SPINDEX

Spindex Industries Limited

Annual Report 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Tan Choo Pie @ Tan Chang Chai
Chairman

Mr Tan Heok Ting
Managing Director

Mr Chen Chang Rong
Non-Executive Director

Mr Chew Heng Ching
Lead Independent Director

Mr Chan Meng Wah Alexander
Independent Director

Mr Peter Tan Boon Heng
Independent Director

AUDIT COMMITTEE

Mr Chew Heng Ching
Chairman

Mr Chan Meng Wah Alexander

Mr Peter Tan Boon Heng

Mr Chen Chang Rong

REMUNERATION COMMITTEE

Mr Chan Meng Wah Alexander
Chairman

Mr Chew Heng Ching

Mr Peter Tan Boon Heng

Mr Chen Chang Rong

NOMINATING COMMITTEE

Mr Chan Meng Wah Alexander
Chairman

Mr Chew Heng Ching

Mr Peter Tan Boon Heng

Mr Chen Chang Rong

REGISTERED OFFICE

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Fax: (65) 62685034
Email: cse@spindex.com.sg
Website: http://www.spindex.com.sg

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01, Singapore Land Tower
Singapore 048623

COMPANY SECRETARIES

Mr Abdul Jabbar Bin Karam Din
Ms Loh Lee Eng

AUDITORS

Ernst & Young LLP
Public Accountants and
Chartered Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583

AUDIT PARTNER-IN-CHARGE

Mr Adrian Koh
Date of Appointment:
Since financial year ended
30 June 2018

BANKERS

DBS Bank
Standard Chartered Bank
Malayan Banking Berhad
United Overseas Bank

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ABOUT US

Spindex Industries Limited was founded in 1981. Today it is a highly integrated solution provider of precision machined components and assemblies with manufacturing locations in Malaysia, China and Vietnam. The Company serves diverse market sectors consisting of MNCs in imaging and printing, machinery & automotive systems and consumer-related products. Through investments in flexible manufacturing and information technology and an agile organisation, the Company is able to constantly reconfigure its resources to customise its products and services to the individual needs of its customers. Spindex prides itself on its ability to integrate into the supply chain of its worldwide customer base and continuously re-invent itself to be at the forefront of today's global marketplace. It is one of the first machining companies in the region to be certified by ISO 14001, ISO/TS 16949, ISO 9001 and OHSAS 18001. It also has a comprehensive ITE certified in-house training programme and is an approved ITE Training Centre in the ITE Skills Certification in Autonomous Maintenance.

"Against challenging conditions, the Group achieved another year of growth with turnover rising 8% to $153.3 million"

TAN CHOO PIE @ TAN CHANG CHAI
CHAIRMAN

Dear Fellow Shareholders,

On behalf of the Board of Directors, I am pleased to present to you the annual report of the Group for the financial year ended 30 June 2018.

A Review of FY2018

In FY2018, the Group continued to operate under challenging conditions as market sentiments were affected by uncertainties in global trade resulting from an increasingly tense political environment. Against this background, the Group achieved another year of growth with turnover rising 8% to $153.3 million.

The growth in turnover was broad-based across all of the Group's business sectors, namely Machinery and Automotive Systems (MA), Imaging & Printing (IP) and Others, a category that encompasses the rest of the Group's business. Due to our efforts in developing key markets in prior years, the revenue base is well diversified with MA, IP and Others accounting for 48%, 22% and 30% respectively of turnover for FY2018.

During the year, the MA business sector delivered more orders on higher demand from customers in both automotive systems and machine tools. As a result, revenue from MA rose 11% to $72.9 million. Sales of components for IP also rose by 9% to $33.8 million as we benefited from a recovery of the IP market. The contribution from Others grew by 4% to $46.6 million with increased sales of components for domestic appliances.

Despite higher group revenue, gross profit declined 11% to $28.7 million due to lower yields from newly commenced projects that have yet to attain stable production. In June 2018, the Group disposed its Singapore factory at Neythal Road and a resultant gain of $3.7 million from the transaction boosted other operating income significantly.

Under expenses, additional distribution and selling costs were incurred to support higher sales and urgent shipments for some new components. In addition, administrative expenses were higher due to development costs as well as foreign exchange losses arising from the weakening of the US dollar against Asian currencies. The lower gross profit and higher operating expenses were balanced by the gain on property disposal, with the Group concluding FY2018 with a stable net profit attributed to shareholders of $14.1 million.

In appreciation of shareholders for their support, the Board of Directors has proposed a first and final cash dividend of 3.0 Singapore cents per ordinary share. Subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 26 October 2018, the proposed dividend will be paid on 20 November 2018.

Deepening Our Competitive Advantage

To mitigate the competitive pressures of our business, we manage with a long term perspective of consistently improving our operational efficiency. Spindex is committed to support the business growth of our key customers in order to entrench our position as our customers' preferred manufacturing partner. For the Group to remain relevant to its customers, we are constantly seeking to strengthen our core competencies through selective investments in productive assets.

In FY2018, the Group embarked on a significant equipment renewal programme to boost productivity and manufacturing efficiency. Through investments in the latest highly efficient equipment, we are well positioned to deliver enhanced manufacturing services and higher value-added products to meet the complex and sophisticated requirements of our customers. While we do not expect these investments to yield immediate tangible results, we are optimistic that such efforts will continue to boost our competitive advantage in the industry over the longer term. This strategy is well supported by our strong balance sheet.

Another aspect of our competitiveness is our asset location. Taking into account our supply chain and the location of our existing and potential customers, we constantly review and refine the locations of our productive assets so as to achieve the most optimal allocation of resources over our manufacturing footprint. The Group has been evaluating the expansion of existing sites as well as potential investment in new sites to achieve greater flexibility in capacity management and improve our manufacturing cost effectiveness.

Prospects

In addition to the usual competitive pressures, the Group expects the current political and economic uncertainties relating to trade tariffs to continue for the rest of 2018. The recent introduction of trade tariffs by global trading partners has affected business confidence and we are naturally concerned that these trade conflicts might escalate, as such a development can potentially disrupt global trade and serve as a catalyst for significant volatility in our customers' demand in the markets of North America, Europe and Asia that the Group serves. This can negatively affect the Group's performance. As we maintain a cautious outlook for FY2019 and remain vigilant in monitoring market developments closely, we are leveraging on our equipment investments to continue our marketing to selected potential customers.

A Word of Thanks

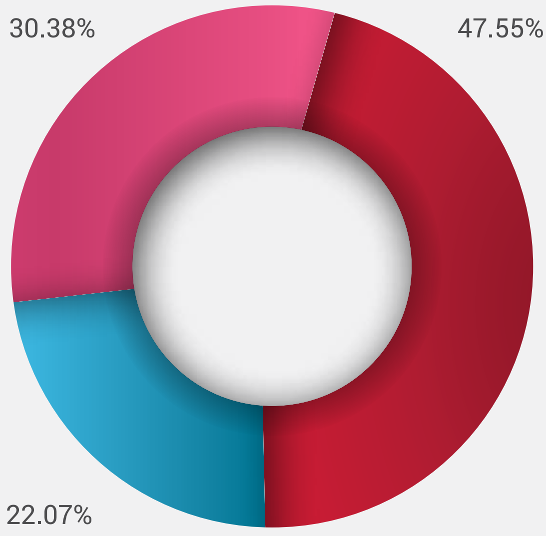
On behalf of the Board, I would like record my appreciation to the management and staff of Spindex Group for their hard work and commitment in FY2018. To my fellow directors, I am thankful for their wise counsel and many contributions in guiding the Group. I would also like to express my sincere gratitude to all our customers, bankers, shareholders, business associates and suppliers for their continuing support.

TAN CHOO PIE @ TAN CHANG CHAI
Chairman

FINANCIAL HIGHLIGHTS

TURNOVER BY BUSINESS SEGMENTS
($'000)

	FY2018	FY2017
Machinery & Automotive Systems	72,913	65,720
Imaging & Printing	33,838	31,087
Others	46,592	44,968
	153,343	141,775



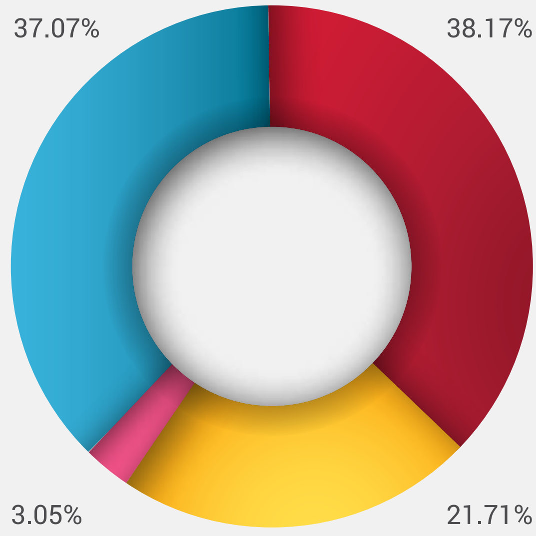
Machinery & Automotive Systems

Imaging & Printing

Others

TURNOVER BY GEOGRAPHICAL SEGMENTS
($'000)

	FY2018	FY2017
People's Republic of China	58,538	50,877
ASEAN (Excludes Singapore)	33,291	27,957
USA, Europe and Others	56,846	58,301
Singapore	4,668	4,640
	153,343	141,775



People's Republic of China

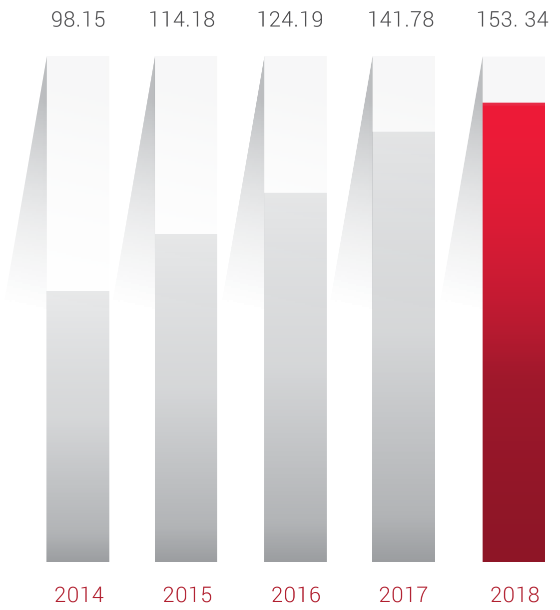
Asean

USA, Europe and Others

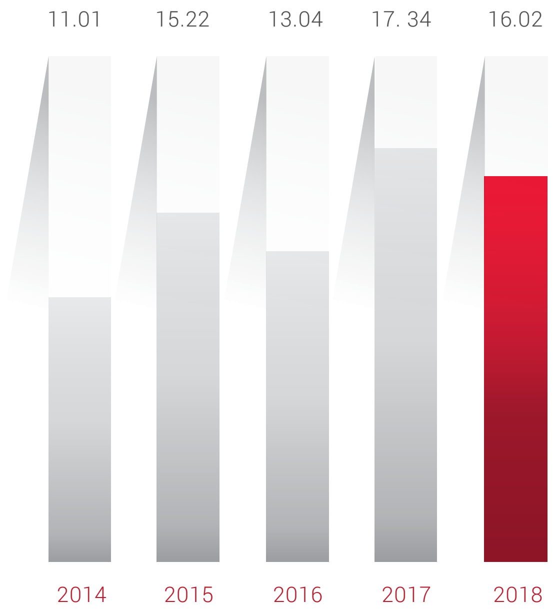
Singapore

FINANCIAL HIGHLIGHTS

TURNOVER
($'Million)



PROFIT BEFORE TAXATION
($'Million)



EARNINGS PER SHARE
($'Cents)

NET TANGIBLE ASSETS PER SHARE
($'Cents)

BOARD OF DIRECTORS

TAN CHOO PIE @ TAN CHANG CHAI

Chairman

Mr Tan Choo Pie @ Tan Chang Chai is a shareholder of the Company and has been the Executive Chairman of the Spindex Group since July 1989. He plays an important role in setting the investment, expansion, diversification and overall strategy of the Group. Mr Tan has over twenty five years of experience and has held positions as senior manager, general manager, managing director and chairman for various companies in the die-casting, electroplating, precision turning, precision machining and various assembly businesses. Mr Tan was also previously Vice-Chairman of Wah Chang International Corporation Pte Ltd and Non-Executive Chairman of MMI Holdings Limited. Mr Tan holds a Bachelor of Chemical Engineering degree.

TAN HEOK TING

Managing Director

Mr Tan Heok Ting was appointed Executive Director in 2010 and appointed as Managing Director on 1st July 2013. He is responsible for the Group's overall management, operations and is also involved in the strategic planning, investment directions of the Group. Mr Tan's work experience prior to Spindex includes precision engineering firms in the business development and senior management positions. Mr Tan holds a Bachelor of Laws Degree and a Bachelor of Commerce degree in Accounting and Finance.

CHEN CHANG RONG

Non-Executive Director

Mr Chen Chang Rong was appointed as Independent Director of the Company since 2005 and as Executive Director in January 2009. He has been re-designated as Non-Executive Director on 12 September 2017. He has extensive working experience in manufacturing industries and has held senior management positions of General Manager and CEO for the past 15 years. He was the Deputy General Manager of BOSCH Power Tools (China) for more than 7 years. He was an Independent Director of a company listed in the Shenzhen Stock Exchange and a consultant to several international companies in China. He is currently a chief of Core group of experts of Ford Asia-Pacific for industrial 4.0 and Ford Q1 since November of 2016. Mr Chen is also a member in a committee of experts to the People's Government for the provinces of Zhejiang and Jiangsu. In addition to his Bachelor degree in Mechanical Engineering from Zhejiang University, he holds a MBA degree from China Central University.

CHEW HENG CHING

Lead Independent Director

Mr Chew Heng Ching has been an Independent Director of the Company since 1998 and Chairman of the Audit Committee. He has been appointed as Lead Independent Director since 1 January 2011. He has more than 30 years of senior management experience in both the public and private sectors and has served as Chairman and Managing Director of various public and private companies. He now sits on the Board of several other public listed companies and charities. Mr Chew is the Founding President of the Singapore Institute of Directors ("SID") and past Chairman of its Governing Council. He is also a Board member and was Chairman of the Singapore International Chamber of Commerce from 2005 to 2007. He was also a Council member of the Singapore Business Federation. He served on both the Corporate Governance Committee and the Council on Corporate Disclosure and Governance. Mr Chew was also a former Deputy Speaker of the Singapore Parliament and a Member of Parliament from 1984 to 2006. He is a graduate, under a Colombo Plan Scholarship, in Industrial Engineering (First Class Honours) and Economics. He holds an Honorary Doctorate in Engineering. He is a Fellow of SID and CPA Australia.

CHAN MENG WAH ALEXANDER

Independent Director

Mr Chan Meng Wah joined the Board as Independent Director in September 2010. He brings to the Group extensive years of experience and knowledge. Mr Chan, after six years as Executive Vice-Chairman, is currently a Board Director at Jebsen & Jessen SEA Pte Ltd. He has been a Non-Executive Independent Director of Standard Chartered Bank (Singapore) Ltd since 2013. He previously served as the Managing Director of Hewlett Packard Singapore and South East Asia, Managing Director and CEO of Yeo Hiap Seng Limited, Executive Director of Far East Organisation, and MMI Holdings Limited. He was Chairman of Singapore Sports Council from 2002 till 2010, and Chairman of Sistic Pte Ltd from 2000 till 2016. Mr Chan was a former Nominated Member of Parliament (NMP) in the 10th Singapore Parliament. Mr Chan holds a Bachelor's Degree of Electrical Engineering (First Class Honours) from University of Singapore, and a Master in Business Administration from University of California, Los Angeles.

PETER TAN BOON HENG

Independent Director

Mr Peter Tan Boon Heng joined the Board as Independent Director in September 2017. He has more than 35 years of operating experience in Asia and Silicon Valley, and has built up expertise and business relations in world-class manufacturing and technology companies. He is presently the Managing Partner of JP Asia Capital Partners Pte Ltd, and was previously the President and Managing Director of Flextronics Asia. He held senior management roles across a wide range of technology companies, including National Semiconductor, Molex Singapore, Apple Computer Inc. and JIT Electronics. Today Mr Tan sits on the Board of SMRT Corporation and is also Co-Chairman of the Advanced Remanufacturing and Technology Centre (ARTC). Mr Tan is also a member of the Governing Board for Singapore Centre for 3D Printing, NTU and a member of the Steering Board for SUTD Digital Manufacturing and Design Centre. More recently, he was also appointed as Technical Advisor for the NRF Central Gap Fund. Mr Tan holds a Graduate Diploma in Management Studies from the University of Chicago and an Executive MBA from the Golden Gate University, San Francisco.

SENIOR MANAGEMENT

JACKY SHI YAN CONG *
Group General Manager

Mr Shi joined Spindex Industries Ltd as Group General Manager since May 2016. Prior joining to the Group, Mr Shi has around 20 years working experience in automotive and aerospace manufacturing industries with UTC, TRW and Delphi. Most recently he was General Manager of Pratt & Whitney Aerotech Manufacturing (Chengdu) Co. Ltd. Mr Shi holds MBA degree from China Europe International Business School and Bachelor's degree of Engineering from Zhejiang University.

* resigned effective from 31 August 2018

ANDREW ORR GEOK CHENG
Financial Controller

Mr Orr joined Spindex Industries Limited in June 2011 and is responsible for the Group's Finance, Administration and Human Resource Management. Prior joining to the Group, Mr Orr had more than 10 years of working experiences in auditing and accounting. Mr Orr is a fellow member of the Association of Chartered Certified Accountants (ACCA).

Spindex Industries Limited (the "**Company**") and its subsidiaries (the "**Group**") are committed to maintaining a high standard of corporate governance in complying with the Code of Corporate Governance 2012 (the "**Code**"). Good corporate governance establishes and maintains an ethical environment and enhances the interest of all shareholders. The Company has generally adhered to the principles and guidelines as set out in the Code.

This report describes the Company's corporate governance processes and activities that were in place throughout the financial year ended 30 June 2018 ("**FY2018**"), with specific reference to the principles and guidelines of the Code. Where there is any material deviation from any principles and guidelines of the Code, an explanation has been provided within this report.

This report should be read as a whole, instead of being read separately under the different principles of the Code.

THE BOARD'S CONDUCT OF AFFAIRS

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

The Board comprises 6 Directors as follows: -

Executive
Tan Choo Pie @ Tan Chang Chai (Chairman)
Tan Heok Ting (Managing Director)

Non-Executive
Chen Chang Rong

Independent
Chew Heng Ching (Lead Independent Director)
Chan Meng Wah Alexander
Peter Tan Boon Heng

Role of the Board of Directors ("Board")

The primary role of the Board is to lead and control the Company's operations and affairs and to protect and enhance long-term shareholder's value. The Board sets the overall strategy for the Group and supervises executive management. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

To assist in the execution of its responsibilities, the Board has established 3 Board Committees, namely, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit Committee ("**AC**"). These Board committees operate within clearly defined terms of reference which are reviewed from time to time. The composition of each Board committee can also be found in the 'Corporate Information' section of the Annual Report.

All Directors exercise due diligence and independent judgment and make decisions objectively in the best interest of the Group. This is one of the performance criteria for the peer and self-assessment on effectiveness of the individual Directors.

The Directors are provided with briefings and updates on an ongoing basis in areas such as Directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to objectively and properly discharge their duties and responsibilities as Board members or Board committee members. The scope of such briefings and updates includes industry trends and developments, governance practices, and changes in regulatory requirements pertaining to the Company's business.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

Board Meetings and Meetings of Board Committees

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. The Board is furnished with detailed information concerning the Group, to enable the Board to fulfil its responsibilities and to be fully cognizant of the actions of the Group's executive management. All the Directors have unrestricted access to the Company's records and information. Detailed Board papers are prepared for each meeting of the Board and include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board Meetings. All the Independent Directors have access to all levels of senior executives in the Group. Frequency of Board Meetings and Committee Meetings held during the financial year are disclosed in this Report.

Matters Requiring Board's Approval

The Company has adopted internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines are listed below:

1. Approval of results announcements;
2. Approval of annual reports and accounts;
3. Proposal of final dividends;
4. Convening of shareholders' Meetings;
5. Interested person transactions; and
6. Authorisation of material acquisitions and disposal of assets.

The details of the number of Board Meetings held during the financial year as well as the attendance of each Board member at those meeting of various Board Committees are disclosed below:

	The Board		AC		NC		RC	
Name of Directors	**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**
Tan Choo Pie @ Tan Chang Chai	4	4	4	4	1	1	1	1
Tan Heok Ting	4	4	4	4	1	1	1	1
Chen Chang Rong	4	4	4	4	1	1	1	1
Chew Heng Ching	4	4	4	4	1	1	1	1
Chan Meng Wah Alexander	4	4	4	4	1	1	1	1
Peter Tan Boon Heng*	4	4	4	4	1	1	1	1

* Peter Tan Boon Heng was appointed as an Independent Director on 12 September 2017 and as a member of each of the Audit, Nominating and Remuneration Committees on 12 September 2017.

Orientation, briefings and training provided for Directors

Formal letters are sent to newly appointed Directors upon their appointment explaining their roles and responsibilities as well as their duties and obligations as Directors. Appropriate trainings are provided for all Directors appointed to the Board as part of their orientation to ensure that they are familiar with the Company's businesses, operations, governance practices and regulatory requirements. Training for first-time Directors are also provided in areas such as accounting, legal and industry-specific knowledge as appropriate.

To ensure that the Company is competent in carrying out its roles and responsibilities, regular and ongoing training is provided for the Directors and to keep pace with new laws, regulations, changing commercial risks and accounting standards, all Directors engages in constant dialogues with the Management and professionals from time to time. The Company has adopted a policy where Directors are encouraged to request for further explanations or informal discussions on any aspects of the Company's operations. The Chairman will make the necessary arrangements for the informal discussions or explanations as requested by the Directors.

In addition, all new and existing Directors are encouraged to attend, at the Company's expense, relevant and useful seminars, inductions, orientations and trainings for their continuing education and skills improvement courses that are conducted by external organisations. These include programmes run by the Singapore Institute of Directors.

BOARD COMPOSITION AND GUIDANCE

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

Board size and Board composition

The Board comprises 6 Directors, 3 of whom are Independent Directors. Each year, the NC reviews the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. These competencies include accounting and finance, business and management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. In the light of such evaluation and in consultation with Management, the NC will then assess if there is any inadequate representation in respect of any of those attributes and if so, determine the role and the desirable competencies for a particular appointment. NC will then assess the suitability of short-listed candidates and then make recommendations to the Board for approval. The Board also considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's operations and the number of Board Committees, the Board considers the board size and composition as appropriate. The Board believes that the current size and composition provides sufficient diversity without interfering with efficient decision-making. The Directors' credentials including working experience, academic and professional qualifications are presented at the Board of Directors section of the annual report.

The NC recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new Directors will continue to be selected based on objective criteria set as part of the process for appointment of new Directors and Board succession planning. In FY2018, there was no female Director out of a total of 6 Directors on the Board.

The current Board comprises persons with diverse expertise, experience and knowledge in accounting, legal, business and management, finance and risk management who as a group provide core competencies and knowledge necessary to meet the Company's requirements. The Directors' objective judgement on corporate affairs and collective experience and knowledge are invaluable to the Group and allows for the useful exchange of ideas and views.

Independence of Directors

Pursuant to guideline 2.2 of the Code, the Independent Directors should make up at least half of the Board. The NC is of the view that there is a strong and independent element on the Board and half of the Board are independent. After taking into account of the views of the NC, the Board considers all the Independent directors of the Company are independent in character and judgement and that there are no individual or small group of individuals dominate the Board's decision-making process.

Mr Chew Heng Ching has served as Independent Director for more than nine years. The Board has carried out a rigorous review of his independence status. The Board's view is that Mr Chew Heng Ching continues to demonstrate the ability to exercise strong independent judgement in his deliberations and to act in the best interests of the Company, and that his length of service has not affected his independence from Management, Mr Chew Heng Ching continues to express views, debate issues and objectively and actively scrutinise the Management. After taking into account all these factors and having weighed the need for Board refreshment against tenure for relative benefit, the NC and the Board have viewed and determined that Mr Chew Heng Ching continues as an Independent Director, notwithstanding that his service has been for more than nine years.

The independence of the Directors is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review.

Key information regarding the Directors is found on pages 6 to 7. The Board considers that its Directors possess the necessary competencies to lead and govern the Company effectively.

Role of the non-executive Directors

The non-executive Directors participate actively in the Board Meetings. With their professional expertise, experience and knowledge, they provide constructive advice and guidance for effective discharge by the Board of its principal functions over the Group's strategies, businesses and other affairs. The non-executive Directors also constructively challenge and aid the development of directions on strategy as well as review the performance of the Management in achieving agreed goals and objectives. In addition, they also monitor the reporting of the Group's performance.

To facilitate a more effective check on Management, the non-executive Directors meet and discuss on the Group's affairs without the presence of the Management where necessary.

CHAIRMAN AND GROUP MANAGING DIRECTOR

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

The Chairman is the father of the Managing Director. Notwithstanding this, given the separate roles and responsibilities held by them, the Board is of the opinion that their relationship does not affect the independent and effective running of the Board. The Managing Director is responsible for daily management of the Group, whereas the Chairman plays an important role in steering the strategic direction of the Group. In addition, Mr Chew Heng Ching has been appointed as the lead Independent Director of the Company and is available to shareholders should they have concerns which cannot be solved through the normal channel of the Chairman or which such contact is inappropriate.

As such, the Board believes that they are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on the collective decision-making without the Chairman being able to exercise considerable concentration of power or influence.

The Chairman ensures that Board Meetings are held when necessary and sets the Board Meeting agenda in consultation with the Managing Director. The Chairman also reviews Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information. Management staff members who have prepared the papers or who can provide additional insight into the matters to be discussed are invited to present the paper or attend at the relevant time during Board Meeting.

All the Independent Directors, led by the lead Independent Director, meet at least annually without the presence of other executive and Non-Independent Directors to discuss matters of significance which are then reported to the Chairman accordingly.

BOARD MEMBERSHIP

PRINCIPLE 4: There should be a formal and transparent process for the appointment and reappointment of directors to the Board.

Nominating Committee

The NC was formed on 13 February 2003 and now it comprises four members, three of whom are Independent Directors and one is Non-Executive Director. The members are:

Mr Chan Meng Wah Alexander	(Chairman)
Mr Chew Heng Ching	(Member)
Mr Peter Tan Boon Heng	(Member)
Mr Chen Chang Rong	(Member)

The NC is regulated by a set of written Terms of Reference and its key functions include:

1. To review annually the independence of each Director with reference to the criteria set out in the Code.

2. To review all nominations for new appointments and re-appointments of Directors and put forth their recommendations for approval by the Board.

3. To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly, where a Director has multiple Board representations.

Each year, the NC will review and make necessary recommendations to the Board on following matters:

- succession plan for Directors, in particular, the Chairman and for the Group Managing Director

- development of a process for evaluating the performance of the Board, its Board Committees and Directors

- training and professional development programmes for the Board.

The NC determines on an annual basis whether or not a Director is independent, bearing in mind the Code's definition of an "Independent Director" and guidance as to relationships the existence of which would deem a Director not to be independent. In this respect, the NC has carried out a review on the independence of each Non-Executive Director based on the respective Directors' self-declaration and their actual performance on the Board and Board Committees and in this respect, the NC is of the view that Mr Chew Heng Ching, Mr Chan Meng Wah Alexander and Mr Peter Tan Boon Heng are independent and that, no individual or small group of individuals dominate the Board's decision-making process. The Board, having reviewed the basis of NC's assessment on the independence of the Non-Executive Directors, concurs with the recommendations set forth by NC and is of the view that Mr Chew Heng Ching, Mr Chan Meng Wah Alexander and Mr Peter Tan Boon Heng should be deemed independent.

The NC has also reviewed and is satisfied that Mr Chew Heng Ching, Mr Chan Meng Wah Alexander and Mr Peter Tan Boon Heng, who sit on multiple boards, have been able to devote adequate time and attention to the affairs of the Company to fulfil their duties as Independent Directors of the Company, in addition to their multiple board appointments.

At present, the Board does not intend to set a maximum number of listed company board representations a Director may hold as it is of the view that different Directors have different abilities and capacity. The effectiveness of a Director should be evaluated by a qualitative assessment of his commitment to the Company, his participation on at various Board and Management meetings, as well as his contributions to the Company's affairs, taking into account his other commitments including his directorships in other listed companies. The NC considers that the multiple board representations held presently by some Directors do not impede their respective performance in carrying out their duties to the Company.

New Directors are at present appointed by way of a Board Resolution, after the NC has deliberated and recommended their appointments. These new Directors submit themselves for re-election on by shareholders at the next Annual General Meeting ("**AGM**"). The Company's Constitution requires one third of the Board to retire by rotation at every AGM. In addition, all Directors (including the Managing Director) submit themselves for re-nomination and re-election at regular intervals and at least once every 3 years.

In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

The NC takes into account on each Director's contribution and performance for the re-appointment of existing directors.

The Company has no alternate Directors on its Board.

BOARD PERFORMANCE

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

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board and the Board Committees, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors.

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each individual Director to the effectiveness of the Board on an annual basis. At the end of each year, each Board member is required to complete a Board appraisal form and Director's assessment form and send the forms to the NC Chairman before the NC Meeting. Based on the returns, the NC Chairman will prepare a consolidated report and present the report to the Board at the Board Meeting to be held before the Annual General Meeting. It had concluded a Board performance and Directors' self-assessment evaluations for FY2018.

Based on the assessment forms, the Board has met its performance objectives for FY2018.

An external facilitator to evaluate and assess the Board, its Board Committees and each Director has not been appointed as the Board believes that the quality and objectivity of the current process and evaluations implemented are sufficient and adequate.

The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which allow for comparison to industry peers and which address how the Directors have enhanced long-term shareholders' value.

The performance criteria adopted for the evaluation process have been consistently applied from year to year, and updated from time to time to account for amendments to the listing rules and Code of Corporate Governance.

The Chairman would act on the results of the Board performance evaluation, and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek resignation of Directors.

ACCESS TO INFORMATION

PRINCIPLE 6: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board Meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

The Board is provided with complete and adequate information on a timely basis prior to the Board Meetings and on an on-going basis. The Management circulates copies of the minutes of the meetings of Board and Board Committees to all members of the Board to keep them informed of on-going developments within the Group. Board papers are generally sent to Directors before each meeting and would include financial management reports, reports on performance of the Group against the budget with notes on any significant variances, papers pertaining to matters requiring the Board's decision, updates on key outstanding issues, strategic plans and developments in the Group.

The Board has unrestricted access to the Company secretaries, the external auditors as well as the Senior Management of the Company. At least one Company Secretary attends all Board Meetings and is responsible for ensuring that Board procedures and all other rules and regulations applicable to the Company are adhered to. The appointment and removal of the Company Secretary are subject to the Board's approval.

The Directors and the Chairman of the respective Committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to the approval of the Board.

REMUNERATION MATTERS

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

Remuneration Committee

The RC comprises four members, three of whom are Independent Directors and one is Non-Executive Director. The members are:

Mr Chan Meng Wah Alexander	(Chairman)
Mr Chew Heng Ching	(Member)
Mr Peter Tan Boon Heng	(Member)
Mr Chen Chang Rong	(Member)

The RC has adopted a set of Terms of Reference which among others, include the following functions:

1. To review and recommend a framework of remuneration for the Chairman, Directors and members of Senior Management. The framework will cover Director's fees, basic salaries, allowances, bonuses and benefits in kind.

2. To review the remuneration packages of all managerial staff that are related to any of the Executive Directors.

3. To recommend to the Board in consultation with senior management and the Chairman of the Board, any long term incentive scheme.

No Director or Member of the RC is involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in its deliberations.

The RC is able to obtain expert professional advice on remuneration matters as and when necessary. During the year, the RC did not seek expert advice on remuneration of all Directors as it had considered public data which is available for benchmarking and tailored specific remuneration packages to the requirements of the Company for its board and executive compensation. The Board is satisfied that the current process and evaluations implemented are sufficient and adequate.

The RC reviews 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 contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

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

The Company has a framework of remuneration to the Board members, staff related to Directors and key management personnel. Under this framework, the total remuneration comprises fixed and variable components. The fixed component comprises basic salary, contractual bonus, statutory employer's contributions to the Central Provident Fund and fixed allowances. In setting the remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. Variable component comprises non-contractual bonus and profit sharing that are linked to corporate and individual performance.

The Group does not have any long-term incentive schemes for Executive Directors and key management personnel.

The RC will review and determine the remuneration packages for the Directors.

The Executive Directors have service agreements. The Service Agreements may be terminated by either the Company or the Executive Directors giving 6 months' written notice of termination to the other party. The RC is tasked to review and make recommendations on the terms of the service contracts.

Non-executive Directors have no service contracts and are paid Directors' fees. Directors' fees are determined by the Board taking into consideration the remuneration framework adopted by the RC and based broadly on the recommended guidelines from the Singapore Institute of Directors and taking into account factors such as effort and time spent and the increasingly onerous responsibilities of the Directors. Payment of Directors' fees is subject to approval of the Company at each AGM. There are no share-based compensation schemes in place for non-executive Directors as the Board believes that the remuneration package is adequate.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss 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.

DISCLOSURE OF REMUNERATION

PRINCIPLE 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to Directors and key management personnel, and performance.

The remuneration of the Directors in the various remuneration bands is as follows:

	2018			2017		
	Executive Directors	**Non-Executive Directors**	**Total**	**Executive Directors**	**Non-Executive Directors**	**Total**
$1,000,000 to $1,249,999	1	–	1	–	–	–
$750,000 to $999,999	1	–	1	2	–	2
$500,000 to $749,999	–	–	–	–	–	–
$250,000 to $499,999	–	–	–	–	–	–
$0 to $249,999	–	4	4	1	2	3
	2	4	6	3	2	5

Remuneration of Directors and Key Management Personnel

A breakdown of the total remuneration of the Directors of the Company and the top five management personnel of the Group (who are not Directors) for the financial year ended 30 June 2018, is set out below:

	Base/Fixed Salary##	AWS/Bonus/ Profit Sharing##	Directors' Fees	Total Remuneration
Directors				
$1,000,000 to $1,249,999				
Tan Choo Pie @ Tan Chang Chai	52%	48%	–	100%
$750,000 to $999,999				
Tan Heok Ting	46%	54%	–	100%
$500,000 to $749,999	–	–	–	–
$250,000 to $499,999	–	–	–	–
Below $250,000				
Chen Chang Rong	25%	–	75%*	100%
Chew Heng Ching	–	–	100%*	100%
Chan Meng Wah Alexander	–	–	100%*	100%
Peter Tan Boon Heng	–	–	100%*	100%
Key Management Personnel#				
$500,000 to $749,999	–	–	–	–
$250,000 to $499,999				
Jacky Shi Yan Cong	94%	6%	–	100%
Below $250,000				
Andrew Orr Geok Cheng	83%	17%	–	100%

* The above proposed Directors' Fees for Independent Directors are subject to shareholders' approval at the Company's AGM to be held on 26 October 2018.

There are only 2 key management personnel in the Group for the financial year ended 30 June 2018.

The salary and AWS/Bonus/Profit Sharing shown are inclusive of employer portion of CPF contribution.

The Board is of the opinion that the information disclosed in the Annual Report would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice.

In view of the competitive pressure in the industry and talent market as well as confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Company and its Group not to disclose in the Annual Report and that the disclosure based on the above remuneration bands is appropriate.

The aggregate remuneration paid to the key management personnel was S$498,918#.

Remuneration of Employee who is an immediate family member of Directors

There is no employee who is an immediate family member of any Director or the Managing Director in the Group's employment for the financial year ended 30 June 2018.

The Group has implemented appropriate incentive schemes for the Executive Directors and key management personnel. There are no special termination, retirement and post-employment benefits that may be granted to the Directors and key management personnel. The Executive Directors and key management personnel's remuneration packages in the Group comprise fixed salary, allowances and bonuses depending on their role and responsibilities in the Group. Yearly bonuses declared are based on financial and operational indicators of their respective subsidiaries and individual indicators, as these reflect most accurately the performance of the Group as a whole. Based on the current financial year, the majority of performance targets have been met.

ACCOUNTABILITY AND AUDIT

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

The Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

The Board aims to provide a balanced and understandable assessment of the Company's and the Group's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET, press releases and Company's website.

The Company's Annual Report in physical copy is sent to all shareholders and soft copy accessible at the Company's and SGX's website.

Management provides the Board members with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, to enable the Board to make an informed assessment of the Company's and Group's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for the governance of risk management and internal controls, ensuring that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' investment and the assets of the Group.

The Company, with the assistance from an external consultant, had established the Enterprise Risk Management Framework on policies, processes and systems pertaining to each of the key risk areas of the Group. On a semi-annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, compliance and information technology risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

Based on the review of the Group's governing framework, systems, policies and processes in addressing the key risks, the monitoring and review of the Group's overall performance and representation from the Management, the Board is of the view that as at 30 June 2018, the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems is adequate and effective.

The Board is responsible for overseeing the Company's risk management, framework and policies. Although there is no separate risk committee, all Board members are collectively responsible and active in this function. The Board regularly convenes to carry out its responsibility of overseeing the Company's risk management framework and policies, with the help of in-house or external resources where necessary.

The Board and the AC, with the assistance of the internal auditors, have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance risks, as well as the Group's information technology controls and risk management systems.

The Company's internal auditors conduct an annual review on the adequacy and effectiveness of the Group's material internal controls, including financial, operational and compliance and information technology controls, and risk assessment at least annually to ensure the adequacy and effectiveness thereof. This review is conducted by the Company's internal auditors which presented their findings to the AC.

As part of the external audit plan, the external auditors also review certain key accounting controls relating to financial reporting, covering selected financial cycles and highlight material findings, if any, to the AC.

The AC reviews the findings of both the internal and external auditors and the adequacy and effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

The Board has received from the Managing Director and the Financial Controller on a quarterly basis before each quarter meeting in relation to the announcement on financial statements, that the financial records have been properly maintained and the financial statements are prepared in compliance with the Singapore Financial Reporting Standards and are not false and misleading in any material aspect.

The Board has also received written assurance from the Managing Director and the Financial Controller that:

(a) The financial records of the Group have been properly maintained and financial statements for the financial year ended 30 June 2018 give a true and fair view of the Group's operations and finances; and

(b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed and actions taken by the Management and on-going reviews and continuing efforts at enhancing controls and processes, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, as well as the Group's information technology controls and risk management systems were adequate and effective as at 30 June 2018.

The Board notes that the system of internal control provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Board and the AC wish to highlight that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Financial risks relating to the Group set out in Note 31 to the Financial Statements of this Annual Report on pages 70 to 74.

AUDIT COMMITTEE

PRINCIPLE 12: The Board should establish an Audit Committee ("AC'') with written terms of reference which clearly set out its authority and duties.

The AC comprises of four members, three of whom are Independent Directors and one is Non-Executive Director. The members are:

Mr Chew Heng Ching	(Chairman)
Mr Chan Meng Wah Alexander	(Member)
Mr Peter Tan Boon Heng	(Member)
Mr Chen Chang Rong	(Member)

The Board is of the opinion that the members of the AC have sufficient expertise and experience to discharge their duties.

The Board considers Mr Chew Heng Ching, who has extensive and practical experience in both accounting and financial management, well qualified to Chair the AC. In addition, the members of the AC collectively have strong accounting and related financial management expertise and experience. They keep abreast of relevant changes to accounting standards and issues which have a direct impact on financial statements.

None of the members of the AC were Partners or Directors of the Company's existing external auditors within the last 12 months and none of the members of the AC hold any financial interest in the auditing firm.

The role of the AC is to assist the Board with discharging its responsibilities, maintaining adequate accounting records and developing and maintaining effective internal control systems. In addition to pursuing this goal, the AC will:

1. Recommend to the Board the appointment or re-appointment of the external auditors;

2. Review with external auditors the audit plan, their evaluation of the system of internal controls, monitor Management's response and actions to correct any noted deficiencies;

3. Review the scope and results of the audit and the independence and objectivity of the external auditors;

4. Determine that no unwarranted management restrictions are being placed upon the external auditors;

5. Review of the internal audit program including the scope and results of the internal audit;

6. Review the financial statements with Management and external auditors for submission to the Board; and

7. Review interested person transaction.

The AC met twice with the external auditors with the presence of the Company's Management. In the review of the financial statements for the financial year ended 30 June 2018, the AC discussed with Management and the external auditors the accounting principles that were applied and their judgment of items that might affect the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are fairly presented in conformity with the relevant Singapore Financial Reporting Standards in all material aspects.

In performing its functions, the AC met twice with the external auditors and internal auditor (without the presence of the Company's Management) and reviewed the overall scope of the external audit, the internal audit and the assistance given by the Management to the auditors. The external auditors and internal auditor have unrestricted access to the AC.

The AC has in place a whistle-blowing framework, which provides an avenue for the staff of the Company to access the AC members and Chairman to raise concerns about improprieties. Contact details of these persons have been made available to all staff and staff are encouraged to either call or email as part of the procedure to raise concerns, if any. The AC reviews the policy and adequacy of the whistle-blowing arrangements by which staff of the Company and its Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. All information received will be treated confidentially and the identity and the interest of all whistle-blowers will be protected. Anonymous disclosures will be accepted and anonymity honoured. All cases reported are objectively and independently investigated, and appropriate remedial measures and follow-up are taken where warranted. All whistle-blowing matters are reviewed annually by the AC. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman. The policy is communicated via internal email and bulletin boards accessible to all staff.

The AC has reviewed the non-audit services provided to the Group by the external auditor and its affiliates, and is of the opinion that the provision of such services does not affect their independence. Details of the fees paid and payable to the auditors in respect of audit and non-audit services are disclosed in Note 6 to the Financial Statements.

The AC has recommended the re-appointment of Ernst & Young LLP as external auditor at the forthcoming Annual General Meeting.

The Company has complied with Rules 712 and 715, read with Rule 716 of the Listing Manual of SGX-ST in relation to its appointment of external auditors. The Board and Audit Committee have reviewed and confirmed the suitability of the appointment of a different auditor for the Group's significant foreign-incorporated subsidiaries and are satisfied that the said appointment would not compromise the standard and effectiveness of the audit of the Group.

INTERNAL AUDIT

PRINCIPLE 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The AC has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices, with full access to and co-operation of the Management as well as full discretion to invite any Director or Executive Director to attend its meetings and has been given reasonable resources to enable it to perform its functions properly. Both the internal and external auditors have unrestricted access to the AC.

The AC together with the Board/Management has ensured that the internal audit function is adequately resourced by providing unfettered access to all the Company's documents, records, properties etc to duly conduct their audits and to ensure the internal auditors have appropriate standing within the Company. Internal auditors, in the course of their audit, review the effectiveness of the Group's material internal controls. Material non-compliance, internal control weaknesses and key business risks noted in their audit and alignment plans to address these risks and weaknesses are communicated to the Management accordingly and tabled for discussion at AC Meetings with updates by the Management on the status of these action plans. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit functions, which is based in-house, staffed with professionals with suitably qualified experienced professionals with diverse operational and financial experience.

The Company's internal auditors carry out its function according to the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Management also underwent a Risk Assessment exercise during the year to establish the various risks facing the Group and develop a framework to manage those risks.

The Head of Internal Audit presents the internal audit findings to the Board at each quarter. The AC meets with the Head of Internal Audit at least once annually. Based on the internal controls established and maintained by the Group, work performed by the internal auditors, and reviews performed by Management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate and effective as at 30 June 2018.

However, the Board and the AC noted that all internal controls contain inherent limitations and no system of internal controls and risk management can provide absolute assurance in this regard or absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal controls system.

SHAREHOLDERS RIGHTS AND RESPONSIBLITIES

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

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

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

The Company strongly encourages shareholder participation during AGMs. shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters and vote for or against the proposed resolutions put forth for their approval. On this, shareholders are informed of the rules, including the voting procedure that govern the General Meetings.

COMMUNICATION WITH SHAREHOLDERS

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

The Board of Directors is accountable to the shareholders while the Management is accountable to the Board.

All announcements, quarterly and full year financial results are released to SGX-ST via SGXNET.

The Company is committed to providing its investors with a high level of transparency by engaging in regular, effective and fair communication with shareholders. In addition to comprehensive, accurate and timely disclosure of information that is material or that may influence the price of the Company's shares on SGXNET in compliance with the requirements of the Listing Manual, the Company adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate media.

The Company is committed to use channels such as news releases, annual reports, shareholder circulars, shareholders' meetings, and direct announcements, whenever applicable. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Company has appointed an investor relations firm on a retainer basis, to communicate regularly with the analysts and they monitor the dissemination of material information to ensure that it is disclosed to the market in a timely manner. In addition, through such investor relations firm, the Company also holds meetings, on a quarterly basis, based on interest levels from analysts and shareholders in order to give more opportunities of access to the Company.

The Company maintains open channels of communication through which shareholders can give feedback through email or telephone and are invited to share feedback with the Board at General Meetings of the Company. All shareholders of the Company receive the Annual Report and notice of AGM. The notice is also advertised in the newspaper. At AGMs, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company. In addition, the external auditors and Chairman of the various Board Committees are present and available to address questions.

The Constitution of the Company allows shareholders of the Company to appoint one or two proxies to attend and vote on their behalf.

Any payment of interim dividend or, upon receipt of shareholders' approval at Annual General Meetings, final dividend, will be paid to all shareholders in an equitable and timely manner.

CONDUCT OF SHAREHOLDER MEETINGS

PRINCIPLE 16: Companies should encourage greater shareholder participation at General Meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company welcomes the views of shareholders on matters concerning the Company and encourages shareholders' participation at AGMs. Generally, the Chairman of the Board together with the rest of the Directors and the Chairman of the AC, the NC and the RC of the Company will be present at General Meetings to answer questions from shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. Shareholders are given the opportunity to vote at the General Meetings of shareholders. The Company has been conducting electronic poll voting for all the resolutions passed at the General Meetings of shareholders for greater transparency in the voting process.

Votes cast for, or against, each resolution will be tallied and announced to shareholders immediately at the meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the meeting via SGXNet.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary, with the assistance of his representative, prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and the Management. These minutes are available to shareholders upon request.

INTERESTED PERSON TRANSACTIONS

All Directors are required to officially disclose their interest in the Company including any Interested Person Transactions ("**IPT**") with the Company. All Directors practise good governance by updating the Company about changes in their interests in a timely manner. The AC has reviewed the IPT entered into during the financial year by the Company. In accordance with Rule 907 of the Listing Manual of SGX-ST, no disclosure of such transactions is necessary as the aggregate value of all IPTs during the financial year under review were less than S$100,000.

MATERIAL CONTRACTS

Except as disclosed in Note 28 to the Financial Statements, there were no material contracts of the Company and its subsidiaries involving the interests of each Director or controlling shareholders, were subsisting at or entered into since the end of the last financial year.

DEALINGS IN SECURITIES

In relation to dealings in the Company's securities by Directors and officers of the Group, the Company has adopted its own internal code modelled after the provisions of Listing Rule 1207(19) on dealings in securities.

The Company, Directors and officers of the Group are prohibited dealing in the securities of the Company during the period commencing two weeks and one month as the case may be, before the announcement of the Company's quarterly and full-year results, and ending on the date of announcement of the relevant results or when they are in possession of any unpublished price sensitive information on the Group. The Company discourages the trading of the Company's shares for short term gain by both Directors and senior employees.

In view of the process in place, in the opinion of the Directors, the Company has complied with Listing Rule 1207(19) on dealings in securities.

FINANCIAL REPORTS

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Spindex Industries Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2018.

Opinion of the directors

In the opinion of the directors,

(i) the accompanying consolidated statement of comprehensive income, balance sheets, statements of changes in equity and consolidated statement of cash flows together with notes thereto 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 2018 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and

(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 report are:

Tan Choo Pie @ Tan Chang Chai (Chairman)
Tan Heok Ting (Managing Director)
Chen Chang Rong
Chew Heng Ching
Chan Meng Wah Alexander
Peter Tan Boon Heng

Arrangements to enable directors to acquire shares or debentures

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 object is, to enable 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' interests in shares or debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares and share options of the Company and related corporations, as stated below:

	Direct interest			Deemed interest		
	At 1.7.2017	At 30.6.2018	At 21.7.2018	At 1.7.2017	At 30.6.2018	At 21.7.2018
The Company						
(Ordinary shares)						
Tan Choo Pie @ Tan Chang Chai	–	–	–	83,526,312	86,470,312	86,470,312
Tan Heok Ting	–	–	–	83,526,312	86,470,312	86,470,312

Directors' interests in shares or debentures (cont'd)

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr Tan Choo Pie @ Tan Chang Chai is deemed to be interested in the shares held by the Company in all its subsidiaries.

Except as disclosed in this report, no director who held office at the end of the financial year had an interest in the shares, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or the end of the financial year and on 21 July 2018.

Audit Committee

The Audit Committee performed the functions specified in the Singapore Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited as detailed in the Report on Corporate Governance.

Other information required by the Singapore Exchange Securities Trading Limited

The Company has adopted an internal policy, which sets out the procedure for the notification to and approval by the Audit Committee, in relation to transactions with interested persons. The Company did not enter into any interested person transaction which requires disclosure or shareholders' approval under SGX-ST rules regulating interested person transactions.

No material contracts to which the Company or any subsidiary, is a party and which involve Directors' interests subsisted at the end of the financial year, or have been entered into since the end of the previous financial year.

Auditor

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

On behalf of the Board of Directors,

Tan Choo Pie @ Tan Chang Chai
Director

Tan Heok Ting
Director

Singapore
25 September 2018

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Spindex Industries Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2018, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) 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 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, 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 our 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.

Revenue recognition

The Group derives its revenue from the sale of goods either via direct or consignment sales. During the financial year, the Group recognised revenue of $153.3 million, of which 38% were from consignment sales. Due to the high volume of transactions of consignment sales and various shipping terms with different customers, there is a risk that revenue could be recorded in the incorrect period. This is especially for sales transactions occurring on and around the year-end. Accordingly, we have identified this to be a key audit matter.

Key Audit Matters (cont'd)

Revenue recognition

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. In addition, we obtained an understanding of internal controls over the revenue recognition process, including the timing of revenue recognition. We tested the controls over revenue by checking to supporting documents to assess if the related revenue and trade receivables are recorded in the correct accounting period, taking into consideration the shipping terms as well as other terms and conditions in the contracts. Further, trend analysis on monthly revenue and cost of sales was carried out to assess for any unusual fluctuations. We also tested sales cut–off to establish if revenue are recorded in the correct period as well as review of credit notes issued to customers subsequent to year end to ascertain if revenue were recognised in the correct period. Lastly, we also considered the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgment 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.

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.

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

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 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 Adrian Koh.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

25 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	4	153,343	141,775
Cost of sales		(124,670)	(109,592)
Gross profit		28,673	32,183
Other income	5	6,362	1,734
Distribution and selling expenses		(3,598)	(2,807)
Administrative expenses		(15,410)	(13,641)
Profit from operations	6	16,027	17,469
Financial expenses	8	(8)	(134)
Profit before tax		16,019	17,335
Income tax expense	9	(1,962)	(3,300)
Profit for the year		14,057	14,035
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		2,521	(1,287)
Total comprehensive income for the year		16,578	12,748
Profit attributable to:			
Owners of the Company		14,057	14,035
Total comprehensive income attributable to:			
Owners of the Company		16,578	12,748
Earnings per share attributable to owners of the Company (cents per share)			
- Basic	10	12.18	12.17
- Diluted	10	12.18	12.17

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

BALANCE SHEETS

As at 30 June 2018

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Non-current assets					
Property, plant and equipment	11	60,878	45,869	539	340
Land use right	12	251	269	–	–
Deferred tax assets	23	250	257	–	–
Investment in subsidiaries	13	–	–	12,169	12,169
		61,379	46,395	12,708	12,509
Current assets					
Inventories	14	23,887	19,116	304	333
Trade receivables	15	33,132	30,054	5,459	4,660
Other receivables and deposits	16	3,114	2,245	19	23
Prepayments		2,074	1,800	22	13
Due from subsidiaries	17	–	–	6,785	5,344
Cash and cash equivalents	18	29,191	39,777	9,157	12,099
		91,398	92,992	21,746	22,472
Current liabilities					
Trade payables	19	21,723	19,103	358	234
Other payables and accruals	20	17,374	15,693	3,685	3,875
Provision for defects	21	549	718	28	57
Due to subsidiaries	17	–	–	1,860	3,097
Loans and borrowings	22	–	3,168	–	3,168
Provision for tax		850	580	–	–
		40,496	39,262	5,931	10,431
Net current assets		50,902	53,730	15,815	12,041
Non-current liabilities					
Deferred tax liabilities	23	1,464	2,433	7	7
Provision for restoration costs	24	162	154	–	–
		1,626	2,587	7	7
Net assets		110,655	97,538	28,516	24,543
Equity attributable to owners of the Company					
Share capital	25	13,145	13,145	13,145	13,145
Reserves	27	97,510	84,393	15,371	11,398
Equity attributable to owners of the Company		110,655	97,538	28,516	24,543
Total equity		110,655	97,538	28,516	24,543

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

Group	Share capital $'000	Foreign currency translation reserve $'000 (Note 27 a)	Reserve fund $'000 (Note 27 b)	Accumulated profit $'000	Total reserves $'000	Total equity $'000
	Attributable to owners of the Company					
At 30 June 2016 and 1 July 2016	13,145	(8,205)	3,866	78,637	74,298	87,443
Net profit for the year	–	–	–	14,035	14,035	14,035
Other comprehensive income for the year	–	(1,287)	–	–	(1,287)	(1,287)
Total comprehensive income for the year	–	(1,287)	–	14,035	12,748	12,748
Appropriation to/(from) reserve fund/ accumulated profit	–	–	529	(529)	–	–
Dividend on ordinary shares (Note 26)	–	–	–	(2,653)	(2,653)	(2,653)
At 30 June 2017 and 1 July 2017	13,145	(9,492)	4,395	89,490	84,393	97,538
Net profit for the year	–	–	–	14,057	14,057	14,057
Other comprehensive income for the year	–	2,521	–	–	2,521	2,521
Total comprehensive income for the year	–	2,521	–	14,057	16,578	16,578
Appropriation to/(from) reserve fund/ accumulated profit	–	–	573	(573)	–	–
Dividend on ordinary shares (Note 26)	–	–	–	(3,461)	(3,461)	(3,461)
At 30 June 2018	13,145	(6,971)	4,968	99,513	97,510	110,655

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

	Attributable to owners of the Company			
	Share capital $'000	Accumulated profit $'000	Total reserves $'000	Total equity $'000
Company				
At 30 June 2016 and 1 July 2016	13,145	10,601	10,601	23,746
Net profit for the year	–	3,450	3,450	3,450
Total comprehensive income for the year	–	3,450	3,450	3,450
Dividend on ordinary shares (Note 26)	–	(2,653)	(2,653)	(2,653)
At 30 June 2017 and 1 July 2017	13,145	11,398	11,398	24,543
Net profit for the year	–	7,434	7,434	7,434
Total comprehensive income for the year	–	7,434	7,434	7,434
Dividend on ordinary shares (Note 26)	–	(3,461)	(3,461)	(3,461)
At 30 June 2018	13,145	15,371	15,371	28,516

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 2018

	Note	Group 2018 $'000	Group 2017 $'000
Operating activities			
Profit before tax		16,019	17,335
Adjustments for:			
Allowance of doubtful debt	15	22	13
Depreciation of property, plant and equipment	6,11	7,723	6,461
Amortisation of land use right	12	15	15
Gain on disposal of property, plant and equipment		(4,494)	(87)
Interest expense	8	8	134
Interest income	5	(116)	(93)
Write-down of inventories	6,14	92	43
Provision for defects	21	283	535
Write-back of provision for defects	21	(582)	(838)
Impairment of property, plant and equipment		–	652
Reversal of provision for restructuring costs		(116)	–
Unrealised exchange loss/(gain)		374	(228)
Operating cash flows before changes in working capital		19,228	23,942
(Increase)/decrease in:			
Inventories		(4,882)	(841)
Trade receivables		(3,100)	(1,068)
Other receivables and deposits		(400)	(220)
Prepayments		(274)	1,764
Increase in:			
Trade payables		2,619	3,302
Other payables and accruals		1,914	477
Cash flows from operations		15,105	27,356
Income taxes paid		(3,097)	(3,539)
Tax refund		–	330
Interest paid		(8)	(134)
Interest received		116	93
Net cash flows generated from operating activities		12,116	24,106
Investing activities			
Purchase of property, plant and equipment	11	(20,888)	(10,957)
Proceeds from disposal of property, plant and equipment		4,536	252
Net cash flows used in investing activities		(16,352)	(10,705)
Financing activities			
Proceeds from term loans		–	3,168
Dividend paid on ordinary shares	26	(3,461)	(2,653)
Repayment of short term borrowings		(3,168)	(3,834)
Net cash flows used in financing activities		(6,629)	(3,319)
Net (decrease)/increase in cash and cash equivalents		(10,865)	10,082
Cash and cash equivalents at beginning of financial year		39,777	29,820
Currency alignment on opening cash balances		279	(125)
Cash and cash equivalents at end of financial year	18	29,191	39,777

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

1. Corporate information

Spindex Industries Limited (the “Company”) is a limited liability company, incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 8 Boon Lay Way #03-16, 8@TradeHub 21, Singapore 609964.

The principal activities of the Company are to carry on the business as importer, exporter and dealer of mechanical, electrical and electronic parts. The principal activities of the subsidiaries are manufacturing and trading of mechanical, electrical, electronic parts, precision machine parts and other engineering materials.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”).

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($’000) as indicated.

<u>Convergence with International Financial Reporting Standards</u>

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Standards (International) (“SFR(I)”), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 July 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the Group expects that the adoption of SFRS(1) will have no material impact on the financial statements in the year of initial application. The Group expects that the impact of adopting SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 will be similar to the impact on adoption of FRS109, FRS115 and FRS106 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 July 2017. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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 beginning on or after**
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 115 Clarifications to FRS 115 *Revenue from Contract with Customers*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 12 Income Taxes	1 January 2019
– Amendments to FRS 23 Borrowing Costs	1 January 2019

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 July 2018. Upon adoption of SFRS(I) on 1 July 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected loss model, the Group does not expect a significant impact on its equity. The Group will need to continuously perform a detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

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

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

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

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

SFRS(I) 15 *Revenue from Contracts with Customers* *(cont'd)*

The Group has performed a preliminary impact assessment of adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in 2018.

Variable consideration

For the sale of components, some contracts with customers provide trade discounts or volume rebates. Such provisions give rise to variable consideration under SFRS(I) 15. The Group currently recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Under SFRS(I) 15, variable consideration is estimated and is constrained to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the associate uncertainty is subsequently resolved.

On the adoption of SFRS(I) 15, the Group expects to record an adjustment to reduce revenue with a corresponding increase in contract liability.

Rights of return

The Group currently records a provision for the net margin arising from expected return of goods. Under SFRS(I) 15, the Group will estimate the amount of expected returns in determining the transaction price and recognise revenue based on the amounts to which the Group expects to be entitled through the end of the return period. The Group will recognise the amount of expected returned goods as a refund liability, representing its obligation to return the customer's consideration. Separately, the Group recognises a related asset for the right to recover the returned goods.

On the adoption of FRS 115, the Group expects to record an adjustment to decrease its revenue with a related adjustment to cost of sales for the financial year ended 30 June 2018. In addition, the Group expects to reclassify provision for defects to contract liabilities relating to refund liability and correspondingly, to reclassify related inventories to contract assets relating to the right to recover products from customers on return.

SFRS(I) 16 *Leases*

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

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

Except for SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standard will have no material impact on the financial statements in the year of initial application.

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

2.4 *Basis of consolidation*

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

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

Subsidiary companies 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:

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises 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

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

2.5 *Subsidiaries*

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

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

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

2.6 ***Foreign currency***

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

2.7 ***Property, plant and equipment***

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

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Factory building on freehold land	50 years
Leasehold land and buildings	25 – 50 years
Leasehold improvements	2 – 5 years
Plant and machinery	5 – 10 years
Furniture and fittings	6 years
Motor vehicles	6 years
Office equipment	3 – 6 years
Quality control equipment	5 years
Warehouse equipment	5 – 6 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.

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

2.7 ***Property, plant and equipment (cont'd)***

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

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

2.8 ***Land use rights***

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 30 years.

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

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

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

Impairment losses of continuing operations are recognised in profit or loss.

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

2.10 ***Financial instruments***

(a) *Financial assets*

Initial recognition and measurement

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

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

2.10 ***Financial instruments (cont'd)***

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

Subsequent measurement

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

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.

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

Financial liabilities at amortised cost

After initial recognition, other 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.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

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

2.11 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial asset is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

2.12 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits.

2.13 *Inventories*

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

- Raw materials – purchase cost, freight and other transportation and incidental costs on a first-in first-out basis; and

- Finished goods and work-in-progress – cost 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.

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

2.13 ***Inventories (cont'd)***

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.

2.14 ***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 each date of the 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.

Provision for defects

Provision for defects are recognised for expected claims on products sold during the last one year. It is based on past experience of the level of returns. The estimate is revised annually.

Provision for restoration costs

Provision for restoration costs arise from the obligation to restore the leased premises the Group occupies to their original condition upon expiry of the leases. Restoration costs are provided at the present value of expected costs to settle the obligation and are recognised as part of the cost of the asset.

The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in estimated future costs are added to or adjusted from the cost of the asset.

2.15 ***Government grants***

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant shall be 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. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

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

2.16 *Borrowing costs*

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

2.17 *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. Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

<u>Singapore</u>

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme. The Company makes monthly contributions based on stipulated contribution rates.

<u>People's Republic of China ("PRC")</u>

The subsidiaries incorporated in the PRC are required to provide certain staff pension benefits to their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by PRC legislation and are contributed to pension funds managed by government agencies, which are paying pensions to the PRC subsidiaries' retired employees.

<u>Malaysia</u>

The subsidiary incorporated and operating in Malaysia is required to make contributions to the Employees Provident Fund (EPF), a defined contribution pension scheme. The subsidiary makes monthly contributions based on stipulated contribution rates.

<u>Vietnam</u>

The subsidiary incorporated and operating in Vietnam is required to make contributions to the state pension scheme in Vietnam and is administered solely by the Government's Social Insurance Agency (SIA). The subsidiary makes monthly contributions based on stipulated contribution rates.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the date of the reporting period.

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

2.18 ***Operating leases***

As lessee

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

2.19 ***Revenue***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. 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.

(b) *Interest income*

Interest income is recognised using the effective interest method.

2.20 ***Income taxes***

(a) *Current tax*

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

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

(b) *Deferred tax*

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

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

2.20 *Income taxes (cont'd)*

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

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

– Where the deferred tax liabilities arise from the initial recognition of goodwill or 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, 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, 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 accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, 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 assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in 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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

(c) *Sales tax*

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

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

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

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

2.21 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

2.22 *Share capital*

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.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, 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. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgment, apart from those involving estimations, which has the most significant effect on the amounts recognised in the consolidated financial statements:

Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables and deferred tax liabilities at the date of the reporting period were $850,000 (2017: $580,000) and $1,464,000 (2017: $2,433,000) respectively.

3. Significant accounting judgments and estimates (cont'd)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the date 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.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 32 to the financial statements.

4. Revenue

Revenue comprises sale of goods in the normal course of business, net of returns.

5. Other income

	Group	
	2018	**2017**
	$'000	**$'000**
Sales of scrap	1,643	1,485
Interest income from fixed deposits	116	93
Gain on disposal of property, plant and equipment	4,494	–
Government grants	109	109
Others	–	47
	6,362	1,734

6. Profit from operations

This is determined after charging/(crediting) the following:

	Note	Group 2018 $'000	Group 2017 $'000
Audit fees:			
- Auditors of the Company		88	70
- Other auditors		87	85
Non-audit fees:			
- Auditors of the Company		52	49
- Other auditors		137	10
Total audit and non-audit fees		364	214
Depreciation of property, plant and equipment	11	7,723	6,461
Amortisation of land use right	12	15	15
Allowance for doubtful debts	15	22	13
Write-down of inventories	14	92	43
Provision for defects	21	283	535
Write-back of provision for defects	21	(582)	(838)
Foreign exchange loss/(gain), net		679	(653)
Employee benefits	7	32,670	31,640
Reversal of provision for restructuring costs		(116)	–
Operating lease expenses		549	517
Gain on disposal of property, plant and equipment		(4,494)	(87)

7. Employee benefits

	Group 2018 $'000	Group 2017 $'000
Wages, salaries and bonuses	27,120	26,577
Defined contribution plans	3,415	3,308
Other personnel costs	2,135	1,755
	32,670	31,640

8. Financial expenses

	Group	
	2018	2017
	$'000	$'000
Interest expense		
- bank loans, representing total interest expense on financial liabilities at amortised cost	8	134

9. Income tax expense

(a) *Major components of income tax expense*

The major components of income tax expense for the financial years ended 30 June 2018 and 2017 are:

	Group	
	2018	2017
	$'000	$'000
Current income tax		
- current year	2,829	3,012
- under/(over) provision in respect of prior years	141	(300)
Deferred income tax		
- movement in temporary differences	(1,243)	546
- under provision in respect of prior years	235	42
Income tax expense recognised in profit or loss	1,962	3,300

9. Income tax expense (cont'd)

(b) ***Relationship between tax expense and accounting profit***

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2018 and 2017 are as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Profit before tax	16,019	17,335
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,484	3,561
Tax effect of:		
- expenses not deductible for tax purposes	418	715
- income not subject to tax	(797)	(703)
- under/(over) provision in respect of prior years	376	(258)
- deferred tax assets not recognised	143	759
- utilisation of deferred tax assets not recognised in prior years	(43)	(68)
- tax relief for reinvestment allowance	(1,586)	(716)
- others	(33)	10
Income tax expense recognised in profit or loss	1,962	3,300

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

10. Earnings per share (cents)

Basic earnings per share is calculated by dividing the net profit for the financial year of $14,057,000 (2017: $14,035,000) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no share options as at year end.

The following table reflects the information used in the computation of basic and diluted earnings per share for the years ended 30 June:

	Weighted average number of shares	
	2018	**2017**
	'000	**'000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	115,365	115,365

11. Property, plant and equipment

Group	Freehold land $'000	Factory building on freehold land $'000	Leasehold land and buildings $'000	Leasehold improvements $'000	Plant and machinery $'000	Furniture and fittings $'000	Motor vehicles $'000	Office equipment $'000	Quality control equipment $'000	Warehouse equipment $'000	Total $'000
Cost											
At 1.7.2016	1,025	5,042	11,154	1,826	82,491	1,087	613	2,299	3,015	3,498	112,050
Additions	–	–	–	136	8,595	85	–	260	988	893	10,957
Disposals	–	–	–	–	(1,488)	(389)	–	(166)	(277)	(228)	(2,548)
Exchange difference on translation	(45)	(222)	44	(56)	(1,096)	(12)	–	(26)	(71)	(44)	(1,528)
At 30.6.2017 and 1.7.2017	980	4,820	11,198	1,906	88,502	771	613	2,367	3,655	4,119	118,931
Additions	–	–	18	123	17,312	35	321	600	1,858	621	20,888
Disposals	–	–	(4,940)	–	(1,147)	(3)	–	(12)	(84)	(97)	(6,283)
Exchange difference on translation	54	263	50	79	2,305	23	4	66	170	61	3,075
At 30.6.2018	1,034	5,083	6,326	2,108	106,972	826	938	3,021	5,599	4,704	136,611
Accumulated depreciation											
At 1.7.2016	–	648	6,619	977	53,379	894	305	1,946	1,744	2,366	68,878
Charge for the year	–	71	337	162	4,975	55	72	96	378	315	6,461
Disposals	–	–	–	–	(1,541)	(383)	–	(170)	(78)	(211)	(2,383)
Impairment loss	–	–	525	–	127	–	–	–	–	–	652
Exchange difference on translation	–	(31)	14	(17)	(442)	(8)	–	(15)	(29)	(18)	(546)
At 30.6.2017 and 1.7.2017	–	688	7,495	1,122	56,498	558	377	1,857	2,015	2,452	73,062
Charge for the year	–	72	221	158	5,965	56	93	128	605	425	7,723
Disposals	–	–	(4,940)	–	(1,192)	(3)	–	(12)	(55)	(39)	(6,241)
Exchange difference on translation	–	41	23	40	947	16	3	34	67	18	1,189
At 30.6.2018	–	801	2,799	1,320	62,218	627	473	2,007	2,632	2,856	75,733
Net carrying amount											
At 30.6.2018	1,034	4,282	3,527	788	44,754	199	465	1,014	2,967	1,848	60,878
At 30.6.2017	980	4,132	3,703	784	32,004	213	236	510	1,640	1,667	45,869

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

Company	Leasehold land and building $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Furniture and fittings $'000	Motor vehicles $'000	Office equipment $'000	Quality control equipment $'000	Warehouse equipment $'000	Total $'000
Cost									
At 1.7.2016	4,940	–	3,496	467	350	807	220	326	10,606
Additions	–	39	–	20	–	12	–	20	91
Disposals	–	–	(3,496)	(417)	–	(186)	(126)	(287)	(4,512)
At 30.6.2017 and 1.7.2017	4,940	39	–	70	350	633	94	59	6,185
Additions	–		–	–	321	4	–	2	327
Disposals	(4,940)	–	–	–	–	–	–	–	(4,940)
At 30.6.2018	–	39	–	70	671	637	94	61	1,572
Accumulated depreciation									
At 1.7.2016	4,301	–	3,457	458	92	732	218	303	9,561
Charge for the year	114	2	14	3	59	22	1	7	222
Impairment loss	525	–	–	–	–	–	–	–	525
Disposals	–	–	(3,471)	(410)	–	(186)	(125)	(271)	(4,463)
At 30.6.2017 and 1.7.2017	4,940	2	–	51	151	568	94	39	5,845
Charge for the year		20	–	3	79	21	–	5	128
Disposals	(4,940)	–	–	–	–	–	–	–	(4,940)
At 30.6.2018	–	22	–	54	230	589	94	44	1,033
Net carrying amount									
At 30.6.2018	–	17	–	16	441	48	–	17	539
At 30.6.2017	–	37	–	19	199	65	–	20	340

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

Impairment of assets

In the previous financial year, the Group has carried out a review of the recoverable amount of its leasehold property in Singapore because the building has been vacated subsequent to the cessation of manufacturing activities. An impairment loss of $525,000 was recognised in the profit or loss for financial year ended 30 June 2017. Further, the Group has also made an impairment loss of $127,000 for their machines which were catered for specialised products that have been discontinued in the same financial year ended 30 June 2017.

12. Land use right

	Group	
	2018	**2017**
	$'000	**$'000**
Cost		
At beginning of financial year	440	431
Exchange differences	(4)	9
At end of financial year	436	440
Accumulated amortisation		
At beginning of financial year	171	153
Amortisation for the year	15	15
Exchange differences	(1)	3
At end of financial year	185	171
Net carrying amount	251	269
Amount to be amortised		
Not later than one year	15	15
Later than one year but not later than five years	62	62
Later than five years	174	192

The Group has land use rights over one plot of state-owned land in Vietnam, where the Group's Vietnam operations reside. The land use right is not transferable and has a remaining tenure of 16 years (2017: 17 years).

13. Investment in subsidiaries

	Company 2018 $'000	Company 2017 $'000
Unquoted equity shares, at cost:		
Cost at beginning and end of financial year	12,169	12,169

The Company had the following subsidiaries as at 30 June:

Name of subsidiary	Principal Activities	Country of incorporation and place of business	Percentage of equity held by the Group 2018 %	Percentage of equity held by the Group 2017 %	Cost of investment 2018 $'000	Cost of investment 2017 $'000
Synturn (M) Sdn. Bhd.+	Manufacturing and trading of precision machine parts and other engineering materials	Malaysia	100	100	1,304	1,304
Spindex Precision Engineering (Shanghai) Co., Ltd.^	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	4,323	4,323
Spindex Precision Engineering (Suzhou) Co., Ltd.^	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	3,569	3,569
Spindex Industries (Hanoi) Co., Ltd.#	Manufacturing and trading of mechanical, electrical and electronic parts	Vietnam	100	100	2,973	2,973
					12,169	12,169

+ Audited by Ernst & Young LLP, Johor Bahru.

^ Audited by Ernst & Young Hua Ming LLP, Shenzhen

Audited by Ernst & Young Vietnam Limited, Hanoi

14. Inventories

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Balance sheet:				
Finished goods (at cost or net realisable value)	12,661	10,846	290	316
Work-in-progress (at cost)	2,782	3,563	10	17
Raw materials (at cost)	5,940	3,298	4	–
Goods-in-transit (at cost)	2,504	1,409	–	–
Inventories at lower of cost and net realisable value	23,887	19,116	304	333
Income statement:				
Inventories recognised as an expense in cost of sales	119,975	109,357	18,232	17,204
Inclusive of the following charge:				
- Write-down of inventories	92	43	–	–

15. Trade receivables

The table below is an analysis of trade receivables as at 30 June:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Not past due and not impaired	30,452	25,292	5,183	4,250
Past due but not impaired *	2,680	4,762	276	410
	33,132	30,054	5,459	4,660
Impaired trade receivables - individually assessed				
Customers who defaulted on payment	92	71	–	–
Customers who disputed on invoices billed	7	7	7	7
Less: Allowance for doubtful debt	(99)	(78)	(7)	(7)
	–	–	–	–
Total trade receivables, net	33,132	30,054	5,459	4,660

15. Trade receivables (cont'd)

Trade receivables are non-interest bearing and are generally on 45-90 days credit terms. They are recognised at their original amounts which represent their fair values on initial recognition.

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
** Aging of trade receivables that are past due but not impaired*				
Less than 30 days	1,737	2,720	226	335
30 to 60 days	804	1,414	50	75
61 to 90 days	34	268	–	–
More than 90 days	105	360	–	–
	2,680	4,762	276	410

The carrying amount of trade receivables impaired by credit losses is reduced through the use of an allowance account unless on the date the impairment loss is recognised, the Group ascertains the amount to be uncollectible whereby it would be reduced directly. In subsequent periods when a trade debtor is ascertained to be uncollectible, it is written off against the allowance account.

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At beginning of financial year	78	63	7	7
Allowance for doubtful debts	22	13	–	–
Exchange difference on translation	(1)	2	–	–
At end of financial year	99	78	7	7

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

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

	Group	
	2018	2017
	$'000	$'000
United States Dollar	17,426	15,580

16. Other receivables and deposits

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Other receivables	204	379	–	2
Tax recoverable	1,738	1,268	–	–
Deposits	1,172	598	19	21
	3,114	2,245	19	23

17. Due from/(to) subsidiaries

	Company 2018 $'000	Company 2017 $'000
Due from subsidiaries		
Trade	188	16
Non-trade	2,505	2,155
Loans	4,092	3,173
	6,785	5,344
Due to subsidiaries		
Trade	1,860	3,097

Trade/Non-trade balances

These balances are unsecured, interest free and are repayable within the next twelve months.

Loans

Loan to a fellow subsidiary is unsecured, bears interest at 3.61% p.a. (2017: 3.85% p.a.) and is repayable within the next twelve months via cash.

18. Cash and cash equivalents

Cash and cash equivalents comprise:

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Fixed deposits	1,297	759	520	517
Cash and bank balances	27,894	39,018	8,637	11,582
Cash and cash equivalents	29,191	39,777	9,157	12,099

18. Cash and cash equivalents (cont'd)

Cash at banks earns interest at floating rates based on daily bank deposit rates. The fixed deposits earn interest from 0.5% to 4.3% (2017: 0.5% to 4.4%) per annum. The average tenure of fixed deposits ranges from 1 to 2 months (2017: 1 month).

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

	Group		Company	
	2018	2017	2018	2018
	$'000	$'000	$'000	$'000
United States Dollar	9,257	15,963	3,404	8,075
Renminbi	40	798	–	–
Swiss Franc	241	287	241	287
Vietnamese Dong	1,596	936	–	–
Euro	113	166	–	–

19. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 – 90 days terms.

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

	Group	
	2018	2017
	$'000	$'000
United States Dollar	2,859	2,250
Euro	635	705
Swiss Franc	–	4

20. Other payables and accruals

	Group		Company	
	2018	2017	2018	2018
	$'000	$'000	$'000	$'000
Other payables	3,931	4,701	17	82
Accrued operating expenses	6,704	3,401	907	695
Accrued payroll benefits	6,739	7,591	2,761	3,098
	17,374	15,693	3,685	3,875

Other payables are non-interest bearing and are normally settled on 30 – 90 days terms.

21. Provision for defects

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At beginning of financial year	718	1,038	57	198
Provision for the financial year	283	535	28	57
Write-back of provision	(582)	(838)	(57)	(198)
Utilised against provision	116	–	–	–
Exchange difference on translation	14	(17)	–	–
At end of financial year	549	718	28	57

A provision is recognised for expected claims on products sold during the last one year, based on past experience of the level of returns. It is expected that most of these costs will be incurred within one year from the date of the reporting period.

Assumptions used to calculate the provision for defects are based on current sales levels and current information available on returns based on the past experiences for all products sold.

22. Loans and borrowings

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Secured				
Term loan	–	3,168	–	3,168

The term loan was denominated in USD, bore interest at 2.15% per annum and has been fully repaid during the financial year.

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

	2017	Cash flow	2018
	$'000	$'000	$'000
Term loan	3,168	(3,168)	–

23. Deferred tax

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

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	373	1,606	(1,279)	282
Undistributed reserves of overseas subsidiaries	1,091	827	264	235
	1,464	2,433		
Deferred tax assets				
Differences in depreciation for tax purposes	(250)	(20)	(230)	(4)
Provisions and other taxable temporary differences	–	(237)	237	75
	(250)	(257)		
Deferred income tax expense			(1,008)	588

	Company			
	Balance sheet		Income statement	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	7	7	–	–
Net deferred tax liabilities	7	7		
Deferred income tax expense			–	–

At the date of the reporting period, the Group has tax losses and capital allowances of approximately $18,086,000 (2017: $21,773,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2017: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 26).

24. Provision for restoration costs

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of financial year	154	141	–	–
Exchange differences	8	13	–	–
At end of financial year	162	154	–	–

25. Share capital

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Issued and fully paid		
At beginning and end of financial year – 115,365,000 ordinary shares	13,145	13,145

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 restrictions and have no par value.

26. Dividends

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Declared and paid during the year		
Final exempt (one-tier) dividend of 3.00 (2017: 2.30) cents per ordinary share in respect of the previous financial year	3,461	2,653
Proposed but not recognised as a liability as at 30 June		
Final exempt (one-tier) dividend of 3.00 (2017: 3.00) cents per ordinary share	3,461	3,461

27. Reserves

(a) ***Foreign currency translation reserve***

The foreign currency translation reserve is used to record 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.

27. Reserves (cont'd)

(b) ***Reserve fund***

In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), profits of the subsidiaries, Spindex Precision Engineering (Shanghai) Co., Ltd., and Spindex Precision Engineering (Suzhou) Co., Ltd., are available for distribution in the form of cash dividends to the investors after the subsidiaries have (1) satisfied all tax liabilities; (2) provided for losses in previous years and (3) made appropriations to statutory reserve fund. The subsidiaries have to appropriate at least 10% of its annual profit after tax as determined in accordance with the PRC accounting standards and regulations applicable to the subsidiaries until the statutory reserve fund reaches 50% of its registered capital. Appropriation to the staff bonus and welfare fund is determined at the discretion of the board of directors of the subsidiaries.

The statutory reserve fund is not available for distribution as dividends but it can be used to offset losses or be capitalised as capital.

For the financial year ended 30 June 2018, the board of directors of the subsidiaries resolved to appropriate 10% (2017: 10%) of the net profit as reported in its statutory financial statements for the financial year ended 30 June 2018 to the reserve fund.

28. Related party transactions

Except for related party information disclosed elsewhere in the financial statements, there were no transactions between the Group and related parties during the year.

Compensation of key management personnel

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Short-term employee benefits	2,470	3,263
Defined contribution plans	45	56
Directors' fees	277	136
Total compensation paid	2,792	3,455
Comprise amounts paid to:		
Directors of the Company		
- fees	277	136
- remuneration	2,016	1,953
	2,293	2,089
Other key management personnel	499	1,366
	2,792	3,455

29. Commitments and contingent liabilities

(a) *Capital expenditure commitments*

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Commitments in respect of contracts placed	689	8,510	–	–

(b) *Operating lease commitments – as lessee*

The Group and the Company have entered into commercial leases for rental of buildings. Most leases contain renewable options. There are no restrictions imposed by lease arrangements, such as those concerning dividends, additional debts and further leasing. These non-cancellable operating leases have remaining lease terms ranging from 2 to 16 years (2017 : 3 to 17 years).

Future minimum lease payments under non-cancellable leases are as follows as of 30 June:

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	469	479	–	165
Later than one year but not later than five years	316	1,362	–	783
Later than five years	119	2,670	–	2,473
	904	4,511	–	3,421

30. Segment information

For management purposes, the Group is organised on a world-wide basis into major product categories based on the industries in which the Group serves, as follows:

(i) Imaging and printing

(ii) Machinery and automotive systems

(iii) Others (domestic appliances, consumer electronics, data storage, telecommunications and others)

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its product categories 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. Group financing (including finance costs), other operating income, administrative expenses and income taxes are managed on a group basis and are not allocated to the product categories.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

30. Segment information (cont'd)

(a) *Business segments*

	Imaging and printing		Machinery and automotive systems		Others*		Adjustments and eliminations		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue										
External customers	33,838	31,087	72,913	65,720	46,592	44,968	–	–	153,343	141,775
Inter-segment	49	635	16,658	12,011	219	1,904	(16,926)	(14,550)	–	–
Total revenue	33,887	31,722	89,571	77,731	46,811	46,872	(16,926)	(14,550)	153,343	141,775
Segment profit	6,327	7,278	13,634	13,813	8,712	11,092	–	–	28,673	32,183
Distribution and selling expenses	(794)	(616)	(1,711)	(1,301)	(1,093)	(890)	–	–	(3,598)	(2,807)
Impairment of property, plant and equipment	–	–	–	–	–	(652)	–	–	–	(652)
Unallocated other income									6,362	1,734
Unallocated expenses									(15,410)	(12,989)
Operating profit									16,027	17,469
Financial expenses									(8)	(134)
Income tax expense									(1,962)	(3,300)
Net profit for the financial year									14,057	14,035
Assets										
Trade receivables	6,357	5,916	18,939	16,970	7,836	7,168	–	–	33,132	30,054
Unallocated assets	–	–	–	–	–	–	–	–	119,645	109,333
Total assets									152,777	139,387
Liabilities										
Provision for defects	121	157	261	333	167	228		–	549	718
Unallocated liabilities	–	–	–	–	–	–	–	–	41,573	41,131
Total liabilities									42,122	41,849
Other segment information										
Depreciation of plant and machinery	1,316	1,091	2,836	2,306	1,812	1,578	–	–	5,964	4,975
Unallocated depreciation of other assets	–	–	–	–	–	–	–	–	1,759	1,486
Depreciation expense for the financial year									7,723	6,461

* Others – include domestic appliances, consumer electronics, data storage, telecommunications and others

30. Segment information (cont'd)

(b) *Geographical segments*

The Group's geographical segments are based on the location of the Group's customers. Non-current assets and additions to property, plant and equipment are based on the location of those assets.

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

	Revenue		Non-current assets		Capital expenditure	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
People's Republic of China	58,538	50,877	16,188	14,955	3,454	2,496
Singapore	4,668	4,640	539	340	327	91
ASEAN (excludes Singapore)	33,291	27,957	44,652	31,100	17,107	8,370
USA, Europe and others	56,846	58,301	–	–	–	–
	153,343	141,775	61,379	46,395	20,888	10,957

Information about major customers

Customers with revenue more than 10% of the Group's total revenue amounted to $40,560,000 (2017: $35,690,000) and $25,068,000 (2017: $25,556,000), arising from "Machinery and automotive systems" segments and "Others" segments respectively.

31. Financial risk management and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Financial Controller. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily United States Dollars (USD).

The foreign currencies in which these transactions are denominated are mainly USD. Approximately 67% (2017: 61%) of the Group's sales are denominated in foreign currencies while almost 32% (2017: 37%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the date of the reporting period have similar exposures.

31. Financial risk management and policies (cont'd)

(a) *Foreign currency risk (cont'd)*

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the date of the reporting period, such foreign currency balances (mainly in USD) amounted to $11,227,000 (2017: $18,150,000) and $3,645,000 (2017: $8,362,000) for the Group and the Company respectively. The foreign currency balances is described in more detail in Note 18.

The Group entered into foreign currency forward exchange contracts in order to limit the Group's exposure to adverse fluctuations in foreign currency exchange rates. It is the Group's policy not to enter into derivative forward foreign exchange contracts for speculative purposes.

As at 30 June 2018, the Group and Company did not hold any financial derivatives. (2017: Nil).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, People's Republic of China ("PRC") and Vietnam. The Group's net investments in Malaysia, PRC and Vietnam are not hedged as currency positions in RM, RMB and USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a 10% (2016: 10%) strengthening or weakening of USD exchange rates against SGD, with all other variables held constant, on the Group's and Company's profit before taxation.

		Group		Company	
		2018	**2017**	**2018**	**2017**
		$'000	**$'000**	**$'000**	**$'000**
USD / SGD	- strengthened	8,306	6,871	539	1,078
	- weakened	(8,306)	(6,871)	(539)	(1,078)

(b) *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 (including cash and cash equivalents), 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 increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the date of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the balance sheets.

31. Financial risk management and policies (cont'd)

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

Credit risk concentration profile

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

	Outstanding balance		Percentage of total trade receivables	
	2018	2017	2018	2017
	$'000	$'000	%	%
By industry:				
Imaging and printing	6,357	5,916	19	20
Machinery and automotive systems	18,939	16,970	57	56
Others	7,836	7,168	24	24
By region:				
Singapore	1,321	1,233	4	4
People's Republic of China	18,013	12,840	54	43
ASEAN (excludes Singapore)	4,723	4,465	14	15
USA, Europe and others	9,075	11,516	28	38

At the date of the reporting period, approximately 28% (2016: 36%) of the Group's trade receivables were due from 5 major customers who are multi-industry conglomerates.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 (Trade receivables).

(c) ***Liquidity risk***

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

31. Financial risk management and policies (cont'd)

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

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the date of the reporting period based on contractual undiscounted repayment obligations.

	One year or less $'000	Over one year $'000	Total $'000
Group			
2018			
Financial assets			
Trade receivables	32,544	–	32,544
Other receivables and deposits	3,114	–	3,114
Cash and cash equivalents	29,191	–	29,191
Total undiscounted financial assets	64,849	–	64,849
Financial liabilities			
Trade payables	21,723	–	21,723
Other payables and accruals	16,975	–	16,975
Total undiscounted financial liabilities	38,698	–	38,698
Total net undiscounted financial assets	26,151	–	26,151
2017			
Financial assets			
Trade receivables	28,818	–	28,818
Other receivables and deposits	2,245	–	2,245
Cash and cash equivalents	39,777	–	39,777
Total undiscounted financial assets	70,840	–	70,840
Financial liabilities			
Trade payables	19,103	–	19,103
Other payables and accruals	15,455	–	15,455
Loan and borrowings	3,174	–	3,174
Total undiscounted financial liabilities	37,732	–	37,732
Total net undiscounted financial assets	33,108	–	33,108

31. Financial risk management and policies (cont'd)

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

	One year or less $'000	Over one year $'000	Total $'000
Company			
2018			
Financial assets			
Trade receivables	5,449	–	5,449
Other receivables and deposits	19	–	19
Due from subsidiaries	6,785	–	6,785
Cash and cash equivalents	9,157	–	9,157
Total undiscounted financial assets	21,410	–	21,410
Financial liabilities			
Trade payables	358	–	358
Other payables and accruals	3,452	–	3,452
Due to subsidiaries	1,860	–	1,860
Total undiscounted financial liabilities	5,670	–	5,670
Total net undiscounted financial assets	15,740	–	15,740
2017			
Financial assets			
Trade receivables	4,434	–	4,434
Other receivables and deposits	23	–	23
Due from subsidiaries	5,344	–	5,344
Cash and cash equivalents	12,099	–	12,099
Total undiscounted financial assets	21,900	–	21,900
Financial liabilities			
Trade payables	234	–	234
Other payables and accruals	3,702	–	3,702
Due to subsidiaries	3,097	–	3,097
Loan and borrowings	3,174	–	3,174
Total undiscounted financial liabilities	10,207	–	10,207
Total net undiscounted financial assets	11,693	–	11,693

32. Financial instruments

(a) ***Fair value of financial instruments***

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

A. Fair value of financial instruments that are carried at fair value

At the end of the reporting period, there are no financial instruments that are carried at fair value.

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 and payables, amounts due from/(to) subsidiaries, cash and cash equivalents and loans and borrowings.

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The Group and the Company does not have any financial instruments that are not carried at fair value and whose carrying amounts are not reasonable approximations of the fair value as at the financial year end.

32. Financial instruments (cont'd)

(b) ***Classification of financial instruments***

Financial assets and financial liabilities are measured on an on-going basis either at fair value or at amortised cost. The principal accounting policies in Note 2 describe how the classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the financial assets and liabilities in the reporting period by the class of financial instrument to which they are assigned, and therefore by the measurement basis:

	Loans and receivables	Financial liabilities at amortised cost	Total
	$'000	$'000	$'000
Group			
2018			
Assets			
Trade receivables	32,544	–	32,544
Other receivables and deposits	3,114	–	3,114
Cash and cash equivalents	29,191	–	29,191
Total financial assets	64,849	–	64,849
Total non-financial assets			87,928
Total assets			152,777
Liabilities			
Trade payables	–	21,723	21,723
Other payables and accruals	–	16,975	16,975
Total financial liabilities	–	38,698	38,698
Total non-financial liabilities			3,424
Total liabilities			42,122
2017			
Assets			
Trade receivables	28,818	–	28,818
Other receivables and deposits	2,245	–	2,245
Cash and cash equivalents	39,777	–	39,777
Total financial assets	70,840	–	70,840
Total non-financial assets			68,547
Total assets			139,387
Liabilities			
Trade payables	–	19,103	19,103
Other payables and accruals	–	15,455	15,455
Loan and borrowings	–	3,168	3,168
Total financial liabilities	–	37,726	37,726
Total non-financial liabilities			4,123
Total liabilities			41,849

32. Financial instruments (cont'd)

(b) *Classification of financial instruments (cont'd)*

	Loans and receivables $'000	Financial liabilities at amortised cost $'000	Total $'000
Company			
2018			
Assets			
Trade receivables	5,449	–	5,449
Other receivables and deposits	19	–	19
Due from subsidiaries	6,785	–	6,785
Cash and cash equivalents	9,157	–	9,157
Total financial assets	21,410	–	21,410
Total non-financial assets			13,044
Total assets			34,454
Liabilities			
Trade payables	–	358	358
Other payables and accruals	–	3,452	3,452
Due to subsidiaries	–	1,860	1,860
Total financial liabilities	–	5,670	5,670
Total non-financial liabilities			268
Total liabilities			5,938
2017			
Assets			
Trade receivables	4,434	–	4,434
Other receivables and deposits	23	–	23
Due from subsidiaries	5,344	–	5,344
Cash and cash equivalents	12,099	–	12,099
Total financial assets	21,900	–	21,900
Total non-financial assets			13,081
Total assets			34,981
Liabilities			
Trade payables	–	234	234
Other payables and accruals	–	3,702	3,702
Due to subsidiaries	–	3,097	3,097
Loan and borrowings	–	3,168	3,168
Total financial liabilities	–	10,201	10,201
Total non-financial liabilities			237
Total liabilities			10,438

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital structure in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2018 and 2017.

As disclosed in Note 27(b), certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the calendar years ended 31 December 2016 and 2017.

34. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on 25 September 2018.

DETAILS OF MAJOR PROPERTIES IN THE GROUP

For the financial year ended 30 June 2018

Major properties of the Group are as follows:

DESCRIPTION	LOCATION	AREA (SQ. METRES)	TENURE OF LEASE	NET BOOK VALUE 2018 $'000	NET BOOK VALUE 2017 $'000
Leasehold property	People's Republic of China 475 Fa Sai Road WaiGaoQiao Free Trade Zone Shanghai 200131 China	8,144	50 years	2,580	2,684
	Vietnam* Lot No. 7A Noi Bai Industrial Zone Quang Tien Commune Soc Son District Hanoi Vietnam	9,578	30 years	947	1,019
Freehold property	Malaysia 6 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	9,470	NA	2,494	2,385
	Malaysia 8 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	8,364	NA	3,593	3,474

* Figures exclude land use right.

STATISTICS OF SHAREHOLDINGS

As at 11 September 2018

Issued and Fully Paid-up Shares	:	115,365,000
Class of Shares	:	Ordinary shares
Voting Rights	:	On show of hands – one vote for each member On poll – one vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.97	3	0.00
100 - 1,000	53	17.09	42,435	0.04
1,001 - 10,000	143	46.13	795,950	0.69
10,001 - 1,000,000	104	33.55	9,824,400	8.51
1,000,001 AND ABOVE	7	2.26	104,702,212	90.76
TOTAL	**310**	**100.00**	**115,365,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES (PRIVATE) LIMITED	88,288,412	76.53
2	GO MEI LIN	5,172,700	4.48
3	LOW BOON YONG	3,563,300	3.09
4	PHILLIP SECURITIES PTE LTD	2,471,300	2.14
5	SEE BENG LIAN JANICE	2,261,200	1.96
6	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,930,300	1.67
7	OCBC SECURITIES PRIVATE LTD	1,015,000	0.88
8	ABN AMRO CLEARING BANK N.V.	958,100	0.83
9	NG KWONG CHONG OR LIU OI FUI IVY	900,000	0.78
10	LOW WEI MIN JAMES (LIU WEIMING, JAMES)	730,400	0.63
11	JERRY ONG SER KAI	651,000	0.56
12	SEET CHRISTINA	629,100	0.55
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	311,500	0.27
14	LAI KAH SHEN	310,000	0.27
15	CITIBANK NOMINEES SINGAPORE PTE LTD	283,000	0.25
16	RAFFLES NOMINEES (PTE) LTD	232,300	0.20
17	PUNIT KHANNA OR DEBJANI KHANNA	222,000	0.19
18	DEBJANI KHANNA	199,500	0.17
19	UOB KAY HIAN PRIVATE LIMITED	184,100	0.16
20	HSBC (SINGAPORE) NOMINEES PTE LTD	176,200	0.15
	TOTAL	**110,489,412**	**95.76**

Based on the information available to the Company, approximately 25.05% of the Company's equity securities are held in the hands of the public. This is in compliance with Rule 723 of the Listing manual of the SGX-ST which require at least 10% public float of a listing issuer's equity securities to be held by public.

NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES DIRECT INTEREST	NO. OF SHARES DEEMED INTEREST
Hong Wei Holdings Ltd ("Hong Wei")	86,470,312[(1)]	–
Tan Choo Pie @ Tan Chang Chai	–	86,470,312[(2)]
Tan Ai Wang	–	86,470,312[(3)]
Tan Heok Ting	–	86,470,312[(4)]

Notes:

(1) Hong Wei's interest registered under DBS Nominees Pte. Ltd.

(2) Mr Tan Choo Pie @ Tan Chang Chai owns 55% of the issued share capital of Hong Wei, and is deemed to be interested in all of the shares in which Hong Wei has an interest.

(3) Ms Tan Ai Wang, the spouse of Mr Tan Choo Pie @ Tan Chang Chai, owns 25% of the issued share capital of Hong Wei, and is deemed to be interested in all of the shares in which Hong Wei has an interest.

(4) Mr Tan Heok Ting owns 20% of the issued share capital of Hong Wei, and is deemed to be interested in all of the shares in which Hong Wei has an interest.

NOTICE OF THE 31ST ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 31st Annual General Meeting of Spindex Industries Limited (the "**Company**") will be held at The Chevrons, Carnation Room Level 3, 48 Boon Lay Way, Singapore 609961 on Friday, 26 October 2018 at 2.30 p.m. for the following purposes:

AS ROUTINE BUSINESS:

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 30 June 2018, together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of 3.00 cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2018 (previous year: final dividend of 3.00 cents per ordinary share tax exempt (one-tier)). **(Resolution 2)**

3. To re-elect Mr Tan Choo Pie @ Tan Chang Chai as a Director under Article 115 of the Company's Constitution. [See Explanatory Note (i)] **(Resolution 3)**

4. To re-elect Mr Chan Meng Wah Alexander as a Director under Article 115 of the Company's Constitution. [See Explanatory Note (ii)] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$276,540 for the financial year ended 30 June 2018 (previous year: S$156,125). **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other routine business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

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

8. **SHARE ISSUE MANDATE**

That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

a. (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

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

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

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

provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed ten per cent (10%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company shall be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

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

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

(iii) the fifty per cent (50%) limit under sub-paragraph (i) above, may be increased to one hundred per cent (100%) where the Company undertakes a pro-rata renounceable rights issue in accordance with, and subject to the terms and conditions set out in Practice Note 8.3 of the SGX-ST Listing Rules ("**Rights Issue Limit**");

(iv) the aggregate number of shares issued pursuant to the authority conferred by this Resolution shall not exceed 100% of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) above);

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

(vi) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 8 October 2018

Explanatory Notes

(i) **Resolution 3 -** is to re-elect Mr Tan Choo Pie @ Tan Chang Chai as a Director of the Company. Mr Tan Choo Pie @ Tan Chang Chai will, upon re-election, continue as the Chairman of the Board.

(ii) **Resolution 4 -** is to re-elect Mr Chan Meng Wah Alexander as a Director of the Company. Mr Chan Meng Wah Alexander will, upon re-election, continue as an Independent Director of the Board, Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee.

(iii) **Resolution 7 -** proposed in item 8 above, if passed, is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above), and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to Resolution 7 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company, with a sub-limit of ten per cent (10%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of Resolution 7, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

The allotment and issuance of shares in the Company up to one hundred per cent (100%) of its issued capital by way of a pro-rata renounceable rights issue is a temporary waiver of Rule 806(2) to widen the available fund-raising avenues of the issuers that may be facing challenges amid current uncertainties and the tightening of financial conditions and will be in effect until 31 December 2018.

The aforesaid mandate to issue up to one hundred per cent (100%) of the Company's issued capital is conditional upon the following:

(i) such issue is for the purpose of financing the Company's business needs and is not applicable to a non-renounceable rights issue;

(ii) the Company making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and

(iii) the Company providing a status on the use of proceeds in the annual report.

This mandate, if passed, will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. The Board of Directors of the Company is of the view that the Rights Issue Limit is in the interests of the Company and its shareholders.

Notes:

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.

4. The instrument appointing a proxy must be lodged at the registered office of the Company at 8 Boon Lay Way #03-16, 8@TradeHub 21 Singapore 609964 not less than forty eight (48) hours before the time fixed for the Annual General Meeting.

   * A Relevant Intermediary is:

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

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

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

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (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.

SPINDEX INDUSTRIES LIMITED

(Incorporated in the Republic of Singapore)
(Registration No. 198701451M)

PROXY FORM – 31ST ANNUAL GENERAL MEETING
(Please see notes overleaf before completing this Form)

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

I/We, ________________________________ (Name)

of ________________________________ (Address)

being a member/members of the above Company, hereby appoint:

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

and/or failing him/her (delete as appropriate)

Name	Address	NRIC or Passport No.	Percentage of Shareholdings (%)

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 31st Annual General Meeting of the Company to be held at The Chevrons, Carnation Room Level 3, 48 Boon Lay Way, Singapore 609961 on 26 October 2018 at 2.30 p.m. and at any adjournment thereof.

The proxy/proxies shall vote on the Resolutions set out in the notice of meeting in accordance with my/our directions as indicated hereunder. Where no such direction is given, the proxy/proxies may vote or abstain from voting on any matter at the Meeting or at any adjournment thereof.

No.	Resolutions	Number of Votes For*	Number of Votes Against*
	ROUTINE BUSINESS		
1.	Adoption of Directors' Report and Audited Financial Statements for the financial year ended 30 June 2018 (**Resolution 1**)		
2.	Payment of proposed final dividend of 3.00 cents per ordinary share tax exempt (one-tier) (**Resolution 2**)		
3.	Re-election of Mr Tan Choo Pie @ Tan Chang Chai as a Director (**Resolution 3**)		
4.	Re-election of Mr Chan Meng Wah Alexander as a Director (**Resolution 4**)		
5.	Approval of Directors' fees amounting to S$276,540 (**Resolution 5**)		
6.	Re-appointment of Messrs Ernst & Young LLP as Auditors (**Resolution 6**)		
7.	Any other routine business		
	SPECIAL BUSINESS		
8.	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 (**Resolution 7**)		

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

Dated this __________ day of __________________ 2018

Total Number of Shares held in:	
Depository Register	
Register of Members	

____

Signature(s) of member(s)
Or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 8 Boon Lay Way #03-16, 8@TradeHub 21 Singapore 609964 not less than 48 hours before the time set for the Meeting.

4. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

5. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who hold shares under the Central Provident Fund Investment Scheme ("CPF Investor") may attend and cast his vote(s) at the Meeting in person. A CPF Investor who is unable to attend the Meeting but would like to vote, may inform his CPF Approved Nominees to appoint the Chairman of the Meeting to act as his proxy, in which case, the CPF Investor shall be precluded from attending the Meeting.

   * A Relevant Intermediary is:

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

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

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

General:

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 October 2018.

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