



CFM HOLDINGS LIMITED

Registration No.: 200003708R

A large, abstract graphic consisting of several overlapping, curved bands in various shades of green and yellow, creating a sense of motion and depth. The bands are layered, with some appearing to be in front of others, and they curve from the bottom left towards the top right.

# ANNUAL REPORT 2018

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	PROXY FORM

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

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Telephone number: +65 6221 0271

## **BOARD OF DIRECTORS**

Ip Kwok Wing  
Executive Chairman

Lim Fong Li Janet  
Chief Executive Officer

Kenneth Ip Yew Wa  
Executive Director

Er Kwong Wah  
Lead Independent Director

Ong Wei Jin  
Independent Director

## **AUDIT COMMITTEE**

Er Kwong Wah (Chairman)  
Ong Wei Jin  
Ip Kwok Wing

## **NOMINATING COMMITTEE**

Ong Wei Jin (Chairman)  
Er Kwong Wah  
Ip Kwok Wing

## **REMUNERATION COMMITTEE**

Er Kwong Wah (Chairman)  
Ong Wei Jin  
Ip Kwok Wing

## **AUDITORS**

Baker Tilly TFW LLP  
Chartered Accountants of Singapore  
600 North Bridge Road #05-01  
Parkview Square  
Singapore 188778

Partner: Ng Hock Lee  
(appointed since financial year ended 30 June 2016)

## **COMPANY SECRETARY**

Lai Kuan Loong, Victor

## **REGISTERED OFFICE**

4 Ang Mo Kio Avenue 12  
CFM Building  
Singapore 589498  
Tel: +65 6481 2888  
Fax: +65 6481 1122  
Email: irc@cfmholdings.com

## **SHARE REGISTRAR**

Boardroom Corporate &  
Advisory Services Pte. Ltd.  
50 Raffles Place  
#32-01 Singapore Land Tower  
Singapore 048623  
Tel: +65 6536 5355

## **PRINCIPAL BANKERS**

United Overseas Bank Ltd  
Malayan Banking Berhad  
Hong Leong Finance Ltd  
DBS Bank Ltd

# CORPORATE PROFILE

Established since 1979, CFM has evolved into a customer-focused manufacturer providing metal stamping services, design, fabrication and the sale of tool-and-die used for the manufacture of stamped metal components. Backed by production facilities in Malaysia, Indonesia, the Slovak Republic and China, our Group supports a customer base of MNCs.

CFM reached an important milestone in our corporate history with the launch of our Initial Public Offering on 16 January 2004.

As part of the Group's diversification plan, the Group has acquired a new subsidiary trading in disposable and wearable for use in pharmaceutical, cleanroom, bio-medical, laboratories and hospitals in FY2015.

Today, we serve customers in the electronics industry as well as customers from the automotive, telecommunication, technology, M&E industries and pharmaceutical industries.

## VISION

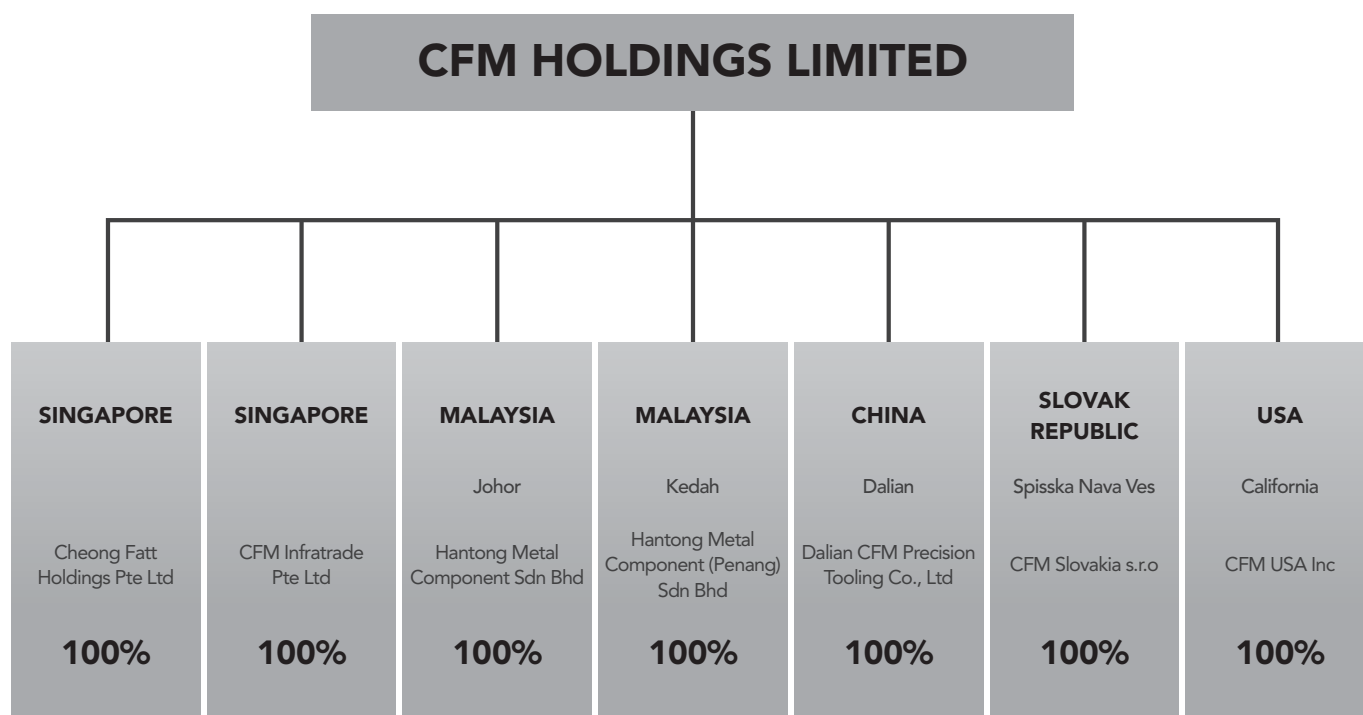
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**CFM envisions to be a global business name that delivers quality, performance, integrity, teamwork & innovation to the satisfaction of our customers.**

## MISSION

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**We aim to deliver high quality components to our customers by implementing stringent process control and deliver at a lowest cost possible. In addition, we strive to constantly upgrade our skills and keep abreast with technological advancement to satisfy beyond customers' requirement.**



## OUR GLOBAL FOOTPRINT

### **CFM Holdings Limited**

No. 4, Ang Mo Kio Avenue 12,  
#05-01 CFM Building,  
Singapore 569498  
Tel: +65 6481 2888  
Fax: +65 6481 1122  
Email: [irc@cfmholdings.com](mailto:irc@cfmholdings.com)

### **Subsidiaries**

#### **SINGAPORE**

#### **Cheong Fatt Holdings Pte Ltd**

#### **CFM Intrade Pte Ltd**

No. 4, Ang Mo Kio Avenue 12,  
#05-01 CFM Building,  
Singapore 569498

#### **CHINA**

#### **Dalian CFM Precision Tooling Co., Ltd**

Room 1-1A  
No. 99, Huai He Zhong Road,  
Dalian Economic Development  
Zone, 116600, Dalian,  
People's Republic of China

#### **SLOVAK REPUBLIC**

#### **CFM Slovakia, s.r.o.**

Radlinskeho 17, 052 01,  
Spisska Nova Ves,  
Slovak Republic

#### **Hantong Metal Component Sdn Bhd**

No. 4 Jalan Haji Sa'at, Sungai Tiram,  
81800 Ulu Tiram, Johor, Malaysia

#### **Hantong Metal Component (Penang) Sdn Bhd**

Lot 83 & 84, Jalan 1/8 PKNK,  
Kawasan Perindustrian Sungai Petani,  
08000 Sungai Petani,  
Kedah, Malaysia

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors of CFM Holdings Limited (the “**Company**”) and together with its subsidiaries (the “**Group**”), I would like to present to you the Annual Report for the financial year ended 30 June 2018 (“**FY2018**”).

## FINANCIAL HIGHLIGHTS

The Group has shown an increase in revenue from approximately \$21 million for the year ended 30 June 2017 (“**FY2017**”) to approximately \$23 million for FY2018. Gross profit margin increased from 18.0% for FY2017 to 19.2% for FY2018. This is mainly due to an increase in demand of metal stamping and fabrication and contributions in trading of clean room products. Nevertheless, the Group has made a loss after tax of \$0.9 million for FY2018, mainly due to provision for litigation fee by Hantong Metal Component (Penang) Sdn Bhd, a wholly owned subsidiary of the Company.

## PROSPECTS AND OUTLOOK

During the current financial year, the Group has taken various efforts to strengthen the Group's financial position such as Proposed Renounceable Non-Underwritten Rights Issue that raised approximately \$1.4 million (gross amounts) and the disposal of loss-making indirect subsidiaries, CFM Precision Tooling Sdn Bhd and PT Hantong Precision Manufacturing Batam.

In addition, the Group expects that the Group's core business will remain competitive. While there has been a recent upturn in general economic sentiment, the customers have increased their orders to the Group. The Management is optimistic that the performance may be improved after a series of attempts and efforts have been taken to turnaround the adverse position.

## APPRECIATION

I hereby express my heartfelt gratitude to the Board of Directors for their strategic guidance and inputs, to our staff for their steadfast commitment, to financial institutions and other key stakeholders for their support and to our customers and business partners for standing by us through thick and thin.

Lastly, I would like to welcome new shareholders to our Group and thank our existing shareholders for your supports in Rights Issue exercise. We look forward to your continued support in the year ahead.

**Ip Kwok Wing**

*Executive Chairman*

## **Mr Ip Kwok Wing**

*Executive Chairman*

Mr Ip Kwok Wing is the Executive Chairman of our Group. Together with Mdm Lim Fong Li Janet, Mr Ip was a co-founder of our Group in 1979, and was appointed as Managing Director since the incorporation of our Group. Mr Ip was first appointed to the Board on 28 April 2000.

Mr Ip is responsible for the Group's strategic planning and development of new products and markets. He has been spearheading all the expansion and growth of our Group. He began his career in metal stamping, tool & die fabrication and has an aggregate of more than 40 years of working experience in the metal stamping and tooling industries.

## **Mdm Lim Fong Li Janet**

*Chief Executive Officer*

Mdm Lim Fong Li Janet is the Chief Executive Officer ("CEO") of our Group. Assisted by the Group Chief Financial Officer, she oversees day-to-day operations, finance and general management of our Group. Mdm Janet was first appointed to the Board on 28 April 2000.

Mdm Janet holds a Bachelor of Science in Business Administration and Master in Marketing Communication from the University of Canberra.

## **Mr Kenneth Ip Yew Wa**

*Executive Director*

Mr. Ip joined the Group on 1 January 2009 and has been working in various subsidiaries as Business Development Manager. He is also involved in engineering and tooling fabrication. Mr Ip was appointed as an Executive Director of the Company on 1 November 2014. He is currently also General Manager of Hantong Metal Component (Penang) Sdn Bhd and Executive Officer of CFM Slovakia s.r.o.. Prior to joining the Group, Mr Ip was working as a Marketing Executive in various corporations and as a tooling designer in an MNC.

Mr. Ip obtained his bachelor's degree in Mechanical Engineering from Nanyang Technological University.

# BOARD OF DIRECTORS

## **Mr Er Kwong Wah**

*Lead Independent Director*

Mr Er Kwong Wah spent 27 years in the service of the Singapore Government. Whilst in the civil service, he served in various ministries such as the Ministry of Defense, the Public Service Commission, Ministry of Finance, Ministry of Education and the Ministry of Community Development. He held Permanent Secretary Position first with the Ministry of Education from 1987-1994 and then with the Ministry of Community Development until his retirement in 1998. Mr Er Kwong Wah was first appointed to the Board on 28 February 2013.

Currently, he sits as an Independent Director on the Boards of several public companies listed in the Singapore Exchange.

For his contributions in serving the community, he was conferred the Public Service Medal (2004) and the Public Service Star (2009) by the Government of Singapore. Whilst in the Civil Service, he was conferred the Public Administration Medal (Gold) (1990). In 1991, he was conferred the Commandeur dans l'Ordre des Palmes Academiques by the Government of France.

A Colombo Plan and Bank of Tokyo Scholar, Mr Er Kwong Wah obtained a first class honors degree in Applied Science at the University of Toronto, Canada, in 1970 and an MBA from the Manchester Business School, University of Manchester in 1978.

## **Mr Ong Wei Jin**

*Independent Director*

Mr Ong is the chairman of the NC and a member of both the AC and the RC. He is a partner in Eversheds Harry Elias Partnership LLP. He is an Independent Director of China XLX Fertiliser Ltd, Luzhou Bio-chem Technology Limited and Camsing Healthcare Ltd.

Mr Ong obtained a Bachelor of Laws from the National University of Singapore in 1990, a Master of Business Administration from University of Hull in 1993, and a Master of Laws from the National University of Singapore in 1995.



**Mr Lee Chong Ping**

*Chief Financial Officer*

Lee Chong Ping is appointed as our Chief Financial Officer in May 2016. Mr Lee is responsible for overseeing the corporate affair, financial and support functions of our Group. Prior joining the company, he was an audit senior in KPMG and thereafter he held executive positions in Singapore Listed Companies after he left KPMG. He had accumulated more than 10 years of experience in financial and accounting functions. He has a Degree in Technology (Management) from University Technology of Malaysia. He is a fellow member of the Association of Chartered Certified Accountants (FCCA), a non-practicing member of Institute of Singapore Chartered Accountants (ISCA) and Malaysian Institute of Accountants (MIA).

# OPERATIONAL AND FINANCIAL REVIEW

## Revenue

For FY2018, the Group registered a revenue of \$22.63 million which was an increase of \$1.46 million from the previous corresponding financial year. The increase was mainly due to increase in demand of metal stamping and fabrication and contributions in trading of clean room products, offset by lower revenue in tooling segment.

## Gross Profit

Our gross profit increased from \$3.82 million in FY2017 to \$4.34 million in FY2018. The gross profit margin also increased from 18.04% to 19.20% for the same period. The increase in gross profit was in line with the increase in revenue during the current financial year. The increase in gross profit margin was mainly due to the contribution from the trading of clean room products.

## Other Income

Other income in FY2018 consists of income from rental income (\$0.68 million), interest from fixed deposit and insurance claim of (\$0.01 million), government grant (\$0.03 million), gain on disposal of subsidiaries (\$0.92 million) and other miscellaneous income (\$0.14 million). Other income has increased from \$0.73 million in FY2017 to \$1.78 million in FY2018 which was mainly attributed by:

- a. the higher rental income collected from more space rented out during the current financial period; and
- b. gain on disposal on subsidiaries.

## Marketing Expenses

Marketing expenses decreased from \$0.55 million in FY2017 to \$0.40 million in FY2018 was mainly due to reduce in headcount and the impact from the disposal of the Company's wholly owned subsidiary, Hantong Metal Component (KL) Sdn Bhd in FY2017.

## Administrative and Other Expenses

Administrative expenses in FY2018 consist mainly of directors' remuneration and salary expenses (\$2.51 million), professional fees (\$0.26 million), depreciation charge (\$0.59 million), land lease, office rental and property tax for Singapore factory (\$0.32 million), office repairs and maintenance (\$0.27 million), printing & stationery (\$0.05 million), travelling expenses (\$0.09 million), bad debts written off (\$0.93 million), telephone (\$0.06 million), provision for inventory obsolescence (\$0.01 million), inventory written off (\$0.04 million), provision for litigation fees (\$0.58 million), impairment of property, plant and equipment (\$0.16 million) and other miscellaneous expenses (\$0.05 million).

It has increased from \$5.80 million in FY2017 to \$5.92 million in FY2018 mainly due to:

- a. increase in bad debts written off mainly from the Group's former subsidiary, PT Hantong Precision Manufacturing Batam; and
- b. provision of litigation fees during the current financial year; offset by
- c. decrease in Directors' remuneration and salary expenses;
- d. decrease in legal and professional fees;
- e. decrease in the provision for the obsolete stock;
- f. the impact from the disposal of the Company's wholly owned subsidiary, Hantong Metal Component (KL) Sdn Bhd in FY2017;

## Finance Costs

Finance costs increase from \$0.28 million in FY2017 to \$0.30 million in FY2018. The increase in finance costs was mainly due to increase in bank interest rates and proceeds of short term borrowings by one of wholly owned subsidiary of the Company.

## Tax Expense

The increase in tax expense in current financial year was attributed to the income tax expenses incurred for certain profitable subsidiaries in China, Republic of Slovak and Malaysia.

## Loss for the Year

Overall, the Group recorded a loss after tax of \$0.81 million in FY2018 as compared to a loss after tax of \$2.09 million in FY2017.

The results for the financial year ended 30 June 2018 is in line with the Company's profit guidance announcement on 15 August 2018.

## Non-Current Assets

Property, plant and equipment decreased from \$12.59 million as at 30 June 2017 to \$11.66 million as at 30 June 2018. The decrease is mainly due to depreciation charge of \$1.11 million, disposal of property, plant and equipment of \$0.04 million, impairment of property, plant and equipment of \$0.16 million offset by translation difference of \$0.24 million and purchase of property, plant and equipment of \$0.14 million during the current financial year.

Trade receivables decreased from \$0.23 million as at 30 June 2017 to \$0.08 million as at 30 June 2018. The decrease was mainly due to reclassification of accounts from non-current to current.

## Current Assets

Trade receivables increased from \$5.04 million as at 30 June 2017 to \$5.49 million as at 30 June 2018. The increase was mainly due to higher sales orders from the customers during the current financial year reported. The average trade receivables turnover days of the group was 88 days (FY2017: 87 days).

Other receivables as at 30 June 2018 consist mainly of deposits and prepayments (\$0.33 million), tax recoverable mainly from Malaysian tax authorities (\$0.06 million) and other receivables (\$0.01 million).

It has decreased from \$0.52 million as at 30 June 2017 to \$0.40 million as at 30 June 2018. The decrease was mainly due to the decrease in tax recoverable from the tax authority and other debtors during the current financial year.

## Current Liabilities

Other payables amounting to \$3.03 million as at 30 June 2018 comprised mainly:

- a. Accrued expenses of \$0.82 million, mainly accrued employee related expenses and other non-trade related expenses;
- b. Other creditors of approximately of \$1.07 million (mainly construction cost of \$0.90 million);
- c. Payable for adversed litigation judgement of \$0.60 million
- d. approximately \$0.55 million for others consist of provision of withholding tax, provision for directors' fees and rental and deposit received.

The decreased of other payables from \$3.71 million as at 30 June 2017 to \$3.03 million as at 30 June 2018 was mainly due to repayment to the Directors from the proceeds of the Rights Issue during the current financial period, decrease in accrued staff related expenses and impact from the disposal of CFM Precision and PT Hantong Precision Manufacturing Batam during the current financial year, offset by increase in payable for adversed litigation judgement.

Reports on the current litigation cases:-

- i) T-Net International (H.K.) Co, Limited (formerly known as Showa International (HK) Co. Ltd ("Showa")).

Subsequent to the announcement dated 4 February 2015, 27 August 2015, 5 February 2016, 26 August 2016, 9 February 2017, 25 August 2017, 9 February 2018 and 6 April 2018, the Malaysian Court had released its Judgement on 4 April 2018. The salient points of the judgement can be found at the Company's announcement dated 6 April 2018.

# OPERATIONAL AND FINANCIAL REVIEW

HTPG had filed an appeal on the Judgment dated 4 April 2018 to Court of Appeal. The Court of Appeal is now fixed for case management on 29 August 2018 pending the HTPG obtaining Grounds of Judgement from Alor Setar High Court. At the same time, HTPG also filed an application in Alor Setar High Court to stay the Judgement pending the Hearing of the HTPG's appeal to Court of Appeal.

At the same time, Showa has also filed an application for assessment of damages which will also be stayed pending the outcome of HTPG's appeal at Court of Appeal.

As at date of this Annual Report, HTPG has made a provision of \$0.60 million according to the Judgement dated 4 April 2018.

As the date of this Annual Report, the outcome from the Court of Appeal is still uncertain. The Company will keep the shareholders informed of the progress of the Claims and will make further announcements, when appropriate.

Shareholders should note that the date is subjected to change and the Company will make necessary announcements as and when there are material developments on this matter.

## Finance Lease and Borrowings

Total borrowings for the Group decreased from \$8.05 million as at 30 June 2017 to \$7.08 million as at 30 June 2018. This was mainly due to the repayment of the finance lease and borrowings, offset by proceeds from new short-term loan during the current financial year.

## Review of Consolidated Statement of Cash Flows (FY2018 vs. FY2017)

For the financial year ended 30 June 2018, the Group had generated net cash inflow of \$0.33 million from its operating activities as compared to net cash inflow of \$0.28 million for FY2017.

The increase in net cashflow was due to the Group generated operating cash outflow before working capital changes of \$0.87 million in FY2018, as compared to cash outflow of \$0.20 million in FY2017 mainly due to loss before tax of \$0.47 million in FY2018 as compared to loss before tax of \$2.09 million in FY2017. As a result of a decrease in inventories of \$0.09 million, increase in receivables of \$0.36 million and payables of \$0.02 million, the Group recorded a net cash generated from operating activities of \$0.33 million in FY2018.

Net cash used in investing activities amounted to \$0.24 million in FY2018 as compared to \$0.41 million in FY2017. The net cash flow used was mainly for the purchase of property, plant & equipment of \$0.10 million, net of cash outflow from the disposal of indirect subsidiaries \$0.14 million and proceeds from disposal of property, plant and equipment \$4,000.

Net cash generated from financing activities of approximately \$0.93 million in FY2018 was mainly attributed by:

- a. proceeds from borrowings of \$1.79 million;
- b. Withdrawal of fixed deposit pledged with financial institutions of \$1.09 million; offset by
- c. repayment of borrowings of \$2.79 million;
- d. net repayment of finance lease liabilities of approximately \$0.12 million;
- e. Net proceeds from the Rights Issue of approximately \$1.26 million; and
- f. Interest payment of \$0.30 million.

As a result of the above, the Group's cash and cash equivalent increased from \$3.29 million as at FY2017 to \$4.37 million as at FY2018.

The Board of Directors (the “**Board**”) and the management (the “**Management**”) of CFM Holdings Limited (the “**Company**”) are committed to maintaining a high standard of corporate governance to ensure greater transparency and protection of shareholders’ interests, and are pleased to inform that the Company has adhered to the principles and guidelines of the Code of Corporate Governance 2012 (the “**Code**”) wherever feasible, pursuant to Rule 710 of Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) issued by the Singapore Exchange Securities Trading Limited (“**SGX-ST**”). Proper explanation would be given where there is a deviation from the recommended guidelines.

This report outlines the Company’s corporate governance processes and structure, with specific reference to the principles and guidelines of the Code. The Board and Management will continue to uphold the highest standards of corporate governance within the Company in accordance with the Code.

## **(A) BOARD MATTERS**

### **Board’s Conduct of its 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 success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.***

#### *Role of the Board*

The Board assumes responsibility for stewardship of the Company and its subsidiaries (the “**Group**”). Its primary role is to provide entrepreneurial leadership, set strategic aims for the Company, and protect and enhance long-term value and returns for the shareholders. It oversees the business affairs of the Group and approves the Group’s strategic plans, key business initiatives, major investments and divestments proposals, and funding decisions.

Additionally, the Board has direct responsibility for decision-making in respect of the following corporate events and actions:

- (a) ensure that necessary financial and human resources are in place for the Company to meet its objectives;
- (b) oversee the processes of risk management, financial reporting and compliance, and evaluate the adequacy of internal controls;
- (c) establish a framework of prudent effective control which enable risks to be assessed and managed including safeguarding of Shareholder’s interests and Company’s assets;
- (d) establish, together with the Management, the strategies and financial objectives to be implemented by the Management;
- (e) review the financial performance of the Group and performance of the Management, approve the nominations of the Board of Directors and appointment of key executives, as may be recommended by the Nominating Committee;
- (f) review and endorse the framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee;
- (g) ensure accurate, adequate and timely reporting to, and communication with shareholders;
- (h) assume responsibility for corporate governance;

# CORPORATE GOVERNANCE

- (i) review and assist to set company's values and standard (including ethical standards), and to ensure that obligations to shareholders and other stakeholders are understood and met;
- (j) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation; and
- (k) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

All Directors must objectively discharge their duties and responsibilities at all times as fiduciaries in the interest of the Company and to make decision in the interest of the Company. To facilitate the Board in the execution of the Board's responsibilities, certain functions of the Board have been delegated to three (3) Board committees, comprising of an Audit Committee ("**AC**"), a Nominating Committee ("**NC**") and a Remuneration Committee ("**RC**"). Each of these Board committees function within clearly defined terms of reference and operating procedures which are reviewed on a regular basis. These Board committees have the authority to examine particular issues and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

The Board meets three (3) times a year and as warranted by particular circumstances. The Constitution of the Company allow Board meetings to be conducted by way of telephone conference.

The number of Board and Board committee meetings held during the financial year ended 30 June 2018, as well as the attendance of each member at these meetings, is set out below:

Name of Directors	Board Meetings	Board Committee Meetings		
		Audit	Nominating	Remuneration
Ip Kwok Wing	3	3	1	1
Lim Fong Li Janet	3	*3	*1	*1
Kenneth Ip Yew Wa	3	*3	*1	*1
Ong Wei Jin	3	3	1	1
Er Kwong Wah	3	3	1	1
Total No. of Meetings Held	3	3	1	1

\* By invitation

The Company has adopted internal guidelines setting forth matters which require Board approval. Matters which are specifically reserved to the full Board for decision are those involving interested person transactions ("**IPTs**") (including, among others, conflict of interest issues in relation to substantial shareholders and directors of the Company), material acquisitions and disposal of companies or assets, corporate or financial restructuring, share issuance and dividends, and financial results and corporate strategies. Each Board member makes decisions objectively in the interests of the Group.

All newly appointed directors will be given appropriate training, if necessary including training as a director and how to discharge those duties when he is first appointed to the Board. All new directors will be briefed on the business activities of the Group and its strategic goals, and will undergo an orientation program which includes visits to the Group's operating facilities to gain a better understanding of the Group's business operations and governance practices. Upon appointment of each director, the Company will provide a formal letter to the director, setting out the director's duties and obligations. Directors who are first-time directors, or who have no prior experience as directors of a listed company, will also undergo briefings on the roles and responsibilities as directors of a listed company. With the recommendation from Nominating Committee, all future appointment of directors will have both the Board Resolution and also formal letter of appointment. In addition, all first time directors will be provided with training in areas such as accounting, legal and industrial specific knowledge either internally or externally.

As and when necessary the directors would receive further relevant training especially in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the Singapore Companies Act, Cap. 50, so as to update and refresh them on matters that affect or may enhance their performance as Board and Board committee members.

## **Board Composition and Balance**

***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.***

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 addition, in deciding whether or not a director is independent, the NC also takes into consideration whether a director has business relationships with the Company or any of its related companies, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgement with a view to the best interests of the Company. The NC is of the view that based on the Code's definition of an "independent director" and guidance as to relationships, the two (2) current independent non-executive directors are independent, and no individual or small group of individuals dominates the Board's decision-making process. In addition, none of the independent non-executive directors has served on the Board beyond nine (9) years from the date of his first appointment.

The Board presently comprises five (5) directors, two (2) of whom are independent non-executive directors. As the Chairman of the Board and the CEO are immediate family members, its present composition is not entirely in compliance with the Code's guidelines that independent directors make up at least half of the Board. Nevertheless, as the Group continues to face a challenging environment in the industry it operates in and is in the process of looking at new business opportunities, the Board will continue to require accountability and responsibility. Accordingly, Mr Ip Kwok Wing will be retained as the Executive Chairman for the Board to tap on his numerous years of experience in manoeuvring the Company through its current challenges. In addition, Mr Kenneth Ip Yew Wa, Executive Director of the Company, who has been entrusted with responsibilities will continue with the management of the Company's subsidiaries on a day-to-day basis, until such time when the Board and its Committees are reconstituted at a later stage. Notwithstanding the Board continues in its best efforts in identifying a suitable candidate for appointment as a new independent director of the Company and shall update shareholders through the appropriate SGXNet announcement accordingly.

The nature of the current directors' appointments and membership on the Board committees is as follows:

Name of Directors	Position held on the Board	Board Committee Membership		
		Audit	Nominating	Remuneration
Ip Kwok Wing	Executive Chairman	Member	Member	Member
Lim Fong Li Janet	Executive Director & CEO	–	–	–
Kenneth Ip Yew Wa	Executive Director	–	–	–
Er Kwong Wah	Lead Independent Director	Chairman	Member	Chairman
Ong Wei Jin	Independent Director	Member	Chairman	Member

Save for the on-going search for a new Independent Director, the NC is satisfied that the Board comprises directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge, which are required for the Board to be effective in decision making.

# CORPORATE GOVERNANCE

Independent directors constructively challenge and help develop proposals on strategy; and review the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The independent directors discuss regularly without the presence of Management matters such as the changes that they like to see in Board processes, corporate governance initiatives, and matters which they wish to discuss during the Board meetings.

## **Chairman and Chief Executive Officer**

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

Different individuals assume the roles of the Chairman of the Board ("Executive Chairman" or "Chairman") and the Chief Executive Officer ("CEO"). The Executive Chairman is Mr Ip Kwok Wing.

As the Executive Chairman, Mr Ip Kwok Wing sets guidelines on and is responsible for the exercise of control over the quantity and quality, and the timeliness of the flow of information between the Management and the Board, so that the directors receive accurate, timely and clear information for them to make sound decisions.

He also schedules Board meetings and oversees the preparation of the meeting agenda in particular strategic issue to enable the Board to perform its duties effectively and responsibly. In addition, the Chairman also promotes a culture of openness and debate at the Board.

The Executive Chairman also encourages constructive relations between the Board and Management and between the executive directors and independent directors, as well as effective communication with shareholders. To facilitate effective contribution of directors, and in particular, the independent directors, the Executive Chairman ensures that relevant information on business initiatives, industry developments and press commentaries on matters relating to the Company or the industries in which it operates are circulated to the Board members on a continuous basis so as to enable them to be updated and thereby enhance the effectiveness of the independent directors and the Board as a whole.

The Executive Chairman takes a leading role in the Company's drive to achieve and maintain a high standard of corporate governance with the support of the directors, the Management and the Company Secretary.

Mr Ip Kwok Wing is assisted by Mdm Lim Fong Li Janet, who assumes the role of the CEO. Mdm Lim Fong Li Janet, together with the Management comprising the general managers and Chief Financial Officer, are responsible for the day-to-day management, and implementing the strategic goals of the Group.

Although Mr Ip Kwok Wing and Mdm Lim Fong Li Janet are husband and wife, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Chairman and the CEO is independent without any influence from each other, and there is no compromise in accountability for the following reasons:

- (a) the independent directors actively participate during Board meetings and challenge the assumptions and proposals of the Management unreservedly, both during and outside of Board meetings on pertinent issues affecting the affairs and business of the Group. Their view and opinion provide alternative perspective to the Group's business and they bring independent judgement to bear on business activities and transactions involving conflict of interest and other complexity. The independent directors review the management performance and management reporting frameworks on quarterly interval. They are also involved in the development and evaluation of strategy proposals proposed by Management from time to time; and
- (b) all major decisions made by the Executive Chairman and CEO of the Company are reviewed and approved by the Board.



Mr Er Kwong Wah who is the Chairman of Audit Committee, member for the Nominating Committee and Chairman of the Remuneration Committee had been appointed as Lead Independent Director on 18 July 2016. The Lead Independent Director is available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (“CFO”) has failed to resolve. Led by the Lead Independent Director, the independent directors meet periodically without the presence of the other directors, and the Lead Independent director provides feedback to the Chairman after such meetings.

## **Board Membership**

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

The Company has established a NC to, among other things, make recommendations to the Board on all Board appointments. The NC currently comprises the following directors, two (2) of whom, including the Chairman are independent:

Ong Wei Jin	–	Chairman
Er Kwong Wah	–	Member
Ip Kwok Wing	–	Member

### *Role of the NC*

The role of the NC is to establish a formal and transparent process for the appointment of new directors and the re-appointment of directors retiring by rotation as well as to assess the effectiveness of the Board and the overall contribution of each director towards the effectiveness of the Board.

The primary functions of the NC include the following:

- (a) to make recommendations to the Board on all Board appointments, including re-nominations having regard to that director’s contribution and performance;
- (b) to review the independence of the directors on an annual basis;
- (c) to decide whether the director is able to and has been adequately carrying out his duties as director, in particular, where a director has multiple board representations;
- (d) to review and make recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment or reappointed to the Board, taking into account the candidate’s track record, age, experience, capabilities and other relevant factors;
- (e) to identify and nominate candidates for the approval of the Board to fill vacancies in the Board as and when they arise;
- (f) to decide how the Board’s performance may be evaluated and propose objective performance criteria for the Board’s approval;
- (g) to assess the effectiveness of the Board as a whole;
- (h) to review board succession plans for directors, in particular, the Chairman and for the CEO; and
- (i) to review training and professional development programs for the Board.

# CORPORATE GOVERNANCE

The basis of the NC's annual determination as to whether a director is or is not independent is set out in the write up of Principle 2 of this Corporate Governance Report.

The NC has also adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The NC determines annually whether a director with multiple board representations is able to and has been adequately carrying out his duties as a director of the Company. In making this determination, the NC took into account the respective director's actual conduct and effectiveness on the Board, and the time and attention given by each of them to the affairs of the Company, and is satisfied that all the directors having multiple board representations have been able to and have adequately carried out their duties as a director. To further ensure directors could carry out his duties adequately and effectively, the NC also places a maximum limit of ten (10) non-executive directorships an independent director can hold on the board of listed companies (excluding non-listed companies and other non-profit or non-commercial organizations) if he is not holding a full time job. In the event of a director holding a full time job, the maximum limit of his directorships in listed companies should not be more than six (6). During the financial year, the NC has reviewed and confirmed that all the directors have met the criteria and are able to carry out their duties as a director.

## *Process for appointment of new directors*

The NC has recommended, and the Board has approved, a formal process for the selection of new directors as follows:

- (a) The NC evaluates the balance of skills, knowledge and experience on the Board and, in the light of such evaluation and in consultation with Management, prepares a description of the role and the essential and desirable competencies for a particular appointment;
- (b) Directors and Management may suggest suitable potential candidates. If necessary, the NC may enlist external help (for example, from the Singapore Institute of Directors, search consultants, advertisements) to source for potential candidates;
- (c) The NC assesses suitability of short-listed candidates and discusses with them, if necessary, to ensure that the candidate(s) are aware of the expectations and the level of commitment required; and
- (d) The NC makes recommendations to the Board for approval.

## *Criteria for appointment of new directors*

All new appointments are subject to the recommendation of the NC based on, among others, the following objective criteria:

- (a) Integrity;
- (b) Independent mindedness;
- (c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;
- (d) Able to commit time and effort to carry out duties and responsibilities effectively;
- (e) Experience in the relevant field of business of the Company or industries in which it operates; and
- (f) Financially literate.

All directors are to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Under the Company's existing Constitution, one-third of the directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each annual general meeting ("AGM") of the Company. A newly appointed director must also submit himself for re-election at the AGM immediately following his appointment.

The following key information regarding directors is set out on the following pages of this Annual Report:

- (a) pages 30 and 31 – Academic and professional qualifications, date of first appointment as director, date of last re-election as director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and
- (b) page 35 – Shareholdings in the Company and its related companies.

## **Board Performance**

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

The Board has implemented a formal process for assessing the effectiveness of the Board as a whole.

The NC determines how the Board's performance may be evaluated and proposes objective performance criteria. Such performance criteria are approved by the Board and address how the Board has enhanced long-term shareholders' value.

### *Evaluation process*

Each Board member is required to complete a Board Assessment Checklist. Based on the returns from each of the directors, the Chairman of the NC prepares a consolidated report and thereafter presents the report to the Board for discussion on the changes which should be made to help the Board discharge its duties more effectively. No external facilitator was appointed for the purposes of the Board assessment.

### *Performance criteria*

The performance criteria for the Board evaluation are in respect of the Board size, composition and independence, conduct of meetings, corporate strategy and planning, risk management and internal control, Board performance in relation to discharging its principal functions, Board committee performance in relation to discharging their responsibilities as set out in their respective terms of reference, achievement of financial targets which includes return on equity, improvement of performance of the Company's share price vis-a-vis the Singapore Straits Times Index, recruitment policy, process for determining remuneration and compensation of directors and key executives, financial reporting, and communication with shareholders.

The Board assessment exercise provided an opportunity to obtain constructive feedback from each director on whether the Board's procedures and processes allowed him to discharge his duties effectively and the changes that should be made to enhance the effectiveness of the Board as a whole. The Board is of the view that such evaluation is sufficient and more meaningful than an assessment of each individual director's performance.

## **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.***

# CORPORATE GOVERNANCE

To assist the Board in fulfilling its responsibilities, the Management provides the Board with complete and adequate information in a timely manner. As a general rule, Board papers are required to be sent to directors at least seven (7) days before the Board meeting so that the members may better understand the matters prior to the Board meeting and discussion may be focused on questions that the Board has about the Board papers. However, sensitive matters may be tabled at the meeting itself or discussed without any papers being distributed. Key executives who can provide additional insight into the matters at hand would be present at the relevant time during the Board meeting.

The Management also provides the Board members with background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts, quarterly internal financial statements, together with explanations for any material variance between the projections and actual results in respect of its financial performance. Given the current company's operation, the Board deems that the provision of quarterly internal financial statement is sufficient.

The directors are also provided with the names and contact details of the Company's Management and the Company Secretary to facilitate direct, separate and independent access to Management and the Company Secretary.

The Company Secretary administers, attends and prepares minutes of Board proceedings. He assists the Executive Chairman to ensure that Board procedures (including but not limited to assisting the Chairman to ensure the timely and good information flow to the Board and Board committees, and between senior management and the independent directors, and facilitating orientation and assisting in the professional development of the directors) are followed and regularly reviewed to ensure effective functioning of the Board, and that the Company's Constitution and relevant rules and regulations, including requirements of the Companies Act, Cap. 50 and the Catalist Rules of the SGX-ST are complied with. He also assists the Chairman and the Board to implement and strengthen corporate governance practices and processes with a view to enhancing long-term shareholders' value.

The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Subject to the approval of the Executive Chairman, the directors, whether as a group or individually, may seek and obtain independent professional advice to assist them in the discharge of their duties, at the expense of the Company.

## **(B) REMUNERATION MATTERS**

### **Procedures for Developing Remuneration Policies**

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

The RC currently comprises of two (2) independent non-executive directors, including the Chairman and one (1) executive director as follows:

Er Kwong Wah	–	Chairman
Ong Wei Jin	–	Member
Ip Kwok Wing	–	Member

The RC is aware that its composition deviates from Guideline 7.1 of the Code and subject to the Board's concurrent search and selection for a new independent director, the RC will amend its composition accordingly once a new independent director is appointed or if there is any re-designation of appointment of the Executive Directors.

The RC is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors and senior management. The principal functions of the RC include the following:

- (a) to review and recommend to the Board a framework of remuneration for the Executive Chairman, directors, and key management personnel of the Company. The framework will cover all aspects of remuneration, including without limitation, directors' fees, basic salaries, allowances, bonuses, options and benefits-in-kind;
- (b) to review the remuneration packages of all managerial staff who are related to any of the executive directors or CEO;
- (c) in the case of directors' service contracts, to consider what compensation or commitments the directors' contracts of service, if any, would entail in the event of early termination;
- (d) to recommend to the Board in consultation with senior management and the Executive Chairman, any long-term incentive scheme (including share schemes) and to consider the eligibility of directors for benefits under such long-term incentive schemes; and
- (e) consider and make recommendations to the Board concerning the disclosure of details of the Company's remuneration policy, level and mix of remuneration and procedure for setting remuneration, and the details of the specific remuneration packages of the directors and executives of the Company, in addition (if appropriate) to those required by law or by the Code.

The RC also administers the CFM Holdings Performance Share Scheme, which was approved at the Company's extraordinary general meeting ("**EGM**") held on 30 April 2015.

The RC has access to professional advice from experts outside the Company on executive remuneration matters as and when necessary. In accessing the professional advice from experts outside the Company, the RC will ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The Company will also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company. The Company did not appoint any remuneration professionals to advise on the executive remuneration during the financial year.

Each member of the RC will refrain from voting on any resolution in respect of the assessment of his remuneration. No director will be involved in determining his own remuneration.

In addition to the above, the RC will also review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids 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 RC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value.

# CORPORATE GOVERNANCE

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance, as well as taking into consideration the risk policies of the Company to be symmetric with risk outcomes and sensitive to the time horizon of such risk. The performance related remuneration elements of the executive directors and key management personnel does not incentivise short termism based business decisions.

The RC also reviews all matters concerning the remuneration of independent directors to ensure that the remuneration commensurate with the level of contribution, taking into account factors such as effort and time, and responsibilities of the directors. The Company will submit the quantum of directors' fees for each year to the shareholders for approval at each AGM.

The Board and RC note the recommendation by the Code on the long term incentive scheme for executive directors and key management personnel. The RC had reviewed and recommended to the Board the adoption of a performance share scheme for directors, key management personnel and employees. The Company had adopted the CFM Performance Share Plan on 30 April 2015.

Only the executive directors have entered into service contracts with the Company, which are for a fixed appointment period and thereafter renewed annually, unless earlier terminated by either party by not less than six (6) months written notice, or payment of an amount equal to six (6) months' salary in lieu of notice. The RC reviews what compensation commitments the executive directors' contracts of service would entail in the event of early termination, and aims to be fair and avoid rewarding poor performance. Through the use of contractual provisions, the Group has the ability to reclaim incentive components of remuneration from the relevant management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

## **Disclosure on 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.***

### *Policy in respect of independent directors' remuneration*

The independent directors do not enter into service contracts with the Company. They are paid directors' fees, the amount of which is dependent on their level of responsibilities. Each independent director is paid a basic fee and variable allowance. In addition, independent directors who perform additional services through Board committees are paid an additional fee for such services. The Chairman of the AC is also paid a higher fee compared to members of that committee in view of the greater responsibilities carried by that office. The amount of directors' fees payable to independent directors is subject to shareholders' approval at the Company's AGMs.

### *Remuneration policy in respect of executive directors and other key management personnel*

The Company advocates a performance-based remuneration system that is highly flexible and responsive to the market and the performance of the Company and the individual employee. This allows the Company to better align executive compensation with shareholders value creation. The total remuneration mix comprises annual fixed cash and annual performance incentive. The annual fixed cash component comprises the annual basic salary plus any other fixed allowances. The annual performance incentive is tied to the performance of the Company and the individual employee.

Remuneration of the directors, key management personnel (who are not also directors) for the financial year ended 30 June 2018

The level and mix of each of the directors' remuneration, and that of each of the key management personnel (who are not also directors), in bands of \$250,000 for the financial year ended 30 June 2018, are set out below:

	Base Salary	Variable/ Performance Related Income	Director Fees	Benefit in Kind/ Allowance	Total
<b>Remuneration Band Name of Director</b>					
<b><i>Above \$250,000</i></b>					
-					
<b><i>\$250,000 and below</i></b>					
Ip Kwok Wing	74%	15%	-	11%	100%
Lim Fong Li Janet	76%	20%	-	4%	100%
Kenneth Ip Yew Wa	78%	14%	-	8%	100%
Er Kwong Wah	-	-	100%	-	100%
Ong Wei Jin	-	-	100%	-	100%
<b>Remuneration Band Name of Top 5 Existing Key Management Personnel</b>					
<b><i>\$250,000 and below</i></b>					
Lee Chong Ping*	64%	21%	-	15%	100%

Notes:

- Ip Kwok Wing and Lim Fong Li Janet are husband and wife.
- Kenneth Ip Yew Wa is the son of Ip Kwok Wing (Executive Chairman) and Lim Fong Li Janet (CEO). The remuneration for his appointment as Executive Director of the Company and as a general manager of Hantong Metal Component (Penang) Sdn. Bhd. and Executive Officer of CFM Slorakia s.r.o during the financial year ended 30 June 2018 was within the range of \$200,000 to \$250,000.
- \* The Group has only one Key Management Personnel who is not a Director, and the remuneration paid to such key management personnel is below \$250,000.

The Company has not disclosed exact details of the remuneration of its CEO, directors and key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information.

No termination, retirement and post-employment benefits were granted to directors, the CEO or the top five key management personnel for the financial year ended 30 June 2018.

During FY2018, a subsidiary of the Group had appointed Mr Ip Jowa Andrew (Ye Zuhua) as Sales Manager. Mr Ip Jowa Andrew (Ye Zuhua) is the son of Mr Ip Kwok Wing and Mdm Lim Fong Li Janet. Total remuneration paid to Mr Andrew Ip during the FY2018 was within the range of \$50,000 to \$100,000. Save as disclosed above, there were no other employees of the Company or its subsidiaries who are immediate family members of any director or the CEO, and whose remuneration exceeded \$50,000 for the financial year ended 30 June 2018. "Immediate family member" means the spouse, child, adopted child, stepchild, brother, sister or parent.

# CORPORATE GOVERNANCE

## *CFM Performance Share Plan*

The Company had undertaken a comprehensive review of employee remuneration and benefits and introduced a new employee share performance scheme on 30 April 2015 (the “**Plan**”) that is intended to increase the Company’s flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to improve their performance. In line with this, the Company believes that the Plan will strengthen the overall effectiveness of performance-based compensation schemes. The Plan applies to executive directors, non-executive directors (including independent Directors) and group employees.

The Plan allows the Company to target specific performance objectives and to provide an incentive for who are awarded shares under the Plan (“**Participants**”) to achieve these targets, which ultimately, will create and enhance economic value for Shareholders. The Directors believe that the Plan will incentivise Participants to excel in their performance and encourage greater dedication and loyalty to the Company. Through the Plan, the Company will be able to recognise and reward past contributions and services and motivate Participants to continue to strive for the Group’s long-term prosperity. In addition, the Plan aims to foster an ownership culture within the Group.

The Company believes that attracting and retaining outstanding individuals as employees is paramount to the Group’s long-term objective of achieving continuous growth, expansion and profitability in its business and operations. It is hoped that through the implementation of the Plan, the Company will be able to remain an attractive and competitive employer and be better positioned to manage its fixed overhead costs without compromising on performance standards and efficiency.

Through the Plan, the award of fully-paid Shares, free of charge, to the Participants (the “Awards”) is intended to be a more attractive form of bonus from the Company to the Participants. In addition, the Company believes that the Plan will be more effective than cash bonuses in motivating employees as it gives them a stake in the ownership of the Company whilst at the same time allowing the Company to offer incentives and remuneration packages compatible with other multinational companies.

The Plan will serve as an additional and flexible incentive tool. With the Plan, the Company would be able to tailor share-based incentives according to the objectives to be achieved.

The Awards granted under this Plan will be determined at the sole discretion of the Remuneration Committee which will oversee and administer the Plan. In considering the grant of an Award to a Participant, the Remuneration Committee shall take into account (where applicable) criteria such as the rank, scope of responsibilities, performance, years of service and potential for future development of the selected Employee. In respect of the grant of an award to a participant who is also a member of the RC, the participant shall not be involved in the deliberation of the award to be granted to him to minimise the potential conflict of interest and to not compromise his independence of as a member of the RC.

The total number of New Shares which may be issued pursuant to Awards granted under the Plan shall not exceed 15% of the issued Shares of the Company (excluding any Shares held in treasury) on the day Shareholders approve the Plan, provided always that the total number of New Shares which may be issued pursuant to Awards granted under the Plan when aggregated with the aggregate number of Shares which may be granted under any other share plan or share option scheme shall not exceed any limits prescribed by the SGX-ST. Further details of the Plan can also be found on page 35 of the Directors’ Statement.

There were no performance shares issued by the Company since the commencement of the performance share scheme on 30 April 2015.



**(C) ACCOUNTABILITY AND AUDIT****Accountability**

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

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). The Management currently provides executive directors with appropriately detailed management accounts, which shows a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis. Based on the current size and scope of operations of the Group, such quarterly management accounts are adequate. In the event where the Group undertakes any major corporate exercises or projects, the Board is kept apprised with the most updated financial information of the Group to facilitate the Board's review in its decision making.

Each quarter's financial results are also presented to all members of the Board for their review on a quarterly basis. The Board has embraced openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET to the SGX-ST, press releases, the Company's website, and public webcast and media and analyst briefings. The Board will take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.

**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 recognises that it is responsible for maintaining a system of risk management and internal controls including those addressing financial, operational, compliance and information technology risk (collectively "internal controls") to safeguard shareholders' interests and the Group's businesses and assets. Together with Management, the Board identifies and evaluates significant risks applicable to the Group's business, taking into consideration the Group's risk tolerance level and policies; as well as establishes and designs an appropriate internal control system and the Management is tasked to operate and implement the internal control procedures. These risks are assessed on a regular basis.

Through the reports from Management and external auditor on any material non-compliance and internal control weaknesses, the AC oversees and monitors the implementation of any improvements thereto and reviews the adequacy and effectiveness of the internal control system annually. An independent and internal audit firm, Messrs Protiviti was engaged in previous financial years to undertake the review of material internal controls, including financial, operational, compliance controls on a significant business unit of the Group.

For FY2018, the AC reviewed with the external auditor its findings on internal control recommendations. The Group had also appointed MS Risk Management Pte Ltd ("IA") as an outsourced internal audit function. The IA had presented its internal audit findings and recommendations to the AC for FY2018.

The Board also notes that all risk management system and internal control system contain inherent limitations and cost effective system of risk management system and or internal controls could only provide reasonable and not absolute assurance against the occurrence of material errors, financial misstatement, poor judgement in decision making, human error, losses and or other irregularities.

# CORPORATE GOVERNANCE

Based on the various control systems put in place and maintained by the Company, the report from the external auditors and IA and follow-up implementation action taken by the Management based on IA's recommendations, periodic reviews by the Management, the AC and the Board, the Board with the concurrence of the AC is of the opinion that the Group's internal controls and risk management systems were adequate and effective in addressing financial, operational, compliance and information technology controls risks.

For the financial year ended 30 June 2018, the Board had received assurance from the CEO and CFO that (i) the financial records have been properly maintained and the financial statements gives a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems were effective.

The Board, with the assistance of the AC, will continue to review, monitor and take appropriate steps to maintain effectiveness or strengthen the Group's overall internal control system.

## **Audit Committee**

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

The AC currently comprises the following two (2) non-executive independent directors, including the Chairman and one (1) executive director:

Er Kwong Wah – Chairman  
Ong Wei Jin – Member  
Ip Kwok Wing – Member

The Board considers Mr Ong Wei Jin and Mr Er Kwong Wah as having sufficient financial management knowledge and experience to discharge his responsibilities as a member of the AC. The AC is aware that its composition deviates from Guideline 12.1 of the Code and subject to the Board's concurrent search and selection for a new independent director, the AC will amend its composition accordingly once a new independent director is appointed or if there is any re-designation of appointment of the Executive Directors.

The primary functions of the AC are as follows:

- (a) to review the financial and operating results and accounting policies of the Group;
- (b) to review the scope and results of the internal and external audits and its cost effectiveness;
- (c) to review the financial statements before their submission to the Board and the external auditors' report on those financial statements;
- (d) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- (e) to review the half-yearly and annual announcement of results of the Group to SGX-ST before submission to the Board for approval;
- (f) to consider and review the assistance given by the Management to the auditors;
- (g) to discuss with the external auditors before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

- (h) to review the external audit plan and the results of the external auditors' examination and evaluate the effectiveness of the Group's internal control system including review of the internal auditor's internal audit plan and internal audit findings;
- (i) to review and report to the Board the adequacy and effectiveness of the Company's risk management and internal controls system, including financial, operational, compliance and information technology controls once a year;
- (j) to review the independence and objectivity of the external auditors;
- (k) to recommend the appointment or re-appointment of external auditors, and approve the terms of engagement and audit fees payable to the external auditors;
- (l) to review IPTs to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of shareholders, and are in compliance with the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Catalist Rules of the SGX-ST);
- (m) to review the scope and the results of internal audit procedures and the evaluation of the overall internal control systems by the internal auditors;
- (n) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- (o) to undertake such other functions and duties as may be required by law or the Catalist Rules of the SGX-ST and by such amendments made thereto from time to time.

The AC has the explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

In addition, the AC has independent access to the internal auditors and the external auditors, who report independently their findings and recommendations to the AC. The AC meets with the external auditor without the presence of Management and reviews the adequacy of the internal control established by the management annually on the basis of work down by the external auditors on the internal control environment of the Group.

During the year, the AC performed independent reviews of the financial statements of the Company before the announcement of the Company's half year and full year results. The AC also reviewed and approved both the Company's external auditors' plans to ensure that the plans covered sufficiently the terms of audit scope in reviewing the significant internal controls of the Company. Such significant controls comprise financial, operational and compliance controls. All audit findings and recommendations put up by the external auditors were forwarded to the AC. Significant issues were discussed at these meetings.

In addition, the AC undertook a half yearly review of the independence and objectivity of the external auditors through discussions with the external auditors, as well as reviewing the non-audit fees awarded to them and has confirmed that the non-audit services performed by the external auditors would not affect their independence. Fees paid or payable by the Group to external auditors for audit services for the financial year ended 30 June 2018 amounted to \$69,100 and there were no non-audit fees paid or payable.

The Company appointed Baker Tilly TFW LLP as auditors of the Company. The Company confirmed that Rule 712 and Rule 716 of the Catalist Rules in relation to the auditors of the Company have been complied with. The Board and AC are satisfied that the appointment of different auditing firms for subsidiaries companies would not compromise the standard and effectiveness of the audit of the Group.

# CORPORATE GOVERNANCE

The Company has implemented a “Whistle-Blower Policy” (“**Policy**”) which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in financial reporting or other matters to the AC Chairman. The AC will review the Policy to ensure arrangements are in place for the independent investigation of such matters and for appropriate follow-up action.

On a quarterly basis, the Management reports to the AC on any IPTs.

As part of efforts by the AC in keeping abreast of changes to accounting standards and issues, the AC is kept updated by the external auditors on new financial reporting standards during the year.

## **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 role of the internal auditors is to assist the AC to ensure that the Company maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas. The AC approves the hiring, removal, evaluation and compensation of the internal auditors. The internal auditors have unfettered access to all the Company’s documents, records, properties and personnel, including access to the AC. The primary line of reporting of the internal auditors is to the AC Chairman,

The IA was engaged in FY2018 to undertake the review of material internal controls on a significant subsidiary of the Group. All findings and recommendations of the IA were submitted to the AC for deliberation with copies of these reports extended to the CEO and the relevant senior management officers. The Group has implemented the recommendations of the IA based on its internal audit work performed for FY2018 and continues to maintain sufficient safeguards and controls over the Group’s operations. The AC also continues to monitor that such safeguards and controls are in place.

The AC reviews the adequacy and effectiveness of the internal audit function of the Group annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group. For FY2018, the AC noted that the IA had carried out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The IA is an outsourced professional firm with persons who are engaged in the Group’s internal audit, possessing the relevant internal audit qualifications and experience.

## **(D) COMMUNICATION WITH SHAREHOLDERS**

### **Communication with Shareholders**

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

***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.***

***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 Group values dialogue with shareholders. The Board is also mindful of its obligations to provide timely and fair disclosure of material information to the SGX-ST in accordance with the Corporate Disclosure Policy as set out in the Catalyst Rules of the SGX-ST. The Board's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Although the Group does not have a formalised investor relations policy for communications with shareholders, the Board and Management is of the view that the Group is able to effectively communicate with its shareholders as material information is disclosed and communicated to shareholders in a comprehensive, accurate and timely manner through:

- (a) announcements of full year and half year financial results which are published via the SGXNET;
- (b) annual reports or circulars of the Company that are prepared and sent to all shareholders;
- (c) notices of annual general meetings and extraordinary general meetings published in the newspapers; and
- (d) press releases on major developments of the Group.

Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. The Constitution of the Company allows a shareholder (who is not a relevant intermediary, as defined in Section 181(6) of the Companies Act) to vote either in person or appoint not more than two proxies to attend and vote in his stead. Such proxy to be appointed need not be a shareholder. Pursuant to the Companies (Amendment) Act 2014, a shareholder of the Company who is a relevant intermediary (as defined in Section 181(6) of the Companies Act), may appoint more than two proxies to attend, speak and vote at the AGM.

In the general meeting of shareholders, the Company will ensure that shareholders have the opportunities to participate effectively by informing them of the rules, including voting procedures that govern general meetings of shareholders. At shareholders' meetings, each distinct issue is proposed as a separate resolution. All directors are present at the general meetings and the chairman of each Board committee is required to be present to address questions at annual general meetings. External auditors are also present at such meetings to assist the directors to address shareholders' queries, if necessary. The Company Secretary prepares minutes of shareholders' meetings, which incorporates substantial comments or queries that are relevant to the AGM agenda, if any, from shareholders and responses from the Board and Management. These minutes are available to shareholders upon request. Results of general meetings are announced on the same day following the conclusion of the general meeting.

Pursuant to Catalyst Rule 730A(2), the Company will put all resolutions to vote by poll at its eighteenth shareholders general meeting and an announcement of the detailed results of the number of votes cast for and against each resolution and the respective percentages will be made on the same day. Independent scrutineers will be appointed to oversee the voting process and enhance their disclosures on voting outcomes.

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. However, the Company will establish and maintain regular dialogue with shareholders to gather views or inputs and their concerns.

In addition to the opportunities provided to all shareholders to ask questions to the Board at its general meetings, the Board, together with Management, responds to any shareholders' queries that the Company may receive from time to time, either directly or if warranted, an SGXNet announcement is released accordingly. The Board had also previously responded to queries raised by Securities Investors Association (Singapore) through SGXNet announcements so that all shareholders are kept updated equally.

# CORPORATE GOVERNANCE

The Group currently does not have a formal dividend policy as it needs to conserve its financial resources and further improve its financial performance.

## (E) DEALINGS IN SECURITIES

The Company has adopted its own guidelines based substantially on the provisions of Rule 1204(19) of the Catalist Rules of the SGX-ST. These internal guidelines apply to dealings in securities by certain employees (including directors and other officers) of the Group. The Company issues circulars to its directors and officers reminding them not to deal in the listed securities of the Company, for a period of one (1) month before the half year and full year results, or if they are in possession of unpublished price-sensitive information. In addition, the directors and officers of the Company are advised not to deal in the Company's securities on short-term considerations.

## (F) RISK MANAGEMENT

The Company does not have a Risk Management Committee. However, the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and highlights all significant matters to the Board and the AC.

## (G) IPTs

The Board has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC. All IPTs are subject to review by the AC to ensure that all such transactions are conducted at arm's length basis, on normal commercial terms and will not be prejudicial to the interests of the shareholders.

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the SGX-ST's Catalist Rules on Interested Person Transactions. To ensure compliance, the Company has taken the following steps:

- (a) Compliance with Chapter 9 is an integral part of the credit approval process for the Company; and
- (b) An annual update of directors' personal particulars is obtained.

There were no interested party transactions exceeding \$100,000 conducted during the financial period under review.

Nonetheless, as good governance practice, the following were interested party transactions under \$100,000 conducted during FY2018 with the following interested persons:-

No	Company/Individual Name	Interested Persons
1	CFM Solutions Pte Ltd	Andrew Ip Jowa, son of Mr Ip Kwok Wing* and Mdm Lim Fong Li Janet^, is the Director and shareholder of CFM Solutions Pte Ltd
2	CFM Precision	Mdm Lim Fong Li Janet^ is Director of CFM Precision. CFM Precision has been disposed off during the financial year

No	Company/Individual Name	Interested Persons
3	Eversheds Harry Elias Partnership LLP	Mr Ong Wei Jin, the Company's Independent Director is the Partner of the firm
4	Mdm Lim Fong Li Janet	the CEO and substantial shareholder of the Company

Notes:

\* Mr Ip Kwok Wing is the Executive Chairman and substantial shareholder of the Company

^ Mdm Lim Li Fong Janet is CEO and substantial shareholder of the Company

## (H) MATERIAL CONTRACTS

Save for the executive directors' service contracts, there were no material contracts, not being contracts entered into in the ordinary course of business, had been entered into by the Company and its subsidiaries involving the interest of the CEO, any director or controlling shareholder of the Company during the period under review.

## (I) Utilisation of the Proceeds for the Rights Issue

Pursuant to the announcements dated 30 June 2017, 28 September 2017, 15 November 2017, 24 November 2017, 18 December 2017, 9 February 2018, 23 May 2018, 24 August 2018 and 27 September 2018 as well as the offer information statement dated 24 November 2017 ("**Offer Information Statement**") in relation to the renounceable non-underwritten rights issue of 93,016,281 ordinary shares ("**Rights Issue**").

As of the date of this Annual Report, the utilisation of the net proceeds raised from the Rights Issue is set out below:-

Description	Amount allocated S\$'000	Amount utilised as at the date of this announcement S\$'000	Balance of net proceeds as at date of this announcement S\$'000
Repayment of outstanding loans	771	(771)	-
Repayment of Bank Borrowings	300	(211)	89
General working capital	229	(229)	-
Total	1,300	(1,211)	89

The above utilisation of the net proceeds from the Rights Issue is consistent with the intended uses as disclosed in the Company's Offer Information Statement dated 24 November 2017 in relation to the Rights Issue.

The Company will make further announcement on the use of the remaining net proceeds as and when they are materially disbursed.

## (J) NON-SPONSOR FEES

There was no non-sponsor fees paid to the Company's sponsor, Asian Corporate Advisors Pte. Ltd., for FY2018.

# CORPORATE GOVERNANCE

## PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name	Academic/ Professional Qualifications/ Affiliations	Board Appointment Executive/ Non-Executive/ Independent	Date of Appointment	Date Last Re-elected	Directorship/ Chairmanships in other Listed Companies in Singapore (Present & Held Over the Preceding Three Years) & Other Principal Commitments
Ip Kwok Wing	Hong Kong Secondary School	Executive Chairman	28 April 2000	31 October 2017	Other Listed Companies Nil  Other principal commitments Nil
Lim Fong Li Janet	Bachelor of Science in Business Administration and Master's Degree in Marketing Communication	Chief Executive Officer	28 April 2000	26 October 2016	Other Listed Companies Nil  Other principal commitments Nil
Kenneth Ip Yew Wa	Bachelor of Mechanical Engineering	Executive Director	1 November 2014	27 October 2015	Other Listed Companies Nil  Other principal commitments Nil
Ong Wei Jin	LLB (Hons) MBA (Investment and Finance) LLM	Independent Director	7 January 2014	26 October 2016	Other Listed Companies Present: China XLX Fertiliser Ltd (listed on HKSE) Luzhou Bio-chem Technology Limited (listed on SGX) Camsing Healthcare Ltd (listed on SGX)  Over preceding 3 years: Nil  Other principal commitments Partner, Eversheds Harry Elias Partnership LLP



Name	Academic/ Professional Qualifications/ Affiliations	Board Appointment Executive/ Non-Executive/ Independent	Date of Appointment	Date Last Re-elected	Directorship/ Chairmanships in other Listed Companies in Singapore (Present & Held Over the Preceding Three Years) & Other Principal Commitments
Er Kwong Wah	Bachelor of Applied Science (Honours) Master in Business Administration	Independent Director	28 February 2013	31 October 2017	<p>Other Listed Companies Present:</p> <p>Cosco Corporation (Singapore) Ltd (listed on SGX)</p> <p>China Essence Group Ltd (listed on SGX)</p> <p>The Place Holding Ltd. (listed on SGX)</p> <p>GKE Corporation Ltd (listed on SGX)</p> <p>China Sky Chemical Fibre Co., Ltd (listed on SGX)</p> <p>China Environment Ltd (listed on SGX)</p> <p>Ecowise Holdings Limited (listed on SGX)</p> <p>Chaswood Resources Holdings Ltd (listed on SGX)</p> <p>Over preceding 3 years: Success Dragon Ltd (listed on HKSE)</p> <p>Other principal commitments Nil</p>

# CORPORATE GOVERNANCE

## APPENDIX

### Code of Corporate Governance Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	11-12
Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	12
Guideline 1.5 The type of material transactions that require board approval under guidelines	11-12
Guideline 1.6 The induction, orientation and training provided to new and existing directors	12-13
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	13
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed	13
Guideline 3.1 Relationship between the Chairman and CEO where they immediate family members	14
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	15
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	16
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	16-17
Guideline 4.7 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	17, 30-31
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	17

## Relevant Guidelines or Principles

Principle 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	18-19
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	19
Guideline 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	19-20
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	21
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	21
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of \$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	21
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds \$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of \$50,000	21
Guideline 9.5 Details and important terms of employee share schemes	22, 36
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	20

# CORPORATE GOVERNANCE

**Page  
Reference  
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<b>Relevant Guidelines or Principles</b>	
<p>Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems</p> <p>The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems</p> <p>The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems</p>	23-24
<p>Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board</p>	24-25
<p>Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement</p>	25
<p>Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	26
<p>Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements</p>	26
<p>Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings</p>	26-27
<p>Guideline 15.5 Where dividends are not paid, companies should disclose their reasons</p>	28

The directors hereby present their statement to the members together with the audited consolidated financial statements of CFM Holdings Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the balance sheet of the Company for the financial year ended 30 June 2018.

In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 43 to 98 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 of the financial performance, changes in equity and cash flows of the Group for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore; 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 in office at the date of this statement are:

Ip Kwok Wing	-	Executive Chairman
Lim Fong Li Janet	-	Chief Executive Officer
Kenneth Ip Yew Wa	-	Executive Director
Er Kwong Wah	-	Lead Independent Director
Ong Wei Jin	-	Independent Director

## Arrangement to enable directors to acquire benefits

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

## Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

Name of director	Number of ordinary shares			
	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year
<b>The Company</b>				
Ip Kwok Wing	40,018,085	74,319,300	33,169,850	61,601,150
Lim Fong Li Janet	33,169,850	61,601,150	40,018,085	74,319,300

# DIRECTORS' STATEMENT

## Directors' interests in shares and debentures (cont'd)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2018.

By virtue of Section 7 of the Act, Ip Kwok Wing and Lim Fong Li Janet are deemed to have an interest in the shares held by the Company in its subsidiary corporations.

## CFM Performance Share Plan

The Company has an employee performance share plan which was implemented on 30 April 2015 (the "PS Plan"). The PS Plan allows the Company to target specific performance objectives and to provide an incentive for participants who are awarded fully-paid shares under the PS Plan ("Participants") for free of charge. The PS Plan applies to executive directors, non-executive directors (including Independent Directors) and group employees.

The awards granted under this PS Plan will be determined at the sole discretion of the Remuneration Committee ("RC"), comprising of Er Kwong Wah, Ong Wei Jin and Ip Kwok Wing, which will oversee and administer the PS Plan. In considering the grant of an award to a Participant, the RC shall take into account (where applicable) criteria such as the rank, scope of responsibilities, performance, years of service and potential for future development of the selected Employee. In respect of the grant of an award to a Participant who is also a member of the RC, the Participant shall not be involved in the deliberation of the award to be granted to him to minimise the potential conflict of interest and to not compromise his independence of as a member of the RC.

The total number of new shares which may be issued pursuant to awards granted under the PS Plan shall not exceed 15% of the issued shares of the Company (excluding any shares held in treasury) on the day shareholders approve the PS Plan, provided always that the total number of new shares which may be issued pursuant to awards granted under the PS Plan when aggregated with the aggregate number of shares which may be granted under any other share plan or share option scheme shall not exceed any limits prescribed by the SGX-ST.

At the end of the financial year, there were no performance shares issued by the Company since the implementation of the PS Plan on 30 April 2015.

## Audit committee

The members of the Audit Committee ("AC") during the year and at the date of this report are:

Er Kwong Wah - Chairman  
Ong Wei Jin  
Ip Kwok Wing

The AC carried out its functions in accordance with Section 201B(5) of the Act which include:

- (a) to review the financial and operating results and accounting policies of the Group;
- (b) to review the scope and results of the audit and its cost effectiveness;
- (c) to review the financial statements before their submission to the Board of Directors ("Board") and the external auditor's report on those financial statements;

**Audit committee (cont'd)**

- (d) to review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- (e) to review the half-yearly and annual announcement of results of the Group to Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board for approval;
- (f) to consider and review the assistance given by the Management to the auditors;
- (g) to discuss with the external auditor before the audit commences the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;
- (h) to review the external audit plan and the results of the external auditor's examination and evaluate the effectiveness of the Group's internal control system including review of the internal auditor's internal audit plan and internal audit findings;
- (i) to review and report to the Board the adequacy and effectiveness of the Company's Risk Management and Internal Controls System, including financial, operational, compliance and information technology controls once a year;
- (j) to review the independence and objectivity of the external auditor;
- (k) to recommend the appointment or re-appointment of external auditor, and approve the terms of engagement and audit fees payable to the external auditor;
- (l) to review interested person transactions ("IPTs") to ensure that they are carried out on normal commercial terms and are not prejudicial to the interests of shareholders, and are in compliance with the then prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Catalist Rules of the SGX-ST);
- (m) to review the scope and the results of internal audit procedures and the evaluation of the overall internal control systems by the internal auditors;
- (n) to commission and review the major findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any relevant law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and
- (o) to undertake such other functions and duties as may be required by law or the Catalist Rules of the SGX-ST and by such amendments made thereto from time to time.

The AC is satisfied with the independence and objectivity of the external auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

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

# DIRECTORS' STATEMENT

## **Independent auditor**

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Ip Kwok Wing  
Executive Chairman

Lim Fong Li Janet  
Chief Executive Officer

27 September 2018



# INDEPENDENT AUDITOR'S REPORT

To the Members of CFM Holdings Limited

## Report on the Audit of the Financial Statements

### *Opinion*

We have audited the accompanying financial statements of CFM Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 43 to 98, which comprise the balance sheets of the Group and the Company as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet 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 for the year ended on that date.

### *Basis for Opinion*

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

### *Key Audit Matters*

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

Impairment review of investment in subsidiaries

*The key audit matter:*

As disclosed in Notes 3 and 12 to the financial statements, the net carrying amount of the investment in subsidiaries is stated at \$14,945,000 (2017: \$11,748,000), after deducting impairment loss of \$7,632,000 (2017: \$11,057,000) as at 30 June 2018.

The assessment of recoverable amount of the Company's investments in subsidiaries is considered to be significant to our audit as it requires application of judgement and use of subjective assumptions by management.

The Company has assessed the recoverable amount of its investments in subsidiaries based on fair value less cost to sell and value-in-use of the investment in subsidiaries using the discounted cash flow ("DCF") method. The determination of fair value less cost to sell involves estimation of the underlying fair value of the net assets of the subsidiaries. The use of the DCF involves significant judgement in the forecast projection of sales and operating cash flows for the next five years. The DCF model also include assumptions on terminal growth rate and weighted average cost of capital ("WACC"). A small change in the assumptions can affect the recoverable amount of investment in subsidiaries determined based on value in use ("VIU") and fair value less cost to sell.

# INDEPENDENT AUDITOR'S REPORT

To the Members of CFM Holdings Limited

## Report on the Audit of the Financial Statements (cont'd)

### Key Audit Matters (cont'd)

*How the matter was addressed in our audit:*

We have obtained an understanding of management's impairment policy and impairment assessment process.

We have obtained management's assessment of the VIU of the investment and the key inputs to the DCF model which includes budgeted revenue, budgeted gross profit margin, budgeted expenditures and discount rates. We have assessed these key inputs by comparing the budgets to recent performance and management plans as well as assessing the discount rates computation for reasonableness.

We have obtained management's assessment of fair value less cost to sell and evaluated the assessment for reasonableness.

We have also assessed the appropriateness of the disclosures made in the financial statements.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2018, 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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of CFM Holdings Limited

## Report on the Audit of the Financial Statements (cont'd)

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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.

# INDEPENDENT AUDITOR'S REPORT

To the Members of CFM Holdings Limited

## **Report on the Audit of the Financial Statements (cont'd)**

### ***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 and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ng Hock Lee.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

27 September 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2018

	Note	Group	
		2018 \$'000	2017 \$'000
<b>Revenue</b>	4	<b>22,627</b>	21,167
Cost of sales		<b>(18,283)</b>	(17,349)
<b>Gross profit</b>		<b>4,344</b>	3,818
Other income	5	<b>1,798</b>	726
Marketing and distribution expenses		<b>(402)</b>	(548)
Administrative and other expenses		<b>(5,917)</b>	(5,804)
Finance costs	6	<b>(296)</b>	(277)
<b>Loss before tax</b>	7	<b>(473)</b>	(2,085)
Tax expense	9	<b>(335)</b>	(13)
<b>Loss for the year</b>		<b>(808)</b>	(2,098)
<b>Other comprehensive income/(loss):</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		<b>242</b>	(68)
Reclassification of foreign currency translation reserve upon disposal of subsidiaries		<b>(35)</b>	361
Other comprehensive income, net of tax		<b>207</b>	293
<b>Total comprehensive loss for the financial year</b>		<b>(601)</b>	(1,805)
<b>Loss attributable to:</b>			
Equity holders of the Company		<b>(808)</b>	(2,098)
Non-controlling interests		-	-
Loss for the year		<b>(808)</b>	(2,098)
<b>Total comprehensive loss attributable to:</b>			
Equity holders of the Company		<b>(601)</b>	(1,805)
Non-controlling interests		-	-
Total comprehensive loss for the financial year		<b>(601)</b>	(1,805)
<b>Loss per share (EPS) (expressed in cents per share)</b>			
- Basic	10	<b>(0.50)</b>	(1.83)
- Diluted	10	<b>(0.50)</b>	(1.83)

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

# BALANCE SHEETS

At 30 June 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	11	11,661	12,592	1	4
Investments in subsidiaries	12	–	–	14,945	11,748
Trade receivables	15	83	226	–	–
		<b>11,744</b>	12,818	<b>14,946</b>	11,752
<b>Current assets</b>					
Inventories	14	2,313	2,409	–	–
Trade receivables	15	5,485	5,036	113	130
Other receivables and prepayments	16	393	515	8	8
Amounts due from subsidiaries	13	–	–	2,501	3,126
Cash and cash equivalents	17	4,455	4,457	447	1,050
		<b>12,646</b>	12,417	<b>3,069</b>	4,314
<b>Total assets</b>		<b>24,390</b>	25,235	<b>18,015</b>	16,066
<b>Non-current liabilities</b>					
Finance lease liabilities	18	30	71	–	–
Borrowings	19	5,242	5,552	–	–
Deferred tax liabilities	20	413	384	91	91
		<b>5,685</b>	6,007	<b>91</b>	91
<b>Current liabilities</b>					
Trade payables	21	2,630	2,607	–	1
Other payables	22	3,034	3,713	467	1,336
Amount due to a subsidiary	13	–	–	19	–
Finance lease liabilities	18	77	111	–	–
Borrowings	19	1,729	2,311	725	1,402
Income tax payables		112	18	12	11
Provision	23	98	101	–	–
		<b>7,680</b>	8,861	<b>1,223</b>	2,750
<b>Total liabilities</b>		<b>13,365</b>	14,868	<b>1,314</b>	2,841
<b>Net assets</b>		<b>11,025</b>	10,367	<b>16,701</b>	13,225
<b>Equity</b>					
Share capital	24	22,963	21,704	22,963	21,704
Accumulated losses	25	(9,526)	(8,718)	(6,262)	(8,479)
Foreign currency translation reserve		(2,412)	(2,619)	–	–
Equity attributable to equity holders of the Company		<b>11,025</b>	10,367	<b>16,701</b>	13,225
Non-controlling interests		–	–	–	–
<b>Total equity</b>		<b>11,025</b>	10,367	<b>16,701</b>	13,225

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

	← Attributable to equity holders of the Company →					
	Equity attributable to equity holders of the Company,				Foreign currency translation reserve	Non-controlling interests
	Equity, total	Company, total	Share capital	Accumulated losses	reserve	interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2018</b>						
Balance at 1 July 2017	10,367	10,367	21,704	(8,718)	(2,619)	-
Loss for the year	(808)	(808)	-	(808)	-	-
<i>Other comprehensive income/(loss):</i>						
Currency translation differences arising on consolidation	242	242	-	-	242	-
Realisation of foreign currency translation reserve upon disposal of subsidiaries	(35)	(35)	-	-	(35)	-
Other comprehensive income, net of tax	207	207	-	-	207	-
Total comprehensive loss for the year	(601)	(601)	-	(808)	207	-
Issue of new ordinary shares	1,395	1,395	1,395	-	-	-
Share issue expenses	(136)	(136)	(136)	-	-	-
<b>Balance at 30 June 2018</b>	<b>11,025</b>	<b>11,025</b>	<b>22,963</b>	<b>(9,526)</b>	<b>(2,412)</b>	<b>-</b>
<b>2017</b>						
Balance at 1 July 2016	12,172	12,172	21,704	(6,620)	(2,912)	-
Loss for the year	(2,098)	(2,098)	-	(2,098)	-	-
<i>Other comprehensive (loss)/income:</i>						
Currency translation differences arising on consolidation	(68)	(68)	-	-	(68)	-
Realisation of foreign currency translation reserve upon disposal of a subsidiary	361	361	-	-	361	-
Other comprehensive income, net of tax	293	293	-	-	293	-
Total comprehensive loss for the year	(1,805)	(1,805)	-	(2,098)	293	-
<b>Balance at 30 June 2017</b>	<b>10,367</b>	<b>10,367</b>	<b>21,704</b>	<b>(8,718)</b>	<b>(2,619)</b>	<b>-</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2018

	Note	Group	
		2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Loss before tax		(473)	(2,085)
Adjustments for:			
Depreciation on property, plant and equipment		1,116	895
(Gain)/loss on disposal of subsidiaries		(919)	321
(Gain)/loss on disposal of property, plant and equipment		(4)	3
Impairment loss on property, plant and equipment		156	93
Inventories written down		12	272
Inventories written off		36	85
Inventories written back		(267)	(47)
Interest expenses		296	277
Interest income		(5)	(10)
Receivables from disposed subsidiaries written off		921	-
Operating cash flows before working capital changes		869	(196)
Inventories		93	190
Receivables and prepayments		(361)	1,004
Payables		(17)	(620)
Foreign currency translation adjustments		(54)	20
Cash generated from operations		530	398
Interest received		5	10
Income tax paid		(207)	(128)
<b>Net cash generated from operating activities</b>		<b>328</b>	<b>280</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	A	(104)	(199)
Proceeds from disposal of property, plant and equipment		4	9
Proceeds from disposal of subsidiaries, net of cash disposed	12	(135)	386
Repayment of outstanding consideration for the acquisition of a subsidiary		-	(600)
<b>Net cash used in investing activities</b>		<b>(235)</b>	<b>(404)</b>

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



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2018

	Note	Group	
		2018 \$'000	2017 \$'000
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(2,786)	(1,894)
Proceeds from borrowings		1,792	1,266
Interest paid		(296)	(277)
Net repayment of finance lease liabilities		(122)	(133)
Proceeds from issuance of new shares, net of issuance expenses		1,259	–
Fixed deposits pledged with financial institutions		1,089	514
<b>Net cash generated from/(used in) financing activities</b>		<b>936</b>	<b>(524)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,029</b>	<b>(648)</b>
Cash and cash equivalents at beginning of the financial year		3,286	3,978
Effect of exchange rate changes on opening cash and cash equivalents		59	(44)
<b>Cash and cash equivalents at end of the financial year</b>	17	<b>4,374</b>	<b>3,286</b>

**Note A:**

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$145,000 (2017: \$309,000) of which \$41,000 (2017: \$110,000) was financed by means of finance lease, cash payment of \$104,000 (2017: \$199,000) was made to purchase property, plant and equipment.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

## 1. Corporate information

The Company (Co. Reg. No. 200003708R) is incorporated and domiciled in Singapore and is a public limited company listed on the Catalist of Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 4 Ang Mo Kio Avenue 12, CFM Building, Singapore 569498.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 12.

The ultimate controlling party of the Group is Ip Kwok Wing and his spouse, Lim Fong Li Janet.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial statements are presented in Singapore dollar (“\$”), which is the Company’s functional currency and all information presented in Singapore dollar are rounded to the nearest thousand (\$’000) except when otherwise indicated. The financial statements of the Group and the balance sheet of the Company have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Financial Reporting Standards in Singapore (“FRSs”). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions, historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

#### *Use of estimates and judgements*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and current amounts due from subsidiaries approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (a) Basis of preparation (cont'd)

#### *New and revised standards*

In the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRSs ("INT FRSs") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRSs and INT FRSs.

From 1 January 2017, as a result of the amendments to FRS 7 Statement of Cash Flows (Disclosure Initiative), the Group has provided additional disclosure in relation to changes in liabilities from financing activities for the current financial year (Note 19).

The adoption of these new/revised FRSs and INT FRSs did not have any material effect on the financial results or position of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the reporting date but are not yet effective for the financial year ended 30 June 2018 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company:

At the end of the reporting period, the following FRSs and INT FRSs were issued, revised or amended but not effective and which the Group has not early adopted:

FRS 109: Financial Instruments

FRS 115: Revenue from Contracts with Customers

FRS 116: Leases

FRS 117: Insurance Contracts

Amendments to FRS 110 and FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to FRS 115: Clarifications to FRS 115 Revenue from Contracts with Customers

Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions

Amendments to FRS 40: Transfers of Investment Property

Amendments to FRS 104: Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts

Amendments to FRS 109: Prepayment Features with Negative Compensation

Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures

Improvements to FRSs (December 2016)

Improvements to FRSs (March 2018)

INT FRS 122: Foreign Currency Transactions and Advance Consideration

INT FRS 123: Uncertainty over Income Tax Treatments

#### **Convergence with International Financial Reporting Standards (IFRS)**

The Accounting Standards Council ("ASC") announced that Singapore incorporated companies listed on the Singapore Exchange ("SGX") or are in the process of issuing equity or debt instruments for trading on SGX, will apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS Convergence), known as Singapore Financial Reporting Standards (International) ("SFRS(I)"), with effect from annual periods beginning on or after 1 January 2018.

The Group's financial statements for the financial year ending 30 June 2019 will be prepared in accordance with SFRS(I) issued by ASC. These financial statements will be the last set of financial statements prepared under the current FRSs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

#### **Convergence with International Financial Reporting Standards (IFRS) (cont'd)**

In adopting the new framework, the Group will be required to apply the specific transition requirements in SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International). In addition to the adoption of the new framework, the Group will be adopting other new SFRS(I), amendments to standards and interpretations of SFRS(I) which are effective from the same date.

The Group does not expect the application of the IFRS Convergence to have significant impact on the financial statements except as set out below:

#### **Application of SFRS(I) 1 and IFRS Convergence**

When the Group adopts SFRS(I) in its 2019 financial statements, the Group will apply SFRS(I) 1 with 1 July 2017 as the date of transition for the Group and the Company.

SFRS(I) 1 generally requires that the Group applies SFRS(I) on a retrospective basis, subject to certain mandatory exceptions and optional exemptions under SFRS(I) 1. The Group plans to elect relevant optional exemptions. Except as described below, the Group does not expect the application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 to have any significant impact on the financial statements.

#### *Foreign currency translation reserve*

The Group plans to elect the optional exemption to reset its cumulative foreign currency translation reserve for all foreign operations to nil at the date of transition on 1 July 2017. As a result, the foreign currency translation reserve of \$2,619,000, determined in accordance with FRSs as at 1 July 2017 will be reclassified to retained earnings as at 1 July 2017. Subsequent to the date of transition, any gain or loss on disposal of any foreign operations will exclude translation differences that arose before the date of transition.

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

SFRS(I) 15 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. SFRS(I) 15 provides a single, principle-based model to be applied to all contracts with customers. An entity recognises revenue in accordance with the core principle in SFRS(I) 15 by applying a 5-step approach.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. SFRS(I) 15 includes disclosure requirements that will result in disclosure of comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

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

The Group plans to adopt the new standard when it becomes effective in financial year ending 30 June 2019 using the full retrospective approach. As a result, the Group will apply the changes in the accounting policies retrospectively to each reporting year presented.

Based on the existing sources of revenue as at 30 June 2018, management does not anticipate that the application of SFRS(I) 15 will have a material impact on the Group's financial statements. Further evaluation will be undertaken should the source of revenue change in the year when SFRS(I) 15 becomes effective.

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

SFRS(I) 9 which replaces FRS 39, includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. 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 FRS 39 incurred loss model.

##### *(i) Classification and measurement*

The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under SFRS(I) 9. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted using amortised cost model under SFRS(I) 9.

##### *(ii) Impairment*

SFRS(I) 9 requires the Group to record expected credit losses on all of its loans and 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. The Group and Company expect an increase in impairment for trade and other receivables but the impact is not expected to be material as at 1 July 2018.

The Group will adopt SFRS(I) 9 when it becomes effective in financial year ending 30 June 2019. The Group is currently finalising the computation of the impact and the quantum of the final transition adjustments, which may be different upon finalisation.

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

SFRS(I) 16 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statement of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability. The accounting for lessors will not change significantly.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (a) Basis of preparation (cont'd)

*New and revised standards (cont'd)*

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

The standard is effective for annual periods beginning on or after 1 January 2019. The standard will affect primarily the accounting for the Group's operating leases. At the balance sheet date, the Group has non-cancellable operating lease commitments of \$3,978,000 (2017: \$4,333,000) as lessee (Note 26). The Group anticipates that the adoption of SFRS(I) 16 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. But, it is not practicable to provide a reasonable estimate of the impact of SFRS(I) 16 until the Group performs a detailed assessment. The Group will perform a detailed assessment of the impact and plans to adopt the standard on the required effective date.

### (b) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the entity, and the amount of revenue and related cost can be reliably measured.

- Revenue from sale of goods is recognised when a Group entity has delivered the goods to the customer and significant risks and rewards of ownership of the goods have been passed to the customer.
- Revenue from rendering of services is recognised during the financial year in which services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be performed.
- Rental income from operating leases are recognised on a straight-line basis over the lease terms.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is recognised when the right to receive payment is established.

### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (c) Basis of consolidation (cont'd)

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

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

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

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and any corresponding gain or loss, if any, is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (d) Subsidiaries

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

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

### (e) Property, plant and equipment

Property, plant and equipment are initially stated at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

No depreciation is provided on freehold land. Depreciation of other property, plant and equipment is calculated on a straight-line basis to allocate the depreciable amount of the property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	<b>Years</b>
Freehold buildings	20
Leasehold land and building	18 - 20
Renovation	5
Office equipment	3 - 5
Machinery and equipment	5
Furniture and fittings	3 - 5
Toolings	5
Motor vehicles	3 - 5

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.



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

### (f) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis except for cleanroom products whereby cost is determined on weighted average cost basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads based on normal operating capacity but excluded borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expenses.

### (g) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management, and other short-term high liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

### (h) Financial assets

#### ***Classification***

The Group classifies its financial assets according to the nature of the assets and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition. The Group's financial assets are loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified within trade and other receivables (excluding prepayments and tax recoverable), amounts due from subsidiaries and cash and bank balances on the balance sheets.

#### ***Recognition and derecognition***

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

#### ***Initial measurement***

Loans and receivables are initially recognised at fair value plus transaction costs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

#### *Subsequent measurement*

Loans and receivables are carried at amortised cost using the effective interest method, less impairment.

#### *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the assets become uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

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

### (i) Financial liabilities

Financial liabilities include trade and other payables (excluding accruals for employee leave, advance billings and goods and service tax), finance lease liabilities and interest-bearing borrowings. Financial liabilities are recognised on the balance sheets when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

### (j) Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the balance sheet date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (k) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, 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 recognised in the profit or loss using the effective interest method.

### (l) Employee benefits

#### *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to balance sheet date.

#### *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

### (m) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

Deferred income tax is provided using the liability method, on all temporary differences at the balance sheet date arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (m) Income tax (cont'd)

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 liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

### (n) Foreign currency

#### *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The financial statements of the Group and the Company are presented in Singapore dollar, which is the Company’s functional and presentation currency.

#### *Transactions and balances*

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign entities and borrowings and other currency instruments qualifying as net investment hedges for foreign operations which are included in the currency translation reserve within equity in the consolidated financial statements. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rate at the date when the fair values are determined.

#### *Translation of Group entities’ financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group’s presentation currency are translated into the presentation currency as follows:

- (a) Assets and liabilities are translated at the closing rates at the date of the balance sheet;
- (b) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (c) All resulting exchange differences are taken to the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header Foreign Currency Translation Reserve.

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

### (o) Leases

When a Group entity is the lessee:

#### *Finance leases*

Leases of property, plant and equipment where the group entity assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### *Operating leases*

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

When a Group entity is the lessor:

#### *Operating leases*

Leases where the group entity retains substantively all the risks and rewards of ownership of the asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

### (p) Impairment of non-financial assets

At each balance sheet date, the Group reviews the carrying amount of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

Recoverable amount is higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

### (q) Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantee contracts as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings.

Financial guarantee contracts are initially recognised at their fair values plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. Financial guarantee contracts are amortised to profit or loss over the period of the subsidiaries' borrowings.

### (r) Dividends

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements as a liability in the period in which they are approved by the Company's shareholders.

### (s) 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.

### (t) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

### (u) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

## 3. Critical accounting judgements and key sources of estimation uncertainty

### *Critical judgements in applying the entity's accounting policies*

In the process of applying the Group's accounting policies, which are described in Note 2, the preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. 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.

### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (i) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each balance sheet date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

In determining the recoverable amount of investment in Cheong Fatt (Note 12(b)), the FVLCS included the fair value of a building derived based on the assumption that the market value of the building as at 30 June 2018 will decrease ratably over the buildings remaining lease term. Any changes in the expected fair value of the building would affect the carrying amount of investment in Cheong Fatt and reversal of impairment on investment in Cheong Fatt for the financial year.

At 30 June 2018, the carrying amounts of property, plant and equipment and investments in subsidiaries are disclosed in Notes 11 and 12 respectively.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

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

#### *(ii) Useful lives of property, plant and equipment*

The Group estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the relevant assets. In addition, the estimation of useful lives of property, plant and equipment are based on internal technical evaluation and experience with similar assets. It is possible, however, the future results of operations could be materially affected by changes in the estimates brought about by changes in these factors mentioned above.

At 30 June 2018, the carrying amounts of property, plant and equipment is disclosed in Note 11.

#### *(iii) Write-down of inventories*

Management reviews the inventory listing on a periodic basis. This review involves comparison of the carrying amount of the aged inventory items with the respective net realisable value. The purpose is to estimate the net realisable value and to determine any write down is to be made in the financial statements for slow-moving items. Management is satisfied that the inventories have been written down adequately in the financial statements.

At 30 June 2018, the carrying amount of inventories of the Group after the write-down is disclosed in Note 14.

#### *(iv) Impairment of receivables*

##### *(a) Amounts due from subsidiaries*

The allowance for doubtful receivables on amounts due from subsidiaries is based on management's assessment of the recoverability. The management manages this through monitoring outstanding amounts owing and the credit period agreed between the parties.

At 30 June 2018, the amounts due from subsidiaries are disclosed in Note 13.

##### *(b) Third party receivables*

The allowance for doubtful third party receivables of the Group is based on the ongoing assessment on 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. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade receivables and the trade receivables balance at the end of the reporting period will be affected accordingly.

At 30 June 2018, the carrying amounts of the trade and other receivables of the Group and Company are disclosed in Notes 15 and 16 respectively.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 3. Critical accounting judgements and key sources of estimation uncertainty (cont'd)

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

#### (v) Income taxes

The Group has exposures to income taxes in various jurisdictions. Significant judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determined is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue 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 year in which such determination is made.

At 30 June 2018, the carrying amounts of the Group's and the Company's current tax payables were \$112,000 (2017: \$18,000) and \$12,000 (2017: \$11,000) respectively; and deferred tax liabilities were \$413,000 (2017: \$384,000) and \$91,000 (2017: \$91,000) respectively.

## 4. Revenue

	Group	
	2018 \$'000	2017 \$'000
Sales of metal components	18,527	17,318
Sales of other components and parts	307	297
Sales of cleanroom products	2,778	2,275
Services rendered for toolings	1,015	1,277
	<b>22,627</b>	<b>21,167</b>

## 5. Other income

	Group	
	2018 \$'000	2017 \$'000
Gain on disposal of property, plant and equipment	4	–
Gain on foreign currency exchange	–	14
Government grants	25	47
Insurance claim	1	2
Interest income	5	10
Rental income	678	553
Gain on disposal of subsidiaries	919	–
Waiver of trade payables	6	–
Others	160	100
	<b>1,798</b>	<b>726</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 6. Finance costs

	Group	
	2018 \$'000	2017 \$'000
Interest expense on finance leases	10	14
Interest expense on bank loans	286	263
	<b>296</b>	<b>277</b>

## 7. Loss before tax

	Group	
	2018 \$'000	2017 \$'000
Loss before tax is stated after charging/(crediting):		
Allowance for doubtful trade receivables (Note 15)	-	31
Allowance for doubtful trade receivables written back (Note 15)	-	(130)
Audit fees paid/payable to:		
- auditor of the Company	69	71
- other auditors*	61	66
Non-audit fees paid/payable to auditors	-	-
Bad debts written off (trade)	6	24
Depreciation		
- property, plant and equipment (Note 11)	1,116	895
Directors' fees paid/payable to non-executive directors of the Company	54	45
(Gain)/loss on disposal of property, plant and equipment	(4)	3
Loss/(gain) on foreign currency exchange	60	(14)
(Gain)/loss on disposal of subsidiaries (Note 12)	(919)	321
Receivables from disposed subsidiaries written off	921	-
Impairment loss on property, plant and equipment (Note 11)	156	93
Inventories written down (Note 14)	12	272
Inventories written back (Note 14)	(267)	(47)
Inventories written off (Note 14)	36	85
Operating lease expenses	319	402
Staff costs (Note 8)	7,634	7,827
Loss relating to adversely litigated judgement (Note 27(b))	584	-

\* Includes independent member firms of the Baker Tilly International network.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 8. Staff costs

	Group	
	2018	2017
	\$'000	\$'000
Salaries and bonuses	6,166	6,475
Contributions to defined contribution plans	394	448
Other benefits	1,074	904
	<b>7,634</b>	<b>7,827</b>

## 9. Tax expense

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

	Group	
	2018	2017
	\$'000	\$'000
<b>Current year:</b>		
Current tax	398	165
Deferred tax	(15)	(12)
	<b>383</b>	<b>153</b>
<b>Over provision of tax in prior years:</b>		
Current tax	(24)	(8)
Deferred tax	(24)	(132)
	<b>(48)</b>	<b>(140)</b>
Income tax expense	<b>335</b>	<b>13</b>

The income tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax to loss before tax due to the following factors:

	Group	
	2018	2017
	\$'000	\$'000
Loss before tax	(473)	(2,085)
Tax calculated at statutory rate of 17%	(80)	(354)
Effect of different tax rates in foreign jurisdictions	(23)	(119)
Income not subject to tax	(15)	(48)
Expenses not deductible for income tax purposes	415	306
Tax rebates and exemptions	(75)	(15)
Over provision of tax in prior years	(48)	(140)
Deferred tax assets not recognised	161	383
	<b>335</b>	<b>13</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 9. Tax expense (cont'd)

At the balance sheet date, the Group has unutilised tax losses, deferred capital allowances and accelerated accounting depreciation amounting to \$8,601,000 (2017: \$7,596,000) that are available for carry forward to offset against future taxable income subject to the compliance with the tax regulations of the respective countries in which the Group companies are incorporated and the approval by the relevant tax authorities. Deferred tax assets in respect of the tax losses and deferred capital allowances carried forward have not been recognised in the financial statements as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

## 10. Loss per share (EPS)

The calculation of the basic and diluted loss per share attributable to the ordinary equity holders of the Company are based on the following:

	Group	
	2018	2017
	\$'000	\$'000
		(Restated)
Earnings		
Loss attributable to equity holders of the Company (\$'000)	<b>(808)</b>	(2,098)
Number of shares ('000)		
Weighted average number of ordinary shares in issue	<b>161,166</b>	114,860

In December 2017, the Company issued 93,016,281 ordinary shares for cash pursuant to a renounceable underwritten Rights issue on the basis of 6 rights share for every 7 existing shares in the capital of the Company. The comparatives have been restated to account for the effect of the rights issue.

Basic and diluted loss per share are calculated by dividing the Group's net loss attributable to shareholders of the Company by the weighted average number of fully-paid ordinary shares in issue during the financial year.

The denominations used are the same as those detailed above for both basic and diluted loss per share.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 11. Property, plant and equipment

	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Renov- ation \$'000	Office equipment \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Toolings \$'000	Motor vehicles \$'000	Total \$'000
<b>Group</b>										
<b>2018</b>										
<b>Cost</b>										
At 1.7.2017	739	3,011	10,010	1,531	1,331	18,730	205	481	898	36,936
Additions	-	-	-	14	38	41	8	42	2	145
Disposals/ write-off	-	-	-	-	(9)	(57)	-	-	-	(66)
Disposal of subsidiaries	-	-	-	(506)	(120)	(2,181)	(10)	(42)	(70)	(2,929)
Reclassification	-	-	-	-	-	10	-	(10)	-	-
Exchange differences	46	74	94	37	35	435	1	5	29	756
At 30.6.2018	<b>785</b>	<b>3,085</b>	<b>10,104</b>	<b>1,076</b>	<b>1,275</b>	<b>16,978</b>	<b>204</b>	<b>476</b>	<b>859</b>	<b>34,842</b>
<b>Accumulated depreciation</b>										
At 1.7.2017	-	1,682	1,155	1,166	953	17,849	116	443	755	24,119
Depreciation charge (Note 7)	-	52	494	157	34	222	14	67	76	1,116
Disposals/ write-off	-	-	-	-	(9)	(57)	-	-	-	(66)
Disposal of subsidiaries	-	-	-	(488)	(114)	(2,095)	(10)	(42)	(70)	(2,819)
Exchange differences	-	23	12	32	29	405	1	4	25	531
At 30.6.2018	<b>-</b>	<b>1,757</b>	<b>1,661</b>	<b>867</b>	<b>893</b>	<b>16,324</b>	<b>121</b>	<b>472</b>	<b>786</b>	<b>22,881</b>
<b>Accumulated impairment losses</b>										
At 1.7.2017	-	-	-	-	66	132	27	-	-	225
Impairment loss (Note 7)	-	-	-	-	70	86	-	-	-	156
Disposal of subsidiaries	-	-	-	-	-	(83)	-	-	-	(83)
Exchange differences	-	-	-	-	-	2	-	-	-	2
At 30.6.2018	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>137</b>	<b>27</b>	<b>-</b>	<b>-</b>	<b>300</b>
<b>Carrying amount</b>										
At 30.6.2018	<b>785</b>	<b>1,328</b>	<b>8,443</b>	<b>209</b>	<b>246</b>	<b>517</b>	<b>56</b>	<b>4</b>	<b>73</b>	<b>11,661</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Re- novation \$'000	Office equipment \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Toolings \$'000	Motor vehicles \$'000	Total \$'000
<b>Group</b>										
2017										
Cost										
At 1.7.2016	759	2,879	10,085	1,546	1,598	19,885	194	683	1,043	38,672
Additions	-	-	22	46	32	150	3	34	22	309
Disposals/ write-off	-	-	-	(5)	(158)	(140)	(9)	(258)	(20)	(590)
Disposal of a subsidiary	-	-	-	(27)	(120)	(1,107)	(5)	-	(120)	(1,379)
Reclassification	-	-	(22)	-	-	-	22	-	-	-
Exchange differences	(20)	132	(75)	(29)	(21)	(58)	-	22	(27)	(76)
At 30.6.2017	739	3,011	10,010	1,531	1,331	18,730	205	481	898	36,936
Accumulated depreciation										
At 1.7.2016	-	1,545	669	1,073	1,185	19,027	111	680	823	25,113
Depreciation charge (Note 7)	-	47	492	140	24	86	12	-	94	895
Disposals/ write-off	-	-	-	-	(158)	(132)	(4)	(258)	(18)	(570)
Disposal of a subsidiary	-	-	-	(26)	(87)	(1,065)	(4)	-	(120)	(1,302)
Reclassification	-	-	(1)	-	-	-	1	-	-	-
Exchange differences	-	90	(5)	(21)	(11)	(67)	-	21	(24)	(17)
At 30.6.2017	-	1,682	1,155	1,166	953	17,849	116	443	755	24,119
Accumulated impairment losses										
At 1.7.2016	-	-	-	-	-	144	-	-	-	144
Disposal	-	-	-	-	-	(8)	-	-	-	(8)
Impairment loss (Note 7)	-	-	-	-	66	-	27	-	-	93
Exchange differences	-	-	-	-	-	(4)	-	-	-	(4)
At 30.6.2017	-	-	-	-	66	132	27	-	-	225
Carrying amount										
At 30.6.2017	739	1,329	8,855	365	312	749	62	38	143	12,592

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

	Office equipment \$'000
<b>Company</b>	
<b>2018</b>	
<b>Cost</b>	
At 1.7.2017 and 30.6.18	18
<b>Accumulated depreciation</b>	
At 1.7.2017	14
Depreciation charge	3
At 30.6.2018	17
<b>Carrying amount</b>	
At 30.6.2018	1
2017	
<b>Cost</b>	
At 1.7.2016	20
Write-off	(2)
At 30.6.2017	18
<b>Accumulated depreciation</b>	
At 1.7.2016	13
Depreciation charge	3
Write-off	(2)
At 30.6.2017	14
<b>Carrying amount</b>	
At 30.6.2017	4

- (a) The net carrying amounts of property, plant and equipment of the Group held under finance lease arrangements (Note 18) at the end of the financial year are as follows:

	Group	
	2018 \$'000	2017 \$'000
Office equipment	31	34
Machinery and equipment	97	181
Motor vehicles	16	80
	<b>144</b>	<b>295</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

- (b) The net carrying amounts of property, plant and equipment which have been charged to financial institutions for credit facilities and borrowings granted to the Group are as follows:

	Group	
	2018 \$'000	2017 \$'000
Freehold land	577	534
Freehold buildings	357	328
Leasehold land and building	8,443	8,855
	<b>9,377</b>	<b>9,717</b>

- (c) Details of land and buildings of the Group are as follows:

Location	Description	Tenure	Approximate build-up area (sqm)	Held by
No. 4 Ang Mo Kio Avenue 12 Singapore 569498	Office/factory	Leasehold	5,733	Cheong Fatt Holdings Pte Ltd
No. 4, Jalan Haji Sa'at Sungai Tiram 81800 Ulu Tiram Johor Darul Takzim Malaysia	Office/factory	Freehold	4,905	Hantong Metal Component Sdn. Bhd.
Radlinskeho 17 052 01 Spisska Nova Ves Slovak Republic	Office/factory	Freehold	5,253	CFM Slovakia s.r.o.
Lot no.83 & 84 Jalan PKNK 1/8 Kawasan Perusahaan Sungai Petani LPK, Taman Ria Jaya, 08000 Sungai Petani, Kedah, Malaysia	Office/factory	Leasehold	8,391	Hantong Metal Component (Penang) Sdn. Bhd.
Batu 14 ¾ Jalan Sungai Tiram, Johor Darul Takzim Malaysia	Vacant land	Freehold	–	Hantong Metal Component Sdn. Bhd.



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 12. Investments in subsidiaries

	Company	
	2018 \$'000	2017 \$'000
Unquoted equity shares, at cost	22,805	22,013
Increase during the year	–	1,730
Disposed during the year	(228)	(838)
Written off during the year	–	(100)
Impairment losses	(7,632)	(11,057)
	<b>14,945</b>	<b>11,748</b>

Movements in the impairment losses are as follows:

Balance at beginning of the financial year	11,057	5,108
Additional impairment loss (Note (b))	–	6,660
Disposed during the year	(228)	–
Reversal of impairment loss (Note (b))	(3,197)	(711)
Balance at end of the financial year	<b>7,632</b>	<b>11,057</b>

(a) Details of the subsidiaries held by the Company are:

Name	Country of incorporation	Principal activities	Equity interest	
			2018 %	2017 %
<i>Held by the Company</i>				
PT Hantong Precision Manufacturing Batam <sup>(5)</sup>	Indonesia	Manufacturing of metal plates and metal stamping	–	60 *
Cheong Fatt Holdings Pte. Ltd. <sup>(2)</sup>	Singapore	Manufacturing of metal plates, metal stamping and electronic security systems	100	100
Hantong Metal Component Sdn. Bhd. <sup>(1)</sup>	Malaysia	Manufacturing of metal plates and metal stamping	100	100
Hantong Metal Component (Penang) Sdn. Bhd. <sup>(1)</sup>	Malaysia	Manufacturing of metal plates and metal stamping	100	100
CFM Slovakia s.r.o. <sup>(6)</sup>	Slovak Republic	Manufacturing of metal plates and metal stamping	100	100
CFM (USA), Inc. <sup>(4)</sup>	The United States of America	Dormant	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 12. Investments in subsidiaries (cont'd)

(a) Details of the subsidiaries held by the Company are: (cont'd)

Name	Country of incorporation	Principal activities	Equity interest	
			2018 %	2017 %
<i>Held by the Company (cont'd)</i>				
Dalian CFM Precision Tooling Co., Ltd <sup>(3)</sup>	The People's Republic of China	Manufacturing and fabricating engineering tools	100	100
CFM Intrade Pte. Ltd. <sup>(2)</sup>	Singapore	Trading and supplying disposable and wearable for use in clean room, bio-medical, laboratories and hospitals	100	100
<i>Held by Cheong Fatt Holdings Pte. Ltd.</i>				
CFM Precision Tooling Sdn. Bhd. <sup>(5)</sup>	Malaysia	Manufacture and fabrication of all types of engineering tools and precision engineering	–	99.99
<i>Held by CFM Precision Tooling Sdn. Bhd.</i>				
PT Hantong Precision Manufacturing Batam <sup>(5)</sup>	Indonesia	Manufacturing of metal plates and metal stamping	–	39.67 *

(1) Audited by independent member firms of Baker Tilly International in the respective countries.

(2) Audited by Baker Tilly TFW LLP, Singapore.

(3) Audited by Huanyu Certified Public Accountants, The People's Republic of China.

(4) Not required to be audited by law of country of incorporation.

(5) Disposed off during the financial year.

(6) Audited by Crowe Horwath, Slovakia.

\* Group total equity interest remains at 99.67%.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 12. Investments in subsidiaries (cont'd)

### (b) Company level - Impairment review of investment in subsidiaries

During the financial year, management performed an impairment test for the investment in Dalian CFM Precision Tooling Co., Ltd (“CFM Dalian”) as this subsidiary had been persistently making losses in the past but there were improvement in recent years. The recoverable amount of the investment in CFM Dalian has been determined based on a value-in-use calculation using cash flow projections from forecasts approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 18.37% and 0% (2017: 13.64% and 0%) respectively. A reversal of impairment loss of \$560,000 was recognised in financial year 30 June 2017 to revise the carrying amount to its recoverable amount of \$1,037,000. In current year, as CFM Dalian has experienced better than expected sales and results, there is an increase in its recoverable amount based on revised management projections of its value-in-use. Accordingly, full reversal of impairment loss of \$1,837,000 was recorded.

The management performed an impairment test for the investment in Hantong Metal Component Sdn. Bhd. (“HTJB”) as this subsidiary was in a loss making position. In 2018, the recoverable amount of the investment in HTJB has been computed based on Fair Value Less Costs to Sell (“FVLCS”). The FVLCS is determined based on the net assets of the Company which management had estimated that the book values are fairly comparable at market value which approximates the fair value less cost to sell of the Company’s investment in HTJB. No additional impairment loss was recognised in current financial year. The fair value measurement for disclosure purpose is categorised in Level 3 of the fair value hierarchy.

The management performed an impairment test for the investment in CFM Infratrade Pte. Ltd. (“CFM Infratrade”). The recoverable amount for CFM Infratrade was determined based on a value-in-use calculation using cash flow projections from forecasts approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 13.16% and 0% (2017: 12.00% and 0%) respectively. In 2017, recoverable amount for CFM Infratrade has been determined based on FVLCS. The FVLCS was determined based on the net assets of the Company which management had estimated that the book values are fairly comparable to market value. An impairment loss of \$660,000 was recognised in financial year 30 June 2017 to write down this subsidiary to its recoverable amount of \$1,274,000. However, in current year, as CFM Infratrade experienced better than expected sales and results, there is an increase in its recoverable amount based on management projections of its value-in-use. Accordingly, full reversal of impairment loss of \$660,000 was recorded.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 12. Investments in subsidiaries (cont'd)

### (b) Company level - Impairment review of investment in subsidiaries (cont'd)

The management performed an impairment test for investment in Cheong Fatt Holdings Pte. Ltd. ("Cheong Fatt") as this subsidiary had been persistently making losses. Management had assessed the recoverable amount for Cheong Fatt based on discounted cash flows method with assumption that the subsidiary, including the building, will be sold at end of Housing Development Board's minimum occupation period (MOP) in 4 years' time. The recoverable amount of the investment in Cheong Fatt has been computed based on present value of FVLCS, at end of 4 years, that is estimated by reference to the projected realisable net assets value in 4 years' time, which largely consists of the building value, discounted to present value. The building value was derived from desktop valuation performed by independent valuation specialist using direct comparison method. The pre-tax discount rate used is 5.5% (2017: 5.0%). An impairment loss of \$6,000,000 was recognised in financial year 30 June 2017 to write down this subsidiary to its recoverable amount of \$4,291,000. However, in current year there is an increase in its recoverable amount due mainly to increase in valuation of building. Accordingly, a reversal of impairment loss of \$700,000 is recognised to revise the carrying amount to its recoverable amount of \$4,991,000. The fair value measurement for disclosure purpose is categorised in Level 3 of the fair value hierarchy.

In 2017, the Company transferred 39.67% of its shares in PT Hantong Precision Manufacturing Batam to CFM Precision Tooling Sdn. Bhd.. Full impairment loss on this subsidiary were made in prior years, in conjunction with the transfer of shares to CFM Precision Tooling Sdn. Bhd., the Company had derecognised impairment loss of \$151,000 in the financial year ended 30 June 2017 together with related cost of investment. During the financial year, the Company disposed of entire equity interest in CFM Precision Tooling Sdn. Bhd. and PT Hantong Precision Manufacturing Batam.

#### *Sensitivity analysis*

The key assumptions used in the value-in-use calculations is the pre-tax discount rate for Cheong Fatt at 5.50%.

Had the discount rate varied from the management's estimation, the estimated recoverable amount of the investment and the impairment charge would be as follows:

	<b>Estimated recoverable amount \$'000</b>	<b>(Decrease)/ increase in impairment charge \$'000</b>
Cheong Fatt		
1% higher than the management's projections	4,803	188
1% lower than the management's projections	5,188	(197)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 12. Investments in subsidiaries (cont'd)

### (c) Disposal of subsidiaries

In 2018, the Group disposed its indirect subsidiaries, CFM Precision and PT Hantong Precision Manufacturing Batam to a director of the Company. In 2017, the Company disposed its entire 100% equity interest in a subsidiary, Hantong Metal Component (KL) Sdn Bhd.. Details of the disposal were as follows:

#### (i) Carrying amounts of assets and liabilities disposed of:

	Group	
	2018 \$'000	2017 \$'000
Property, plant and equipment	27	77
Inventories	291	112
Trade and other receivables	267	441
Cash and cash equivalents	135	251
Tax recoverable	14	11
Total assets	<b>734</b>	892
Trade and other payables	1,677	295
Deferred tax liabilities	(59)	-
Total liabilities	<b>1,618</b>	295
Net (liabilities)/assets disposed off	<b>(884)</b>	597
Gain/(loss) on disposal (Note 7)	919	(321)
Realisation of foreign currency translation reserve	(35)	361
Proceeds from disposal of subsidiaries	-	637

#### (ii) Net cash (outflow)/inflow arising on disposal:

	Group	
	2018 \$'000	2017 \$'000
Proceed from disposal	-	637
Less: cash and cash equivalents in subsidiaries disposed of	(135)	(251)
Net cash (outflow)/inflow on disposal of subsidiaries	<b>(135)</b>	386

### (d) Transfer ownership of a subsidiary

In 2017, the Company transferred its 39.67% equity interest in a subsidiary, PT Hantong Precision Manufacturing Batam to its indirect subsidiary company, CFM Precision Tooling Sdn. Bhd.. However, there is no change in the equity interest in this subsidiary at Group level.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 13. Amounts due from/(to) subsidiaries

	Company	
	2018 \$'000	2017 \$'000
<i>Current assets</i>		
Receivables due from subsidiaries (non-trade)	984	1,251
Loans to subsidiaries		
- interest at 6.0% per annum	426	483
- interest-free	1,091	2,170
	<b>2,501</b>	3,904
<i>Allowance for doubtful receivables</i>		
- non-trade receivables	-	(18)
- loans to subsidiaries	-	(760)
	-	(778)
	<b>2,501</b>	3,126
<i>Current liabilities</i>		
Payable due to a subsidiary	<b>(19)</b>	-

### *Current assets*

The non-trade receivables amounting to \$984,000 (2017: \$1,251,000) are unsecured, interest-free and repayable on demand.

During the financial year ended 30 June 2018 and 30 June 2017, the Company has agreed to waive the interest charges on certain loans to subsidiaries. These loans amounted to \$426,000 (2017: \$483,000) at the balance sheet date.

Loans to subsidiaries are unsecured and repayable on demand.

Movements in allowance for doubtful receivables on non-trade receivables and loans to subsidiaries are as follows:

	Company	
	2018 \$'000	2017 \$'000
Balance at beginning of the financial year	778	339
Allowance for doubtful receivables	71	547
Allowance written back	-	(108)
Allowance written off	(849)	-
Balance at end of the financial year	-	778

### *Current liabilities*

The amount due to a subsidiary is non-trade in nature, unsecured, interest-free and payable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 14. Inventories

	Group	
	2018 \$'000	2017 \$'000
Raw materials	714	778
Work-in-progress	513	600
Finished goods	1,086	1,031
	<b>2,313</b>	<b>2,409</b>

Raw materials, consumables and changes in finished goods and work-in-progress included as cost of sales during the financial year amounted to \$17,618,000 (2017: \$16,658,000).

Inventories are stated at net realisable value after deducting inventories write-down of \$12,000 (2017: \$272,000) (Note 7), inventories write-off of \$36,000 (2017: \$85,000) (Note 7) and reversal of inventories write-down of \$267,000 (2017: \$47,000) (Note 7) based on the increased planned usage of certain inventory items during the financial year.

## 15. Trade receivables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Non-current assets</i>				
External parties	83	226	-	-
<i>Current assets</i>				
External parties	6,116	5,752	7	24
Related party	67	1	-	-
Subsidiaries	-	-	106	106
	<b>6,183</b>	<b>5,753</b>	<b>113</b>	<b>130</b>
Less: allowance for doubtful receivables - external parties	(698)	(717)	-	-
	<b>5,485</b>	<b>5,036</b>	<b>113</b>	<b>130</b>

Movements in allowance for doubtful receivables are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at beginning of the financial year	717	1,005	-	-
Disposal of a subsidiary	(5)	(139)	-	-
Amount written off against allowance	(14)	(46)	-	-
Allowance made for the financial year (Note 7)	-	31	-	-
Allowance written back (Note 7)	-	(130)	-	-
Exchange differences	-	(4)	-	-
Balance at end of the financial year	<b>698</b>	<b>717</b>	<b>-</b>	<b>-</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 16. Other receivables and prepayments

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Deposits	92	166	-	-
Interest receivables	-	1	-	1
Prepayments	236	177	8	7
Tax recoverable	52	113	-	-
Sundry debtors	16	64	-	-
	<b>396</b>	521	<b>8</b>	8
Less: allowance for doubtful receivables	(3)	(6)	-	-
	<b>393</b>	515	<b>8</b>	8

Movements in allowance for doubtful receivables are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at beginning of the financial year	6	6	-	-
Disposal of subsidiaries	(3)	-	-	-
Balance at end of the financial year	<b>3</b>	6	-	-

## 17. Cash and cash equivalents

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Bank and cash balances	4,374	3,286	447	474
Fixed deposits	81	1,171	-	576
	<b>4,455</b>	4,457	<b>447</b>	1,050

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2018 \$'000	2017 \$'000
Bank and cash balances	4,374	3,286
Fixed deposits	81	1,171
	<b>4,455</b>	4,457
Fixed deposits pledged	(81)	(1,171)
	<b>4,374</b>	3,286



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 17. Cash and cash equivalents (cont'd)

### Group

Fixed deposits amounting to \$81,000 (2017: \$1,171,000) are pledged with financial institutions as securities for loans and credit facilities granted to the Group.

At the balance sheet date, the fixed deposits earn interest of 3.10% (2017: 0.25% to 3.40%) per annum and mature within 10 to 12 months (2017: 10 to 12 months).

### Company

In 2017, fixed deposits amounting to \$576,000 were pledged with financial institutions as securities for loans and credit facilities granted to the Company and subsidiaries of the Company.

At 31 December 2017, the fixed deposits earned interest of 0.25% per annum and matured within 10 months.

## 18. Finance lease liabilities

	Group			
	Minimum lease payments 2018 \$'000	Present value of payments 2018 \$'000	Minimum lease payments 2017 \$'000	Present value of payments 2017 \$'000
	Not later than one year	81	77	119
Later than one year but not later than five years	32	30	74	71
Total minimum lease payments	113	107	193	182
Less: finance charges	(6)	-	(11)	-
Present value of minimum lease payments	<b>107</b>	<b>107</b>	182	182

	Group	
	2018 \$'000	2017 \$'000
Representing finance lease liabilities:		
Current	77	111
Non-current	30	71
	<b>107</b>	182

The net carrying amounts of plant and equipment acquired and held as security under finance lease arrangements are disclosed in Note 11(a). The interest rates range from 3.00% to 8.66% (2017: 4.10% to 8.66%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 19. Borrowings

		Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current</b>					
<i>Secured</i>					
Bank loan I	(a)	275	257	-	-
Bank loan II	(b)	725	1,402	725	1,402
Bank loan III	(c)	84	76	-	-
Bankers' acceptances	(d)	645	576	-	-
		<b>1,729</b>	<b>2,311</b>	<b>725</b>	<b>1,402</b>
<b>Non-current</b>					
<i>Secured</i>					
Bank loan I	(a)	3,977	4,271	-	-
Bank loan III	(c)	1,265	1,281	-	-
		<b>5,242</b>	<b>5,552</b>	<b>-</b>	<b>-</b>

Details of the borrowings are as follows:

- (a) Bank loan I bears interest at 2.60% to 4.30% (2017: 2.40% to 4.30%) per annum. This construction loan has been converted into mortgage loan on 1 January 2016, which is repayable over 20 years.

The mortgage loan is secured by:

- (i) Fixed and floating charge on all present and future property at No.4 Ang Mo Kio Avenue 12 Singapore 569498, including assets and liabilities of a subsidiary;
  - (ii) Undertakings in connection with the operations of the leasehold property as approved by Housing Development Board;
  - (iii) Corporate guarantee by the Company; and
  - (iv) First legal mortgage of a property of two directors of a subsidiary.
- (b) Bank loan II bears interest at 3.58% (2017: 3.01%) per annum. In 2017, it was secured by fixed deposits of \$576,000 of the Company.
- (c) Bank loan III bears interest at 4.85% (2017: 4.85%) per annum and is repayable in 180 monthly instalments commencing August 2015. It is secured by a first charge over the subsidiary's leasehold land and building with a net carrying amount of \$1,574,000 (2017: \$1,583,000) and fixed deposits of a subsidiary.
- (d) Bankers' acceptances bear interest at 4.19% to 5.30% (2017: 3.83% to 5.04%) per annum and are secured by a first and legal charge over the subsidiary's freehold land and building with a net carrying amount of \$729,000 (2017: \$697,000) and a corporate guarantee by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 19. Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Finance lease liabilities \$'000	Borrowings \$'000
Balance at 1 July 2017	182	7,863
Changes from financing cash flows:		
- Proceeds	41	1,792
- Repayment	(122)	(2,786)
- Interest paid	(10)	(286)
Non-cash changes:		
- Interest expense	10	286
Effect of changes in foreign exchange rates	6	102
Balance at 30 June 2018	<u>107</u>	<u>6,971</u>

## 20. Deferred tax liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movements in the deferred tax liabilities are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at beginning of the financial year	384	516	91	91
Credit to profit or loss	(39)	(144)	-	-
Disposal of subsidiaries	59	-	-	-
Exchange differences	9	12	-	-
Balance at end of the financial year	<u>413</u>	<u>384</u>	<u>91</u>	<u>91</u>

Net deferred tax liabilities as at 30 June relate to the following:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Deferred tax liabilities</i>				
Excess of tax written down value over net carrying amount of property, plant and equipment	356	355	-	-
Other temporary differences	57	29	91	91
	<u>413</u>	<u>384</u>	<u>91</u>	<u>91</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 21. Trade payables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Trade creditors	2,523	2,563	-	1
Advance billings	107	44	-	-
	<b>2,630</b>	<b>2,607</b>	<b>-</b>	<b>1</b>

## 22. Other payables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Sundry creditors	176	306	8	-
Accrued operating expenses	1,020	1,409	115	523
Amounts due to directors	290	1,061	290	771
Accrual for directors' fee	54	42	54	42
Other payable for property, plant and equipment	895	895	-	-
Payable for adversely litigated judgement	599	-	-	-
	<b>3,034</b>	<b>3,713</b>	<b>467</b>	<b>1,336</b>

The amounts due to directors are non-trade in nature, unsecured, interest-free and expected to be repaid within the next 12 months after the balance sheet date.

## 23. Provision

	Group	
	2018 \$'000	2017 \$'000
Provision for litigation expenses	<b>98</b>	<b>101</b>

Provision for litigation expenses relates to the ongoing legal case against the former contractor of the Group's property in Singapore.

Movements in provision for litigation expenses during the financial year are as follows:

	Group	
	2018 \$'000	2017 \$'000
At beginning of financial year	101	200
Utilised during the financial year	(3)	(99)
At end of the financial year	<b>98</b>	<b>101</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 24. Share capital

	Group and Company			
	2018		2017	
	Number of issued shares	Issued share capital \$'000	Number of issued shares	Issued share capital \$'000
<b>Issued and fully paid</b>				
Balance at beginning of the financial year	108,518,995	21,704	108,518,995	21,704
Issue of new ordinary shares	93,016,281	1,395	-	-
Share issue expenses	-	(136)	-	-
Balance at end of the financial year	<b>201,535,276</b>	<b>22,963</b>	108,518,995	21,704

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares have no par value and carry one vote per share without restrictions. On 18 December 2017, the Company issued 93,016,281 ordinary shares of \$0.015 per share for cash to provide fund for the expansion of the Group's operations.

The newly issued shares rank pari passu in all respects with the previously issued shares.

## 25. Accumulated losses

### Group

Included in accumulated losses of the Group is an amount of \$318,000 (2017: \$318,000) relating to legal reserve fund of a subsidiary. In accordance with the Slovak Commercial Code applicable to the subsidiary in the Slovak Republic, the subsidiary is required to make appropriation to a legal reserve fund based on a minimum amount of 5% of net profit annually, until the legal reserve fund exceeds at least 10% of the registered share capital. This fund can be used for covering the subsidiary's losses only and thus not available for dividend distribution to shareholders. No appropriation was made during the financial years ended 30 June 2018 and 2017 as the legal reserve fund is at least 10% of the registered share capital of the subsidiary.

	Company	
	2018 \$'000	2017 \$'000
<b>Accumulated losses</b>		
Balance at beginning of the financial year	(8,479)	(875)
Profit/(loss) for the financial year	2,217	(7,604)
Balance at end of the financial year	<b>(6,262)</b>	(8,479)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 26. Operating lease commitment

*As lessee:*

The Group has various operating lease agreements for equipment, offices and other facilities. Most leases contained renewable options and escalation clauses. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum lease payments for the remaining terms of one year or more are as follows:

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	362	340
Later than one year but not later than five years	663	825
After 5 years	2,953	3,168
	<b>3,978</b>	<b>4,333</b>

*As lessor:*

The future minimum lease amounts receivable under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables:

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	499	664
Later than one year but not later than five years	342	742
	<b>841</b>	<b>1,406</b>

The leases have varying terms and renewal rights.

## 27. Contingent liabilities

### (a) Guarantees

	Company	
	2018 \$'000	2017 \$'000
Corporate guarantees provided by the Company to financial institutions for banking facilities granted to subsidiaries	7,747	8,167
Amount utilised by the subsidiaries	4,897	5,104

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results and the accumulated losses of the Company for the financial years ended 30 June 2018 and 30 June 2017.

## 27. Contingent liabilities (cont'd)

### (b) Legal claim

#### Group

As disclosed during the financial year ended 30 June 2013, an ex-parte injunction (the “Injunction”) has been granted by the High Court of Malaya on 30 June 2013 and served on Hantong Metal Component (Penang) Sdn. Bhd., a wholly-owned subsidiary of the Company on 2 July 2013.

The legal suit was concluded on 4 April 2018 and was in favour of T-Net International (H.K.) Co. Limited (formerly known as Showa International (HK) Co. Limited (“Showa”). Hantong Metal Component (Penang) Sdn. Bhd. has applied for appeal to Court of Appeal and is now fixed for case management on 29 August 2018.

As at 30 June 2018, the Group has recognised liabilities amounted to \$599,000. At the date of these financial statements, the directors had assessed that no additional liabilities will need to be accrued.

### (c) Legal claim with regards to temporary occupation permit of the property in Singapore

In prior years, Cheong Fatt Holdings Pte Ltd’s (“Cheong Fatt”) factory’s main contractor, has obtained an interim injunction to restrain the Company from calling on the insurance guarantee. Cheong Fatt’s subsequent application to discharge the injunction was part heard by the High Court. On 29 June 2015, a High Court injunction was served on Cheong Fatt to restrain it from calling on, or making any claim on, or receiving any payments under the insurance guarantee.

The main contractor has issued a separate writ and statement of claim on 18 May 2017 claiming for amounts of approximately \$2.4 million due for alleged variation works, and for damages for alleged breach of contract. The Company has entered an appearance and filed a defence and counterclaim of approximately \$2.7 million in the new suit.

On 23 December 2016, the main contractor’s claims and Cheong Fatt’s counter claims in both suits were wholly discontinued, pursuant to a settlement agreement dated 6 December 2016.

The terms of the settlement agreement provide that Cheong Fatt is to pay the main contractor a sum of \$900,000 less an amount determined by an independent assessor jointly appointed by Cheong Fatt and the main contractor in respect of defects arising out of or in connection with Cheong Fatt’s project for the demolition and erection of Cheong Fatt’s building. To date, the appointment of the independent joint assessor has yet to be finalised.

As at 30 June 2018, the Group has recognised liabilities amounted to \$895,000. At the date of these financial statements, the directors had assessed that no additional liabilities will need to be accrued.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 28. Significant related party transactions

- (a) Other than as disclosed elsewhere in the financial statements, the following significant related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

	Group	
	2018 \$'000	2017 \$'000
Sales	24	3
Purchases	1	–
Service fees charged to a related party	21	–
Service fees charged by a related party	–	32
Payment of expenses on behalf by a related party	1	1
Payment of expenses on behalf of a related party	23	–
Services rendered by a firm which an Independent Director has interest	8	38

Related party refers to a company in which the son of the directors of the Company has significant interest.

- (b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	Group	
	2018 \$'000	2017 \$'000
Salaries and bonus	966	984
Directors' fees	54	45
Contributions to defined contribution plan	79	80
Other short-term benefits	36	31
	<b>1,135</b>	<b>1,140</b>

Included in the above are remuneration paid to the directors of the Company totalling \$733,000 (2017: \$741,000).



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 29. Segment information

For management purposes, the Group is organised into business segments, with each segment representing a strategic business segment that offers different products in the respective markets. The Group has four reportable operating segments as follows:

- i) Metal stamping - manufacturing of metal plates and metal stamping;
- ii) Tooling - manufacturing and fabricating engineering tools and die;
- iii) Components and parts - trading of other components and parts; and
- iv) Cleanroom products - trading of disposable and wearable for use in cleanroom, bio-medical, laboratories and hospitals.

The segment information provided to management for the reportable segments are as follows:

	Metal stamping		Tooling		Components and parts		Cleanroom products		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue										
- Sales to external customers	<b>18,527</b>	17,318	<b>1,015</b>	1,277	<b>307</b>	297	<b>2,778</b>	2,275	<b>22,627</b>	21,167
Segment result	<b>81</b>	(440)	<b>267</b>	90	<b>12</b>	126	<b>545</b>	137	<b>905</b>	(87)
Unallocated expenses									<b>(1,082)</b>	(1,721)
Finance costs									<b>(296)</b>	(277)
<b>Loss before tax</b>									<b>(473)</b>	(2,085)
Tax expense									<b>(335)</b>	(13)
<b>Loss after tax</b>									<b>(808)</b>	(2,098)
<b>Group assets and liabilities</b>										
Segment assets	<b>21,570</b>	21,622	<b>142</b>	724	<b>353</b>	436	<b>1,863</b>	1,254	<b>23,928</b>	24,036
Unallocated assets									<b>462</b>	1,199
<b>Total assets</b>									<b>24,390</b>	25,235
Segment liabilities	<b>4,618</b>	4,400	<b>128</b>	343	-	34	<b>549</b>	307	<b>5,295</b>	5,084
Unallocated liabilities									<b>8,070</b>	9,784
<b>Total liabilities</b>									<b>13,365</b>	14,868

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 29. Segment information (cont'd)

	Metal stamping		Tooling		Cleanroom products		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Other segment information</b>								
Capital expenditure	79	251	42	35	24	23	145	309
Depreciation of property, plant and equipment	1,060	853	26	2	30	40	1,116	895
Impairment loss on property, plant and equipment	156	93	-	-	-	-	156	93

### Segment results

Performance of each segment is evaluated based on segment profit which is measured differently from the net loss before tax in the consolidated financial statements. Corporate and finance expenses are not allocated to segments as these are managed on a group basis.

### Segment assets

The amounts provided to Management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than corporate assets which are classified as unallocated assets.

Corporate assets included assets from investment holding company.

### Segment liabilities

The amounts provided to Management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than corporate liabilities, deferred tax liabilities, income tax payables, finance lease liabilities and borrowings which are classified as unallocated liabilities.

Corporate liabilities included liabilities from investment holding company.

### Geographical segments

The revenue and non-current assets by geographical segments are based on the geographical location of customers and assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 29. Segment information (cont'd)

### Geographical information

	Singapore		Malaysia		Japan		United States of America		Slovak Republic		Czech Republic		Netherlands		Others*		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	5,557	4,609	6,907	8,442	-	-	396	197	2,225	1,728	947	1,037	1,221	1,012	5,374	4,142	22,627	21,167
Non-current assets	7,060	7,551	2,670	2,984	-	-	-	-	1,835	1,950	-	-	-	-	96	107	11,661	12,592
Other geographical information: Capital expenditure	52	98	45	152	-	-	-	-	45	36	-	-	-	-	3	23	145	309

\* Others comprise Indonesia, Hong Kong, The People's Republic of China, Mexico, United Kingdom, Germany, Hungary and Romania.

Revenue of approximately \$2,488,000 (2017: \$Nil) are derived from one (2017: none) external customer with revenue more than 10% of the Group's revenue and are attributable to the Metal Stamping and Tooling Segments.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 30. Financial instruments

### (a) Categories of financial instruments

The financial instruments as at balance sheet date are:

	Group		Company	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Loans and receivables	<b>10,128</b>	9,944	<b>3,061</b>	4,307
<b>Financial liabilities</b>				
At amortised costs	<b>12,463</b>	14,172	<b>1,196</b>	2,727

### (b) Financial risk management

The Group, in its normal course of business, is exposed to credit risk, interest rate risk, foreign currency risk and liquidity and cash flow risk. The overall business strategies of the Group, its tolerance for risk and its general risk management philosophy are determined by the management in accordance with prevailing economic and operating conditions. In determining its risk management policies, the management ensures that an acceptable balance is made between the cost of risks occurring and the cost of managing the risk.

There has been no significant change to the Group's exposure to these financial risks or the manner in which it manages and measures financial risks as compared to previous financial year.

#### **Credit risk**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored by management.

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial asset presented on the balance sheets, except for a notional amount of \$7,747,000 (2017: \$8,167,000) relating to corporate guarantees provided by the Company to financial institutions for banking facilities extended to subsidiaries as disclosed in Note 27(a).

The Group's and the Company's major classes of financial assets are cash and bank balances, and trade and other receivables.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 30. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

Credit risk (cont'd)

The credit risk for trade receivables and amounts due from subsidiaries based on the information provided to key management is as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
By geographical areas				
Singapore	966	1,172	1,106	1,321
Malaysia	1,770	1,531	650	903
Indonesia	-	2	-	-
Slovak Republic	713	766	-	-
People's Republic of China	1,274	890	858	1,032
Others	845	901	-	-
	<b>5,568</b>	5,262	<b>2,614</b>	3,256
By types of debtors				
Subsidiaries	-	-	2,607	3,232
Non-related parties				
- Multi-national companies	4,048	3,841	-	-
- Other companies	1,520	1,365	7	-
- Individuals	-	56	-	24
	<b>5,568</b>	5,262	<b>2,614</b>	3,256

*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 bank balances that are neither past due nor impaired are placed with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. The amounts presented in the balance sheets are net of allowances for impairment of trade receivables, estimated by management based on prior experience and the current economic environment.

*Financial assets that are past due but not impaired*

The age analysis of the trade receivables and amounts due from subsidiaries that are past due but not impaired is as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Past due 0-3 months	1,135	1,332	-	5
Past due 3-6 months	80	13	-	74
Past due over 6 months	335	471	2,563	1,270
	<b>1,550</b>	1,816	<b>2,563</b>	1,349

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 30. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

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

*Financial assets that are individually determined to be impaired*

The carrying amount of trade receivables and amounts due from subsidiaries that are individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Gross amount:				
Past due over 6 months	699	719	-	778
Less: Allowance for impairment	(698)	(717)	-	(778)
	<b>1</b>	<b>2</b>	-	-

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

#### *Interest rate risk*

The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate risk exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 30 June 2018, there were no such arrangements, interest rate swap contracts or other derivative instruments that were outstanding.

The following table sets out the carrying amounts, by maturity of the Group's and the Company's financial instruments that are exposed to interest rate risk:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<i>Within one year-fixed rates</i>				
Borrowings	1,454	2,054	725	1,402
Finance lease liabilities	77	111	-	-
<i>Within one year-floating rates</i>				
Borrowings	275	257	-	-
<i>More than one year-fixed rates</i>				
Borrowings	1,265	1,281	-	-
Finance lease liabilities	30	71	-	-
<i>More than one year-floating rates</i>				
Borrowings	3,977	4,271	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 30. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### *Interest rate risk (cont'd)*

Interests on financial instruments subject to floating interest rates are repriced regularly. Interests on financial instruments at fixed rates are fixed until the maturity of the instruments. The other financial instruments of the Group and Company that are not included in the above table are not subject to interest rate risk.

#### *Sensitivity analysis on interest rate risk*

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. If the interest rates increase/decrease by 100 (2017: 100) basis point with all other variables being held constant, it would not have a significant impact on the Group's and the Company's loss for the current and previous financial years.

#### *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 Dollar ("USD"), Euro ("EUR"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Malaysian Ringgit ("MYR"), Singapore Dollar ("SGD") and Indonesian Rupiah ("INR"). As at the balance sheet date, there were no outstanding forward foreign exchange contracts.

The Group's significant foreign currency exposure is as follows:

	SGD \$'000	USD \$'000	Total \$'000
<b>At 30 June 2018</b>			
<b><i>Financial assets</i></b>			
Trade and other receivables	–	845	845
Cash and cash equivalents	64	431	495
Amount due from group entities	406	–	406
	470	1,276	1,746
<b><i>Financial liabilities</i></b>			
Trade and other payables	–	240	240
Amount due to group entities	1,900	–	1,900
	1,900	240	2,140
<b>Net financial (liabilities)/assets denominated in foreign currencies</b>	<b>(1,430)</b>	<b>1,036</b>	<b>(394)</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 30. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

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

	SGD \$'000	USD \$'000	Total \$'000
<b>At 30 June 2017</b>			
<b><i>Financial assets</i></b>			
Trade and other receivables	–	907	907
Cash and cash equivalents	–	442	442
Amount due from group entities	210	–	210
	210	1,349	1,559
<b><i>Financial liabilities</i></b>			
Trade and other payables	–	119	119
Amount due to group entities	1,980	–	1,980
	1,980	119	2,099
Net financial (liabilities)/assets denominated in foreign currencies	(1,770)	1,230	(540)

At the balance sheet date, the Company has the following financial assets which are denominated in USD:

	2018 \$'000	2017 \$'000
<b><i>Financial assets</i></b>		
Trade and other receivables	<b>106</b>	106
Cash and cash equivalents	<b>114</b>	108
Amounts due from subsidiaries	<b>426</b>	431
Net financial assets denominated in foreign currencies	<b>646</b>	645



# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 30. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

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

##### *Sensitivity analysis on foreign currency risk*

The following table demonstrates the sensitivity to a reasonably possible change in the SGD against the respective Group entities' functional currencies at balance sheet date, with all other variables held constant, of the Group's loss after tax and the Company's loss after tax. 10% is used in sensitivity analysis for reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency rates. The sensitivity analysis for the other foreign currencies is not disclosed as the impact on the Group's loss after tax is not significant.

	Group		Company	
	Increase/(decrease) in loss after tax		Increase/(decrease) in loss after tax	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
USD/SGD				
- strengthened 10% (2017: 10%)	<b>86</b>	102	<b>54</b>	54
- weakened 10% (2017: 10%)	<b>(86)</b>	(102)	<b>(54)</b>	(54)
MYR/SGD				
- strengthened 10% (2017: 10%)	<b>(49)</b>	(63)	-	1
- weakened 10% (2017: 10%)	<b>49</b>	63	-	(1)
RMB/SGD				
- strengthened 10% (2017: 10%)	<b>(69)</b>	(84)	-	-
- weakened 10% (2017: 10%)	<b>69</b>	84	-	-

#### *Liquidity and cash flow 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 exposures to liquidity risk arise 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.

The Group and the Company manage the liquidity risk by maintaining a level of cash and cash equivalents to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 30. Financial instruments (cont'd)

### (b) Financial risk management (cont'd)

#### *Liquidity and cash flow risk (cont'd)*

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

	2018				2017			
	Repayable on demand or within 1 year \$'000	2 to 5 years \$'000	Over 5 years \$'000	Total \$'000	Repayable on demand or within 1 year \$'000	2 to 5 years \$'000	Over 5 years \$'000	Total \$'000
<b>Group</b>								
Trade payables	2,523	-	-	2,523	2,563	-	-	2,563
Other payables	2,862	-	-	2,862	3,563	-	-	3,563
Borrowings	1,983	2,383	4,297	8,663	2,565	2,142	5,283	9,990
Finance lease liabilities	81	32	-	113	119	74	-	193
	<b>7,449</b>	<b>2,415</b>	<b>4,297</b>	<b>14,161</b>	<b>8,810</b>	<b>2,216</b>	<b>5,283</b>	<b>16,309</b>
<b>Company</b>								
Trade payables	-	-	-	-	1	-	-	1
Other payables	451	-	-	451	1,324	-	-	1,324
Amount due to a subsidiary	19	-	-	19	-	-	-	-
Borrowings	730	-	-	730	1,411	-	-	1,411
	<b>1,200</b>	<b>-</b>	<b>-</b>	<b>1,200</b>	<b>2,736</b>	<b>-</b>	<b>-</b>	<b>2,736</b>

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2018			2017		
	Repayable on demand or within 1 year \$'000	2 to 5 years \$'000	Total \$'000	Repayable on demand or within 1 year \$'000	2 to 5 years \$'000	Total \$'000
<b>Company</b>						
Financial guarantee contract	4,897	-	4,897	5,104	-	5,104

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 31. Fair values of assets and liabilities

### *Fair value hierarchy*

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

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

### *Assets and liabilities not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The carrying amounts of trade and other receivables, current amounts due from subsidiaries, cash and cash equivalents, trade and other payables, amounts due to subsidiaries, borrowings and finance lease liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments.

The carrying amounts of non-current borrowings and finance lease liabilities approximate their fair values as these financial instruments bear interest rates which approximate the market interest rates at the balance sheet date. These fair value measurement for disclosure purpose are categorised in Level 3 of the fair value hierarchy.

## 32. Capital management

The Group manages its capital to ensure that entities within the Group will be able to continue as a going concern while maximising the returns to stakeholders through the optimisation of the debt and equity balance.

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return on capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2018 and 2017.

As disclosed in Note 25, a subsidiary of the Group is required to make appropriation to a legal reserve fund. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 30 June 2018 and 2017.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables plus other liabilities, less cash and cash equivalents. Total capital is calculated as equity plus net debt. Equity includes equity attributable to equity holders of the Company less legal reserve fund.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

## 32. Capital management (cont'd)

	Group	
	2018	2017
	\$'000	\$'000
Net debt	8,385	10,009
Equity	10,707	10,049
Total capital	19,092	20,058
Gearing ratio	44%	50%

## 33. Authorisation of financial statements

The consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors dated 27 September 2018.

# STATISTICS OF SHAREHOLDINGS

As at 24 September 2018

Issued and fully Paid-up Capital	:	\$23,099,267
Number of Ordinary Shares in Issue (excluding treasury shares)	:	201,535,276
Number of Treasury Shares held	:	Nil
Number of Subsidiary Holdings held	:	Nil
Class of Shares	:	Ordinary
Voting Rights (on a poll)	:	One vote for each ordinary share held

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.20	2	0.00
100 - 1,000	119	23.70	106,450	0.05
1,001 - 10,000	130	25.90	816,940	0.41
10,001 - 1,000,000	236	47.01	26,238,101	13.02
1,000,001 AND ABOVE	16	3.19	174,373,783	86.52
<b>TOTAL</b>	<b>502</b>	<b>100.00</b>	<b>201,535,276</b>	<b>100.00</b>

## Substantial Shareholders

As shown in the Register of Substantial Shareholders:

	No. of Ordinary Shares	
	Direct Interest	Deemed Interest
Ip Kwok Wing	74,319,300	61,601,150
Lim Fong Li Janet	61,601,150	74,319,300
Ang Hao Yao (Hong Haoyao)	11,464,689	-

### Note:

Mr Ip Kwok Wing and Mdm Lim Fong Li Janet are deemed interested in shares held by the other by virtue of their relationship as spouses.

# STATISTICS OF SHAREHOLDINGS

As at 24 September 2018

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	IP KWOK WING	74,319,300	36.88
2	LIM FONG LI JANET	61,601,150	30.57
3	ANG HAO YAO (HONG HAOYAO)	11,464,689	5.69
4	CHAN TIN JOR	4,194,714	2.08
5	NG BEE KEOW	3,661,200	1.82
6	TAN YEOK MENG	3,551,830	1.76
7	TAN ENG CHUA EDWIN	2,764,200	1.37
8	LEE YAN KIT	2,754,900	1.37
9	PANG CHEOW JOW	1,700,000	0.84
10	GOH GUAN SIONG (WU YUANXIANG)	1,392,900	0.69
11	MAYBANK KIM ENG SECURITIES PTE LTD	1,374,900	0.68
12	GAN SENG KUEI	1,178,600	0.58
13	CHUA SHUN LOONG (CAI SHANLONG)	1,162,000	0.58
14	LIM HOE KOK	1,128,000	0.56
15	CHEW YI HONG (ZHOU YUFENG)	1,106,600	0.55
16	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	1,018,800	0.51
17	PHYLLIS TEH SIOK KHIM	992,900	0.49
18	DBS NOMINEES (PRIVATE) LIMITED	849,814	0.42
19	TAN HWEE JUAN AGNES	828,000	0.41
20	JEANETTE KOH CHEW TEE	813,428	0.40
<b>TOTAL</b>		<b>177,857,925</b>	<b>88.25</b>

## PUBLIC FLOAT

Based on the information available to the Company as at 24 September 2018, approximately 26.87% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst.

# NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

## CFM HOLDINGS LIMITED

(Company Registration No. 200003708R)  
(Incorporated in The Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CFM Holdings Limited (the “**Company**”) will be held at 4 Shenton Way, #17-01 SGX Centre 2, Singapore 068807, on Friday, 26 October 2018 at 10.00 a.m. for the following purposes:

### AS ORDINARY 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 Independent Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:  
  
Mdm Lim Fong Li Janet **(Resolution 2)**  
Mr Kenneth Ip Yew Wa **(Resolution 3)**  
[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of \$53,600 for the financial year ended 30 June 2018. (2017:\$42,500) **(Resolution 4)**
4. To re-appoint Messrs Baker Tilly TFW LLP as the Company’s Auditor and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary 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 any modifications:

6. Authority to allot and issue shares and/or convertible securities

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

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

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

# NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
- (b) new shares arising from the exercising of share options or vesting of share awards which are 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 Catalist Rules; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution, for the time being, of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

**(Resolution 6)**



# NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

## 7. Authority to allot and issue shares under the CFM Performance Share Plan

That pursuant to Section 161 of the Singapore Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the CFM Performance Share Plan (the “**Plan**”) and to allot and issue from time to time, such number of shares in the capital of the Company as may be required to be issued pursuant to the vesting of awards under the Plan, provided the total number of new shares which may be issued pursuant to awards granted under the Plan shall not exceed fifteen per centum (15%) of the issued shares of the Company (excluding any shares held in treasury and subsidiary holdings) from time to time provided always that the total number of new shares which may be issued pursuant to awards granted under the plan when aggregated with the aggregate number of shares which may be granted under any other share plan or share option scheme shall not exceed any limits prescribed by the SGX-ST and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 7)**

By Order of the Board

Lai Kuan Loong, Victor  
Company Secretary  
Singapore,  
10 October 2018

### Explanatory Notes:

- (i) Mdm Lim Fong Li Janet, upon re-election as a Director of the Company, will remain as the Executive Director and Chief Executive Officer of the Company. Mdm Lim Fong Li Janet is also a controlling shareholder of the Company.

Mr Kenneth Ip Yew Wa, upon re-election as a Director of the Company, will remain as the Executive Director.

- (ii) The Ordinary Resolution 6, if passed, will authorise the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

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

- (iii) The Ordinary Resolution 7, if passed, will authorise the Directors of the Company to grant awards under the Plan in accordance with the provisions of the Plan and pursuant to Section 161 of the Companies Act, Cap. 50, to allot and issue shares under the Plan.

The total number of new shares which may be issued pursuant to awards granted under the Plan shall not exceed fifteen per centum (15%) of the issued Shares of the Company (excluding any shares held in treasury and subsidiary holdings) on the day shareholders approve the Plan, provided always that the total number of new shares which may be issued pursuant to awards granted under the Plan when aggregated with the aggregate number of shares which may be granted under any other share plan or share option scheme shall not exceed any limits prescribed by the SGX-ST.

# NOTICE OF THE EIGHTEENTH ANNUAL GENERAL MEETING

## Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the annual general meeting (“**Meeting**”) of the Company.
- (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting of the Company, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

2. A proxy need not be a member of the Company.
3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Ang Mo Kio Avenue 12, CFM Building, Singapore 569498 not less than forty-eight (48) hours before the time appointed for holding the Meeting of the Company.
5. This notice has been prepared by the Company and its contents have been reviewed by the Company’s sponsor (“**Sponsor**”), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“**Exchange**”). The Company’s Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

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

The contact person for the Sponsor is Ms Foo Quee Yin.  
Telephone number: +65 6221 0271

## Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

# CFM HOLDINGS LIMITED

Company Registration No. 200003708R  
(Incorporated In The Republic of Singapore)

## IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## PROXY FORM

(Please see notes overleaf before completing this Form)

\*I/We, \_\_\_\_\_ (Full Name) \_\_\_\_\_ (NRIC no./Passport No./Company No.)

of \_\_\_\_\_ (Full Address)

being a \*member/members of CFM Holdings Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (the "Meeting") as \*my/our proxy/proxies to vote for \*me/us on \*my/our behalf at the Meeting of the Company to be held at 4 Shenton Way, #17-01 SGX Centre 2, Singapore 068807 on 26 October 2018 at 10.00 a.m. and at any adjournment thereof. \*I/We direct \*my/our \*proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the \*proxy/ proxies will vote or abstain from voting at \*his/her discretion.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the year ended 30 June 2018 together with the Independent Auditors' Report thereon		
2	Re-election of Mdm Lim Fong Li Janet as a Director		
3	Re-election of Mr Kenneth Ip Yew Wa as a Director		
4	Approval of Directors' fees amounting to \$53,600 for the financial year ended 30 June 2018		
5	Re-appointment of Baker Tilly TFW LLP as the Company's Auditor		
6	Authority to issue new shares and/or convertible securities		
7	Authority to grant awards and to allot and issue shares under the CFM Performance Share Plan		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

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

\_\_\_\_\_  
Signature of Member(s) or,  
Common Seal of Corporate Member

\*Delete where inapplicable



**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), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, he/she shall specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
  6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Ang Mo Kio Avenue 12, CFM Building, Singapore 569498 not less than 48 hours before the time appointed for the Meeting.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
  8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the 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 10 October 2018.

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## **CFM HOLDINGS LIMITED**

No. 4 Ang Mo Kio Avenue 12, CFM Building, Singapore 569498

Tel : +65 6481 2888 Fax : +65 6481 1122

Email : [irc@cfmholdings.com](mailto:irc@cfmholdings.com)