

# 2020

## ANNUAL REPORT

CFM HOLDINGS LIMITED  
Registration No.: 200003708R

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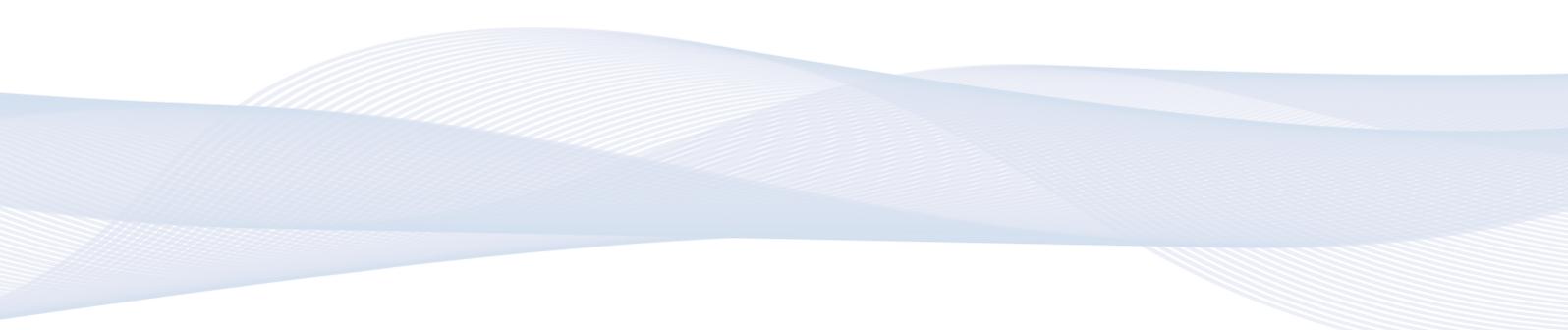
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PROXY FORM

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("**Exchange**") Listing Manual Section B: Rules of Catalyst for compliance with the relevant rules of the Exchange. The Company's Sponsor has not independently verified the contents of this document including the correctness of any of the figures used, statements or opinions made.

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

The contact person for the Sponsor is Ms Foo Quee Yin

Telephone number: 6221 0271



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Ip Kwok Wing  
Executive Chairman

Lim Fong Li Janet  
Chief Executive Officer

Er Kwong Wah  
Lead Independent Director

Lo Kim Seng  
Independent Director

Ross Yu Limjoco  
Independent Director

## AUDIT COMMITTEE

Er Kwong Wah (Chairman)  
Lo Kim Seng  
Ross Yu Limjoco

## NOMINATING COMMITTEE

Lo Kim Seng (Chairman)  
Er Kwong Wah  
Ross Yu Limjoco

## REMUNERATION COMMITTEE

Ross Yu Limjoco (Chairman)  
Er Kwong Wah  
Lo Kim Seng

## AUDITORS

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

Partner: Tiang Yii  
(appointed since financial year ended  
30 June 2019)

## COMPANY SECRETARY

Tan Wee Sin

## 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  
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, 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 acquired a new subsidiary trading in disposable and wearable for use in pharmaceutical, cleanroom, bio-medical, laboratories and hospitals in financial year ended 30 June 2015 ("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

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

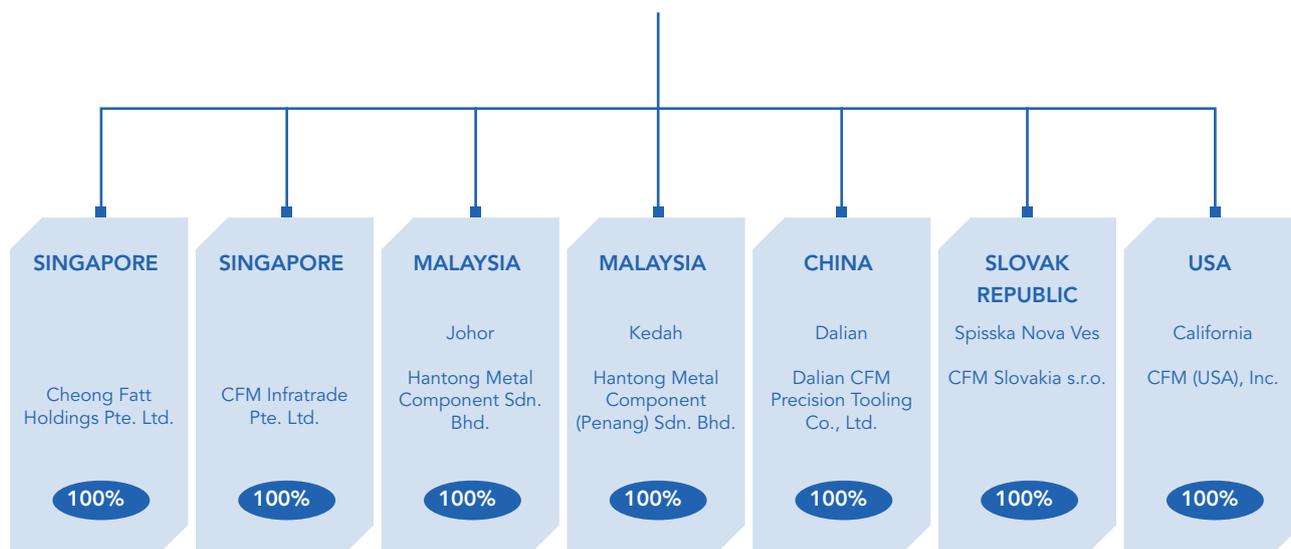


## MISSION

We aim to deliver high quality components to our customers by implementing stringent process control and deliver at the lowest cost possible. We strive to constantly upgrade our skills and keep abreast with technological advancement to satisfy beyond customers' requirements.

# CORPORATE STRUCTURE

## CFM HOLDINGS LIMITED



## 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) [www.cfmholdings.com](http://www.cfmholdings.com)

### Subsidiaries

#### SINGAPORE

**Cheong Fatt Holdings Pte. Ltd.**  
**CFM Infratrade Pte. Ltd.**

#### 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

*Note: The Company holds interest in shareholdings of 14.67% in PT Hantong Precision Manufacturing Batam. The investment was fully written off in FY2018.*

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of CFM Holdings Limited ("the Company") and its subsidiaries ("the Group") for the financial year ended 30 June 2020 ("FY2020").

During the financial year, our strategic challenge was to expand our customer base and product offerings. In the first half of the year, the Group faced rising trade tensions, resulting in our China export being subdued. As we entered into the second half of the financial year, the Group faced an unprecedented operational and service disruptions brought about by the Covid-19 global pandemic. The world experienced the loss of lives, lockdown instructions by governments that brought about a social-environmental change. Our China and Malaysia subsidiaries were not spared as our operations were disrupted and services came to a halt for about a month.

## PERFORMANCE HIGHLIGHTS

The Group reported revenue of S\$17.4 million for the year ended 30 June 2020, a decrease of S\$2.9 million in revenue from S\$20.3 million for FY2019. The Group reported a loss after tax of S\$703k as compared to a profit after tax of S\$290k for the prior financial year ended 30 June 2019.

The Group's Gross profit decreased by approximately S\$0.6 million from S\$4.5 million in FY2019 to S\$3.9 million in FY2020. The decline in Gross Profit was mainly due to a major customer has delayed manufacturing of their products through the Malaysia factory, arising from the current market disruption, subdued trade export for China operations, competition for Singapore operations and the Covid-19 global pandemic that caused finished goods delivery to be stalled.

## FORWARD

The Group will remain prudent in managing its liquidity, given the changing economic landscape due to the slow recovery from the COVID-19 pandemic, slower exports to the Americas as plants remain closed or partially operating. However, the Group will take advantage of any opportunities that may arise to grow the Group's business in a sustainable manner.

## OUR THANKS

We will be hosting a live webcast for this year's Annual General Meeting ("AGM"), instead of conducting the AGM as a physical meeting. This is in accordance with recommended guidelines from the authorities to ensure that our stakeholders stay safe.

The Board wishes to express its appreciation to all shareholders, staff, and other stakeholders for their support, dedication, and commitment during this challenging period.

## IP KWOK WING

*Executive Chairman*

# BOARD OF DIRECTORS

## **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 Er Kwong Wah**

*Lead Independent Director*

Mr Er Kwong Wah is the Chairman of the Audit Committee and a member of both the Nominating Committee and the Remuneration Committee.

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 Bachelor of Applied Science with Honours in Electrical Engineering from the University of Toronto, Canada in 1970 and an MBA from the Manchester Business School, University of Manchester in 1978.

# BOARD OF DIRECTORS

## **Mr Lo Kim Seng**

*Independent Director*

Mr Lo Kim Seng was appointed on 1 July 2020 as a Non-Executive Independent Director. He is the Chairman of the Nominating Committee and a member of both the Audit Committee and the Remuneration Committee. He is a Director in Bayfront Law LLC, and was previously a Director at Morgan Lewis Stamford LLC and Duane Morris and Selvam LLP from 2004 to 2013.

Mr Lo Kim Seng advises clients in a broad range of capital markets, mergers and acquisitions, corporate, and commercial matters. He has spent more than two decades practising different aspects of corporate law involving start-up ventures, SMEs and listed entities.

He was a Teaching Fellow at the Singapore Institute of Legal Education and was a member of the Corporate Practice Committee of the Law Society of Singapore. He was also a trainer in the Listed Entity Directors Programme organised by the Singapore Institute of Directors (SID).

Mr Lo is admitted as an Advocate & Solicitor of Singapore, Solicitor of New South Wales, Australia, and Solicitor of England and Wales.

## **Mr Ross Yu Limjoco**

*Independent Director*

Mr Ross Yu Limjoco was appointed on 19 July 2019 as a Non-Executive Independent Director of our Company. He is the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee. He is also an Independent Director of Camsing International Holdings Limited.

Ross is currently the Group CFO of BS Groups (Asia) Pte. Ltd. and the Managing Director of Anchorage Consulting Private Limited and TMS Capital Advisory Ltd. He has over 25 years of experience in professional services, gained from his employment with Arthur Andersen Singapore and Manila, BDO LLP, BDO Advisory Pte Ltd, and Nexia TS Pte Ltd. He also served as the CFO of PSL Holdings Ltd.

He graduated from the Philippine School of Business Administration, with a degree in Bachelor of Science in Business Administration, major in Accounting. He is a member of the Institute of Singapore Chartered Accountants, Philippine Institute of Certified Public Accountants, Association Certified Fraud Examiners, International Association of Consultants, Valuators and Analysts and Institute of Valuators and Appraisers, Singapore.

# KEY MANAGEMENT PERSONNEL

**Mr Kenneth Ip Yew Wa**  
*Chief Operating Officer*

Mr. Ip joined the Group on 1 January 2009 and is currently the Chief Operating Officer of the Company. He is also the 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 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.

**Ms Tan Lay Lee**  
*Chief Financial Officer*

Ms. Tan joined the Group on 10 January 2020 as the Chief Financial Officer. She is responsible for all key financial matters of the Group.

She was with Informatics Education Ltd, a SGX mainboard listed company for more than 10 years and was their Group Financial Controller. She joined Mary Chia Holdings Limited, a SGX catalyst listed company in Dec 2015 as their Financial Controller. In both companies, she oversees the full spectrum of the finance and accounting functions, taxation and compliance.

She is a member of Institute of Singapore Chartered Accountant (ISCA) and Fellow member of Association of Chartered Certified Accountant (ACCA).

# FY2020 – OPERATIONAL AND FINANCIAL REVIEW

## Revenue

The Group recorded revenue of S\$17.4 million for the full year FY2020, which was a decrease of approximately S\$2.9 million from the previous corresponding financial period. The decrease was largely due to a major customer has delayed manufacturing of their products through the Malaysia factory, arising from the current market disruption, coupled with the Covid-19 global pandemic that halted our Malaysia operations for more than a month and overseas delivery were stalled. China sales decreased due to subdued trade export to other countries, whilst Singapore operations faced stiff competition.

## Gross Profit

The Group's Gross Profit decreased by approximately S\$0.6 million from S\$4.5 million in FY2019 to S\$3.9 million in FY2020. The decline in Gross Profit was mainly due to a major customer has delayed manufacturing of their products through the Malaysia factory, arising from the current market disruption, subdued trade export for China operations, competition for Singapore operations and the Covid-19 global pandemic that caused finished goods delivery to be stalled.

## Other Income

Other income in FY2020 consists mainly of rental income S\$628k, and higher government grants in view of Covid-19 and others S\$205k. The decrease was due to the absence of reversal of provision for litigation expenses in FY2020 but partially offset by the increase in government grant and rental income.

## Administrative and other expenses

Administrative expenses increased from S\$4.27 million in FY2019 to S\$4.28 million in FY2020 due to higher depreciation as a result of adoption of SFRS(I) 16 Leases – Right-of-Use assets depreciation, higher stock impairment, higher manpower cost offset by lower impairment of trade receivables.

## Finance expenses

Finance expenses increased was mainly due to the adoption of SFRS(I) 16, which amounted to S\$89k.

## Tax expense

The tax expense for the year is due to temporary differences.

## Loss for the financial year

The Group recorded a loss after tax of S\$703k for FY2020 as compared to a profit after tax of S\$290k for FY2019.

## Review of Consolidated Statement of financial position (FY2020 vs. FY2019)

### Non-current assets

The increase in Property, plant and equipment was mainly due to adoption of SFRS(I) 16 - Right-of-use assets from 1 July 2019, S\$2.83 million, and purchase of property, plant & equipment amounted to S\$241k offset by depreciation charge of S\$1.07 million for the financial year.

At the Company's level, the investment in subsidiaries declined from S\$12.4 million to S\$11.4 million.

The Company had during the year reviewed the performance of its subsidiaries and performed impairment test on its loss incurring subsidiary, M/s Hantong Metal Component Sdn. Bhd. and had impaired its investment by S\$415k.

The Company also reviewed the performance of Dalian CFM Precision Tooling Co., Ltd in view of the current subdued exports to other countries and global pandemic and had impaired its investment by S\$674k.

Following this impairment the investment in Dalian has been fully impaired to nil as at 30 June 2020.

# FY2020 – OPERATIONAL AND FINANCIAL REVIEW

## Current assets

Inventories decreased marginally by approximately S\$86k, due to higher inventory utilisation.

Trade receivables decreased to S\$3.2 million as at 30 June 2020, from S\$4.7 million as at 30 June 2019. The decrease was mainly due to faster collection.

Other receivables consist mainly of deposits and prepayments. The increase of S\$114k to S\$387k was mainly due to prepayments for tools and machinery.

## Current liabilities

Trade payables decreased by S\$733k, from S\$1.9 million as at 30 June 2019 to S\$1.2 million as at 30 June 2020. This was mainly due to payment of Goods and Services Tax, payment to suppliers during the year and less purchase made towards the end of the year due to Covid-19.

Contract liabilities increased by S\$137k, to S\$353k as at 30 June 2020 as a result of advance billings to customers.

The Group adopted SFRS (I) 16 and as at 30 June FY2020, Lease Liabilities was S\$273k under current liabilities.

Other payables decreased by S\$244k to S\$1.5 million as at 30 June 2020 as a result of lower rental deposits, absence of goods-in-transit, lower accruals for staff related costs.

## Borrowings and leases

Total borrowings for the Group increased from S\$6.9 million as at 30 June 2019 to S\$9.1 million as at 30 June 2020. This was mainly due to increase in lease liabilities S\$2.7 million offset by repayment of bank borrowing and lease liabilities, S\$0.5 million, during the financial year.

The Group adopted SFRS (I) 16 and as at 30 June 2020, Lease Liabilities was S\$2.5 million for non-current liabilities.

## Review of Consolidated Statement of Cash Flows (FY2020 vs. FY2019)

For the financial year ended 30 June 2020, the Group generated a net cash inflow of S\$1.47 million from operating activities as compared to net cash used in operating activities S\$0.17 million, for FY2019.

The operating cash flow before working capital changes decreased from S\$1.86 million (FY2019) to S\$1.37 million in FY2020, which was mainly due to net loss before tax of S\$257k. Increase in inventory of S\$208k, decrease in payables and contract liabilities of S\$845k, decrease in receivables and prepayments of S\$1.43 million, resulted in the Group recording cash generated from operating activities of S\$1.47 million.

Net cash used in investing activities amounted to S\$239k in FY2020 (2019: S\$185k). The net cash flow used was mainly due to purchase of property, plant & equipment of approximately S\$241k that was partially offset by proceeds from disposal of property, plant & equipment of S\$2k.

Net cash used in financing activities was S\$943k in FY2020, this was mainly attributed by:

- a. repayment of borrowings of S\$464k
- b. payment on lease liabilities S\$159k
- c. interest payment of S\$318k of which S\$90k was interest on lease liabilities.

As a result of the above, the Group's cash and cash equivalent increased from S\$3.5 million as at 30 June 2019 to S\$3.8 million as at 30 June 2020.

# FY2020 – OPERATIONAL AND FINANCIAL REVIEW

As the Covid-19 pandemic remains largely unpredictable at the moment, the Group is, although actively looking to increase total revenue, is proceeding cautiously in light of the current global situation.

## Litigation

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

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., (“HTPG”) 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”). In 2018, the Group has recognised liabilities amounted to \$599,000. On 11 July 2018, the amount has been paid to Showa’s solicitor which was placed in an interest-bearing fixed deposit account.

On 4 April 2018, HTPG applied for appeal to Court of Appeal and on 29 January 2020, the Court of Appeal set aside the decision of the High Court. Showa proceeded to file application at Federal Court to seek leave to appeal to Federal Court. Both the Solicitors have written in to the Court of Appeal to request for a copy of the Grounds of Judgement and Showa’s application for leave to appeal to Federal Court was fixed for case management on 28 September 2020 and subsequently postponed to 28 October 2020 pending obtaining Grounds of Judgment from the Court of Appeal. At the date of these financial statements, the directors had assessed that no additional liabilities need to be accrued.

The Company will make further announcements as and when there are material developments in this matter.

As at the date of this Annual Report, there is no further update.

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

# CORPORATE GOVERNANCE

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 provisions of the Code of Corporate Governance 2018 issued on 6 August 2018 ("the Code") by the Corporate Governance Committee, 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") (the "Guide"). Proper explanation would be given where there is a deviation from the recommended provisions.

This report describes the corporate governance practises of the Company for the financial year ended 30 June 2020 ("FY2020"), with specific reference to the principles and provisions of the Code. Where applicable, deviations from the Code have been explained. 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: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.***

#### *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, constructively challenge Management and review 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.
- (l) ensure transparency and accountability to key stakeholder groups.

The Directors put in place policies, structures and mechanisms to ensure compliance with various legislative and regulatory requirements, establish appropriate tone-at-the-top, desired organisational culture and standards of ethical behaviour.

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 allows Board meetings to be conducted by way of telephone conference.

The attendance record of each director at meetings of the Board and Board Committees during FY2020 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*
Ong Wei Jin <sup>(1)</sup>	3	3	1	1
Er Kwong Wah	3	3	1	1
Ross Yu Limjoco	3	3	1	1
Lo Kim Seng <sup>(2)</sup>	-	-	-	-
<b>Total No. of Meetings Held</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>1</b>

\* By way of invitation.

<sup>(1)</sup> Mr. Ong Wei Jin resigned as an Independent Director on 26 June 2020.

<sup>(2)</sup> Mr. Lo Kim Seng was appointed as an Independent Director on 1 July 2020.

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. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issue of conflict.

# CORPORATE GOVERNANCE

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. The cost of attending training programme by the directors will be borne by the Company.

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the NC is satisfied that the Directors continue to meet the demands of the Group and are discharging their duties effectively. 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.

While some Directors have multiple board representations and other principal commitments, the NC is satisfied that the Directors are able to adequately carry out their duties as directors for FY2020 based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company.

In assessing the capacity of Directors, the NC considers, amongst others, the following:

- (i) Expected and/or competing time commitments of Directors, including whether such commitment is in a full-time or part-time employment capacity;
- (ii) Geographical location of Directors;
- (iii) Size and composition of the Board;
- (iv) Nature and scope of the Group's operations and size; and
- (v) Capacity, complexity and expectations of the other listed directorships and principal commitments held, if any.

# CORPORATE GOVERNANCE

The measures and evaluation tools in place to assess the performance and consider competing time commitments of the Directors include the following:

- Declarations by individual Directors of their other listed company board directorships and principal commitments; and
- Attention to the Company's affairs, having regard to his other commitments.

Currently, the Company does not have any alternate Director.

The Company believes that the flow of relevant, complete and accurate information on a timely basis is critical for the Board to discharge of its duties effectively. The Management provides members of the Board with quarterly management accounts, as well as relevant background and explanatory information relating to the matters that would be discussed in the Board meetings, prior to the scheduled meetings. All directors are also furnished with timely updates on the financial position and any material development of the Group as and when necessary. The management approves and monitor operations budget and the management accounts to the AC and Board.

Directors are aware of their duties and obligations and the requirements in respect of disclosure of interests in securities, disclosure of conflicts of interests in transactions involving the Company, prohibitions on dealings in Company's securities and restrictions on disclosure of price-sensitive information.

The Board has separate and independent access to the Company Secretary and Management at all times. The role of the Company Secretary includes responsibility for ensuring the Board's procedures are followed and that the applicable rules and regulations are complied with. The Company Secretary attends and prepares minutes of meetings of the Board and Board Committees and assists the Board in ensuring that the Company complies with the relevant statutory requirements. The appointment and removal of the Company Secretary are subject to the approval of the Board as a whole.

Each Director has access to the Group's independent professional advisors as and when necessary to enable each Director to discharge his responsibility effectively. Any cost of obtaining professional advice will be borne by the Company.

## **Board Composition and Guidance**

***Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.***

The NC determines on an annual basis whether or not a director is independent, taking into account the Code's definition and defined by Catalyst's Rules In respect of the review of the independence of each director, the NC assessed the independence of each director and had considered that Mr. Er Kwong Wah, Mr. Lo Kim Seng and Mr. Ross Yu Limjoco to be independent.

As at the date of this Annual Report, the Board comprises five (5) directors, of whom two (2) are Executive Directors and three (3) are Independent Directors. Its present composition is in compliance with the Code's guidelines where Independent Directors make up at least half of the Board when the Chairman of the Board and the Chief Executive Officer ("CEO") are immediate family members. 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.

# CORPORATE GOVERNANCE

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	–	–	–
Lim Fong Li Janet	Executive Director & CEO	–	–	–
Ong Wei Jin <sup>(1)</sup>	–	–	–	–
Er Kwong Wah	Lead Independent Director	Chairman	Member	Member
Ross Yu Limjoco	Independent Director	Member	Member	Chairman
Lo Kim Seng <sup>(2)</sup>	Independent Director	Member	Chairman	Member

<sup>(1)</sup> Mr. Ong Wei Jin resigned as an Independent Director on 26 June 2020. Subsequent to the resignation of Mr. Ong Wei Jin as an Independent Director, he also ceased to be the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee on 26 June 2020.

<sup>(2)</sup> Mr. Lo Kim Seng was appointed as an Independent Director on 1 July 2020. Subsequent to his appointment, he was also appointed the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee on 1 July 2020.

The NC is satisfied that the Board comprises directors who as a group provide core competencies such as accounting or finance, legal, 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.

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.

The NC is of the view that the current Board and Board Committees comprises persons who as a group provide an appropriate balance and diversity of skills, experience and knowledge for the Board to be effective. There is no formal diversity policy adopted by the Company and it may consider adopting a formal policy in due course.

The Board has taken the following steps to maintain and to enhance its balance and diversity:-

- (i) Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and
- (ii) Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

## **Chairman and Chief Executive Officer**

***Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

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.

# CORPORATE GOVERNANCE

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 Chief Operating Officer, 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, a member for the Nominating Committee and 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.

# CORPORATE GOVERNANCE

## Board Membership

***Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.***

The Company has established a NC to, among other things, make recommendations to the Board on all Board appointments. The NC currently comprises three (3) directors, all of whom, including the Chairman are independent. The NC members are:-

Mr. Lo Kim Seng	–	Chairman
Mr. Er Kwong Wah	–	Member
Mr. Ross Yu Limjoco	–	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 develop a process for evaluation of the performance of the Board, its committees and directors and address how the Board has enhanced long-term shareholders' value.
- (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.

### *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;

# CORPORATE GOVERNANCE

- (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. The Company's Constitution provides that one-third of the Board 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. In addition, the Company's Constitution also provides that newly appointed Directors are required to submit themselves for re-election at the AGM of the Company immediately following his appointment.

Mr. Lo Kim Seng and Mr. Er Kwong Wah will be retiring at the forthcoming AGM pursuant to the Company's Constitution. Mr. Lo Kim Seng and Mr. Er Kwong Wah being eligible, had consented to stand for re-election as Directors of the Company at the forthcoming AGM.

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

- (a) pages 31 and 32 – 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 (3) 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 33 – Shareholdings in the Company and its related companies.

## **Board Performance**

***Principle 5: The Board undertakes a formal assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.***

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

# CORPORATE GOVERNANCE

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.

The NC has in place a performance evaluation process whereby the Board and individual directors will complete confidential group and individual assessment questionnaires to assess the effectiveness of the Board, its committees and the contributions of each director, including the Chairman. The Board and committee assessment parameters include areas such as Board composition, Board processes in managing the Group's performance and the effectiveness of the Board in its monitoring role and the effectiveness of the respective committee. The individual assessment areas include attendance and contributions during Board and committee meetings as well as commitment to their role as directors. Individual directors are also evaluated on their respective areas of expertise across business, industry, finance and legal. The Company Secretary had been requested to collate the Board's and directors' evaluation and to provide the summary observations for the NC Chairman and Board Chairman. The Board Chairman will act on the results of the performance evaluation and the recommendation of the NC, and where appropriate, in consultation with the NC, new members may be appointed, or resignation of directors may be sought.

The current performance evaluation does not include the criteria for individual directors to assess their willingness and ability to constructively challenge the Board. The Company will implement this as part of the performance evaluation from FY2021 onwards.

Following the review of the assessment of the Board, its committees and individual directors, including the Chairman for FY2020, both the NC and the Board are of the view that the Board and its committees have operated effectively and each director has contributed to the overall effectiveness of the Board in FY2020. No external facilitator was used in the evaluation process.

All NC members have abstained from voting or review process of any matters in connection with the assessment of his performance.

The NC meets at least once a year, and as warranted by circumstances, to discharge its functions. In FY2020, one (1) NC meeting was held.

## (B) REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

***Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.***

The RC comprises the following three (3) Directors, all of whom, including the Chairman are Independent Directors:-

Mr. Ross Yu Limjoco	–	Chairman
Mr. Er Kwong Wah	–	Member
Mr. Lo Kim Seng	–	Member

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;

# CORPORATE GOVERNANCE

- (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 ended 30 June 2020.

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.

The RC meets at least once a year, and as warranted by circumstances, to discharge its function. In FY2020, one (1) RC meeting was held.

## Level and Mix of Remuneration

***Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.***

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.

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.

# CORPORATE GOVERNANCE

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.

During FY2020, the RC reviewed the compensation and remuneration packages and believes that the directors and Management are sufficiently compensated.

## Disclosure on Remuneration

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

### *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 2020.*

# CORPORATE GOVERNANCE

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 2020, are set out below:

Remuneration Band Name of Director	Base Salary	Variable/ Performance Related Income	Director Fees	Benefit in Kind/ Allowance	Total
<b>\$250,000 and below</b>					
Mr. Ip Kwok Wing <sup>^</sup>	73%	10%	–	17%	100%
Mdm. Lim Fong Li Janet <sup>^</sup>	76%	17%	–	7%	100%
Mr. Er Kwong Wah	–	–	100%	–	100%
Mr. Ong Wei Jin <sup>(1)</sup>	–	–	100%	–	100%
Mr. Ross Yu Limjoco	–	–	100%	–	100%
Mr. Lo Kim Seng <sup>(2)</sup>	–	–	–	–	–

## Remuneration Band Name of Top 5 Existing Key Management Personnel \$250,000 to S\$500,000

Mr. Kenneth Ip Yew Wa <sup>*(3)</sup>	88%	7%	–	5%	100%
<b>\$100,000 and below</b>					
Ms. Tan Lay Lee <sup>*</sup>	91%	–	–	9%	100%

Notes:

<sup>^</sup> Ip Kwok Wing and Lim Fong Li Janet are husband and wife.

<sup>\*</sup> The Group has two Key Management Personnel who are not a Director, and the remuneration paid to such key management personnel are between S\$250,000 to S\$500,000 and \$100,000 and below respectively.

<sup>(1)</sup> Mr. Ong Wei Jin resigned as an Independent Director on 26 June 2020.

<sup>(2)</sup> Mr. Lo Kim Seng was appointed as an Independent Director on 1 July 2020.

<sup>(3)</sup> Mr. Kenneth Ip Yew Hwa resigned as an Executive Director and was appointed as Chief Operating Officer on 19 July 2019.

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. The Group does not have other Key Management Personnel save for those disclosed above.

There were no termination, retirement and post-employment benefits granted to Directors, the CEO and key management personnel for the financial year ended 30 June 2020.

Apart from Mr. Kenneth Ip Yew Wa (Chief Operating Officer), being the son of Mr. Ip Kwok Wing (Executive Chairman) and Mdm. Lim Fong Li Janet (CEO), who holds the position of Chief Operating Officer and General Manager with a remuneration band between S\$200,000 to S\$300,000 for the financial year ended 30 June 2020. The Company does not have any other employees who are immediate family members of any director or the CEO and whose remuneration exceeds S\$100,000 during the financial year ended 30 June 2020. The RC was of the view that the remuneration between S\$200,000 to S\$300,000 is in line with the staff remuneration guidelines and commensurate with his job scope and level of responsibilities.

# CORPORATE GOVERNANCE

“Immediate family member” means the spouse, child, adopted child, stepchild, brother, sister or parent.

## *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 RC which will oversee and administer the 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 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 34 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.

# CORPORATE GOVERNANCE

## (C) ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

***Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal control, to safeguard the interests of the company and its stakeholders.***

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 auditors 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 risk management system and the internal control system annually. An independent internal audit firm 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 FY2020, the AC reviewed with the external auditors its findings on internal control recommendations. The Group had also appointed Messrs. PKF-CAP LLP as an outsourced internal audit function. The IA had presented its internal audit findings and recommendations to the AC for FY2020.

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.

For the financial year ended 30 June 2020, the Board had received assurance from the CEO and CFO that (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company’s operations and finances; and (ii) there were no significant internal control issues or incidents to be brought to the attention of the Audit Committees’ or the Directors of the Company in respect of the Group’s adequacy and effectiveness in terms of the risk management; and internal control systems addressing financial, operational compliance and information technology risks.

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.

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.

# CORPORATE GOVERNANCE

## Audit Committee ("AC")

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

The AC currently comprises the following three (3) Independent Directors, including the Chairman:

Mr. Er Kwong Wah	–	Chairman
Mr. Lo Kim Seng	–	Member
Mr. Ross Yu Limjoco	–	Member

The Board is of the view that the members of the AC have sufficient financial management knowledge and experience to discharge their responsibilities as members of the AC. 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 review and 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 adequacy, independence, effectiveness, 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

# CORPORATE GOVERNANCE

- (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.
- (p) to review the assurance from the CEO and CFO on the financial records and financial statements.

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 met up with the internal and external auditors without the presence of Management at least once annually 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 2020 amounted to \$66,100 and there were no non-audit fees paid or payable.

The Company appointed Messrs. Baker Tilly TFW LLP as auditors of the Company. The Company confirmed that Rule 712 and Rule 716 of the Catalist Rules of the SGX-ST 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.

The AC has recommended to the Board that Messrs. Baker Tilly TFW LLP be nominated for re-appointment as the auditors of the Company at the forthcoming AGM of the Company to be held on 28 October 2020. None of the AC members are former partners or Directors' of the Company's external firm within the last twenty-four (24) months and none of the AC members hold any financial interest in the external audit firm. The AC has evaluated the performance of the external auditors, taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority (ACRA).

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. There was no significant matters relating to whistle-blowing raised during the financial year ended 30 June 2020.

On a quarterly basis, the Management reports to the AC on any Interest Person Transactions.

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.

# CORPORATE GOVERNANCE

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 FY2020 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 FY2020 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 FY2020, 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. The AC is satisfied that the IA is independent and adequately resourced to perform its function effectively. The AC has assessed and is satisfied with the adequacy, effectiveness and independence of the internal audit function.

## (D) SHAREHOLDERS RIGHTS AND ENGAGEMENT

### Shareholder Rights and Conduct of General Meetings

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

The Board is committed to providing clear and full information of the Group to shareholders through the publication of notices, announcements, circulars, quarterly and full-year financial results. The Company does not practise selective disclosures and releases its financial results and other material information to the shareholders on a timely basis in accordance with the requirements of the Catalist Rules, via the SGXNET.

Shareholders are encouraged to attend the AGM of the Company to ensure a greater level of shareholder participations and for them to be kept up to date as to the strategies and goals of the Group. An independent polling agent is appointed by the Company for general meetings who will explain the rules, including voting procedures that govern the AGM. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circulars and notices pertaining to any extraordinary general meeting of the Company. The notice is also advertised in a newspaper and available on the SGX-ST's website.

To facilitate participation of the shareholders, the Company's Constitution allow a shareholder to appoint not more than two (2) proxies to attend and vote at general meetings.

# CORPORATE GOVERNANCE

At the general meetings, the external auditors as well as all the Directors, in particular the Chairman of the Board and the respective Chairman of the AC, NC and RC, are in attendance to answer queries from shareholders. Shareholders are given the opportunity at general meetings to air their views and query the Directors and Management on matters relating to the Group and its operations. The Board members also avail themselves after general meetings to solicit and understand the view of the shareholders. Minutes of general meetings, which include substantial comments relating to agenda of general meeting or queries from shareholders and responses from the Board and Management are available to shareholders upon request.

The Company will publish minutes of AGM FY2020 on its corporate website and SGXNet as soon as practicable.

All resolutions are put to vote by poll and the voting results of all votes cast for, or against, or abstain, each resolution and the respective percentages are announced at the meeting and via SGXNET upon the conclusion of the general meetings.

The Company do not practice bundling of resolutions. Each resolution is separately tabled at the general meeting.

The Company's Constitution does not allow absentia voting at the general meetings of shareholders.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved. However, the Company will establish and maintain regular dialogue with shareholders to gather views or inputs and their concerns.

## **Dividend Policy**

The Company does not have a specific dividend policy. Nonetheless, the Management after reviewing the performance of the Company in the relevant financial period will make an appropriate recommendation to the Board. Any dividend declaration will be communicated to shareholders via announcement through SGXNET.

## **Engagement with Shareholders**

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

It is the Company's policy to keep all shareholders informed of developments or changes that will have a material impact on the Company's share price, through announcement via SGXNET and such announcement made and press releases of the Group are available on the Company's website at <https://cfmholdings.com/>.

The Company's half-yearly and full year results announcement are issued via SGXNET. The Company also publishes the presentation slides used during the briefings on SGXNET and on its website – <https://cfmholdings.com/>. Once the annual report for FY2020 is completed, a copy will be made available on the website and published via SGXNet.

The Company does not have a formal investor relations policy but considers advice from its corporate lawyers and professionals on appropriate disclosure requirements before announcing material information to shareholders. Pertinent information is regularly disseminated to the shareholders through SGXNet. The Company will consider the appointment of a professional investor relation officers to manage the function should the need arises.

However, investor may reach the Company thru the email : [irc@cfmholdings.com](mailto:irc@cfmholdings.com) for any published matters of the Company.

# CORPORATE GOVERNANCE

## (E) MANAGING STAKEHOLDERS RELATIONSHIPS

### Engagement with Stakeholders

***Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.***

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include employees, community, government and regulators and shareholders and investors. The Company engages its stakeholders through various channels including the Company's website to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Company does engaged with stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve management strategies, as well as to sustain business operations for long-term growth.

The stakeholders are entities or individuals who are either directly or indirectly involved in the Company are aligned with those of the stakeholders the Company and may be significantly impacted by how the Group operates. The key stakeholders include the financial institutions, investors, shareholders, government, regulators, employees, customers and vendors. The Company identified and prioritised the factors and ranked them in accordance to importance to the stakeholders and importance to the Group.

The Group has undertaken a process to determine the environmental, social and governance ("ESG") factors which are important to these stakeholders. A more detailed elaboration on the Company's sustainability strategy and key areas of focus in relation to the management of stakeholder relationship will be set out in the Sustainability Report 2020 will be published separately from the annual report.

## 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, its directors and officers should not 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 (whether directly or indirectly) in the Company's securities on short-term considerations and be mindful of the law on insider trading as prescribed by the Securities & Futures Act, Chapter 289 of Singapore at all times even when dealing in securities within the permitted trading period

## INTERESTED PERSON TRANSACTION ("IPT")

The Company has established procedures to ensure that all transaction with IPT are reported on 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.

# CORPORATE GOVERNANCE

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the SGX-ST's Catalyst 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 was no IPT transaction exceeding \$100,000 conducted during the financial period under review.

## 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.

**Risk Appetite of the Group** The Group relies on Management to monitor day to day operations. Key corporate decisions, such as investments or acquisitions of businesses are subjected to the Board approval. The Group's performance is monitored closely by the Board periodically and any significant matters that might have an impact on the operating results are required to be brought to the immediate attention of the Board.

The Group has also taken a strict stance towards avoiding any risks that might result in breaching relevant laws and regulations and risks that could adversely affect the reputation of the Group. Active efforts are also in place to manage risks within impact such as transferring them to third party insurers or having internal control procedures to better mitigate the likelihood of their occurrence.

**Risk Assessment and Monitoring** The nature and extent of risks to the Group will be assessed regularly by key management personnel and risk reports covering top risks to the Group will be submitted to the AC when it arises. The Board has also received assurance from the CEO and the CFO that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are adequate and effective to address the financial, operational, compliance and information technology risks.

## 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.

## NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, Asian Corporate Advisors Pte. Ltd. during the financial year ended 30 June 2020.

# 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	25 October 2019	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 2018	Other Listed Companies Nil  Other principal commitments Nil
Ross Yu Limjoco	Certified Public Accountant Chartered Accountant of Singapore  Certified Fraud Examiner  Chartered Valuers and Appraisers	Non-Executive Independent Director	19 July 2019	25 October 2019	Other Listed Companies Present: Camsing International Holdings Ltd (listed on HKSE)  Over preceding 3 years: IPCO International Limited (listed on SGX)  8 Telecom International Holdings Co Ltd (listed on SGX)  Other principal commitments Group CFO, BS Groups (Asia) Pte Ltd
Lo Kim Seng	Advocate & Solicitor of Singapore, Solicitor of New South Wales, Australia and Solicitor of England and Wales	Non-Executive Independent Director	1 July 2020	Not Applicable	Other Listed Companies Present:  Over preceding 3 years: Nil  Other principal commitments Director, Bayfront Law LLC

# CORPORATE GOVERNANCE

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) in Electrical Engineering  Master in Business Administration	Non-Executive Independent Director	28 February 2013	31 October 2017	Other Listed Companies Present: COSCO Shipping International (S) Ltd The Place Holdings Limited ecoWise Holdings Limited Luxking Group Holdings Ltd CFM Holdings Limited Chaswood Resources Holdings Ltd  Over preceding 3 years: <ul style="list-style-type: none"> <li>• GKE Corporation Limited</li> <li>• China Environment Ltd</li> <li>• USP Group Limited</li> </ul> Other principal commitments Nil

# DIRECTORS' STATEMENT

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 2020.

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 41 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 2020 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 Singapore Financial Reporting Standards (International); and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## Directors

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

Ip Kwok Wing	-	Executive Chairman
Lim Fong Li Janet	-	Chief Executive Officer
Er Kwong Wah	-	Lead Independent Director
Ross Yu Limjoco	-	Independent Director
Lo Kim Seng	-	Independent Director (Appointed on 1 July 2020)
Ong Wei Jin	-	Independent Director (Resigned on 26 June 2020)

## 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 or 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	
	At beginning of the financial year	At end of the financial year
<b>The Company</b>		
Ip Kwok Wing	74,319,300	74,319,300
Lim Fong Li Janet	61,601,150	61,601,150

# 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 2020.

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 wholly-owned 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, Lo Kim Seng and Ross Yu Limjoco, 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  
Ross Yu Limjoco  
Lo Kim Seng (appointed on 1 July 2020)  
Ong Wei Jin (ceased on 26 June 2020)

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 internal and external audit and its cost effectiveness;
- (c) to review the financial statements before their submission to the Board of Directors ("Board") and the independent auditor's report on those financial statements;

# DIRECTORS' STATEMENT

## 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 review and discuss with the independent 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 independent 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 independent auditor;
- (k) to recommend the appointment or re-appointment of independent auditor, and approve the terms of engagement and audit fees payable to the independent 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 adequacy, independence and effectiveness, 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;
- (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; and
- (p) to review the assurance from the CEO and CFO on the financial records and financial statements.

The AC is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board that Baker Tilly TFW LLP be nominated 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

1 October 2020

# 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 41 to 98, which comprise the balance sheets of the Group and the Company as at 30 June 2020, 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 financial 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### 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 \$11,356,000 (2019: \$12,445,000), after deducting impairment loss of \$11,221,000 (2019: \$10,132,000) as at 30 June 2020.

The assessment of recoverable amount of the Company's investment in subsidiaries is considered to be significant to our audit as carrying value of investment is material to the Company's financial statements and the assessment requires application of judgement and use of subjective assumptions by management.

# 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)

Management has assessed the recoverable amount of its investment in subsidiaries based on fair value less costs of disposal and value in use of the investment in subsidiaries using the discounted cash flow ("DCF") method. The determination of fair value less costs of disposal 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 three to five years including the consideration on the outbreak of COVID-19. 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 costs of disposal, where applicable.

*How the matter was addressed in our audit:*

We have obtained an understanding of management's impairment policy on investment in subsidiaries and impairment assessment process for their assessment of the recoverable amount of the Company's investment in subsidiaries.

We have obtained management's assessment of the VIU 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 costs of disposal, where applicable, and evaluated the assessment for reasonableness.

We assessed the sensitivity of the key estimates on the impairment assessments based on reasonably possible changes in the key estimates.

We have also assessed the adequacy and 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 2020, but does not include the financial statements and our auditor's report thereon.

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the Members of CFM Holdings Limited

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

### *Responsibilities of Management and Directors for the Financial Statements (cont'd)*

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the Members of CFM Holdings Limited

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

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

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

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

## 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 Tiang Yii.

Baker Tilly TFW LLP  
Public Accountants and  
Chartered Accountants  
Singapore

1 October 2020

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

		Group	
	Note	2020 \$'000	2019 \$'000
<b>Revenue</b>	4	17,415	20,308
Cost of sales		(13,526)	(15,832)
<b>Gross profit</b>		3,889	4,476
Other income	5	833	975
Marketing and distribution expenses		(380)	(388)
Administrative and other expenses		(4,281)	(4,266)
Finance costs	6	(318)	(269)
<b>(Loss)/profit before tax</b>	7	(257)	528
Tax expense	9	(446)	(238)
<b>(Loss)/profit for the financial year</b>		(703)	290
<b>Other comprehensive income/(loss) for the financial year, net of tax:</b>			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		43	(285)
<b>Total comprehensive (loss)/income for the financial year</b>		(660)	5
		<b>Cents</b>	<b>Cents</b>
<b>(Loss)/earnings per share (EPS)</b>	10		
- Basic		(0.35)	0.14
- Diluted		(0.35)	0.14

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

# BALANCE SHEETS

At 30 June 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	11	12,811	10,797	–	–
Investment in subsidiaries	12	–	–	11,356	12,445
Deferred tax assets	13	7	–	–	–
		<b>12,818</b>	<b>10,797</b>	<b>11,356</b>	<b>12,445</b>
<b>Current assets</b>					
Inventories	14	2,868	2,954	–	–
Trade receivables	15	3,213	4,706	3	7
Other receivables and prepayments	16	387	273	5	6
Amounts due from subsidiaries	17	–	–	1,026	1,713
Cash and bank balances	18	3,897	3,607	147	162
		<b>10,365</b>	<b>11,540</b>	<b>1,181</b>	<b>1,888</b>
<b>Total assets</b>		<b>23,183</b>	<b>22,337</b>	<b>12,537</b>	<b>14,333</b>
<b>Non-current liabilities</b>					
Finance lease liabilities	19	–	85	–	–
Borrowings	20	5,271	5,454	–	–
Lease liabilities	21	2,509	–	–	–
Deferred tax liabilities	13	369	355	45	55
		<b>8,149</b>	<b>5,894</b>	<b>45</b>	<b>55</b>
<b>Current liabilities</b>					
Trade payables		1,210	1,943	–	–
Contract liabilities	22	353	216	–	–
Other payables	23	1,501	1,745	484	455
Amount due to a subsidiary	17	–	–	4	8
Finance lease liabilities	19	–	35	–	–
Lease liabilities	21	273	–	–	–
Borrowings	20	1,067	1,358	487	525
Income tax payable		260	116	188	–
		<b>4,664</b>	<b>5,413</b>	<b>1,163</b>	<b>988</b>
<b>Total liabilities</b>		<b>12,813</b>	<b>11,307</b>	<b>1,208</b>	<b>1,043</b>
<b>Net assets</b>		<b>10,370</b>	<b>11,030</b>	<b>11,329</b>	<b>13,290</b>
<b>Equity</b>					
Share capital	24	22,963	22,963	22,963	22,963
Accumulated losses	25	(12,558)	(11,855)	(11,634)	(9,673)
Foreign currency translation reserve		(35)	(78)	–	–
<b>Total equity</b>		<b>10,370</b>	<b>11,030</b>	<b>11,329</b>	<b>13,290</b>

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	Share capital \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total equity \$'000
<b>2020</b>				
Balance at 1 July 2019	22,963	(78)	(11,855)	11,030
Loss for the financial year	–	–	(703)	(703)
Other comprehensive income for the financial year, net of tax				
- Currency translation differences arising on consolidation	–	43	–	43
Total comprehensive income/(loss) for the financial year	–	43	(703)	(660)
<b>Balance at 30 June 2020</b>	<b>22,963</b>	<b>35</b>	<b>(12,558)</b>	<b>10,370</b>
<b>2019</b>				
Balance at 1 July 2018	22,963	207	(12,145)	11,025
Profit for the financial year	–	–	290	290
Other comprehensive loss for the financial year, net of tax				
- Currency translation differences arising on consolidation	–	(285)	–	(285)
Total comprehensive (loss)/income for the financial year	–	(285)	290	5
Balance at 30 June 2019	22,963	(78)	(11,855)	11,030

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2020

	Note	Group	
		2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before tax		(257)	528
Adjustments for:			
Depreciation on property, plant and equipment		1,067	967
Gain on disposal of property, plant and equipment		–	(15)
Property, plant and equipment written off		–	9
Inventories written down		231	48
Inventories written off		78	34
Inventories written back		(13)	(115)
Impairment allowance for trade receivables		2	142
Interest expenses		318	269
Interest income		(4)	(5)
Reversal of impairment for allowance for trade receivables		(52)	–
Operating cash flows before working capital changes		1,370	1,862
Inventories		(208)	(679)
Receivables and prepayments		1,435	618
Trade and other payables and contract liabilities		(845)	(1,747)
Foreign currency translation adjustments		19	(2)
Cash generated from operations		1,771	52
Interest received		4	5
Income tax paid		(300)	(223)
<b>Net cash generated from/(used in) operating activities</b>		<b>1,475</b>	<b>(166)</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	11(e)	(241)	(205)
Proceeds from disposal of property, plant and equipment		2	20
<b>Net cash used in investing activities</b>		<b>(239)</b>	<b>(185)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		(464)	(2,019)
Payment on lease liabilities		(159)	–
Proceeds from borrowings		–	1,920
Interest paid		(318)	(269)
Net repayment of finance lease liabilities		–	(94)
Fixed deposits pledged with financial institutions		(2)	(1)
<b>Net cash used in financing activities</b>		<b>(943)</b>	<b>(463)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>293</b>	<b>(814)</b>
Cash and cash equivalents at beginning of the financial year		3,525	4,374
Effect of exchange rate changes on cash and cash equivalents		(5)	(35)
<b>Cash and cash equivalents at end of the financial year</b>	18	<b>3,813</b>	<b>3,525</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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 that of 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 ("S\$"), 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 Singapore Financial Reporting Standards (International) ("SFRS(I)"). 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 in applying accounting policies, or areas where assumptions and estimates have significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

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 2020

## 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 SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") 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 SFRS(I) and SFRS(I) INT.

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial performance or position of the Group and the Company except as disclosed below.

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

##### *When the Group is the lessee*

SFRS(I) 16 replaces the existing SFRS(I) 1-17 *Leases* and related interpretations. The adoption of this new Standard has resulted in the Group and the Company recognising all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability) except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application. 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.

At the date of initial application on 1 July 2019, the Group and the Company have also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of initial application.

In applying SFRS(I) 16 for the first time, the Group and the Company have used the following practical expedients permitted by the standard:

- account for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

*New and revised standards (cont'd)*

The effect of adoption of SFRS(I) 16 on the Group's financial statements as at 1 July 2019 are as follows:

	Carrying amount at 30 June 2019	Remeasurement	SFRS(I) 16 carrying amount at 1 July 2019
	\$'000	\$'000	\$'000
<b>Group</b>			
Right-of-use asset (included in property, plant and equipment)	–	4,123	4,123
Property, plant and equipment	10,797	(1,587)	9,210
Finance lease liabilities	(120)	120	–
Lease liabilities	–	(2,656)	(2,656)
<b>Total</b>	<b>10,677</b>	<b>–</b>	<b>10,677</b>

When measuring lease liability for leases that were classified as operating lease, the Group discounted lease payments using its incremental borrowing rate as at 1 July 2019. The incremental borrowing rate applied to the lease liabilities recognised under SFRS(I) 16 was 3.1% per annum.

	Group 2020 \$'000
Operating lease commitments disclosed as at 30 June 2019	3,589
Discounted using lessee's incremental borrowing rate	(1,177)
Add: finance lease liabilities recognised as at 30 June 2019	120
Add: adjustment relating to rent escalation of lease commitment	188
Add: contract re-assessed as leases	66
Less: short term leases recognised on a straight-line basis as an expense	(130)
Lease liabilities recognised as at 1 July 2019	<u>2,656</u>

### **When the Group is the lessor**

There are no material changes to accounting by the Group as a lessor.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 30 June 2020 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (b) Revenue recognition

#### *Sales of metal components and cleanroom products*

Revenue from sales of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. The transaction price is the amount of consideration in the sales contract to which the Group expects to be entitled in exchange for transferring the promised goods. Revenue is recognised at the point when the goods are delivered to the customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. For goods which require advance consideration from the customers, the advance consideration are recognised as contract liability at the time of the initial sales transaction and recognised as revenue when the Group satisfies the performance obligation under its contract.

#### *Rendering of logistics services*

Revenue from logistics services are recognised at a point in time when control over the goods to be delivered is transferred to the customer and the timing of which is determined by the delivery. The performance obligation is measured at a point in time once the service has been completed upon transfer or delivery of goods as the performance obligation has been met. The Group will bill customer when the service has been performed and the customer is required to pay at the point service is performed.

#### *Sale of tooling products*

Revenue from sale of tooling products is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods. For goods which require advance consideration from the customers, the advance consideration are recognised as contract liability at the time of the initial sales transaction and recognised as revenue when the Group satisfies the performance obligation under its contract.

Sales are made with a credit term of 30 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

#### *Storage services*

Revenue from storage services is recognised over time on a monthly basis when the services are rendered and billed in accordance with contractual terms.

#### *Rental income*

Rental income from operating leases is accounted for on a straight-line basis over the lease term.

#### *Interest income*

Interest income is recognised using the effective interest method.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (b) Revenue recognition (cont'd)

#### *Dividend income*

Dividend income is recognised when the right to receive payment is established.

### (c) 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 balance sheet, 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.

### (d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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.

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 and the measurement of all amounts has been reviewed, 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 profit or loss and other comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

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 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). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to the equity holders of the Company.

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 accumulated losses if required by a specific SFRS(I).

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.

### (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.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (e) Property, plant and equipment (cont'd)

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

	Years
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 assets are retained in the financial statements until they are no longer in use.

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

At each reporting date, the Group assesses 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.

Recoverable amount is higher of fair value less costs of disposal 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (g) Inventories

Inventories are valued at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition are accounted for as follow:

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

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

### (h) Leases

*The accounting policy for leases before 1 July 2019 are as follows:*

#### **When a Group entity is the lessee**

##### *Finance leases*

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards incidental to 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 asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the outstanding liability and finance charges. The corresponding lease liabilities, net of finance charges, are included in finance lease liabilities. The finance charge 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. The assets acquired under finance leases are depreciated over the shorter of the useful life of the assets or the lease term.

##### *Operating leases*

Leases where a significant portion of the risks and rewards incidental to 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. Contingent rents, if any, are charged as expenses in the periods in which they are incurred. When an operating lease is terminated before the lease period 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 incidental to 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (h) Leases (cont'd)

*The accounting policy for leases after 1 July 2019 onwards are as follows:*

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

#### **When a Group entity is the lessee**

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### *Lease liabilities*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented as a separate line in the balance sheets.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (h) Leases (cont'd)

*The accounting policy for leases after 1 July 2019 onwards are as follows (cont'd):*

#### **When a Group entity is the lessee (cont'd)**

##### *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented within "property, plant and equipment" in the balance sheets.

The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(f).

#### **When a Group entity is the lessor**

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

### (i) 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).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

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. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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, 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.

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.

### (j) Financial assets

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

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. 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.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

#### ***Classification and measurement***

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets at amortised cost. The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

#### *Classification and measurement (cont'd)*

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

#### *Subsequent measurement*

##### *Debt instruments*

Debt instruments for the Group include trade receivables, other receivables (excluding prepayments) and cash and cash equivalents.

##### *Amortised cost*

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

#### *Impairment*

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-months ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-months ECL at the current reporting date.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

#### *Impairment (cont'd)*

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

#### *Offset*

Financial assets and liabilities are offset and the net amount presented on the balance sheet when, and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the assets and settle the liability simultaneously.

### (k) Cash and cash equivalents in the consolidated statement of cash flows

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.

### (l) Financial liabilities

Financial liabilities include trade and other payables (excluding accruals for employee leave, contract liabilities and goods and service tax), finance lease liabilities, lease liabilities and 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.

### (m) Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value plus transaction costs.

Subsequent to initial measurement, the financial guarantees are stated at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 and the amount of expected loss computed using the impairment methodology under SFRS(I) 9.

### (n) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (o) 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.

### (p) 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.

### (q) 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.

### (r) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

#### *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 foreign 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.

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.

### (s) 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### (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.

### (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.

#### *Determining the lease term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of leasehold land and building, the following factors are considered to be most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group typically includes the extension option in lease liabilities;
- If there are significant penalties to terminate the lease, the Group will typically reasonably certain not to terminate the lease; and
- Otherwise, the Group considers other factors including its historical lease periods and the costs and business disruption required to replace the leased asset.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control the lessee.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

### *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) *Property, plant and equipment and right-of-use assets*

The Group reviews the useful lives and residual values of property, plant and equipment and right-of-use assets at each reporting date in accordance with the accounting policy in Notes 2(e) and 2(h). The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. The net carrying amount of property, plant and equipment and right-of-use assets at 30 June 2020 and the annual depreciation charge for the financial year ended 30 June 2020 are disclosed in Note 11.

Any changes in the expected useful lives of these assets would affect the net carrying amount of property, plant and equipment and right-of-use assets, and the depreciation charge for the financial year.

#### (ii) *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 2020, the carrying amount of inventories of the Group after the write-down is disclosed in Note 14.

#### (iii) *Impairment of receivables*

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

The allowance for impairment of 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 2020, the amounts due from subsidiaries are disclosed in Note 17.

##### (b) *Calculation of loss allowance*

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

#### (iii) Impairment of receivables (cont'd)

##### (b) Calculation of loss allowance (cont'd)

As the calculation of loss allowance on trade and other receivables is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade and other receivables. Details of ECL measurement and carrying value of trade and other receivables at reporting date are disclosed in Note 30(b).

#### (iv) 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 2020, the carrying amounts of the Group's and the Company's current tax payables were \$260,000 (2019: \$116,000) and \$188,000 (2019: \$Nil) respectively; deferred tax assets were \$7,000 (2019:\$Nil) and \$Nil (2019:\$Nil); and deferred tax liabilities were \$369,000 (2019: \$355,000) and \$45,000 (2019: \$55,000) respectively.

#### (v) Impairment assessment of investment in subsidiaries - Company level

The Company reviews the investment in subsidiaries at the balance sheet date to determine whether there is any indication of impairment.

Management has assessed the recoverable amount of the Company's investment in subsidiaries based on fair value less costs of disposal and value in use of the investment in subsidiaries using the discounted cash flow ("DCF") method. The determination of fair value less costs of disposal 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 three to five years including the consideration on the outbreak of COVID-19. 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 costs of disposal.

The carrying amount of the Company's investment in subsidiaries as at 30 June 2020 are disclosed in Note 12.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 4. Revenue

The following table provides a disaggregation disclosure of the Group's revenue by service lines and timing of revenue recognition.

	Group	
	2020	2019
	\$'000	\$'000
<b>Revenue stream and timing of revenue recognition</b>		
<i>At a point in time</i>		
- Sales of metal components	13,313	15,660
- Logistic services	285	256
- Sales of cleanroom products	2,632	2,745
- Sales of tooling products	952	1,403
<i>Over time</i>		
- Storage services	233	244
	<b>17,415</b>	<b>20,308</b>

	Group	
	2020	2019
	\$'000	\$'000
<b>Revenue recognised during the financial year from:</b>		
Amounts included in contract liability at the beginning of the financial year	48	6

## 5. Other income

	Group	
	2020	2019
	\$'000	\$'000
Gain on disposal of property, plant and equipment	–	15
Government grants	101	13
Interest income	4	5
Rental income	628	640
Others	100	302
	<b>833</b>	<b>975</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 6. Finance costs

	Group	
	2020	2019
	\$'000	\$'000
Interest expense		
- Lease liability/finance lease liability	90	7
- Bank loans	228	262
	<b>318</b>	<b>269</b>

## 7. (Loss)/profit before tax

	Group	
	2020	2019
	\$'000	\$'000
(Loss)/Profit before tax is stated after charging/(crediting):		
Audit fees paid/payable to:		
- auditor of the Company	66	63
- other auditors*	51	63
Depreciation of property, plant and equipment (Note 11)	1,067	967
Directors' fees paid/payable to non-executive directors of the Company	62	42
Fees for non-audit services paid/payable to auditors	-	-
Impairment allowance for trade receivables (Note 15)	2	142
Inventories written back (Note 14)	(13)	(115)
Inventories written down (Note 14)	231	48
Inventories written off (Note 14)	78	34
Loss on foreign currency exchange	37	46
Property, plant and equipment written off	-	9
Lease expense – short term leases (Note 21)	130	345
Reversal of impairment for allowance for trade receivables (Note 15)	(52)	-
Staff costs (Note 8)	<b>6,855</b>	<b>6,973</b>

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

## 8. Staff costs

	Group	
	2020	2019
	\$'000	\$'000
Salaries and bonuses	5,551	5,614
Contributions to defined contribution plans	357	371
Other benefits	947	988
	<b>6,855</b>	<b>6,973</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 9. Tax expense

Major components of income tax expense for the financial years ended 30 June 2020 and 2019 are:

	Group	
	2020	2019
	\$'000	\$'000
<i>Current year:</i>		
Current tax	271	310
Deferred tax	(4)	(16)
	267	294
<i>Under/(over) provision of tax in prior years:</i>		
Current tax	174	(29)
Deferred tax	5	(27)
	179	(56)
Income tax expense	446	238

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)/profit before tax due to the following factors:

	Group	
	2020	2019
	\$'000	\$'000
(Loss)/profit before tax	(257)	528
Tax calculated at statutory rate of 17%	(44)	90
Effect of different tax rates in foreign jurisdictions	18	32
Income not subject to tax	(43)	(6)
Expenses not deductible for income tax purposes	138	185
Utilisation of unabsorbed losses brought forward	–	(177)
Tax rebates and exemptions	(35)	(20)
Under/(over) provision of tax in prior years	179	(56)
Deferred tax assets not recognised	233	190
	446	238

At the balance sheet date, the Group has unutilised tax losses, deferred capital allowances and accelerated accounting depreciation amounting to \$8,979,000 (2019: \$7,665,000) 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. The income tax benefits from tax losses carried forward is available for an unlimited period subject to the conditions imposed by law, except for unrecognised tax losses of \$2,119,000 (2019: \$1,546,000) which will expire progressively over the next 7 years, subject to the conditions imposed by the Malaysian tax authorities.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 10. (Loss)/earnings per share

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	
	2020	2019
	\$'000	\$'000
Earnings		
(Loss)/profit attributable to equity holders of the Company (\$'000)	<u>(703)</u>	<u>290</u>
Number of shares ('000)		
Weighted average number of ordinary shares in issue	<u>201,535</u>	<u>201,535</u>

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 11. Property, plant and equipment

Group	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Renovation \$'000	Office equipment \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Toolings \$'000	Motor vehicles \$'000	Total \$'000
<b>2020</b>										
<b>Cost</b>										
At 1.7.2019	748	2,951	10,046	1,060	1,290	16,406	202	469	896	34,068
Recognition of right-of-use assets at initial application of SFRS(I) 16	-	-	2,535	-	-	-	-	-	-	2,535
Additions	-	-	286	2	22	158	6	-	53	527
Disposals/write-off	-	-	-	-	(84)	(1)	(1)	-	(38)	(124)
Exchange differences	-	55	(10)	(3)	-	63	-	10	(1)	114
At 30.6.2020	<b>748</b>	<b>3,006</b>	<b>12,857</b>	<b>1,059</b>	<b>1,228</b>	<b>16,626</b>	<b>207</b>	<b>479</b>	<b>910</b>	<b>37,120</b>
<b>Accumulated depreciation</b>										
At 1.7.2019	-	1,735	2,146	925	932	15,916	133	456	728	22,971
Depreciation charge (Note 7)	-	48	657	71	59	165	14	1	52	1,067
Disposals/write-off	-	-	-	-	(81)	(1)	(1)	-	(36)	(119)
Exchange differences	-	38	(4)	(5)	(1)	57	-	10	(2)	93
At 30.6.2020	-	<b>1,821</b>	<b>2,799</b>	<b>991</b>	<b>909</b>	<b>16,137</b>	<b>146</b>	<b>467</b>	<b>742</b>	<b>24,012</b>
<b>Accumulated impairment losses</b>										
At 1.7.2019	-	-	-	-	136	137	27	-	-	300
Disposal	-	-	-	-	(3)	-	-	-	-	(3)
At 30.6.2020	-	-	-	-	133	137	27	-	-	297
<b>Carrying amount</b>										
At 30.6.2020	748	1,185	10,058	68	186	352	34	12	168	12,811

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

Group	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Renovation \$'000	Office equipment \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Toolings \$'000	Motor vehicles \$'000	Total \$'000
<b>2019</b>										
<b>Cost</b>										
At 1.7.2018	785	3,085	10,104	1,076	1,275	16,978	204	476	859	34,842
Additions	–	3	–	9	59	83	–	9	154	317
Disposals/ write-off	–	–	–	–	(14)	(163)	–	–	(94)	(271)
Exchange differences	(37)	(137)	(58)	(25)	(30)	(492)	(2)	(16)	(23)	(820)
At 30.6.2019	748	2,951	10,046	1,060	1,290	16,406	202	469	896	34,068
<b>Accumulated depreciation</b>										
At 1.7.2018	–	1,757	1,661	867	893	16,324	121	472	786	22,881
Depreciation charge (Note 7)	–	49	495	82	80	193	14	–	54	967
Disposals/ write-off	–	–	–	–	(14)	(147)	–	–	(92)	(253)
Exchange differences	–	(71)	(10)	(24)	(27)	(454)	(2)	(16)	(20)	(624)
At 30.6.2019	–	1,735	2,146	925	932	15,916	133	456	728	22,971
<b>Accumulated impairment losses</b>										
At 1.7.2018 and 30.6.2019	–	–	–	–	136	137	27	–	–	300
<b>Carrying amount</b>										
At 30.6.2019	748	1,216	7,900	135	222	353	42	13	168	10,797

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

	Office equipment \$'000
<b>Company</b>	
<b>2020</b>	
<b>Cost</b>	
At 1.7.2019 and 30.6.2020	<u>18</u>
<b>Accumulated depreciation</b>	
At 1.7.2019 and 30.6.2020	<u>18</u>
<b>Carrying amount</b>	
At 30.6.2020	<u>-</u>
<b>2019</b>	
<b>Cost</b>	
At 1.7.2018 and 30.6.2019	<u>18</u>
<b>Accumulated depreciation</b>	
At 1.7.2018	17
<b>Depreciation charge</b>	
At 30.6.2019	<u>1</u>
<b>Carrying amount</b>	
At 30.6.2019	<u>-</u>

- (a) Included in property, plant and equipment are right-of-use assets with carrying value of \$4,111,000 (1.7.2019: \$4,123,000) (Note 21).
- (b) At 30 June 2019, the net carrying value of property, plant and equipment of the Group acquired under finance lease agreements (classified as finance lease under SFRS(I) 1-17) are as follows:

	Group 2019 \$'000
Office equipment	10
Machinery and equipment	43
Motor vehicles	<u>127</u>
	<u>180</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

- (c) 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	
	2020 \$'000	2019 \$'000
Freehold land	523	550
Freehold buildings	271	300
Leasehold land and building	6,062	7,900
	<b>6,912</b>	<b>8,750</b>

- (d) 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 2020

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

(e) Net cash outflow for purchase of property, plant and equipment

	Group	
	2020 \$'000	2019 \$'000
Aggregate cost of property, plant and equipment acquired	527	317
Less: Additions to right-of-use assets (Note 21(a))	(286)	–
Less: Additions under finance lease	–	(112)
Net cash outflow for purchase of property, plant and equipment	241	205

## 12. Investment in subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares, at cost	22,577	22,577
Less: Impairment losses	(11,221)	(10,132)
	11,356	12,445

Movements in the impairment losses are as follows:

Balance at beginning of the financial year	10,132	7,632
Additional impairment loss (Note 12(b))	1,089	2,500
Balance at end of the financial year	11,221	10,132

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

Name	Country of incorporation	Principal activities	Equity interest	
			2020 %	2019 %
<i>Held by the Company</i>				
Cheong Fatt Holdings Pte. Ltd. <sup>(2)</sup>	Singapore	Warehousing and logistics services	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>(5)</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
Dalian CFM Precision Tooling Co., Ltd <sup>(3)</sup>	The People's Republic of China	Manufacturing and fabricating engineering tools	100	100

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

Name	Country of incorporation	Principal activities	Equity interest	
			2020 %	2019 %
<i>Held by the Company</i>				
CFM Infratrade Pte. Ltd. <sup>(2)</sup>	Singapore	Trading and supplying disposable and wearable for use in clean room, bio-medical, laboratories and hospitals	100	100

(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) Audited by Crowe Horwath, Slovakia.

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

(i) During the financial year, management performed an impairment test for the investment in Dalian CFM Precision Tooling Co., Ltd ("CFM Dalian") due to the adverse impact of subdued trade export to other countries and the COVID-19 pandemic on its operations. 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 and taking into consideration of the COVID-19 pandemic and difficult market conditions. 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 10.27% and 0% (2019: 17.75% and 0%) respectively. An impairment loss of \$674,000 (2019: \$2,200,000) was recognised for the year ended 30 June 2020 to fully write down the investment in this subsidiary to zero.

With regards to the assessment of value in use, management believes that the changes in the estimated recoverable amount from any reasonably possible changes in any of the above key assumptions would not cause the recoverable amount to be materially higher than the carrying investment in CFM Dalian.

(ii) During the financial year, management performed an impairment test for the investment in Hantong Metal Component Sdn. Bhd. ("HTJB") due to loss incurred in the financial year and the adverse impact of the COVID-19 pandemic on its operations. The recoverable amount of the investment in HTJB has been computed based on a value in use calculation using cash flow projections from forecasts approved by management covering a five-year period and taking into account consideration of the COVID-19 pandemic. The pre-tax discount rate used and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 15.14% and 0% respectively. An impairment loss of \$415,000 is recognised to reduce the carrying amount to its recoverable amount of \$844,000.

With regards to the assessment of value in use, a reasonably possible 10% increase/decrease in projected revenue would increase/decrease the recoverable amount by \$34,000. A reasonably possible 0.5% increase/decrease in gross profit margin would increase/decrease the recoverable amount of investment in HTJB by \$89,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 13. Deferred tax

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 account are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance at beginning of the financial year	355	413	55	91
Tax charge/(credit) to profit or loss	1	(43)	(10)	(36)
Exchange differences	6	(15)	–	–
Balance at end of the financial year	<b>362</b>	355	<b>45</b>	55
Representing:				
Non-current				
Deferred tax asset	(7)	–	–	–
Deferred tax liabilities	<b>369</b>	355	<b>45</b>	55
	<b>362</b>	355	<b>45</b>	55

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deferred tax liabilities				
Excess of tax written down value over net carrying amount of property, plant and equipment	321	335	–	–
Other temporary differences	41	20	45	55
	<b>362</b>	355	<b>45</b>	55

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 14. Inventories

	Group	
	2020 \$'000	2019 \$'000
Raw materials	1,011	913
Work-in-progress	528	458
Finished goods	1,329	1,472
Goods in-transit	–	111
	<b>2,868</b>	<b>2,954</b>

Raw materials, consumables and changes in finished goods and work-in-progress included as cost of sales during the financial year amounted to \$13,143,000 (2019: \$15,030,000).

Inventories are stated at net realisable value after deducting inventories write-down of \$231,000 (2019: \$48,000) (Note 7), inventories write-off of \$78,000 (2019: \$34,000) (Note 7).

The Group had recognised a reversal of \$13,000 (2019: \$115,000) (Note 7) as the inventories were sold above their carrying amounts. The reversal was included in cost of sales.

## 15. Trade receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Current assets</i>				
External parties	3,295	4,860	3	7
Related party	67	67	–	–
	<b>3,362</b>	<b>4,927</b>	<b>3</b>	<b>7</b>
Less: Impairment allowance for trade receivables				
External parties	(82)	(154)	–	–
Related party	(67)	(67)	–	–
	<b>3,213</b>	<b>4,706</b>	<b>3</b>	<b>7</b>

Movements in impairment allowance for trade receivables are as follows:

	Group	
	2020 \$'000	2019 \$'000
Balance at beginning of the financial year	221	698
Amount written off against allowance	(22)	(618)
Allowance made for the financial year (Note 7)	2	142
Reversal of impairment for allowance (Note 7)	(52)	–
Exchange differences	–	(1)
Balance at end of the financial year	<b>149</b>	<b>221</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 16. Other receivables and prepayments

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Deposits	104	94	–	–
Prepayments	248	167	5	6
Sundry debtors	38	15	–	–
	<b>390</b>	<b>276</b>	<b>5</b>	<b>6</b>
Less: Impairment allowance for other receivables	(3)	(3)	–	–
	<b>387</b>	<b>273</b>	<b>5</b>	<b>6</b>

Movements in impairment allowance for other receivables are as follows:

	Group	
	2020 \$'000	2019 \$'000
Balance at beginning and end of the financial year	3	3

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

	Company	
	2020 \$'000	2019 \$'000
<i>Current assets</i>		
Receivables due from subsidiaries (non-trade)	700	815
Loans to subsidiaries		
- interest at 6.0% per annum	240	423
- interest-free	86	475
	<b>1,026</b>	<b>1,713</b>
<i>Current liabilities</i>		
Amount due to a subsidiary	(4)	(8)

### *Current assets*

The non-trade receivables amounting to \$700,000 (2019: \$815,000) are unsecured, interest-free and repayable on demand.

During the financial year ended 30 June 2020 and 30 June 2019, the Company has agreed to waive the interest charges on certain loans to subsidiaries. These loans amounted to \$240,000 (2019: \$423,000) at the balance sheet date.

Loans to subsidiaries are unsecured and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 17. Amounts due from/(to) subsidiaries (cont'd)

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

	Company	
	2020 \$'000	2019 \$'000
Balance at beginning of the financial year	-	778
Impairment allowance	-	71
Allowance written off	-	(849)
Balance at end of the financial year	-	-

### Current liabilities

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

## 18. Cash and bank balances

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Bank and cash balances	3,813	3,525	147	162
Fixed deposits	84	82	-	-
	<b>3,897</b>	<b>3,607</b>	<b>147</b>	<b>162</b>

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

	Group	
	2020 \$'000	2019 \$'000
Bank and cash balances	3,813	3,525
Fixed deposits	84	82
	<b>3,897</b>	<b>3,607</b>
Fixed deposits pledged	(84)	(82)
	<b>3,813</b>	<b>3,525</b>

### Group

Fixed deposits amounting to \$84,000 (2019: \$82,000) 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% (2019: 3.35%) per annum and mature within 10 to 12 months (2019: 10 to 12 months).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 19. Finance lease liabilities

Finance lease liabilities were reclassified to lease liabilities on 1 July 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2(a).

	Group 2019	
	Minimum lease payments \$'000	Present value \$'000
Not later than one financial year	41	35
Later than one financial year but not later than five financial years	93	85
Total minimum lease payments	134	120
Less: finance charges	(14)	–
Present value of minimum lease payments	120	120
Representing finance lease liabilities:		
Current		35
Non-current		85
		120

At 30 June 2019, the net carrying amounts of plant and equipment acquired and held as security under finance lease arrangements are disclosed in Note 11(b). The interest rates range from 2.80% to 3.80% per annum.

## 20. Borrowings

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Current</b>				
<i>Secured</i>				
Bank loan I (a)	153	267	–	–
Bank loan II (b)	487	525	487	525
Bank loan III (c)	89	86	–	–
Bankers' acceptances (d)	338	480	–	–
	1,067	1,358	487	525
<b>Non-current</b>				
<i>Secured</i>				
Bank loan I (a)	4,227	4,314	–	–
Bank loan III (c)	1,044	1,140	–	–
	5,271	5,454	–	–

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 20. Borrowings (cont'd)

Details of the borrowings are as follows:

- (a) Bank loan I bears interest at 2.20% to 4.01% (2019: 4.00% to 4.75%) 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.
- (a) Bank loan II bears interest at 2.28% (2019: 4.01%) per annum.
- (b) Bank loan III bears interest at 4.85% (2019: 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 \$1,336,000 (2019: \$1,434,000) and fixed deposits of a subsidiary.
- (c) Bankers' acceptances bear interest at 2.85% to 4.73% (2019: 3.94% to 5.30%) 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 \$691,000 (2019: \$701,000) and a corporate guarantee by the Company.

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

	Lease liabilities \$'000	Finance lease liabilities \$'000	Borrowings \$'000
Balance at 1 July 2019	–	120	6,812
On adoption of SFRS(I) 16 on 1 July 2019			
- Reclassification of finance lease liabilities	120	(120)	–
- Recognition of lease liabilities	2,536	–	–
Changes from financing cash flows:			
- Repayment	(159)	–	(464)
- Interest paid	(90)	–	(228)
Non-cash changes:			
- Interest expense	90	–	228
- Addition	286	–	–
Effect of changes in foreign exchange rates	(1)	–	(10)
<b>Balance at 30 June 2020</b>	<b>2,782</b>	<b>–</b>	<b>6,338</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 20. Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd):

	Lease liabilities \$'000	Finance lease liabilities \$'000	Borrowings \$'000
Balance at 1 July 2018	–	107	6,971
Changes from financing cash flows:			
- Proceeds	–	112	1,920
- Repayment	–	(94)	(2,019)
- Interest paid	–	(7)	(262)
Non-cash changes:			
- Interest expense	–	7	262
Effect of changes in foreign exchange rates	–	(5)	(60)
Balance at 30 June 2019	–	120	6,812

## 21. Leases

### (a) The Group as a lessee

#### *Nature of the Group's leasing activities*

The Group's leasing activities comprise the following:

- (i) The Group leases various motor vehicles, machinery and equipment and office equipment and also makes annual lease payments for leasehold land. The right-of-use of these assets are classified as property, plant and equipment (Note 11).
- (ii) In addition, the Group leases certain other office equipment. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 30(b).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 21. Leases (cont'd)

### (a) The Group as a lessee (cont'd)

Information about leases for which the Group is a lessee is presented below:

#### *Amounts recognised in balance sheet*

	Group 30.6.2020 \$'000	1.7.2019 \$'000
<i>Carrying amount of right-of-use assets classified within property, plant and equipment</i>		
Leasehold land and building	3,995	3,961
Machinery and equipment	18	26
Motor vehicles	94	126
Office equipment	4	10
	<u>4,111</u>	<u>4,123</u>
<i>Carrying amount of lease liabilities</i>		
Current		273
Non-current		2,509
		<u>2,782</u>
<i>Additions to right-of-use assets</i>		
Leasehold land and building		<u>286</u>
<i>Amounts recognised in profit or loss</i>		
Depreciation charge for the financial year		
Leasehold land and building		253
Machinery and equipment		7
Motor vehicles		32
Office equipment		6
		<u>298</u>
<i>Lease expense not included in the measurement of lease liabilities</i>		
Lease expense – short term leases (Note 7)		<u>130</u>
Interest expense on lease liabilities		<u>90</u>

Total cash flow for leases during the financial year amounted to \$379,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 21. Leases (cont'd)

### (b) The Group as a lessor

#### *Nature of the Group's leasing activities – Group as a lessor*

The Group leased out its leasehold building to various third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from leasehold building are disclosed in Note 5.

## 22. Contract liabilities

Contract liabilities relate to advance consideration received from customers. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities from contracts with customers:

	Group			Company		
	30.6.2020	30.6.2019	1.7.2018	30.6.2020	30.6.2019	1.7.2018
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables (Note 15)	3,213	4,706	5,485	3	7	113
Contract liabilities	353	216	107	–	–	–

There were no significant changes in the contract liabilities during the financial year.

## 23. Other payables

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Sundry creditors	155	323	24	14
Accrued operating expenses	994	1,090	108	109
Amounts due to directors	290	290	290	290
Accrual for directors' fee	62	42	62	42
	1,501	1,745	484	455

The amounts due to directors are non-trade in nature, unsecured, interest-free and repayable on demand.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 24. Share capital

	Group and Company	
	2020	2019
	\$'000	\$'000
<b>Issued and fully paid capital</b>		
201,535,276 ordinary shares with no par value	22,963	22,963

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.

## 25. Accumulated losses

### Group

Included in accumulated losses of the Group is an amount of \$318,000 (2019: \$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 2019 and 2020 as the legal reserve fund is at least 10% of the registered share capital of the subsidiary.

	Company	
	2020	2019
	\$'000	\$'000
Accumulated losses		
Balance at beginning of the financial year	(9,673)	(6,262)
Loss for the financial year	(1,961)	(3,411)
Balance at end of the financial year	(11,634)	(9,673)

## 26. Operating lease commitment

*When the Group is a 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 leases payments for the remaining terms of one year or more are as follows:

	Group
	2019
	\$'000
Not later than one year	257
Later than one year but not later than five years	506
After 5 years	2,826
	3,589

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 26. Operating lease commitment (cont'd)

As disclosed in Note 2(a), the Group has adopted SFRS(I) 16 on 1 July 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheets as at 1 July 2019, except for short-term leases.

*When the Group is a lessor*

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

	<b>Group</b>
	2019
	\$'000
Not later than one year	512
Later than one year but not later than five years	28
	<u>540</u>

The leases have varying terms and renewal rights.

## 27. Contingent liabilities

### (a) Guarantees

	<b>Company</b>	
	2020	2019
	\$'000	\$'000
Corporate guarantees provided by the Company to financial institutions for banking facilities granted to subsidiaries	<u>7,294</u>	<u>7,305</u>
Amount utilised by the subsidiaries	<u>4,719</u>	<u>5,062</u>

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 2020 and 30 June 2019.

### (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., ("HTPG") 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")). In 2018, the Group has recognised liabilities amounted to \$599,000. On 11 July 2018, the amount has been paid to Showa's solicitor which was placed in an interest-bearing fixed deposit account.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 27. Contingent liabilities (cont'd)

### (b) Legal claim (cont'd)

#### Group (cont'd)

On 4 April 2018, HTPG applied for appeal to Court of Appeal and on 29 January 2020, the Court of Appeal set aside the decision of the High Court. Showa proceeded to file application at Federal Court to seek leave to appeal to Federal Court. Both the Solicitors have written in to the Court of Appeal to request for a copy of the Grounds of Judgement and Showa's application for leave to appeal to Federal Court was fixed for case management on 28 September 2020 and subsequently postponed to 28 October 2020 pending obtaining Grounds of Judgment from the Court of Appeal. The Company will make further announcements as and when there are material developments in this matter. At the date of these financial statements, the directors had assessed that no additional liabilities need to be accrued.

## 28. Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	Group	
	2020	2019
	\$'000	\$'000
Salaries and bonus	666	676
Directors' fees	62	42
Contributions to defined contribution plan	45	48
Other short-term benefits	20	27
	<b>793</b>	<b>793</b>

Included in the above are remuneration paid to the directors of the Company totalling \$354,000 (2019: \$637,000). The remuneration paid to a director of a subsidiary is \$17,000 (2019: \$17,000).

## 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 of engineering tools and die;
- iii) Components and parts and others - trading of other components and parts, and warehousing and service logistic business; and
- iv) Cleanroom products - trading of disposables and wearables for use in cleanroom, bio-medical, laboratories and hospitals.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 29. Segment information (cont'd)

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

	Metal stamping		Tooling		Components and parts and others		Cleanroom products		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Segment revenue										
- Sales to external customers	<b>13,314</b>	15,660	<b>951</b>	1,403	<b>518</b>	500	<b>2,632</b>	2,745	<b>17,415</b>	20,308
Segment result	<b>116</b>	704	<b>315</b>	510	<b>228</b>	220	<b>365</b>	544	<b>1,024</b>	1,978
Unallocated expenses									<b>(963)</b>	(1,181)
Finance costs									<b>(318)</b>	(269)
<b>(Loss)/profit before tax</b>									<b>(257)</b>	528
Tax expense									<b>(446)</b>	(238)
<b>(Loss)/profit before tax</b>									<b>(703)</b>	290
<b><u>Group assets and liabilities</u></b>										
Segment assets	<b>12,444</b>	13,116	<b>68</b>	157	<b>8,793</b>	6,935	<b>1,722</b>	1,955	<b>23,027</b>	22,163
Unallocated assets									<b>156</b>	174
<b>Total assets</b>									<b>23,183</b>	22,337
Segment liabilities	<b>2,634</b>	2,694	<b>79</b>	124	-	273	<b>263</b>	410	<b>2,976</b>	3,501
Unallocated liabilities									<b>9,837</b>	7,806
<b>Total liabilities</b>									<b>12,813</b>	11,307

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 29. Segment information (cont'd)

	Metal stamping		Tooling		Components and parts		Cleanroom products		Consolidated	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<b>Other segment information</b>										
Capital expenditure	175	227	17	10	24	–	25	80	241	317
Depreciation of property, plant and equipment	460	458	2	1	562	470	43	38	1,067	967
Property, plant and equipment written off	–	9	–	–	–	–	–	–	–	9

### 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, 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 2020

## 29. Segment information (cont'd)

### Geographical information

	Singapore		Malaysia		United States of America		Slovak Republic		Czech Republic		Netherlands		Others*		Group	
	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	4,569	4,932	6,483	1,680	890	1,968	2,010	882	783	1,055	1,269	3,503	4,304	17,415	20,308	
Non-current assets	6,650	2,288	2,370	-	-	1,651	1,720	-	-	-	-	313	57	12,818	10,797	
Other geographical information:																
Capital expenditure	50	147	126	-	-	17	88	-	-	-	-	27	6	241	317	

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

Revenue of approximately \$4,432,000 (2019: \$3,028,000) are derived from one (2019: one) of the major 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 2020

## 30. Financial instruments

### (a) Categories of financial instruments

The financial instruments as at balance sheet date are:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Financial assets</i>				
At amortised costs	<b>7,249</b>	8,419	<b>1,176</b>	1,879
<i>Financial liabilities</i>				
At amortised costs	<b>11,720</b>	10,457	<b>973</b>	973

### (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.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 120 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Company has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

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

##### *Significant increase in credit risk*

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- historical and current payment patterns of the debtors; and
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available).

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has an internal or external credit rating of "investment grade" as per globally understood definition, or the financial asset has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

##### *Definition of default*

The Group considers the information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

#### Credit risk (cont'd)

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred, such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties.

##### Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

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 \$7,294,000 (2019: \$7,305,000) 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.

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
By geographical areas				
Singapore	408	1,048	128	521
Malaysia	709	1,610	368	485
Indonesia	–	4	–	–
Slovak Republic	855	311	–	–
The People's Republic of China	762	901	533	714
Others	479	832	–	–
	<b>3,213</b>	<b>4,706</b>	<b>1,029</b>	<b>1,720</b>
By types of debtors				
Subsidiaries	–	–	1,026	1,713
Non-related parties				
- Multi-national companies	1,084	3,204	–	–
- Other companies	2,129	1,502	3	7
	<b>3,213</b>	<b>4,706</b>	<b>1,029</b>	<b>1,720</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

#### Credit risk (cont'd)

##### Movements in credit loss allowance

Movements in allowance for expected credit losses are as follows:

	Trade receivables \$'000	Other receivables \$'000
<b>Group</b>		
<b>2020</b>		
Balance as at 1 July 2019	221	3
Loss allowance recognised in profit or loss during the year on:		
- Credit impaired – Lifetime ECL (Note 7)	2	–
Receivables written off as uncollectable	(22)	–
Reversal of impairment of allowance (Note 7)	(52)	–
Balance at 30 June 2020	<u>149</u>	<u>3</u>
<b>2019</b>		
Balance as at 1 July 2018	698	3
Loss allowance recognised in profit or loss during the year on:		
- Credit impaired – Lifetime ECL (Note 7)	142	–
Receivables written off as uncollectable	(618)	–
Exchange differences	(1)	–
Balance at 30 June 2019	<u>221</u>	<u>3</u>

##### Trade receivables and other financial assets at amortised cost

The Group has applied the simplified approach in SFRS(I) 9 to measure the lifetime expected credit loss allowance for trade receivables.

The Company estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

#### Credit risk (cont'd)

*Trade receivables and other financial assets at amortised cost (cont'd)*

There has been no change in the estimation techniques or significant assumptions made during the current financial year.

The table below details the credit quality of the Group's financial assets:

Group 2020	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Trade receivables	Lifetime ECL	3,362	(149)	3,213
Other receivables	Not applicable (Exposure limited)	142	(3)	139
Cash and bank balances	Not applicable (Exposure limited)	3,897	–	3,897
2019				
Trade receivables	Lifetime ECL	4,927	(221)	4,706
Other receivables	Not applicable (Exposure limited)	109	(3)	106
Cash and bank balances	Not applicable (Exposure limited)	3,607	–	3,607

The expected credit loss on other receivables and cash and bank balances is immaterial at 30 June 2020 and 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

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

*Trade receivables and other financial assets at amortised cost (cont'd)*

The table below details the credit quality of the Company's financial assets:

Company 2020	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Trade receivables	Lifetime ECL	3	–	3
Amounts due from subsidiaries	12-month ECL	1,026	–	1,026
Cash and bank balances	Not applicable (Exposure limited)	147	–	147
2019				
Trade receivables	Lifetime ECL	7	–	7
Amounts due from subsidiaries	12-month ECL	1,713	–	1,713
Cash and bank balances	Not applicable (Exposure limited)	162	–	162

The expected credit loss on other receivables and cash and bank balances is immaterial at 30 June 2020 and 30 June 2019.

#### *Financial guarantee*

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries are financially able to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

#### *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 2020, there were no such arrangements, interest rate swap contracts or other derivative instruments that were outstanding.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

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

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Within one year-fixed rates</i>				
Borrowings	–	480	–	–
Lease liabilities	273	–	–	–
Finance lease liabilities	–	35	–	–
<i>Within one year-variable rates</i>				
Borrowings	1,067	878	487	525
<i>More than one year-fixed rates</i>				
Lease liabilities	2,509	–	–	–
Finance lease liabilities	–	85	–	–
<i>More than one year-variable rates</i>				
Borrowings	5,271	5,454	–	–

The Group's and the Company's certain borrowings are variable-rate financial instruments. No disclosure of the impact of a reasonably possible 100 basis point increase/decrease is made as insignificant.

#### 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"). There is no formal hedging policy with respect to foreign currency exposure. The Group's exposure to foreign currency risk is not significant.

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

	2020 \$'000	2019 \$'000
Financial assets		
Cash and cash equivalents	14	12
Amounts due from subsidiaries	241	423
Net financial assets denominated in foreign currencies	255	435

No disclosure of the impact of a reasonably possible 10% change in USD:SGD rate is made as insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

#### *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.

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.

	Repayable on demand or within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Group</b>				
<b>2020</b>				
Trade payables	1,210	–	–	1,210
Other payables	1,390	–	–	1,390
Borrowings	1,292	2,191	4,857	8,340
Lease liabilities	300	777	2,848	3,925
	<b>4,192</b>	<b>2,968</b>	<b>7,705</b>	<b>14,865</b>
<b>2019</b>				
Trade payables	1,943	–	–	1,943
Other payables	1,598	–	–	1,598
Borrowings	1,579	2,181	5,139	8,899
Finance lease liabilities	41	93	–	134
	<b>5,161</b>	<b>2,274</b>	<b>5,139</b>	<b>12,574</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 30. Financial instruments (cont'd)

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

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

	Repayable on demand or within 1 year \$'000	Within 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Company</b>				
<b>2020</b>				
Other payables	482	–	–	482
Amount due to a subsidiary	4	–	–	4
Borrowings	488	–	–	488
	<b>974</b>	<b>–</b>	<b>–</b>	<b>974</b>
<b>2019</b>				
Other payables	440	–	–	440
Amount due to a subsidiary	8	–	–	8
Borrowings	529	–	–	529
	<b>977</b>	<b>–</b>	<b>–</b>	<b>977</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.

	Company	
	2020 \$'000	2019 \$'000
Repayable on demand or not later than 1 year		
Financial guarantee contract	<b>4,719</b>	5,062

## 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:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 31. Fair values of assets and liabilities (cont'd)

*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 bank balances, trade and other payables, amounts due to subsidiaries and borrowings approximate their fair values due to the relatively short-term maturity of these financial instruments.

The carrying amounts of non-current borrowings 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 2020 and 2019.

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 2020 and 2019.

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

	Group	
	2020	2019
	\$'000	\$'000
Net debt	7,823	6,850
Equity	10,052	10,712
Total capital	17,875	17,562
<b>Gearing ratio</b>	<b>44%</b>	<b>39%</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

## 33. Significant event during the financial year

The outbreak of the unprecedented COVID-19 global pandemic has and continue to bring about a high level of uncertainty to the Group's operating environment and its financial performance in Malaysia, Singapore, the People's Republic of China, the United States of America and Slovak Republic. Between February to June 2020, the People's Republic of China, Malaysia and Singapore governments announced several restrictive measures respectively, and temporary suspension of operations was one of the measures and where the Group's operations were affected.

Due to the uncertainties and unpredictable situation, the Group is unable to reasonably estimate the full financial impact on the Group's business, results of operations and cash flows for the current and next financial year ending 30 June 2021. The Group and the Company is monitoring the situation closely and will continue to manage and mitigate the financial impact by conscientiously managing its costs by adopting cost reduction strategy, conserving liquidity, preserve assets and improving receivables collections.

## 34. 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 2020 were authorised for issue in accordance with a resolution of the directors dated 1 October 2020.

# STATISTICS OF SHAREHOLDINGS

As at 28 September 2020

Issued and fully Paid-up Capital	:	S\$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	0.18	2	0.00
100 - 1,000	123	22.53	106,650	0.05
1,001 - 10,000	124	22.71	768,740	0.38
10,001 - 1,000,000	281	51.47	33,642,457	16.70
1,000,001 AND ABOVE	17	3.11	167,017,427	82.87
<b>TOTAL</b>	<b>546</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

### 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 28 September 2020

## 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	CHAN TIN JOR	4,994,714	2.48
4	NG BEE KEOW	3,661,200	1.82
5	PHILLIP SECURITIES PTE LTD	3,566,731	1.77
6	TAN YEOK MENG	3,551,830	1.76
7	LEE YAN KIT	2,550,000	1.27
8	ANG HAO YAO (HONG HAOYAO)	2,085,989	1.04
9	PANG CHEOW JOW	1,600,000	0.79
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,474,900	0.73
11	CHUA SHUN LOONG (CAI SHANLONG)	1,162,000	0.58
12	CHEW YI HONG (ZHOU YUFENG)	1,135,400	0.56
13	LIM HOE KOK	1,128,000	0.56
14	UOB KAY HIAN PRIVATE LIMITED	1,108,071	0.55
15	DBS NOMINEES (PRIVATE) LIMITED	1,045,914	0.52
16	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	1,018,800	0.51
17	JEANETTE KOH CHEW TEE	1,013,428	0.50
18	CHENG GUEK ENG	1,000,000	0.50
19	PHYLLIS TEH SIOK KHIM	992,900	0.49
20	GAN SENG KUEI	978,600	0.49
	<b>TOTAL</b>	<b>169,988,927</b>	<b>84.37</b>

## PUBLIC FLOAT

Based on the information available to the Company as at 28 September 2020, approximately 32.55% 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 Manual Section B: Rules of Catalyst.

# NOTICE OF THE TWENTIETH 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 by way of electronic means on Wednesday, 28 October 2020 at 10.00 a.m. to transact the following businesses:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements for the financial year ended 30 June 2020 together with the Independent Auditors' Report thereon. **(Resolution 1)**
2. To re-elect Mr. Lo Kim Seng who retire pursuant to Article 117 of the Constitution of the Company, and being eligible, has offered himself for re-election. **(Resolution 2)**  
[See Explanatory Note (i)]
3. To re-elect Mr. Er Kwong Wah who retire pursuant to Article 107 of the Constitution of the Company, and being eligible, has offered himself for re-election. **(Resolution 3)**  
[See Explanatory Note (ii)]
4. To approve the payment of Directors' fees of \$61,950 for the financial year ended 30 June 2020. (2019:\$41,600) **(Resolution 4)**
5. To re-appoint Messrs. Baker Tilly TFW LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
6. 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:

7. 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 Catalist (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 TWENTIETH 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 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;

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

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the 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 (iii)]

**(Resolution 6)**

# NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

## 8. 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 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 (iv)] **(Resolution 7)**

By Order of the Board

Tan Wee Sin  
Company Secretary  
Singapore,

13 October 2020

### Explanatory Notes:

- (i) Mr. Lo Kim Seng, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee, a member of the Audit Committee and the Remuneration Committee and the Board considers him Independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.
- (ii) Mr. Er Kwong Wah, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee, a member of the Remuneration Committee and Nominating Committee and the Board considers him Independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.
- (iii) 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 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.

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 convertible securities, the exercise of share options or vesting of share outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iv) 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 TWENTIETH ANNUAL GENERAL MEETING

## IMPORTANT NOTICE TO SHAREHOLDERS REGARDING THE COMPANY'S ANNUAL GENERAL MEETING

The Annual General Meeting ("AGM") to be convened, will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The Company will not be issuing printed copies of this notice of AGM (the "Notice"), proxy forms, and annual reports to its shareholders and members. Instead, the Notice, proxy forms, and annual report are accessible by electronic means via the Company's website at <https://cfmholdings.com/> and on SGX website at <https://www.sgx.com/securities/company-announcements>.

### Participation in the Annual General Meeting ("AGM") via live webcast or live audio feed

1. Due to the current Covid-19 measures in Singapore, the AGM will be held by way of electronic means and shareholders will NOT be able to attend the AGM in person. All shareholders or their corporate representative (in the case of shareholders which are legal entities) will be able to participate in the AGM proceeding by accessing a live webcast or live audio feed. To do so, shareholders are required to pre-register their participation in the AGM by accessing the site <https://agm.conveneagm.com> by 10.00 a.m. on Monday, 26 October 2020 ("Registration Deadline") for verification of their status as shareholders (or corporate representatives of such shareholders ("Pre-registration")).
2. Upon successful verification, each such shareholder or its corporate representative will receive an email by 10.00 a.m. on Tuesday, 27 October 2020. The email will contain instructions to access the live webcast or live audio feed of the AGM proceedings.
3. Shareholders or their corporate representative must not forward the email to other persons who are not shareholders and who are not entitled to participate in the AGM. Shareholders or their corporate representatives who have pre-registered by the Registration Deadline but do not receive an email by 10.00 a.m. on Tuesday, 27 October 2020 may contact the Company for assistance at (65) 6481 2888 or email us at [irc@cfmholdings.com](mailto:irc@cfmholdings.com).

### Voting by Proxy

1. Shareholders may only exercise their voting rights at the AGM via proxy voting.

Shareholders who wish to vote on any or all of the resolutions at the AGM must appoint the Chairman of the AGM as their proxy to do so on their behalf. In the Proxy Form, a shareholder should specifically direct the Chairman on how to vote for or vote against or abstain from voting on each resolution to be tabled at the AGM, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

2. The instrument appointing the Chairman of the AGM as proxy must be
  - (1) Deposited at the registered office of the Company at 4 Ang Mo Kio Avenue 12, CFM Building, Singapore 569498, or
  - (2) Sent by email to [irc@cfmholdings.com](mailto:irc@cfmholdings.com).

not less than forty-eight (48) hours before the time appointed for holding the Meeting of the Company.

**In view of the current COVID-19 measures which may make it difficult for shareholders to submit completed proxy forms by post, shareholders are strongly encouraged to submit completed proxy forms electronically via email to [irc@cfmholdings.com](mailto:irc@cfmholdings.com).**

# NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited ("CDP") at least seventy-two (72) hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote on any or all of the resolutions at the AGM by appointing the Chairman of the AGM as his/her proxy to do so on his/her behalf. In view of Section 81SJ(4) of the Securities and Futures Act (Cap. 289), Singapore, a Depositor shall not be regarded as a shareholder of the Company entitled to attend the AGM and to speak and vote thereat unless his/her name appears in the Depository Register maintained by the CDP at least seventy-two (72) hours before the AGM. Any shareholder who is holding his/her shares via the CDP but whose name is not registered with the CDP seventy-two (72) hours before the AGM will not be entitled to attend and vote at the AGM. Accordingly, even if such shareholder deposits his/her proxy form forty-eight (48) hours before the AGM, the Chairman of the Meeting who is appointed as his/her proxy will not be entitled to vote on his/her behalf at the AGM.

CPF or SRS Investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators at least seven (7) working days before the AGM (i.e. by 10.00 a.m. on Monday, 19 October 2020), to ensure that their votes are submitted.

## Access to documents or information relating to the AGM

All documents and information relating to the business of the AGM (including the Annual Report and Proxy Form) have been published on the Company's website at <https://cfmholdings.com/> and the SGX website at <https://www.sgx.com/securities/company-announcements>.

## Submission of questions prior to the AGM

Shareholders will not be able to ask questions during the live webcast or live audio feed, therefore it is important for shareholders to register and submit their questions in advance of the AGM.

Shareholders may submit questions related to the resolutions to be tabled at the AGM via email to [irc@cfmholdings.com](mailto:irc@cfmholdings.com) or electronically via the shareholder portal accessible upon pre registering at <https://agm.convneagm.com/cfmholdings>. Questions must be submitted not less than seventy-two (72) hours before the time appointed for the holding of the AGM (i.e. **by 10:00 a.m. on Sunday, 25 October 2020**) so that relevant and substantial queries may be addressed during the AGM proceedings. Any relevant and subsequent queries (after 25 October 2020) received will be addressed before or during the AGM through the publication of the minutes of the AGM on SGXNet and the Company's website.

Shareholders or their corporate representative must state his/her full name and whether he/she is a shareholder or a corporate representative of a corporate shareholder. Any question without the identification details will not be addressed.

The Company shall address relevant and substantial questions before or during the AGM, and publish the minutes of the AGM on the SGXNet, and the Company's website within one (1) month after the date of AGM.

# NOTICE OF THE TWENTIETH ANNUAL GENERAL MEETING

## Personal data privacy:

By (a) submitting an instrument appointing the Chairman of the AGM as a proxy to vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to the AGM in accordance with this Notice, a shareholder of the Company consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as a proxy for the AGM (including any adjournment thereof);
- (ii) the processing of the Pre-registration for purposes of granting access to shareholders (or their corporate representatives in the case of shareholders which are legal entities) to the live webcast or live audio feed of the AGM proceedings and providing them with any technical assistance where necessary;
- (iii) addressing relevant and substantial questions from shareholders received before the AGM and if necessary, following up with the relevant shareholders in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

The member's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

Due to the constantly evolving COVID-19 situation, the Company will closely monitor the situation and reserve the right to change our arrangements for the AGM at short notice. Shareholders should check SGXNET and the Company's website. The Company apologises for any inconvenience caused and seek the understanding and cooperation of all Shareholders in enabling the Company to hold its AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

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., in accordance with Rules 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited ("Exchange") Listing Manual Section B: Rules of Catalist for compliance with the relevant rules of the 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 this notice.

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

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr. Lo Kim Seng and Mr. Er Kwong Wah are the Directors seeking re-election at the forthcoming annual general meeting of the Company to be convened on 28 October 2020 (“AGM”) (collectively, the “Retiring Directors” and each a “Retiring Director”).

Pursuant to Catalist Rule 720(5) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7F is set out below:

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
Date of Appointment	1 July 2020	28 February 2013
Date of last re-appointment	N.A	31 October 2017
Age	59	74
Country of principal residence	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the qualification, work experience and suitability of Mr. Lo Kim Seng for re-appointment as Independent Non-Executive Director, Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee of the Company.</p> <p>The Board have reviewed and concluded that Mr, Lo Kim Seng possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee (“NC”) and has reviewed and considered the qualification, work experience and suitability of Mr. Er Kwong Wah for re-appointment as Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee of the Company.</p> <p>The Board have reviewed and concluded that Mr. Er Kwong Wah possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director, Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee	Lead Independent Non-Executive Director, Chairman of the Audit Committee and a member of the Remuneration Committee and Nominating Committee
Working experience and occupation(s) during the past 10 years	<p>April 2018 to present: Director, Bayfront Law LLC</p> <p>March 2013 to March 2018: Director, Morgan Lewis Stamford LLC; Prior to March 2013: Director, Duane Morris &amp; Selvam LLP</p> <p>2004 to February 2013: Director, Duane Morris and Selvam LLP</p>	2001 to 2016: Executive Director, East Asia Institute of Management
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries)	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# (for the last 5 year)	<b>Other Principal Commitments</b> Director, Bayfront Law LLC	<b>Other Principal Commitments</b> N.A.
Present	<b>Past Directorships (for the last 5 years)</b> <ul style="list-style-type: none"> <li>• Morgan Lewis Stamford LLC</li> <li>• Duane Morris and Selvam LLP</li> </ul> <b>Present Directorships</b> <ul style="list-style-type: none"> <li>• Bayfront Law LLC</li> <li>• CFM Holdings Limited</li> <li>• Vidor Services Pte Ltd</li> </ul>	<b>Past Directorships (for the last 5 years)</b> <ul style="list-style-type: none"> <li>• Firstlink Investments Corporation Limited</li> <li>• Glopeak Land Pte Ltd</li> <li>• Singatronics Investment Pte Ltd</li> <li>• Glopeak Properties and Hotels Pte Ltd</li> <li>• Exquisite Concierge Pte Ltd (fka Glopeak Investment Pte Ltd)</li> <li>• Firstlink Capital Pte Ltd</li> <li>• Firstlink Investment Advisory Pte Ltd</li> <li>• Keluarga International Pte Ltd</li> <li>• Infinity Capital Partners (S) Pte Ltd</li> <li>• GKE Corporation Limited</li> <li>• East Asia Institute Management Pte Ltd</li> <li>• China Environment Ltd</li> <li>• China Dongyuan Environment Pte Ltd</li> <li>• Success Dragon International Holdings Ltd (in Hong Kong)</li> <li>• Raffles Institution (S) Pte Ltd</li> <li>• Raffles Junior College (S) Pte Ltd</li> <li>• USP Group Limited</li> <li>• China Essence Group Ltd (delisted on 14 February 2020) (in Cayman Island)</li> </ul>

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
		<p><b>Present Directorships</b></p> <ul style="list-style-type: none"> <li>• COSCO Shipping International (S) Ltd</li> <li>• The Place Holdings Limited</li> <li>• ecoWise Holdings Limited</li> <li>• Luxking Group Holdings Ltd</li> <li>• CFM Holdings Limited</li> <li>• Chaswood Resources Holdings Ltd</li> <li>• The Thai Prime Fund Limited (was an Independent Director from 11 October 2001 to 1 February 2011)(delisted) and (reappointed on 1 October 2016 till present)</li> </ul>
<p><b>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.</b></p>		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	Yes.  Mr. Er Kwong Wah was an Independent Non-Executive Director of China Sky Chemical Fiber Co., Ltd which has been placed under the judicial management of a judicial manager pursuant to an order made by the Court under Section 227B and the provisions of Part VIIIA of the Companies Act.
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-  (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or  (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	Yes.  In 2011, China Sky Chemical Fibre Co., Ltd, a company which he was an Independent Non-Executive Director, was directed by SGX to engage a Special Auditor to investigate issues related to interested party transaction, high cost of equipment maintenance, and the purchase of a piece of land.

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
<p>(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or</p> <p>(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>		
<p>(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?</p>	No	<p>Yes.</p> <p>The whole Board of Director of China Sky Chemical Fiber Co., Ltd., including Mr. Er Kwong Wah was reprimanded by SGX on 16 December 2011 and was subsequently placed in the Director Watchlist due to certain non-compliance of SGX's directives by China Sky Chemical Fiber Co., Ltd. Mr. Er Kwong Wah was an Independent Non-Executive Director. The non-compliance concerned the appointment of a Special Auditors.</p> <p>Mr. Er Kwong Wah has subsequently been removed from the Director Watchlist by SGX on 24 July 2018.</p>

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Mr. Lo Kim Seng	Mr. Er Kwong Wah
<b>Disclosure applicable to the appointment of Director only</b>		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N.A	N.A

# CFM HOLDINGS LIMITED

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

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT

1. In light of the current COVID-19 measures in Singapore, shareholders will not be able to attend the AGM in person. Instead, alternative arrangements set out in the Notice of AGM have been put in place to allow members to participate at the AGM. Shareholder (whether individual or corporate) who wish to vote on any or all of the resolutions at the AGM must appoint Chairman of the AGM as their proxy to do so on their behalf, by giving specific instructions as to voting, or abstentions from voting, failing which the appointment of Chairman of the AGM as proxy for the AGM will be treated as invalid.
2. For investors who have used their CDF/SRS monies to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF or SRS investors who wish to appoint the Chairman of the AGM as their proxy to vote on their behalf should contact their respective Agents Banks or SRS Operators at least seven (7) working days by 10.00 a.m. on Monday, 19 October 2020, before the AGM to specify voting instructions and to ensure that their votes are submitted.

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 the Chairman of the Annual General Meeting (the "**AGM**") of the Company as "my/our proxy to attend and vote for \*me/us on \*my/our behalf at the AGM of the Company, to be held by way of electronic means on Wednesday, 28 October 2020 at 10:00 a.m. and at any adjournment thereof. \*I/We direct \*my/our proxy to vote for or against or abstain from voting the Resolutions to be proposed at the AGM as indicated hereunder.

Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "For" or "Against" a resolution, please tick (✓) within the "For" or "Against" box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the "For" or "Against" box provided in respect of that resolution.

If you wish the Chairman of the AGM as your proxy to abstain from voting a resolution, please tick (✓) within the "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of votes that the Chairman of the AGM as your proxy is directed to abstain from voting in the "Abstain" box provided in respect of that resolution.

No.	Resolutions relating to:	For	Against	Abstain
1.	Directors' Statement and Audited Financial Statements for the year ended 30 June 2020 together with the Independent Auditors' Report thereon.			
2.	Re-election of Mr. Lo Kim Seng as a Director			
3.	Re-election of Mr. Er Kwong Wah as a Director			
4.	Approval of Directors' fees amounting to \$61,950 for the financial year ended 30 June 2020			
5.	Re-appointment of Messrs. Baker Tilly TFW LLP as the Company's Auditors			
6.	Authority to Issue New Shares			
7.	Authority to Grant Awards and to Allot and Issue Shares under the CFM Performance Share Plan			

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2020

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 shall be deemed to relate to all the Shares held by you.
2. In light of the current COVID-19 measures in Singapore, shareholders will not be able to attend the AGM in person. A shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her proxy to vote on his/her behalf at the AGM if such shareholders wishes to exercise his/her voting rights at the AGM. This proxy form has been made available on SGXNET at <https://www.sgx.com/securities/company-announcements> and may be accessed at and the Company's website at <https://cfmholdings.com>.
3. CPF or SRS Investor who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks or SRS Operators at least seven (7) working days before the AGM (i.e. by 10:00 a.m. on Monday, 19 October 2020 to ensure that sufficient time is given to their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date. "Relevant intermediary" is defined under Section 181(6) of the Companies Act (Cap. 50) as:
  - (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 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.
4. Where a shareholder (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
5. The instrument appointing the Chairman of the AGM as proxy must be deposited at the registered office of the Company at 4 Ang Mo Kio Avenue 12, CFM Building, Singapore 569498 or sent by email to [irc@cfmholdings.com](mailto:irc@cfmholdings.com) not less than forty-eight (48) hours before the time appointed for holding the AGM (i.e. by 10:00 a.m. on Monday, 26 October 2020). **In view of the current COVID-19 measures which may make it difficult for shareholders to submit completed proxy forms by post, shareholders are strongly encouraged to submit completed proxy forms electronically via email.**
6. The instrument appointing the Chairman of the AGM must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the proxy 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 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.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Singapore Companies Act, Cap. 50.

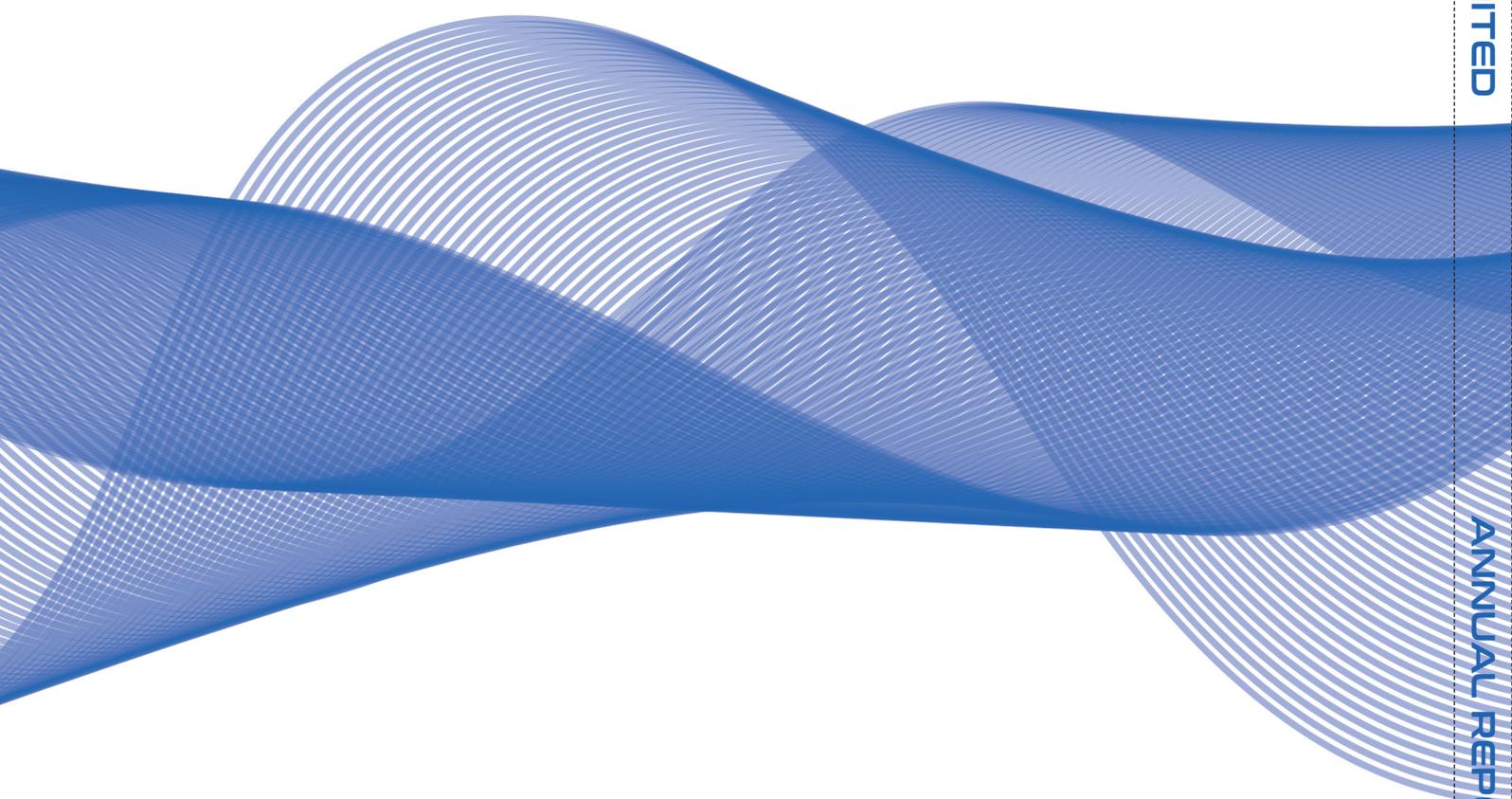
#### General:

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM 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 lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) 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 the Chairman of the AGM as a proxy to vote at the AGM and/or any adjournment thereof, a member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 October 2020.





**CFM HOLDINGS LIMITED**

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