash outflows for leases of $176,642 in 2023 (2022: $209,846).

19. Leases (cont'd)

Group as a lessee (cont'd)

(e) Changes in liabilities arising from financing activities

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

	2022	Non-cash changes: Accretion of interest	Non-cash changes: Additions of new lease	Cash flows: Principal payment	Cash flows: Interest payment	2023
	$	$	$	$	$	$
Lease liabilities	365,856	21,001	278,560	(137,164)	(21,001)	507,252

	2021	Non-cash changes: Accretion of interest	Non-cash changes: Additions of new lease	Cash flows: Principal payment	Cash flows: Interest payment	2022
	$	$	$	$	$	$
Lease liabilities	529,731	20,170	3,238	(167,113)	(20,170)	365,856

(f) Extension options

The Group has several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises judgement in determining whether these extension options are reasonably certain to be exercised.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

For leases of leased premises, the following factors are normally the most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the group is typically, reasonably certain to extend.
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

20. Deferred taxation

Deferred assets as at 30 June relates to the following:

	Group			
	Statement of financial position		Consolidated income statement	
	2023	2022	2023	2022
	$	$	$	$
Deferred tax assets				
Provisions	7,203	10,907	(3,704)	905

	Company	
	Statement of financial position	
	2023	2022
	$	$
Deferred tax assets		
Provisions	7,203	10,907

Deferred tax assets have not been recognised in respect of the following items, because it is not probable that future taxable profit will be available against which the Group can use the benefit therefrom.

	Group	
	2023	2022
	$	$
Unutilised tax losses	3,282,453	1,479,215
Unabsorbed capital allowances	407,846	391,367
Deductible temporary differences	690,575	476,121
	4,380,874	2,346,703

21. Share capital

	Group and Company			
	2023		2022	
	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

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. 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	
	2023	2022
	$	$
At beginning of the year	(162,130)	(165,596)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(23,185)	3,466
At end of the year	(185,315)	(162,130)

23. Commitments and contingent liabilities

(a) Capital commitments

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

	Group	
	2023	2022
	$	$
Capital commitments in respect to property, plant and equipment	6,000	28,000

At the end of the financial years ended 30 June 2023 and 30 June 2022, these commitments mainly relate to the renovation and electrical installation of the factory building of the Group's manufacturing operations in Malaysia.

23. Commitments and contingent liabilities (cont'd)

(b) Contingent liabilities

Corporate guarantees

At the end of the reporting period, the Company had a corporate guarantee amounting to approximately $7,100,000 (2022: $7,100,000) in favour of a financial institution for banking facilities granted to and utilised by a subsidiary company (Note 29). The fair value of such guarantee 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 above mentioned corporate guarantee amounted to approximately $500 (2022: $1,000).

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	
	2023	**2022**
	$	$
Income		
Management fee income from subsidiary companies	1,047,600	1,117,800

24. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group 2023	Group 2022
	$	$
Salaries and other short-term employee benefits	1,035,572	1,181,918
Contributions to defined contribution plans	52,650	61,386
	1,088,222	1,243,304
Comprise amounts paid/payable to:		
- Directors of the Company	713,805	780,754
- Other key management personnel	374,417	462,550
	1,088,222	1,243,304

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

25. Fair value of assets and liabilities

(a) 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$ – 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**
2023				
Assets measured at fair value				
Financial assets:				
Short-term investment (Note 16)	–	–	–	–

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

(a) Assets and liabilities measured at fair value

	Group			
	S$			
	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**
2022				
Assets measured at fair value				
Financial assets:				
Short-term investment (Note 16)	1,301,899	–	–	1,301,899

(b) 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 and other receivables (Note 13), loan to a subsidiary company (Note 14), cash and cash equivalents (Note 17), fixed deposits (Note 15), trade and other payables (Note 18).

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

26. Financial risk management objectives and policies

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.

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

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 fixed deposits and short-term investment.

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.

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 reporting date based on the contractual undiscounted payments.

2023 **Group**	**Within 1 year** $	**1 to 5 years** $	**Total** $
Financial assets:			
Trade and other receivables (excluding GST receivables)	2,154,128	71,480	2,225,608
Cash and cash equivalents (Note 17)	6,477,826	–	6,477,826
Total undiscounted financial assets	8,631,954	71,480	8,703,434
Financial liabilities and lease liabilities:			
Trade and other payables (excluding GST payables and contract liabilities) (Note 18)	(1,789,558)	–	(1,789,558)
Lease liabilities	(153,232)	(408,867)	(562,099)
Total undiscounted financial liabilities	(1,942,790)	(408,867)	(2,351,657)
Total net undiscounted financial assets/(liabilities)	6,689,164	(337,387)	6,351,777

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

Liquidity risk (cont'd)

2022 Group	Within 1 year $	1 to 5 years $	Total $
Financial assets:			
Trade and other receivables (excluding GST receivables)	2,854,882	73,989	2,928,871
Short-term investment (Note 16)	1,301,899	–	1,301,899
Fixed deposits (Note 15)	5,021,776	–	5,021,776
Cash and cash equivalents (Note 17)	2,345,624	–	2,345,624
Total undiscounted financial assets	11,524,181	73,989	11,598,170
Financial liabilities and lease liabilities:			
Trade and other payables (excluding GST payables and contract liabilities) (Note 18)	(2,670,123)	–	(2,670,123)
Lease liabilities	(153,931)	(237,054)	(390,985)
Total undiscounted financial liabilities	(2,824,054)	(237,054)	(3,061,108)
Total net undiscounted financial assets/(liabilities)	8,700,127	(163,065)	8,537,062

2023 Company	Within 1 year $	1 to 5 years $	Total $
Financial assets:			
Loan to a subsidiary company (Note 14)	4,030,000	–	4,030,000
Due from subsidiary companies (non-trade) (Note 13)	1,950,066	–	1,950,066
Cash and cash equivalents (Note 17)	90,264	–	90,264
Total undiscounted financial assets	6,070,330	–	6,070,330
Financial liabilities:			
Other payables (excluding GST payables) (Note 18)	(295,354)	–	(295,354)
Total undiscounted financial liabilities	(295,354)	–	(295,354)
Total net undiscounted financial assets	5,774,976	–	5,774,976

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

Liquidity risk (cont'd)

	Within 1 year $	1 to 5 years $	Total $
2022			
Company			
Financial assets:			
Loan to a subsidiary company (Note 14)	4,030,000	–	4,030,000
Due from subsidiary companies (non-trade) (Note 13)	1,936,516	–	1,936,516
Cash and cash equivalents (Note 17)	86,043	–	86,043
Total undiscounted financial assets	6,052,559	–	6,052,559
Financial liabilities:			
Other payables (excluding GST payables) (Note 18)	(333,958)	–	(333,958)
Total undiscounted financial liabilities	(333,958)	–	(333,958)
Total net undiscounted financial assets	5,718,601	–	5,718,601

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 reporting date, the Group has 59% (2022: 73%) of its trade receivables relating to two (2022: two) customers. The carrying amount of trade and other receivables, fixed deposits, short-term investment and cash and cash equivalents represent the Group's maximum exposure to credit risk. Fixed deposits, short-term investment and cash and cash equivalents are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains allowance for ECL 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, and analysed for forward-looking information which incorporated forecasted macro economic factors, such as contraction of gross domestic product and the probability of default from customers. The provision matrix is disclosed in Note 13.

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

Credit risk (cont'd)

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

- A nominal amount of $7,100,000 (2022: $7,100,000) relating to a corporate guarantee provided by the Company to a bank in relation to a subsidiary company's bank facilities (Note 23(b) and Note 29).

- 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/region 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 reporting date is as follows:

	Group			
	2023		2022	
	$	% of total	$	% of total
By country/region:				
Singapore	93,735	4	29,736	1
Asean excluding Singapore	606,378	30	1,220,797	45
America and Europe	1,311,587	65	1,462,994	53
People's Republic of China	9,988	1	17,580	1
	2,021,688	100	2,731,107	100
By operating segments:				
Precision engineering	773,095	38	1,275,874	47
Trading and distribution	1,248,593	62	1,455,233	53
	2,021,688	100	2,731,107	100

Loan to a subsidiary company and due from subsidiary companies (non-trade) are provided under the overall group cash management strategy. There is no significant change in credit risk at the end of the financial year 30 June 2023 and 2022.

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. The foreign currencies in which these transactions are denominated are mainly in 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 Notes 13, 17 and 18.

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

Foreign currency risk (cont'd)

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	
	2023	**2022**
	$'000	$'000
USD/SGD - strengthened 5% (2022: 5%)	64	96
- weakened 5% (2022: 5%)	(64)	(96)

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 segments 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.

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 2023 and 2022.

2023	Precision engineering	Trading and distribution	Investment and management services	Adjustments and eliminations	Note	Total
	$	$	$	$		$
Revenue						
Sales to external customers	3,845,683	4,786,530	–	–		8,632,213
Inter-segment sales	–	–	1,047,600	(1,047,600)	A	–
Total revenue	3,845,683	4,786,530	1,047,600	(1,047,600)		8,632,213
Results						
Interest income	141,899	–	–	–		141,899
Interest expense - lease liabilities	(21,001)	–	–	–		(21,001)
Depreciation of plant and equipment	(190,440)	(1,517)	(11,776)	–		(203,733)
Depreciation of right-of-use assets	(140,887)	–	–	–		(140,887)
Amortisation of intangible assets	(5,345)	–	(738)	–		(6,083)
Other non-cash movements	34,304	–	–	–	B	34,304
Taxation	(24)	–	(3,704)	–		(3,728)
Segment (loss)/profit	(2,306,249)	219,249	40,495	749		(2,045,756)
Group						
Assets						
Additions to non-current assets	102,503	687	2,330	–	C	105,520
Segment assets	13,139,294	1,748,470	14,509,922	(14,579,182)	D	14,818,504
Liabilities						
Segment liabilities	7,462,884	836,509	311,284	(6,222,847)	E	2,387,830

27. Segment information (cont'd)

(a) Operating segments (cont'd)

2022	Precision engineering	Trading and distribution	Investment and management services	Adjustments and eliminations	Note	Total
	$	$	$	$		$
Revenue						
Sales to external customers	6,495,907	5,180,823	–	–		11,676,730
Inter-segment sales	–	–	1,117,800	(1,117,800)	A	–
Total revenue	6,495,907	5,180,823	1,117,800	(1,117,800)		11,676,730
Results						
Interest income	26,289	–	–	–		26,289
Interest expense - lease liabilities	(20,170)	–	–	–		(20,170)
Depreciation of plant and equipment	(178,253)	(1,582)	(11,013)	–		(190,848)
Depreciation of right-of-use assets	(161,305)	–	–	–		(161,305)
Amortisation of intangible assets	(17,457)	–	(640)	–		(18,097)
Other non-cash movements	(48,293)	(393)	–	–	B	(48,686)
Taxation	–	(1,126)	(2,028)	–		(3,154)
Segment (loss)/profit	(1,343,857)	239,225	98,530	(252)		(1,006,354)
Group						
Assets						
Additions to non-current assets	156,982	–	2,690	–	C	159,672
Segment assets	15,318,197	2,420,081	14,506,642	(14,614,857)	D	17,630,063
Liabilities						
Segment liabilities	7,332,351	1,708,120	348,499	(6,258,522)	E	3,130,448

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

27. Segment information (cont'd)

(a) Operating segments (cont'd)

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

B *Other non-cash movements consist of net reversal of previously written down inventories amounting to $34,129 (2022: write-down of inventories $48,862), write-off of inventories amounting to $15,080 (2022: $Nil), gain on short-term investments amounting to $15,345 (2022: $1,899), loss on disposal of property, plant and equipment amounting to $Nil (2022: $958) and write-off of property, plant and equipment amounting to $90 (2022: $765) 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 statements of financial position:*

	2023	**2022**
	$	$
Investments in subsidiary companies	(8,356,335)	(8,356,335)
Inter-segment assets	(6,222,847)	(6,258,522)
	(14,579,182)	(14,614,857)

E *The following item is deducted from segment liabilities to arrive at total liabilities reported in the statements of financial position:*

	2023	**2022**
	$	$
Inter-segment liabilities	(6,222,847)	(6,258,522)

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 $
2023		
Singapore	323,860	865,853
United States of America	4,657,881	–
Thailand	2,716,499	–
Ireland	732,568	–
Malaysia	112,869	3,433,309
Others	88,536	–
Total	8,632,213	4,299,162
2022		
Singapore	170,797	834,444
United States of America	5,184,709	–
Thailand	5,209,982	–
Ireland	832,015	–
Malaysia	110,076	3,688,320
Others	169,151	–
Total	11,676,730	4,522,764

Non-current assets information presented above consist of property, plant and equipment, right-of-use assets, intangible assets, deferred tax assets and other receivables as presented in the statements of financial position.

Information about major customers

The Group derives revenue from four (2022: four) major customers from the operating segments as follows:

	2023 $	2022 $
Customer A	2,700,357	5,182,406
Customer B	2,631,959	2,740,462
Customer C	1,794,213	2,175,258
Customer D	732,568	832,015
	7,859,097	10,930,141

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, trade payables, other payables and lease liabilities, less cash and cash equivalents as well as fixed deposits. 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	
	2023	**2022**
	$	$
Trade and other payables (Note 18)	1,845,578	2,725,452
Lease liabilities (Note 19)	507,252	365,856
Less: Cash and cash equivalents (Note 17)	(6,477,826)	(2,345,624)
Fixed deposits (Note 15)	–	(5,021,776)
Net debt	(4,124,996)	(4,276,092)
Equity attributable to the owners of the Company	12,430,674	14,499,615
Capital and net debt	8,305,678	10,223,523
Gearing ratio	N/M*	N/M*

* N/M – Not meaningful

29. Subsequent event

On 7 September 2023, the Company has been released from its contingent liability as a corporate guarantor to a bank for banking facilities granted to a subsidiary company (Note 23 (b) and Note 26). Accordingly, the contingent liability has been discharged.

30. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2023 were authorised for issue in accordance with a resolution of the directors on 29 September 2023.

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 2018 ("2018 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

Principle 1: The Board's Conduct of Affairs

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

Provision 1.1 – Principal functions of the Board

Directors are fiduciaries who act objectively in the best interests of the Company and hold management accountable for performance.

The Board is collectively responsible for the long-term success of the Group and 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 and constructively challenge 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) instil an ethical corporate culture and ensure that the Company's values, standards, policies and practices are consistent with the culture;
(ix) 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;
(x) identifies the key stakeholder groups and recognise that their perceptions affect the Group's reputation and ensure transparency and accountability to key stakeholder groups; and
(xi) 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.

Each director is required to promptly disclose any conflicts or potential conflicts of interest, whether direct or indirect, in relation to a transaction contemplated by the Group. Where a potential conflict of interest arises, the Director concerned does not participate in discussion and refrains from exercising any influence over other members of the Board.

BOARD MATTERS (CONT'D)

Provision 1.2 – Directors' orientation and training

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 the financial year ended 30 June 2023 ("FY2023"), 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. In addition, the Company works closely with professionals to provide the Board with updates on changes to relevant laws, regulations and accounting standards.

Going forward, the Nominating Committee will and in accordance with Rule 406(3)(a) of the Rules of Catalist, ensure that any new director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, must undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST at the Company's expense. During FY2023, no new Director was appointed to the Board.

Provision 1.3 - Matters for Board Approval

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) reviewing and approving Sustainability Report of the Group;
(g) corporate restructuring and share issuance; and
(h) significant acquisitions and disposals.

Non-Executive Directors are encouraged to constructively challenge and help develop proposals on strategy.

Provision 1.4 – Delegation by the Board

All of the Company's Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Group. To facilitate effective management, the Board delegates such functions and authority to the Board Committees without abdicating its responsibility. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee (each a "Board Committee"), operates within clearly defined terms of reference and functional procedures. Each of these committees reports its activities regularly to the Board.

BOARD MATTERS (CONT'D)

Below are the composition of the Board and the Board Committee members:-

Director	Board	Audit Committee	Nominating Committee	Remuneration Committee	Sustainability Committee
Lee Keen Whye	Non-Executive Chairman and Independent Director	Chairman	Member	Chairman	Chairman
Tan Chee Hawai	Group Managing Director / Executive Director	-	Member	-	Member
Ch'ng Jit Koon	Independent Director	Member	Chairman	Member	-
Heng Kheng Hwai	Non-Independent and Non-Executive Director	Member	-	-	-
Ng Weng Wei	Executive Director	-	-	Member	Member
Tan Sin Hock	Non-Independent and Non-Executive Director	-	-	-	-

Provision 1.5 – Board meetings, attendance and multiple commitments

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 FY2023 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 (25 October 2021)	3	3	3	3	1	1	1	1
Tan Chee Hawai	Group Managing Director/ Executive Director	11 June 2012 (24 October 2019)	3	3	3	3#	1	1#	1	1
Ng Weng Wei	Executive Director	12 March 2001 (27 October 2020)	3	3	3	3#	1	1	1	NA
Tan Sin Hock*	Non-Executive Director	12 March 2001 (24 October 2019)	3	3	3	3#	1	NA	1	NA
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (25 October 2021)	3	3	3	3	1	1#	1	1#
Ch'ng Jit Koon**	Independent Non-Executive Director	12 March 2001 (25 October 2021)	3	3	3	3	1	1	1	1

Notes:
NA: Not applicable
#: Attendance by invitation
**: Mr Tan Sin Hock was redesignated as Non-Executive Director in December 2021.*
***: Mr Ch'ng Jit Koon will not be seeking re-election and will retire as a Director at the forthcoming Annual General Meeting.*

BOARD MATTERS (CONT'D)

All Directors are required to declare their board appointments. When a director has multiple board representation, the Nominating Committee will consider whether the director is able to adequately carry out his/her duties as a director of the Company, taking into consideration the director's number of listed company board representations and other principal commitments. The Nominating Committee has reviewed and is satisfied that notwithstanding their multiple board appointments, Mr Lee Keen Whye who sit on multiple boards, have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge their duties as Directors of the Company.

Provision 1.6 – Access to information

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.

Provision 1.7 – Access to Management and Company Secretary

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.

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.

The appointment and the removal of the company secretaries are subject to the approval of the Board.

Principle 2: Board Composition and Guidance

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

Provision 2.1 – Board Independence

As set out under the 2018 Code, an independent director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company. The Nominating Committee assesses and reviews annually the independence of a director bearing in mind the salient factors as set out under the 2018 Code as well as all other relevant circumstances and facts.

BOARD MATTERS (CONT'D)

Each Independent Director is required to complete a Confirmation of Independence Form annually to confirm his independence based on the 2018 Code. The Directors must also confirm whether they consider themselves independent despite not having any relationship identified in the 2018 Code. Based on the confirmation of independence submitted by the Independent Directors, the Nominating Committee was of the view that each Independent Director is independent on the following basis:

(a) The Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the Remuneration Committee.

(b) None of the Independent Directors and their immediate family member had in the current or immediate past financial year (i) provided or received payments from the Group aggregated over any financial year in excess of S$50,000/- for services other than compensation for board service; or (ii) was a substantial shareholder, partner, executive officer or a director of any organisation which provided or received payments from the Group aggregated over any financial year in excess of S$200,000/- for services rendered.

(c) None of the Independent Directors are directly associated with a substantial shareholder of the Company in the current or immediate past financial year.

Independent Director served on the Board for more than nine years since the date of his first appointment

The Nominating Committee 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 2018 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 Nominating Committee, 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 Nominating Committee 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, 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.

ADDITIONAL INFORMATION

BOARD MATTERS (CONT'D)

In accordance with Rule 406(3)(d)(iii) of the Rules of Catalist that came into effect on or after 1 January 2022, Mr. Ch'ng Jit Koon and Mr. Lee Keen Whye who were first appointed as independent directors on 12 March 2001,have sought for shareholders' approval at the previous annual general meeting held on 25 October 2021 for their continued appointment as independent directors of the Company in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the CEO of the issuer, and associates of such directors and CEO (the "Two-Tier Voting Process"). Such resolutions approved by a Two-Tier Voting Process may remain in force for three years from the conclusion of the AGM, following the passing of the resolutions or the retirement or resignation of the director, whichever is the earlier.

Singapore Exchange Regulation ("SGX RegCo") has announced on 11 January 2023 that it will limit to nine years the tenure of independent directors (IDs) serving on the boards of listed issuers.

Mr. Lee Keen Whye and Mr. Ch'ng Jit Koon had each served for an aggregate period of more than nine (9) years on the Board and as such, they would not be considered as Independent Directors after the conclusion of the AGM to be held in 2024 for the financial year ending 30 June 2024. As Mr. Ch'ng Jit Koon will not be seeking re-election and will retire as a Director at the forthcoming AGM, the Board has commenced its search for a new independent director and would take into account of the Group and Board's requirements and Board diversity.

Provisions 2.2, 2.3 and 2.4 – Board composition and diversity

The Board comprises six directors, which consist of two Independent Directors, two Non-Executive Directors and two Executive Directors. The Chairman is an independent and Non-executive director. As the Independent Directors make up at least one third of the Board, the Company has complied with Rule 406(3)(c) of the Rules of Catalist.

The Company has complied with Provision 2.3 of the 2018 Code, with four (4) non-executive directors and two (2) Executive Directors of a total of six (6) 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 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 105 to 106 of the Annual Report. Upon Mr Ch'ng Jit Koon's retirement at the forthcoming AGM, the Company will not be in compliance with Rules 704(7) of the Catalist Rules whereby the Audit Committee of the Company must have a minimum of 3 members and Rule 406(3)(c) of the Catalist Rules whereby the Board must have at least 2 non-executive directors who are independent and free of any material business or financial connection with the Company. In addition, the Company does not comply with provisions 4.2, 6.2 and 10.2 of the Singapore Code of Corporate Governance 2018 with regards to the compositions of the Audit Committee, Nominating Committee and Remuneration Committee of the Company respectively. The Company shall endeavour to fill the vacancy with regards to the Board, the Audit Committee, Nominating Committee and Remuneration Committee within 2 months, and in any case not later than 3 months from the effective date of Mr Ch'ng Jit Koon's retirement.

BOARD MATTERS (CONT'D)

The Company recognises and embraces the benefits of diversity of experience, skill sets, gender, age and ethnics on the Board ("**Board Diversity**") and had adopted a written Board Diversity Policy to comply with Rule 710A of the Catalist Rules during the year. The Company views Board Diversity as an essential element to attain its strategic objectives and sustainable development. The Board comprises Directors who as a group provide core competencies such as accounting and finance, business management experience and industry knowledge. The Board also has one female director. During Board meetings, the non-executive directors participated actively in discussions on key matters pertaining to the Group. They give constructive comments and suggestions to help develop the Group's strategic and business plans. They review the performance of management in meeting goals and objectives and evaluate their performance. The Nominating Committee will continue to assess on an annual basis the diversity of the Board and ensure that the diversity would be relevant to the business of the Group. The Board believes that the practices adopted above are consistent with the intent of Provision 2.4 of the 2018 Code.

Provision 2.5 – Non-executive directors and/or independent directors meet without presence of management

The Non-Executive Directors 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.

The Non-Executive Independent Directors have met in the absence of key management personnel in FY2023. The Chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

Principle 3: Chairman and Chief Executive Officer

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

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.

Provision 3.1 – Separation of the role of the Chairman and the CEO

Mr Lee Keen Whye, the Chairman of the Company (the "Chairman") is not part of the Management team. 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.

BOARD MATTERS (CONT'D)

Provision 3.2 – Role of the Chairman and the CEO

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) 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) 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 all directors including 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 roles of the Chairman and CEO are separate to ensure a clear distinction of responsibilities, increased accountability and greater capacity of the Board for independent decision-making. Through a consensus of the Board, a division of responsibilities and functions between the two roles has been established.

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.

Provision 3.3 - Lead Independent Director

Provision 3.3 provides that the Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent.

As our Chairman is an independent director, the Board has determined that it is not required to appoint a Lead Independent Director.

BOARD MATTERS (CONT'D)

Principle 4: Board Membership

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

Provision 4.1 and 4.2 – Composition of the Nominating Committee

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;

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 2018 Code as may be applicable;

NOMINATING COMMITTEE (CONT'D)

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.

Provision 4.3: Process for selection, appointment and re-appointment of directors

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 set, 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 candidate 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.

Provision 4.4 – Independent review of Directors

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually based on the 2018 Code and the Catalist Rules and have affirmed that Mr Lee Keen Whye and Mr Ch'ng Jit Koon are independent. Following the review mentioned in Principle 2, the NC is satisfied that at least one-third of the Board comprises Independent Directors.

NOMINATING COMMITTEE (CONT'D)

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 Annual General Meeting ("AGM"), In addition, Rule 720(4) of the Rules of Catalist, a listed issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years. Accordingly, Mr. Ng Weng Wei and Mr. Ch'ng Jit Koon are required to retire by rotation at the forthcoming AGM. The NC has recommended Mr. Ng Weng Wei to be nominated for re-election as Director 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 Director Mr. Ng Weng Wei being eligible, had consented to continue in office and would seek re-election/re-appointment at the forthcoming AGM. The other retiring Director, Mr Ch'ng Jit Koon will not be seeking re-election and will retire as a Director at the forthcoming AGM. The Board has commenced its search for a new independent director and shall endeavour to fill the vacancy with regards to the Board, the Audit Committee, Nominating Committee and Remuneration Committee within 2 months, and in any case not later than 3 months from the effective date of Mr. Ch'ng Jit Koon's retirement. The Board would also take into account of the Group and Board requirements and Board diversity.

Currently, the Board does not have any alternate Directors.

Provision 4.5 - Commitments of Directors

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 Company has varied from Practice Guideline 4.4 in not setting 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 Company is of the view that the directors can and have been adequately carrying out their duties by contributing sufficient time and attention to the Group's affairs. Both independent directors do not hold any other listed board directorship other than the Company.

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 Ng Weng Wei
Date of appointment	12 March 2001
Date of last re-appointment	27 October 2020
Age	53
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Mr Ng worked as a Senior Accountant at an international accounting firm in Sydney from 1994 to 1996 and was a Manager in an international accounting firm in Singapore prior to joining the Group in March 2000. 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.
Whether the appointment is executive and if so, please state the area of responsibility	Executive. Oversees the accounting, human resources and administrative functions as well as information systems in the Group. In addition, also handle the Group's corporate finance and treasury activities, and being involved in the development of the business policies.
Job title (e.g. Lead ID, AC Chairman, AC member, etc)	• Executive Director • Member of Remuneration and Sustainability Committees.
Professional memberships/ qualifications	Mr Ng 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.
Working experience and occupation(s) during the past 10 years	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.
Shareholding interest in the Company and its subsidiaries	Please refer to Directors' Statement on the Director's Interests on page 10.

NOMINATING COMMITTEE (CONT'D)

Key Information	Name of Director Ng Weng Wei
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	Nil
Conflict of Interest (including any competing business)	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?	Yes
Current directorships - **Private companies**	 • Santak Metal Manufacturing Pte. Ltd. • Santak Industrial Pte. Ltd. • Santak Precision Metal Parts Sdn Bhd
Past directorships (in the last 5 years) - **Private companies**	 • Santak Electronics Pte Ltd • Santak Electronics Sdn Bhd • Santak Metal Manufacturing (Wuxi) Co. Ltd • Wuxi Tech Precision Engineering Co. Ltd • T.N.K. Precision Engineering Work Pte. Ltd.
Any prior experience as a director of an issuer listed on the Exchange?	Not applicable. This is a re-election of a director.

NOMINATING COMMITTEE (CONT'D)

The general statutory disclosures of the Directors are as follows:		**Ng Weng Wei**
(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
(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
(c)	Whether there is any unsatisfied judgment against him?	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?	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
(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
(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
(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?	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

NOMINATING COMMITTEE (CONT'D)

The general statutory disclosures of the Directors are as follows:			**Ng Weng Wei**
(j)	Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-		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
	(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
	(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
	(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
(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

NOMINATING COMMITTEE (CONT'D)

Principle 5: Board Performance

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

The NC has established a process for assessing the effectiveness of the Board as a whole for the long term performance of the Group. Board performance evaluation is carried out on an annual basis to assess and evaluate the Board's structure including size and competency, independence, the Board's access to information as well as Board accountability and processes, corporate strategy and planning, risk management and internal controls, monitoring of management performance, reviewing and compensation of Directors and key executives, financial reporting and communicating with shareholders.

The board evaluation process involves having directors complete the board assessment checklist. The results of the performance evaluation will be compiled by the Company Secretary into a summary report and reported to the NC Chairman before discussing at the NC meeting and reporting to the Board. The individual directors also complete a self individual director checklist annually. The NC assessed the Board's performance as a whole in FY2023 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory.

The Board has not engaged any external facilitator in conducting the assessment of Board performance. Where relevant, the NC will consider such engagement.

Principle 6: Procedures for developing remuneration policies

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

Provision 6.1 and 6.2 – Composition of the Remuneration Committee

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. Although the Company's composition of RC has varied from Provision 6.2 where all the RC members should be non-executive directors, 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 is not involved in deciding his own remuneration. Other than the existing two Independent Directors, Mr Ng is the only director who does not have family relationship with the rest of the directors and he is a working professional with responsibilities and roles being the Executive Director for Group Finance and Administration. The Board and NC are of the view that for the past years, Mr Ng has been able to perform his role as member of RC independently. Mr Ng contributes to the discussion by providing the perspective from management's point of view. The RC had adopted a set of written terms of reference, which sets out its functions and responsibilities.

RENUMERATION COMMITTEE (CONT'D)

The key terms of reference of the RC includes the following functions:-

(i) make recommendations to the Board a framework of remuneration for the Board and key management personnel of the Group;
(ii) review the specific remuneration packages for each Director (executive, non-executive and independent) as well as for the key management personnel;
(iii) review the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service, to ensure that such clauses are fair and reasonable and not overly generous;
(iv) consider whether Directors, and key management personnel should be eligible for benefits under share schemes and such other long-term incentive schemes as may from time to time be implemented.

Provision 6.3 – Remuneration framework

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.

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.

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 was 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.

Provision 6.4 – Remuneration consultant

If necessary, the RC can seek appropriate expert advice inside and/or outside the Company on remuneration of all the Directors. No remuneration consultant was engaged by the Company during FY2023.

RENUMERATION COMMITTEE (CONT'D)

Principle 7: Level and mix of remuneration

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

Provision 7.1 and 7.3 – Remuneration of Executive Directors and Key Management

The RC conducts annual reviews of the compensation to ensure that the remuneration of the Executive Directors and key Management executives commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group.

There are no termination, retirement and post-employment benefits that are under any contractual provisions 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 circumstances 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 remuneration packages of the Executive Director and key management personnel comprise a basic salary component and a variable component which is based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

The Santak Share Option Scheme 2001 had expired on 12 March 2016 and the Company currently does not has any long-term incentive scheme or share-based compensation scheme. The RC will consider implementation of such long term incentive scheme when deemed necessary.

Provision 7.2 – Remuneration of Non-Executive Directors

The Independent Directors receive Directors' fees, in accordance with their contribution, considering factors such as effort and time spent and responsibilities of the Directors. The Directors' fees are recommended by the entire Board for shareholders' approval at each annual general meeting. No Director is involved in determining his own remuneration.

The Company currently does not have a formal service contract with the Independent Directors.

DISCLOSURE ON REMUNERATION

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 – Disclosure of remuneration

The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that while the 2018 Code recommends companies to fully disclose the amount and breakdown of remuneration of each Director, the CEO and key management executives (who are not directors or the CEO) on the named basis, the Board is of the opinion that it would not be in the interests of the Company as such information is confidential and sensitive in nature, and can be exploited by competitors. As such, the Board has deviated from complying with Provision 8.1 of the 2018 Code and provided a breakdown, showing the level and mix of each director and CEO in the bands of S$250,000 for FY2023.

The following table shows a breakdown of the remuneration of Directors of the Company for FY2023.

DIRECTORS' REMUNERATION

Remuneration Bands	Salary	Bonus	Fee[1]	Other	Total
Directors	**%**	**%**	**%**	**%**	**%**
Below S$250,000					
Lee Keen Whye	–	–	100	–	100
Ng Weng Wei	82	–	7	11	100
Tan Sin Hock	–	–	100	–	100
Heng Kheng Hwai	–	–	100	–	100
Ch'ng Jit Koon[2]	–	–	100	–	100
Between S$250,000 - S$500,000					
Tan Chee Hawai	90	–	4	6	100

Notes:

(1) These fees are subject to the approval of the shareholders at the AGM for FY2023. Non-Executive Directors are paid Directors' fees compensated based on time and effort.

(2) Mr. Ch'ng Jit Koon will not be seeking re-election and will retire as a Director at the forthcoming Annual General Meeting.

DISCLOSURE ON REMUNERATION (CONT'D)

The Board is also of the opinion that it is not in the best interest of the Company to disclose the exact details of the names, remuneration and annual aggregate of total remuneration of key management executives as such information is confidential and sensitive in nature and due to competitiveness in the industry for talent. The Group has four key management executives who are not Directors or the CEO. A breakdown, showing the level of the four key management executive's remuneration (who are not Directors or the CEO) in bands of S$250,000 for FY2023 is set out below:–

MANAGEMENT EXECUTIVES' REMUNERATION

Remuneration Bands	Salary	Bonus	Other	Total
Management Executives	**%**	**%**	**%**	**%**
Below S$250,000				
Lim Hwee Teen	85	-	15	100
Soh Cheng Lock	90	-	10	100
Leong Yoke May	59	31	10	100
Loo Hwee Beng(1)	99	-	1	100

Notes:
(1) Mr Loo Hwee Beng resigned from the Group on 3rd July 2022.

Provision 8.2 – Remuneration of related employees

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 FY2023, there is no employee whose remuneration exceeds S$100,000 who are substantial shareholders of the Company or are immediate family members of a director, the CEO or a substantial shareholder of the Company.

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 company does not have a long incentive scheme. 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.

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.

DISCLOSURE ON REMUNERATION (CONT'D)

Principle 9: Risk Management and Internal Controls

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

Provision 9.1 – Nature and extent of risks

The Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

The 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 auditor and the external auditor 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.

The Group's material risks can be broadly classified as follows:

Operational Risks

The main operational risks faced by the Group include our dependence on the hard disk drive, security/access control systems, oil & gas, fibre optics, 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 monitoring the current uncertain and challenging economic or market downturn, 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.

DISCLOSURE ON REMUNERATION (CONT'D)

Compliance Risks

Compliance with local laws and government policies or regulations in Singapore and Malaysia are monitored by the management. The Board is also responsible for ensuring compliance with legislative and regulatory requirements, including requirements under the Rules of Catalist. In line with the Rules of Catalist, the Board provides a negative assurance statement to the shareholders in its half yearly financial statement announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company also completes and submits compliance checklists to the continuing sponsor of the Company (if applicable and when required) to ensure that all announcements, circulars or letters to shareholders comply with the requirements set out in the SGX-ST Listing Manual.

Management regularly (and as and when requested) presents the Board with the Group's half-yearly financial results, prospects and annual financial statements to enable the Board to discharge its duties and responsibilities. When there are major developments in the Group's businesses, Board members may arrange to visit the subsidiaries' offices and plants to obtain updates and also to gain a further understanding of the Group's latest businesses and operating environments. In this respect, Management provides the Board with a balanced and understandable assessment of the Group's performance, position and prospects on a regular basis.

Financial risks

Some of the financial risks such as liquidity risk, credit risk and foreign currency risk are set out in the note 26 to the Financial Statements, on pages 66 to 71 of this Annual Report.

The Board did not establish a separate board risk committee as the Board is already currently assisted by the AC and management in carrying out its responsibility of overseeing the Company's internal controls and risk management systems framework and policies.

Provision 9.2 – Assurance from the CEO and CFO

The Board has 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.

Based on the internal controls established and maintained by the Group, work performed by the internal auditor, the external auditor and ISO 9001 auditor 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.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

Provision 10.1, 10.2 and 10.3 – Composition of the Audit Committee

The Board has established an Audit committee ("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.

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 significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and announcements relating to company's financial performance;
(6) reviewing the assurance from the CEO and the Chief Financial Officer ("CFO") on the financial records and financial statements;
(7) reviewing half-year and full year financial results before submission to the Board for approval;
(8) reviewing the adequacy, independence, effectiveness, objectivity, scope and results of external audit annually and the nomination of the re-appointment of external auditors of the Company;
(9) 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;
(10) reviewing the assistance given by the management to the external auditors and internal auditors;
(11) reviewing interested person transactions falling within the scope of the Rules of Catalist;
(12) reviewing the adequacy and effectiveness of the Company's internal audit function; and
(13) 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.

AUDIT COMMITTEE (CONT'D)

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 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. The Whistle-blowing policy of the Company has designated an independent function, the AC, to investigate whistleblowing reports made in good faith, ensures that the identity of the whistleblower is kept confidential, discloses its commitment to ensure protection of the whistleblower against detrimental or unfair treatment and the AC is responsible for oversight and monitoring of whistleblowing. Concerns or information should be raised in person or provided in writing to the AC. The Group assures the whistle-blower that any concern raised or information provided will be investigated. For the financial year ended 30 June 2023, there were no reported incidents pertaining to whistle blowing.

No former partner or Director of the Company's existing auditing firm or audit corporation is a member of the AC (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

Each member of the AC abstains from voting on any resolutions and making any recommendation and/or participating in discussion on matters in which he is interested.

The AC has reviewed the Management's assessment and discussed with the external auditors about the identified key audit matters (refer to pages 13 to 15 of this Annual Report); and how those key audit matters have been addressed by the external auditor. Having considered the Management's assessment; and the approach taken by the external auditor and their findings, the AC is satisfied with the basis and estimates adopted by the Group.

Provision 10.4 – Internal audit function

The Group has outsourced its internal audit function to Audit Alliance LLP, a reputable public accounting firm registered in Singapore on an on-going basis. Audit Alliance LLP is a public accounting firm registered in Singapore and had audited Public Interest Entity included entities listed in Singapore or overseas. Audit Alliance LLP is an accredited auditor approved by the Public Company Accounting Oversight Board (PCAOB). It is also a member firm of Allinial Global. It is currently auditors of entities listed on New York Stock Exchange. The engagement team for this engagement comprises a partner, manager and experienced supporting staff. The engagement partner has more than 25 years of relevant experiences for both listed and private entities ranging from trading, manufacturing, logistics, technology, etc.

The internal auditors report directly to the Chairman of the AC on internal audit matters. The AC approves the appointment, termination, evaluation and compensation of the internal auditors. The Internal auditors carry out their audit works in accordance with the International 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.

AUDIT COMMITTEE (CONT'D)

The AC has reviewed the adequacy, effectiveness and independence of the internal auditor function at least annually and is satisfied that the internal audit function is effective and independence and the internal auditor is 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 auditor has unfettered access to all the Group's documents, records, properties and personnel including access to the AC.

Provision 10.5 – AC activities during the year

The accounts of the Company's significant subsidiary companies are audited by Grant Thornton Audit LLP, an auditing firm registered with the Accounting and Corporate Regulatory Authority (ACRA).

The AC meets with the external and internal 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 and internal 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.

In relation to the re-appointment of the external auditors, the AC has conducted an annual review of the performance of the external auditors taking into consideration the Audit Quality Indicators Disclosure Framework recommended by ACRA as reference. 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 43. 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.

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects

Provision 11.1, 11.2, 11.3 and 11.4 – Conduct of general meetings

The annual reports and/or circulars and notice of general meetings are 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 committee. The external auditors are also present to assist the Directors in addressing any relevant queries from the Shareholders.

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS (CONT'D)

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.

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 1967, 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.

An independent professional firm was appointed as the scrutineer to conduct the polling process at the general meeting. The results of the poll voting on each resolution tabled at the general meeting, including the total number of votes cast for or against each resolution, were also announced after the respective meetings via SGXNET.

At the Company's last AGM held on 26 October 2022, all the Directors and external auditors had attended the AGM with physical attendance. The Company will organize the forthcoming AGM with physical attendance and there is no option for members to participate via electronic means.

Provision 11.5 – Minutes of general meetings

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. The Company Secretary will prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating the agenda of the meeting, and responses from the Board and Management. The Company publishes minutes of the general meetings of shareholders within one month after the general meetings on SGXNET.

Provision 11.6 – Dividend policy

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.

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS (CONT'D)

For FY2023, no dividend has been proposed by the Board as the Group intends to conserve cash for working capital and capital expenditure purposes.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company

Provision 12.1, 12.2 and 12.3 – Stakeholder engagement

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 liaison 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.

Principle 13: Managing stakeholder relationships

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

Provision 13.1, 13.2 and 13.3 – Stakeholder engagement

The Group places great importance to having open and transparent engagement with our key stakeholders. Stakeholders play an important role to ensure the sustainability of our business and products.

Information is disseminated via SGXNET and the Company website (https://www.santak.com.sg).

The Company has set up a Sustainability Committee ("SC") during the year, comprising three Directors. The SC is chaired by Mr. Lee Keen Whye, the Non-Executive Chairman of the Board. The other members are Mr. Tan Chee Hawai and Mr. Ng Weng Wei. The SC, reporting to the Board, was set up to provide greater focus in overseeing sustainability issues. The SC roles include the oversight of the Group's economic, environmental, social and governance ("ESG") strategy and issues, to review and make recommendations to the Board to ensure that material ESG factors and related risks and opportunities are identified, evaluated and managed, ensure proper governance is in place for sustainability matters, monitor the implementation and progress towards sustainability strategy, ensure compliance with ESG related laws, rules and regulations, and review the sustainability report and recommend it to the Board for approval, amongst other. All Directors had undergone training on sustainability matters except for Mr. Ch'ng Jit Koon who will not be seeking re-election and will retire as a Director at the forthcoming AGM.

ENGAGEMENT WITH SHAREHOLDERS (CONT'D)

The sustainability report published provides more details about the strategy and key areas of focus in relation to the management of stakeholder relationships which include:

- Established policies to uphold the highest standards of ethical business practices with a strong stance against corruption
- Adoption of environmental friendly practices such as managing or reducing industrial waste and oil emission level
- Noise monitoring are conducted on a periodic basis under the relevant regulations
- Providing training and education opportunities for our employees to abide by the relevant health and safety measures and undertake reasonably practicable steps to ensure workplace safety for a healthy and safe working environment
- The Company will publish its Sustainability Report for FY2023 by 31 October 2023. To minimized the impact on the environment, the report will be published online via SGXNet at https://www.sgx.com/securities/company-announcements and the Company's website at https://www.santak.com.sg.

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 possession 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.

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 FY2023.

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 2023.

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 the Audit, Remuneration and Sustainability 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 private companies. 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 and Sustainability Committees. 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 39 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 and Sustainability Committees. 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 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.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE (CONT'D)

Directors (Cont'd)

Mr Tan Sin Hock is a Non-Executive Non-Independent Director of the Board. Mr. Tan had resigned from his executive role as Maintenance Manager in the Company's wholly-owned subsidiary, Santak Metal Manufacturing Pte. Ltd. in December 2021. 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 38 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, as well as equipment upgrading and plant and machines maintenance.

Ms Heng Kheng Hwai is a Non-Executive Non-Independent 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 was previously Non-Executive Chairman of Pan-United Corporation Ltd and a director of Ho Bee Land Limited and Progen Holdings 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 voluntary community organization. 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

Ms Lim Hwee Teen is the Head of Marketing & Business Development of our Precision Engineering Division. Ms Lim joined the Group prior to year 2000 and is currently responsible for the sales and marketing function of the Division. Ms Lim holds a Bachelor of Science (Economics) in Management Studies from the Singapore Institute of Management.

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.

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 Loo had resigned from the Group on 3rd July 2022.

STATISTICS OF SHAREHOLDINGS

As at 18 September 2023

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	1.09	11	0.00
100 - 1,000	73	26.55	68,100	0.06
1,001 - 10,000	74	26.91	426,131	0.40
10,001 - 1,000,000	114	41.45	11,936,258	11.09
1,000,001 AND ABOVE	11	4.00	95,150,480	88.45
TOTAL	**275**	**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	6,201,600	5.76
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	2,124,900	1.98
8	NG WENG WEI	1,618,000	1.50
9	LOW WEI MIN JAMES (LIU WEIMING, JAMES)	1,449,000	1.35
10	IP WAN KEUNG	1,057,500	0.98
11	MAYBANK SECURITIES PTE. LTD.	1,046,000	0.97
12	LAW KUNG YING	771,000	0.72
13	LOW YEE MIN (LIU YUMING)	755,000	0.70
14	TAN CHOON KWANG	540,000	0.50
15	CHAN PECK SIM	522,000	0.49
16	ABN AMRO CLEARING BANK N.V.	519,000	0.48
17	SOH CHENG LOCK	510,000	0.47
18	LIM YEE MIN	500,000	0.46
19	DBS NOMINEES (PRIVATE) LIMITED	428,600	0.40
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	390,000	0.36
	TOTAL	**100,086,080**	**93.02**

STATISTICS OF SHAREHOLDINGS

As at 18 September 2023

Approximately 16.6% 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 18 SEPTEMBER 2023

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	6,201,600	-
5. Yap Quan or Christine Yap Lye Kum	5,647,000	-
6. Heng Kheng Hwai [(b)]	4,667,000	47,858,570

[(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 physically at 4 Clementi Loop, #01-01, Singapore 129810 on Thursday, 26 October 2023 at 11.00 a.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 2023 together with the Auditors' Report thereon. **(Resolution 1)**

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

   Mr Ng Weng Wei **(Resolution 2)**

   *Mr Ng Weng Wei will, upon re-election as a Director of the Company, remain as member of the Remuneration and Sustainability Committees and will be considered non-independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST Catalist Rules**").*

   To note the retirement of Mr Ch'ng Jit Koon retiring pursuant to Regulation 91 of the Constitution. Mr Ch'ng Jit Koon will not be seeking re-election and will retire as a Director of the Company on 26 October 2023 at the conclusion of AGM.

3. To approve the payment of Directors' fees of S$155,000/- (2022: S$155,000/-) for the financial year ended 30 June 2023. **(Resolution 3)**

4. To re-appoint Grant Thornton Audit LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 4)**

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 1967 ("**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, warrants, debentures or other Instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors 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 (including shares to be issued pursuant to the Instruments) other than on a pro-rata basis to existing 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 the Instruments or any convertible securities;

   (b) new shares arising from exercising any 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;

   Adjustments in accordance with (a) or (b) are only to be made in respect of new shares arising from convertible securities. Share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.

(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 5)**

By Order of the Board

Lai Foon Kuen
Company Secretary
Singapore, 11 October 2023

Explanatory Notes:

(i) The Ordinary Resolution 5, 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 existing shareholders.

Notes:

1. The members of the Company are invited to **attend physically** at the Annual General Meeting (the "**Meeting**" or "**AGM**"). **There will be <u>no option</u> for shareholders to participate virtually**. Printed copies of this Notice and Proxy Form will be sent to members. This Notice, Proxy Form and Annual Report are available to members by electronic means via publication on the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at https://www.santak.com.sg. A member will need an internet browser and PDF reader to view these documents.

2. **Arrangements for participation in the AGM physically**

   Members (including CPFIS and SRS investors) may participate in the AGM by:

   (a) attending the AGM in person;

   (b) submitting questions to the Chairman of the Meeting in advance of, or at, the AGM; and/or

   (c) voting at the AGM

   (i) themselves personally; or (ii) through their duly appointed proxy(ies).

   CPFIS and SRS investors who wish to appoint the Chairman of the Meeting (and not third party prox(ies)) as proxy to approach their respective CPF Agent Banks or SRS Operators to submit their votes. Please see item 6 below for details.

   <u>In the event members encountered Covid-19 like symptoms prior to the Meeting, members are strongly encouraged to exercise social responsibility to rest at home and consider appoint / appoint a proxy(ies) to attend the Meeting. We encourage members to mask up when attending the Meeting.</u>

3. (a) 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 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 1967.

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

5. A member can appoint the Chairman of the Meeting as his/her/its proxy **but** this is **not mandatory**.

   If a member wishes to appoint the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the Meeting as proxy. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the Chairman of the Meeting will vote or abstain from voting at his discretion.

6. CPFIS/SRS investors who hold SGX shares through CPF Agent Banks/SRS Operators:

   (a) may vote at the Meeting if they are appointed as proxies by their respective CPF Agent Banks/SRS Operators, and should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the Meeting as proxy to vote on their behalf at the Meeting, in which case they should approach their CPF Agent Banks/SRS Operators to submit their votes at least 7 working days prior to the date of AGM ie **by 5.00 p.m. on 17 October 2023**.

7. Submission of instrument of proxy or proxy ("**Proxy Form**") – **By 11.00 a.m. on 24 October 2023**

   The Proxy Form must be submitted through any one of the following means:

   (a) by depositing a physical copy at the registered office of the Company at 4 Clementi Loop, #01-01 EAC Building, Singapore 129810; or

   (b) by sending a scanned PDF copy by email to <santak.holdings@santak.com.sg>,

   in either case, not less than 48 hours before the time appointed for holding the Meeting i.e. by 11.00 a.m. on 24 October 2023, and failing which, the Proxy Form will not be treated as valid.

8. The Company shall be entitled to, and will, treat any valid Proxy Form which was delivered by a member to the Company **before 11.00 a.m. on 24 October 2023** as a valid instrument as the member's proxy to attend, speak and vote at the Meeting if: (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and (b) the member has not withdrawn the appointment by 11.00 a.m. on 24 October 2023.

9. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

10. Completion and return of the Proxy Form by a member will not prevent him/her from attending, speaking and voting at the Meeting if he/she so wishes. The appointment of the proxy(ies) for the Meeting will be deemed to be revoked if the 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 relevant instrument appointing a proxy(ies) to the Meeting.

11. Submission of questions by members in advance of the Meeting – **By 11.00 a.m. on 18 October 2023**

    (a) Members may also submit questions related to the resolutions to be tabled for approval at the Meeting. All questions, together with the members' full names, identification numbers, contact numbers and email addresses and manner in which they hold shares in the Company ("**Shares**"), must be submitted no later than 11.00 a.m. on 18 October 2023 or by post to the registered office of the Company at 4 Clementi Loop, #01-01 EAC Building, Singapore 129810.

    (b) Please note that the Company will address substantial and relevant questions relating to the resolutions to be tabled for approval by 21 October 2023. ("**Responses to Q&A**").

    (c) The Company endeavours to address (i) subsequent clarifications sought (ii) follow-up questions or (iii) subsequent substantial and relevant questions which are received after its Responses to Q&A at the Meeting itself. Where substantially similar questions are received, we will consolidate such questions and consequently not all questions may be individually addressed.

    (d) Minutes of AGM - The Company will, within one month after the date of the AGM, publish the minutes of the AGM on SGXNET and the Company's website, and the minutes will include the responses to the questions which are addressed during the AGM, if any.

12. **Important reminder**. Members are reminded to check SGXNet for any latest updates on the status of the AGM.

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.

This notice has been reviewed by the Company's Sponsor, Asian Corporate Advisors Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange 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, at 160 Robinson Road, #21-05 SBF Center, Singapore 068914, Telephone number: 6221 0271

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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

1. The AGM is held physically at the registered office of the Company. Members have no option to participate virtually.
2. 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.
3. 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.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 "**AGM**" / "**Meeting**") of the Company to be held physically at 4 Clementi Loop, #01-01 EAC Building, Singapore 129810 on Thursday, **26 October 2023 at 11.00 a.m** and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for, against or abstain the Resolutions proposed at the Meeting as indicated hereunder.

If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the *proxy/proxies/Chairman of the Meeting will vote or abstain from voting at *his/her/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(If you wish to exercise all your votes "For", "Against" or "Abstain", please tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

		Number of Votes		
No	**Resolutions relating to:**	**For**	**Against**	**Abstain**
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2023			
2	Re-election of Mr Ng Weng Wei as a Director			
3	Approval of Directors' fees for the financial year ended 30 June 2023			
4	Re-appointment of Grant Thornton Audit LLP as auditors			
5	Authority to issue new shares			

** Delete where inapplicable*

Dated this __________ day of ________________ 2023

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. Each of the resolutions to be put to the vote of members at the AGM (and at any adjournment thereof) will be voted on by way of a poll.

2. 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 2001), 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.

3. 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.

4. 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. The proxy form may be accessed on the SGX website at https://www.sgx.com/securities/company-announcements and the Company's website at https://www.santak.com.sg.

5. 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 1970 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 2001 and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, 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.

   A member can appoint the Chairman of the Meeting as his/her/its proxy but this is not mandatory.

6. The instrument appointing a proxy(ies) ("**Proxy Form**") must be submitted to the Company in the following manner:-

   a. if submitted by post, be lodged at the registered office of the Company at 4 Clementi Loop, #01-01 EAC Building, Singapore 129810; or

   b. if submitted electronically, be submitted via email to santak.holdings@santak.com.sg

   in either case, **by not later 24 October 2023, 11.00 a.m., being at least forty-eight hours before the time appointed for holding the AGM**, failing which the instrument of proxy shall not be treated as valid.

7. Completion and return of the Proxy Form by a member will not prevent him/her from attending, speaking and voting at the AGM if he/she so wishes. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the member attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

8. The Proxy Form must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the Proxy Form 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 Proxy Form 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.

9. 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 AGM, in accordance with Section 179 of the Companies Act 1967 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 AGM dated 11 October 2023.

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 AGM, as certified by The Central Depository (Pte) Limited to the Company.

Designed
& Produced by
+65 6880 2828 Xpress®

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