

SANTAK 

SANTAK HOLDINGS LIMITED

ANNUAL REPORT 2017

CONTENTS

01	Corporate Profile
02	Chairman’s Statement
06	Corporate Data
07	Corporate Structure
08	Financial Highlights
09	Financial Report
107	Additional Information
121	Statistics of Shareholdings
123	Notice of Annual General Meeting
	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., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“Exchange”). The Company’s Sponsor has not independently verified the contents of this document including the correctness of any of the figures used, statements or opinions made.

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

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

CORPORATE PROFILE

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

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

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

The Group's factory is located in Singapore. Strategic investments have been made in high precision and automated production machinery in addition to the training and development of the Group's workforce. On-going marketing efforts are supported by manufacturing and engineering expertise, built up over the past 39 years.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Santak Holdings Limited (the "Company") and its subsidiary companies (the "Group") for the Financial Year ended 30 June 2017 ("FY2017").

Following review by the Management in connection with the financial performance of its business operation in China and the weak demand for its China's operation, on 24 November 2016, a wholly owned subsidiary of the Company, Santak Metal Manufacturing Pte Ltd, has entered into a sales and purchase agreement dated 24 November 2016 (the "SPA") with LY Investment (HK) Limited (the "Purchaser") for the sale of 100% equity interest of its wholly owned subsidiary, Santak Metal Manufacturing (Wuxi) Co., Ltd, to the Purchaser (the "Disposal"). The Disposal was completed on 16 March 2017 and the Group will continue to review and, where applicable, restructure the Continuing Operations, *inter alia*, to improve its efficiencies and business (including but not limited to further expansion of the existing product offering and/or geographical expansion). The Group may explore, *inter alia*, new viable business, investment, acquisition and realisation opportunities (as and when they may arise).

The Group will also continue its effort for cost rationalization and optimisation and streamlining of the Continuing Operations. The potential future plans for the Group as set out above may change as the Board and the Management continue to seek opportunities which offer potential growth for the Group and enhancement of value for the Shareholders as and when appropriate.

FY2017 vs FY2016

The Group (including the discontinued operation) registered revenue of S\$30.40 million and profit after tax of S\$0.80 million in FY2017 compared to revenue of S\$63.61 million and loss after tax of S\$22.58 million in FY2016.

Continuing Operations

Revenue decreased by 44.7% from S\$48.70 million in FY2016 to S\$26.93 million in FY2017. The decrease was mainly due to sales of the Precision Engineering Division ("PE") which came in at S\$22.80 million, a decrease of S\$21.74 million or 48.8% compared to prior year. The decrease in sales in PE compared to prior year was mainly due to the lower sales arising from the substantially weaker demand from the consumer electronics sector. In particular, the turnover for second half of FY2017 ("2H2017")

CHAIRMAN'S STATEMENT

was substantially lower at S\$7.18 million compared to S\$15.62 million in first half of FY2017 ("1H2017"). On the other hand, the Trading & Distribution Division ("T&D") sales remained relatively stable at S\$4.13 million compared to S\$4.16 million in FY2016. The continuing operations' gross profit was lower at S\$1.37 million in FY2017 compared to S\$3.26 million in FY2016 following the decrease in turnover.

Other operating income decreased by S\$0.31 million or 73.6% mainly due to the absence of foreign exchange gain of S\$0.27 million in FY2016 arising from the strengthening of USD against SGD. The decrease in distribution and selling expenses by S\$0.37 million to S\$1.47 million was mainly due to lower sales commission and payroll expenses in FY2017. The decrease in financial expenses by approximately S\$0.36 million to S\$1.09 million in FY2017 was the result of reduced bank interest expenses arising from the lower bank borrowings balance as a result of higher repayment of bank borrowings during FY2017 compared to FY2016.

A loss before tax of S\$3.14 million was registered for FY2017 compared to S\$1.72 million in the previous year. The tax credit of S\$0.51 million in FY2017 was mainly due to the decrease in the deferred tax liabilities which mainly arose

from higher tax losses and capital allowances balance as at 30 June 2017. The loss after tax for FY2017 was S\$2.64 million compared to S\$1.51 million in prior year. Our basic and diluted loss per share were both 2.45 cents for FY2017 versus basic and diluted loss per share of 1.40 cents in the prior year.

Discontinued Operation

The turnover decreased by 76.8% from S\$14.92 million in FY2016 to S\$3.47 million in FY2017 mainly due to the disposal of 100% equity interest of Santak Metal Manufacturing (Wuxi) Co., Ltd., an indirect wholly owned subsidiary of the Company (the "Disposal of Discontinued Operation") which was completed on 16 March 2017 and the lower orders arising from weaker demand for the consumer electronics sector in the Discontinued Operation in China.

Despite the lower turnover, the gross loss in FY2017 was lower at S\$2.34 million compared to gross loss of S\$15.70 million in FY2016 mainly due to the absence of depreciation and amortisation expenses in FY2017 in line with the requirements of FRS105 as a result of the reclassification of the property, plant and equipment and intangible assets as "assets of subsidiary classified as held for sales" as part of the Discontinued Operation arising

from the proposed Disposal of Discontinued Operation compared to depreciation and amortisation expenses of S\$4.18 million charged in FY2016. In addition, there was a net reversal of allowance of stocks obsolescence of S\$1.21 million in FY2017 arising mainly from an over allowance for unit price reduction in prior year which was no longer required as a result of the proposed Disposal of Discontinued Operation. In addition, there were on-going efforts to restructure the Group's businesses as well as continuous efforts to reduce operating overheads including significant reduction in headcount.

The lower other operating income of approximately S\$0.64 million was mainly attributable to lower gain on disposal of property, plant and equipment as well as lower sales of scraps in FY2017 due to lower turnover. The gain on disposal of property, plant and equipment of approximately S\$0.17 million was due to the disposal of some fully depreciated machines. The decrease in administrative expenses by S\$0.63 million to S\$0.41 million in FY2017 and the lower distribution and selling expenses of S\$0.51 million was in line with the lower turnover in FY2017 as well as continuous efforts to reduce operating overheads. The lower other operating expenses in FY2017 of S\$0.26 million was mainly due

CHAIRMAN'S STATEMENT

to lower rental compensation cost arising from the early termination of a factory lease agreement in China as well as lower foreign exchange loss at S\$0.25 million mainly arising from the weakening of RMB against USD during FY2017. The gain on disposal of investment in Discontinued Operation of S\$6.32 million ("Disposal Gain") was attributable to the gain on the Disposal of Discontinued Operation which was completed on 16 March 2017 ("Completion"). The higher Disposal Gain by approximately S\$3.82 million (previously estimated at S\$2.5 million based on the audited consolidated financial statements as at 30 June 2016 as disclosed in the Circular to Shareholders dated 10 January 2017) was mainly attributable to the lower net assets value of the Discontinued Operation by approximately S\$3.17 million as at Completion and the higher consideration proceeds from Disposal of Discontinued Operation by S\$0.69 million as at Completion (based on the adjustments to the consideration as provided for in the sale and purchase agreement dated 24 November 2016) and partially offset by professional and travelling expenses of S\$0.25 million incurred in relation to the Disposal of Discontinued Operation.

The Discontinued Operation registered a profit before and after tax of S\$3.44 million in FY2017 compared to loss before and after tax of S\$16.01 million and S\$21.07 million respectively in FY2016. The tax expense of S\$5.06 million in FY2016 arose mainly from the de-recognition of deferred tax assets of S\$4.94 million in the Discontinued Operation. Our basic and diluted earnings per share were both 3.20 cents for FY2017 versus basic and diluted loss per share of 19.59 cents in the prior year.

REVIEW OF FINANCIAL POSITION

The increase in property, plant and equipment by S\$0.32 million was mainly due to the surplus on revaluation of a subsidiary company's leasehold property as at 30 June 2017, partially offset by depreciation charge during FY2017. The decrease in trade receivables by S\$4.13 million as at 30 June 2017 versus 30 June 2016 was mainly in line with lower turnover in FY2017 versus FY2016. The restricted fixed deposit was fully utilised to repay loans and borrowings in FY2017. The increase in cash and cash equivalent by S\$4.47 million from S\$5.22 million to S\$9.69 million is explained in the Review of Cash Flow in the following paragraph below.

The increase in trade payables by S\$1.21 million was mainly due to trade amount due to the Discontinued Operation of S\$1.23 million which was reclassified as trade payables as at 30 June 2017 compared to as inter-companies balance which was eliminated in the consolidated balance sheet as at 30 June 2016. The decrease in other liabilities by S\$1.06 million to S\$1.34 million as at 30 June 2017 was mainly due to the absence of payables for machinery as at 30 June 2017.

The absence of the assets and liabilities of subsidiary classified as held for sale as at 30 June 2017 was due to the completion of the Disposal of Discontinued Operation on 16 March 2017.

Loans and borrowings (excluding finance leases) decreased by S\$29.23 million from S\$29.32 million to S\$0.09 million was due to repayments of loans and borrowings and bank advances on factored trade debtors during FY2017 using the proceeds from the Completion of the Disposal of Discontinued Operation. The decrease in finance lease obligations was a result of repayments during FY2017. The decrease in deferred tax liabilities mainly arose from

CHAIRMAN'S STATEMENT

higher tax losses and capital allowances balance as at 30 June 2017. The increase in revaluation reserves as at 30 June 2017 was the result of the surplus on revaluation of a subsidiary company's leasehold property. The decrease in translation and statutory reserves was the result of the realisation of the translation and statutory reserves on the Disposal of Discontinued Operation in FY2017.

The Group's net asset value per share was 20.43 cents as at 30 June 2017 compared to 20.80 cents as at 30 June 2016.

Review of Cash Flow

Following the lower loss incurred, the Group's operations generated lower operating cash outflow before working capital changes of approximately S\$5.26 million in FY2017 compared to S\$13.27 million in FY2016.

As a result of decrease in trade receivables and inventories in FY2017, partially offset by lower trade payables and other liabilities balance, the Group recorded a lower net cash used in operating activities of approximately S\$1.29 million in FY2017, compared to net cash

generated from operating activities of S\$12.98 million in FY2016.

As a result of the net proceeds of S\$26.42 million (consists of gross proceeds of S\$27.69 million less cash balance in Discontinued Operation of S\$1.02 million as well as professional and travelling expenses of S\$0.25 million incurred in relation to the Disposal of Discontinued Operation) received in relation to the Completion of the Disposal of Discontinued Operation in FY2017, the net cash flows generated from investing activities amounted to S\$26.06 million in FY2017 compared to cash used in investing activities of S\$0.33 million in FY2016. The gross proceeds of S\$27.69 million from the Disposal of Discontinued Operations was mainly utilised to repay bank loans and borrowings. As a result, net cash used in financing activities during FY2017 was S\$25.96 million which arose from the repayments of bank borrowings and finance leases of S\$28.75 million and interest expense payment of S\$0.82 million and partially offset by the redemption of restricted fixed deposits of S\$3.61 million. Overall, cash and cash equivalents decreased by S\$1.27 million during FY2017 to S\$9.69

million as at 30 June 2017 compared to the balance of S\$10.96 million as at 30 June 2016 which include cash and bank balances for Discontinued Operation classified as assets of subsidiary held for sales.

No dividend has been declared or recommended for FY2017. The market in which the Group operates remains competitive and demanding. Going forward into the current financial year ending 30 June 2018 ("FY2018"), the demand for the Group's precision machined components is expected to be uncertain and challenging in FY2018.

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

Lee Keen Whye
Chairman

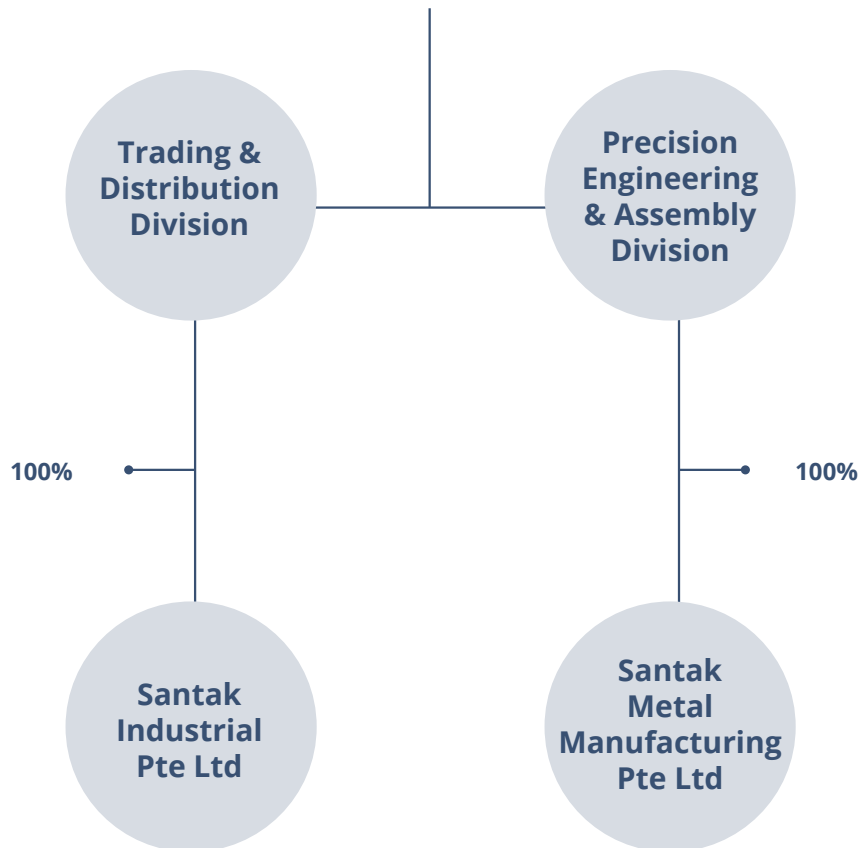
CORPORATE DATA

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

CORPORATE STRUCTURE



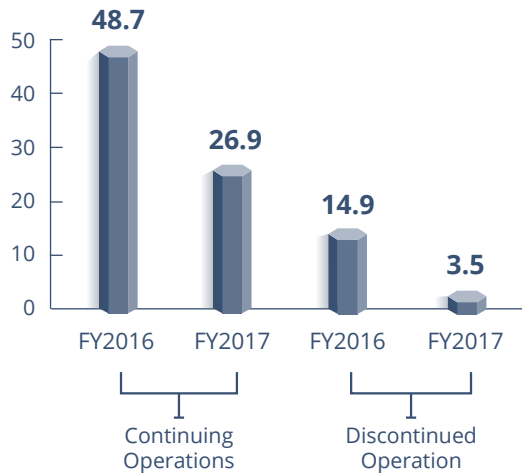
Santak Holdings Limited



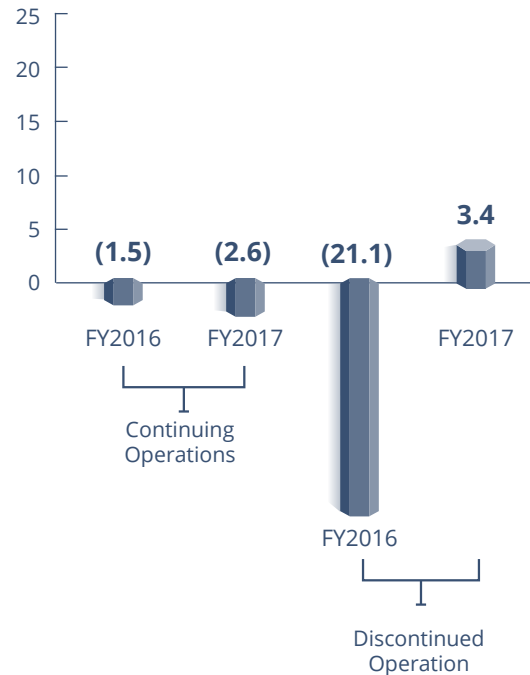
Note: The above chart shows the principal subsidiary companies of the Group.

FINANCIAL HIGHLIGHTS

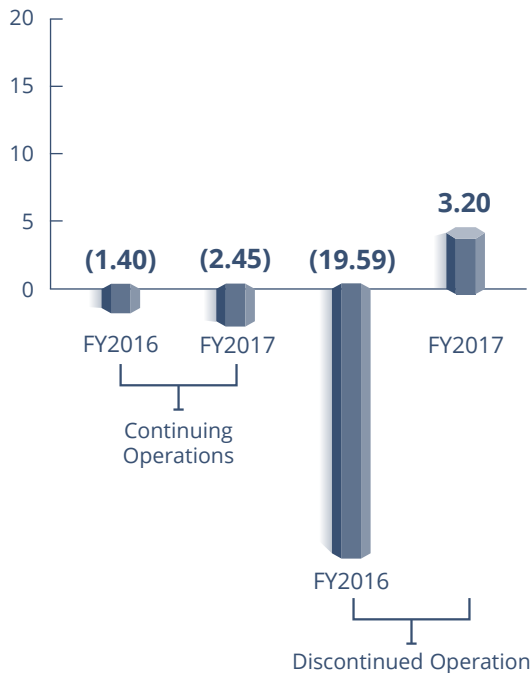
TURNOVER
(IN S\$MILLION)



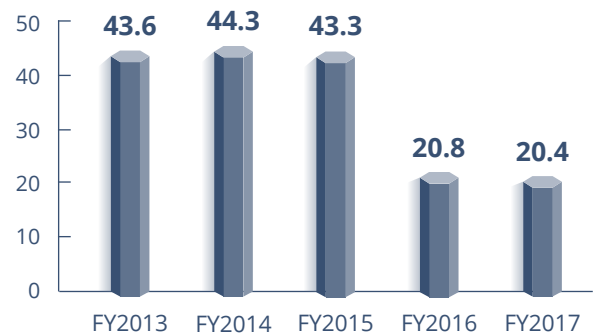
PROFIT/(LOSS) AFTER TAX
(IN S\$MILLION)



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



NET ASSET VALUE PER SHARE
(IN CENTS)



FINANCIAL REPORT

10	Directors' Statement
15	Independent Auditor's Report
22	Consolidated Income Statement
23	Consolidated Statement of Comprehensive Income
24	Balance Sheets
26	Statements of Changes in Equity
29	Consolidated Cash Flow Statement
31	Notes to the Financial Statements

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Santak Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2017.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

Except for the options granted to directors as disclosed below pursuant to the Santak Share Option Scheme 2001 which expired on 12 March 2016, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2017.

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

DIRECTORS' STATEMENT

Options

The Santak Share Option Scheme 2001 (the "Scheme") which had expired on 12 March 2016, was approved and adopted at the Company's Extraordinary General Meeting held on 12 March 2001 to enable eligible directors and employees of the Company and of the Group, other than controlling shareholders of the Company and their associates, to participate in the equity of the Company. The Scheme is administered by the Remuneration Committee, comprising one executive director and two independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the Remuneration Committee are:

Lee Keen Whye (Chairman)
Ch'ng Jit Koon
Ng Weng Wei

The total number of new shares over which options may be granted pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company on the date immediately preceding the offer date of the options ("Offer Date"). All options to be issued to executives of the Group and non-executive directors of the Company will have a term no longer than 10 years and 5 years, respectively. Persons who are controlling shareholders and their associates shall not be eligible to participate in the Scheme. The exercise price of all options granted for new ordinary shares of the Company must not be less than 80% of the average of the last dealt prices of the shares of the Company for the five market days preceding the Offer Date as determined by the Remuneration Committee. Options granted at market price are exercisable after the first anniversary of the Offer Date. Options granted at a discount to market price are not exercisable before the second anniversary of the Offer Date. The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of \$1.

Since the commencement of the Scheme till the end of the financial year:

- No options have been granted to the controlling shareholders of the Company and their associates;
- No participant other than those disclosed in this Statement has received 5% or more of the total options available under the Scheme;
- No participants of the Scheme are directors or employees of the Company's parent company and its subsidiary companies, as the Company does not have any parent company;
- No options that entitle the holder to participate, by virtue of the options, in any shares issue of any other corporation have been granted; and
- No options have been granted at a discount.

During the previous financial year, 300,000 options granted under the Scheme were exercised. The remaining 2,500,000 options had lapsed.

DIRECTORS' STATEMENT

Options (cont'd)

Details of the share options to subscribe for ordinary shares of the Company granted to directors of the Company and participants who have received 5% or more of the total number of options available under the Scheme are as follows:

	Options granted during the previous financial year	Aggregate options granted since commencement of Scheme to end of previous financial year	Aggregate options exercised or expired since commencement of Scheme to end of previous financial year	Aggregate options outstanding as at end of previous financial year
<i>Name of director</i>				
Lee Keen Whye	-	1,400,000	(1,400,000)	-
Ch'ng Jit Koon	-	800,000	(800,000)	-
Ng Weng Wei	-	1,400,000	(1,400,000)	-
<i>Name of participant</i>				
Tan Chor Tat, Steven	-	1,400,000	(1,400,000)	-
Total	-	5,000,000	(5,000,000)	-

The Scheme had expired on 12 March 2016. There were no unissued shares of subsidiaries under option at the end of the previous financial year.

Audit Committee

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

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

DIRECTORS' STATEMENT

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

The AC had met with the external auditors to discuss the results of their audit. The AC had reviewed the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2017, as well as the external auditor's report thereon.

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

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

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

Auditor

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

On behalf of the board of directors,

Tan Chee Hawai
Director

Ng Weng Wei
Director

Singapore
29 September 2017

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2017

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Santak Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2017, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2017

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

Key Audit Matters (cont'd)

Going concern

As disclosed in Note 2.1, the Group incurred a gross loss of \$0.97 million and generated negative operating cash flow of \$1.28 million for this financial year. Notwithstanding the above, the directors have prepared the consolidated financial statements on a going concern basis as the Group had disposed its loss making China subsidiary during the financial year and the Group's continuing operations is forecasted to be able to meet its operational needs and pay its debts as and when they fall due. Significant management judgement is involved in assessing the ability of the Group to manage its liquidity position and consequently, the use of the going concern assumptions and estimates such as the sales growth rate, projected purchases and operating expenses in the preparation of the financial statements. As such, we determined this to be a key audit matter.

As part of the audit, we reviewed the cash flow forecasts prepared by management to monitor and manage the liquidity position of the Group. We assessed the reasonableness of the key assumptions and estimates underlying the cash flow forecast, such as the sales growth rate, projected purchases and operating expenses by comparing them to historical data, economic and industry forecasts. We performed sensitivity analysis around these key assumptions adopted in the forecasts. We reviewed the Group's loan facility agreements and computation of the financial covenants and management's assessment of covenant compliance as defined in the respective loan facility agreements. We also assessed the adequacy of the disclosures on the going concern assumption in Note 2.1 to the financial statements.

Carrying values of property, plant and equipment (PPE)

The Group has significant PPE amounting to \$12.39 million as at 30 June 2017, out of which \$11.5 million consists of leasehold property. The carrying amount of PPE represents 45% of the Group's total assets.

The Group assesses annually if indicators of impairment exists each reporting date and if there are such indicators, an estimate is made of the recoverable amount of these assets. Based on the outcome of the impairment assessment, which resulted in sufficient headroom, the Group has not recognised any impairment charge in this financial year. The impairment assessment involved management's subjective and complex judgements which affect certain assumptions used in the impairment assessment. Accordingly, we considered the audit of the Group's impairment assessment of these assets to be key audit matters.

The Group carries its leasehold property at fair value less accumulated depreciation and accumulated impairment losses. Management engaged an external valuer to assist them in determining the fair value of the leasehold property as at 30 June 2017. The valuation is a significant judgemental area and is underpinned by a number of assumptions including yield adjustments made for any difference in nature, location or condition of the leasehold property. As part of the audit, we considered the objectivity and competency of the external valuer. We assessed the appropriateness of the valuation model and property related data which includes estimates used by the external valuer. In addition, our internal valuation specialist assisted us in obtaining an understanding on the valuation technique, evaluating the appropriateness of the data used in the estimation process and assessed the movements in fair value of the leasehold property. We also assessed the adequacy of Note 11 relating to property, plant and equipment in the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2017

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

Key Audit Matters (cont'd)

Carrying value of investments in subsidiary companies and loan to a subsidiary company

The Company has investment in subsidiary companies amounting to \$8.11 million as at 30 June 2017, which represent 58% of the Company's total assets. In addition, the Company also has loan to a subsidiary company amounting to \$4.03 million and \$1.68 million classified as non-current asset and current asset respectively as at 30 June 2017, which represent 41% of the Company's total assets. Management determined the recoverable amounts of these balances based on value in use calculations. This assessment requires management to make significant assumptions and estimates to the underlying cash flow forecasts.

As part of our audit, we evaluated management's overall assessment of the recoverable amounts. We evaluated and assessed the methodologies and assumptions used by management in the cash flow forecasts. We tested the key assumptions such as expectations for sales and gross margin against historical information. We compared the discount rate and terminal growth rate used against available market information. Our internal valuation specialist assisted us in reviewing the discount rate and terminal growth rates. We also assessed the adequacy of the disclosures related to investment in subsidiary companies in Note 12 and loan to a subsidiary company in Note 18 to the financial statements.

Allowance for obsolete inventories

As of 30 June 2017, the total inventories and the related allowances for obsolete inventories amounted to \$1.94 million and \$1.29 million respectively. The allowance for inventory obsolescence relates to slow moving and obsolete finished goods. We determined that this is a key audit matter as determination of inventory obsolescence required high level of management judgement, and the inventory is subject to rapid technological changes and consumption patterns.

We obtained the inventory ageing report and discussed with management their procedures to identify slow-moving and obsolete inventories. We evaluated the assumptions and estimates used by management in determining the allowance amount through testing of the accuracy of inventories aging report, analysing the aging profile of inventories to identify slow and obsolete inventories as well as reviewing historical usage or sale patterns to assess reasonableness of the percentages used in the estimation of obsolescence allowance. We assessed the adequacy of the Group's allowance for obsolete inventories by checking, on a sample basis, whether inventory items were categorised appropriately in the relevant ageing bracket and assessed the reasonableness of the allowance percentages applied. We also inquired for any obsolete or slow-moving inventories identified during our stock take observation and also performed net realisable value testing on selected inventory items to check that inventories are carried at the lower of cost and net realisable value. We also focused on the adequacy of disclosure in Note 15 relating to the inventories in the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2017

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

Key Audit Matters (cont'd)

Recoverability of trade receivables

The Group has trade receivables amounting to \$3.56 million as at 30 June 2017. The allowance for doubtful debts provided during the year amounted to \$74,000. The macroeconomic challenges in the industry bring uncertainty to the Group over the collectability of trade receivables from specific customers. Specific factors the management considers in assessing the recoverability include the age of the balances, location of customers, existence of disputes, recent historical payment patterns and any other available information concerning the creditworthiness of the customers. Management uses this information to determine whether impairment is required either for a specific transaction or for a customer's balance overall. We determined that this is a key audit matter due to its magnitude and the significant management estimates and judgement involved in the impairment assessment.

As part of the audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and considered aging of the debts to identify collection risks. We performed audit procedures, amongst others, on a sample basis, requesting trade receivable confirmations and obtaining evidence of receipts from the customers subsequent to the year end. We also evaluated management's assumptions used to calculate the trade receivables impairment amount through analyses of ageing of receivables, assessment of material overdue trade receivables considering the specific customers' profile and risks. We reviewed customers' payment history and correspondences with the customers where applicable. We also assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Note 16 to the financial statements.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2017

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2017

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2017

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

Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
29 September 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 June 2017

	Note	2017 \$	2016 \$
Continuing operations			
Revenue	3	26,929,824	48,695,455
Cost of sales		(25,556,273)	(45,435,200)
Gross profit		1,373,551	3,260,255
Other operating income	4	111,651	424,224
Distribution and selling expenses		(1,467,329)	(1,833,005)
Administrative expenses		(2,078,678)	(2,145,126)
Other operating expenses	4	(30,718)	-
Finance costs	5	(1,091,174)	(1,445,971)
Finance income	5	38,364	24,783
Loss before tax from continuing operations	6	(3,144,333)	(1,714,840)
Taxation	7	506,969	204,229
Loss from continuing operations, net of taxation		(2,637,364)	(1,510,611)
Discontinued operation			
Profit/(loss) from discontinued operation, net of taxation	8	3,440,468	(21,065,040)
Profit/(loss) for the year		803,104	(22,575,651)
Loss attributable to:			
Equity holders of the Company			
Loss from continuing operations, net of taxation		(2,637,364)	(1,510,611)
Profit/(loss) from discontinued operation, net of taxation		3,440,468	(21,065,040)
Profit/(loss) for the year attributable to equity owners of the Company		803,104	(22,575,651)
Loss per share from continuing operations attributable to equity holders of the Company (cents per share)			
Basic	10(a)	(2.45)	(1.40)
Diluted	10(a)	(2.45)	(1.40)
Profit/(loss) per share (cents per share)			
Basic	10(b)	0.75	(20.99)
Diluted	10(b)	0.75	(20.99)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2017

	Note	2017 \$	2016 \$
Profit/(loss) for the year		803,104	(22,575,651)
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Realisation of translation reserve on disposal/deregistration of a subsidiary company	26(iv)	(2,107,697)	(59,159)
Foreign currency translation	26(iv)	(68,416)	(989,346)
Net surplus on revaluation of leasehold property	26(ii)	973,069	-
Total other comprehensive income for the year, net of taxation		<u>(1,203,044)</u>	<u>(1,048,505)</u>
Total comprehensive income for the year		<u>(399,940)</u>	<u>(23,624,156)</u>
Total comprehensive income attributable to:			
Equity holders of the Company		<u>(399,940)</u>	<u>(23,624,156)</u>
Attributable to:			
Equity holders of the Company			
Total comprehensive income from continuing operations, net of taxation		(1,676,538)	(1,560,309)
Total comprehensive income from discontinued operation, net of taxation		<u>1,276,598</u>	<u>(22,063,847)</u>
Total comprehensive income for the year attributable to equity owners of the Company		<u>(399,940)</u>	<u>(23,624,156)</u>

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

BALANCE SHEETS

As at 30 June 2017

	Note	Group		Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
Non-current assets					
Property, plant and equipment	11	12,392,170	12,067,731	144,021	195,088
Investments in subsidiary companies	12	-	-	8,113,176	8,113,176
Intangible assets	13	75,204	92,165	375	4,403
Loan to a subsidiary company	18	-	-	4,030,000	4,030,000
Deferred tax assets	24	-	-	6,860	6,774
		<u>12,467,374</u>	<u>12,159,896</u>	<u>12,294,432</u>	<u>12,349,441</u>
Current assets					
Restricted fixed deposits	14	-	3,509,189	-	-
Inventories	15	1,938,788	1,810,358	-	-
Prepayments		66,362	76,219	20,924	21,583
Trade receivables	16	3,555,905	7,683,563	-	-
Other receivables	17	880	800	-	-
Due from subsidiary companies (non-trade)	18	-	-	1,684,470	1,571,665
Tax credit		-	28,989	-	-
Cash and cash equivalents	19	9,684,983	5,215,919	71,049	212,664
		<u>15,246,918</u>	<u>18,325,037</u>	<u>1,776,443</u>	<u>1,805,912</u>
Assets of subsidiary classified as held for sale	8	-	38,286,280	-	-
		<u>15,246,918</u>	<u>56,611,317</u>	<u>1,776,443</u>	<u>1,805,912</u>
Current liabilities					
Trade payables	20	2,439,560	1,225,991	-	-
Other liabilities	21	1,335,565	2,393,554	429,590	483,793
Loans and borrowings	22	87,712	29,317,449	-	-
Obligations under finance leases	23	69,535	66,350	34,102	32,894
Provision for taxation		13,808	-	4,098	7,800
		<u>3,946,180</u>	<u>33,003,344</u>	<u>467,790</u>	<u>524,487</u>
Liabilities of subsidiary classified as held for sale	8	-	11,221,322	-	-
Net current assets		<u>11,300,738</u>	<u>12,386,651</u>	<u>1,308,653</u>	<u>1,281,425</u>

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

BALANCE SHEETS

As at 30 June 2017

	Note	Group		Company	
		2017	2016	2017	2016
		\$	\$	\$	\$
Non-current liabilities					
Obligations under finance leases	23	271,925	338,424	103,459	137,560
Deferred tax liabilities	24	1,520,302	1,832,298	-	-
		<u>1,792,227</u>	<u>2,170,722</u>	<u>103,459</u>	<u>137,560</u>
Net assets		<u>21,975,885</u>	<u>22,375,825</u>	<u>13,499,626</u>	<u>13,493,306</u>
Equity attributable to equity holders of the Company					
Share capital	25	12,852,187	12,852,187	12,852,187	12,852,187
Revaluation reserve	26(ii)	8,319,463	7,346,394	-	-
Statutory reserves	26(iii)	-	947,125	-	-
Translation reserve	26(iv)	814	2,176,927	-	-
Retained earnings/(Accumulated losses)		<u>803,421</u>	<u>(946,808)</u>	<u>647,439</u>	<u>641,119</u>
		<u>21,975,885</u>	<u>22,375,825</u>	<u>13,499,626</u>	<u>13,493,306</u>

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

2017 Group	Attributable to equity holders of the Company					
	Share capital (Note 25)	(Accumulated losses)/ Retained earnings	Revaluation reserve (Note 26ii)	Statutory reserves (Note 26iii)	Translation reserve (Note 26iv)	Total equity
	\$	\$	\$	\$	\$	\$
At 1 July 2016	12,852,187	(946,808)	7,346,394	947,125	2,176,927	22,375,825
Profit for the year	-	803,104	-	-	-	803,104
<u>Other comprehensive income</u>						
Net surplus on revaluation of leasehold property	-	-	973,069	-	-	973,069
Foreign currency translation	-	-	-	-	(68,416)	(68,416)
Realisation of translation reserve on disposal of a subsidiary	-	-	-	-	(2,107,697)	(2,107,697)
Other comprehensive income for the year, net of tax	-	-	973,069	-	(2,176,113)	(1,203,044)
Total comprehensive income for the year	-	803,104	973,069	-	(2,176,113)	(399,940)
<u>Contributions by and distributions to owners</u>						
Reclassification of reserve to retained earnings upon disposal of interests in a subsidiary	-	947,125	-	(947,125)	-	-
At 30 June 2017	12,852,187	803,421	8,319,463	-	814	21,975,885

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

2016 Group	Attributable to equity holders of the Company						
	Share capital (Note 25) \$	Share option reserve (Note 26i) \$	Accumulated Losses \$	Revaluation reserve (Note 26ii) \$	Statutory reserves (Note 26iii) \$	Translation reserve (Note 26iv) \$	Total equity \$
At 1 July 2015	12,780,487	304,947	21,846,563	7,346,394	962,363	3,225,432	46,466,186
Loss for the year	-	-	(22,575,651)	-	-	-	(22,575,651)
<u>Other comprehensive income</u>							
Realisation of translation reserve on deregistration of a subsidiary company	-	-	-	-	-	(59,159)	(59,159)
Foreign currency translation	-	-	-	-	-	(989,346)	(989,346)
Other comprehensive income for the year, net of tax	-	-	-	-	-	(1,048,505)	(1,048,505)
Total comprehensive income for the year	-	-	(22,575,651)	-	-	(1,048,505)	(23,624,156)
<u>Contributions by and distributions to owners</u>							
Dividends on ordinary shares (Note 9)	-	-	(537,905)	-	-	-	(537,905)
Transfer of reserve	-	(304,947)	304,947	-	-	-	-
Transfer of statutory reserve	-	-	15,238	-	(15,238)	-	-
Exercise of employee share options	71,700	-	-	-	-	-	71,700
At 30 June 2016	12,852,187	-	(946,808)	7,346,394	947,125	2,176,927	22,375,825

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2017

Company	Attributable to equity holders of the Company			
	Share capital (Note 25) \$	Share option reserve (Note 26(i)) \$	Retained earnings \$	Total equity \$
2017				
Opening balance at 1 July 2016	12,852,187	-	641,119	13,493,306
Profit for the year, representing total comprehensive income for the year	-	-	6,320	6,320
Closing balance at 30 June 2017	12,852,187	-	647,439	13,499,626
2016				
Opening balance at 1 July 2015	12,780,487	304,947	828,972	13,914,406
Profit for the year, representing total comprehensive income for the year	-	-	45,105	45,105
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares (Note 9)	-	-	(537,905)	(537,905)
Transfer of reserve	-	(304,947)	304,947	-
Exercise of employee share options	71,700	-	-	71,700
Total transactions with owners in their capacity as owners	71,700	(304,947)	(232,958)	(466,205)
Closing balance at 30 June 2016	12,852,187	-	641,119	13,493,306

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2017

	2017	2016
	\$	\$
Cash flows from operating activities		
Loss before tax from continuing operations	(3,144,333)	(1,714,840)
Profit/(loss) before tax from discontinued operation	3,440,468	(16,009,689)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	844,449	5,018,906
Amortisation of intangible assets	16,961	44,951
Gain on disposal of property, plant and equipment	(173,999)	(1,108,959)
Gain on disposal of investment in discontinued operation	(6,322,989)	-
Interest expense	819,219	1,121,008
Interest income	(43,592)	(51,233)
Unrealised exchange gain	(697,224)	(505,956)
Realisation of translation reserves on deregistration of subsidiary company	-	(59,159)
Operating cash flows before changes in working capital	<u>(5,261,040)</u>	<u>(13,264,971)</u>
<u>Changes in working capital</u>		
Decrease in:		
Inventories	3,870,649	10,989,260
Trade receivables	4,342,487	35,413,483
Other receivables and prepayments	758,949	2,372,688
Decrease in:		
Trade payables	(3,034,870)	(18,222,248)
Other liabilities	(2,035,993)	(4,151,030)
Total changes in working capital	<u>3,901,222</u>	<u>26,402,153</u>
Cash flows (used in)/generated from operations	<u>(1,359,818)</u>	<u>13,137,182</u>
Interest received	43,592	51,233
Income taxes paid, net	31,228	(209,571)
Net cash flows (used in)/generated from operating activities	<u>(1,284,998)</u>	<u>12,978,844</u>
Cash flows from investing activities		
Purchase of plant and equipment (Note (a))	(548,117)	(1,455,082)
Purchase of intangible assets	-	(5,536)
Proceeds from disposal of plant and equipment	190,943	1,128,940
Proceeds from disposal of investment in discontinued operation, net of cash balance of discontinued operation (Note (b))	26,415,808	-
Net cash flows generated from/(used in) investing activities	<u>26,058,634</u>	<u>(331,678)</u>

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2017

	2017	2016
	\$	\$
Cash flows from financing activities		
Repayment of loans and borrowings	(28,683,927)	(24,075,200)
Proceeds from loans and borrowings	–	8,280,053
(Repayment of)/proceeds from finance leases, net	(63,314)	22,418
Proceeds from share issue	–	71,700
Dividends paid	–	(537,905)
Interest paid	(819,219)	(1,121,008)
Redemption of restricted fixed deposits	3,605,216	484,652
	<hr/>	<hr/>
Net cash flows used in financing activities	(25,961,244)	(16,875,290)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(1,187,608)	(4,228,124)
Effect of exchange rate changes on cash and cash equivalents	(89,603)	(333,065)
Cash and cash equivalents at beginning of year	10,962,194	15,523,383
	<hr/>	<hr/>
Cash and cash equivalents at end of year (Note 19)	9,684,983	10,962,194

Note (a): Purchase of plant and equipment

The cash outflow on acquisition of plant and equipment amounted to \$548,117 (2016: \$1,455,082) and includes additions of plant and equipment to Santak Metal Manufacturing (Wuxi) Co Ltd (“Santak Wuxi”) of \$97,759 (2016: \$1,816,005) and repayment of outstanding payables of \$444,631 relating to the purchase of the plant and equipment in last financial year. The additions were incurred before the Group entered into the sale and purchase agreement “SPA” to dispose Santak Wuxi.

Note (b): Proceeds from disposal of investment in discontinued operation, net of cash balance of discontinued operation

The proceeds from disposal includes the gross sales proceeds of \$27,694,064 less the cash and cash equivalents in Santak Wuxi and professional fees and travelling expenses incurred relating to disposal of Santak Wuxi amounted to \$1,024,341 and \$253,915 respectively.

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

1. Corporate information

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

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

The principal activities of the Company are those of investment holding and providing managerial, administrative, supervisory and consultancy services to any company in which the Company has an interest. The principal activities of its subsidiary companies are disclosed in Note 12 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

Fundamental accounting concept

The Group incurred a gross loss of \$0.97 million and generated negative cash flow of \$1.28 million for this financial year. Notwithstanding the above, the directors have prepared the consolidated financial statements on a going concern basis. As disclosed in Note 8, the Group disposed its China subsidiary on 16 March 2017 for \$27.69 million. The disposal of its China subsidiary cut down the losses incurred and eased the cash flow of the Group as the gross loss and negative cash flow were mainly generated by this China subsidiary. The Group repaid substantial amount of loan and borrowings and finance leases with the proceeds from the disposal. The loan and borrowings and finance leases as at 30 June 2017 amounted to \$0.43 million, a reduction from \$29.72 million as at 30 June 2016. The continuing operations of the Group generated gross profit of \$1.37 million (2016: \$3.26 million) during the financial year. As at 30 June 2017, the Group's current and total assets exceeded current and total liabilities by \$11.30 million (2016: \$12.39 million) and \$21.98 million (2016: \$22.38 million) respectively.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. Summary of significant accounting policies

2.1 Basis of preparation (cont'd)

Fundamental accounting concept (cont'd)

Management has prepared cash flow forecasts for the 18 months following the date of the financial statements taking into consideration assumptions and estimates such as the sales growth rate, projected purchases and operating expenses. Based on the cash flow forecast, the Group's existing cash and cash equivalents of S\$9.68 million as at 30 June 2017 will be sufficient to meet the Group's operational needs and pay its debts as and when they fall due for the 18 months following the date of the financial statements. In addition, subsequent to the year end, the bank has granted bank facilities of \$5.5 million to the Group on 26 July 2017. The availability of the banking facilities would provide adequate cash flow to meet the Group's operational needs when necessary. As of date of this report, there is no drawdown of the banking facilities.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 July 2016. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 7: <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12: <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to FRS 115: <i>Clarifications to FRS115 Revenue from Contracts with Customers</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. Summary of significant accounting policies

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

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

2. Summary of significant accounting policies

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

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date.

IFRS Convergence in 2018

Singapore-incorporated companies listed on the SGX-ST will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("SG-IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 30 June 2018.

Based on a preliminary assessment of the potential impact arising from SG-IFRS 1 First-time adoption of IFRS, management does not expect any changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/ revised SG-IFRSs as set out in the preceding paragraphs.

Management is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1, and the preliminary assessment above may be subject to change arising from the detailed analysis.

2.4 *Significant accounting judgements and estimates*

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.4 Significant accounting judgements and estimates (cont'd)

(a) Judgement made in applying accounting policies

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

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiary companies. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currencies of the entities of the Group. In addition, most of the entities' cost base is mainly in their respective local currency. Therefore, management concluded that the functional currency of the Group is their respective local currency.

(b) Key sources of estimation uncertainty

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

(i) Impairment of plant, property and equipment

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

The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 11.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.4 Significant accounting judgements and estimates (cont'd)

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

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

The Company assesses at each reporting date whether there is an indication that the investment in subsidiary companies and loan to a subsidiary company may be impaired. Where an indication of impairment exists, recoverable value is assessed based on an estimation of the value in use of the subsidiaries. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Company's investment in subsidiary companies and loan to a subsidiary company at the end of the reporting period were disclosed in Note 12 and Note 18 to the financial statements respectively.

(iii) Allowance for obsolete inventories

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

In determining the amount of allowance or write down, the Group considers factors including the aging analysis and the consumption patterns. Such an evaluation on process requires judgement and affects the carrying amount of stocks at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the stocks. The carrying amount of the Group's inventories as at 30 June 2017 was \$1,938,788 (2016: \$1,810,358). More details are given in Note 15.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.4 Significant accounting judgements and estimates (cont'd)

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

(iv) Recoverability of trade receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 16 to the financial statements.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.5 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

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

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

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

2.6 Foreign currency

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.6 Foreign currency (cont'd)

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

2.7 Property, plant and equipment

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.7 Property, plant and equipment (cont'd)

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

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

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

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

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

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

(a) Club membership

Club membership is stated at cost less impairment losses and is amortised on a straight-line basis over its finite useful life of 37 (2016: 37) years starting from the financial year ended 30 June 1994.

(b) Computer software licenses

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.8 Intangible assets (cont'd)

A summary of the policies applied to the Group's intangible assets is as follows:

	<i>Club membership</i>	<i>Computer software licenses</i>
Internally generated or acquired	Acquired	Acquired
Useful lives and amortisation method used	<ul style="list-style-type: none"> • Finite (2016: Finite) • Amortised over 37 years on straight-line basis (2016: 37 years) 	<ul style="list-style-type: none"> • Finite (2016: Finite) • Amortised over 3 to 10 years on straight-line basis (2016: 3 to 10 years)
Impairment testing	When an indication of impairment exists.	When an indication of impairment exists.
Review of amortisation period and method	Amortisation period and method are reviewed at each financial year-end.	Amortisation period and method are reviewed at each financial year-end.
Classification	Distribution and selling expenses and administrative expenses.	Distribution and selling expenses and administrative expenses.

2.9 Impairment of non-financial assets

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

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

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

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

2.10 Subsidiary companies

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

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

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Loans and receivables

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

De-recognition

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

Regular way purchase and sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

De-recognition

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

2.12 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.12 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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

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

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

Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.14 Inventories

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

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

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

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

2.15 Provisions

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

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

2.16 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to income, the grant is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Government grants relate to Productivity and Innovation Credit (PIC) awarded by the Inland Revenue Authority of Singapore.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.17 Financial guarantee

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 terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.18 Borrowing costs

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

2.19 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.19 Employee benefits (cont'd)

(c) Employee share option plans

Employees (including senior executives) of the Group receive remuneration in the form of share options as consideration for services rendered ('equity-settled transactions'). The cost of equity-settled share based payment transactions with employees is measured by reference to the fair value at the date on which the share options are granted. In valuing the share options, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the employee share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The employee share option reserve is transferred to retained earnings upon expiry of the share option.

2.20 Leases

As lessee

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.21 Non-current assets held for sale and discontinued operation

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

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

2.22 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Commission income

Commission income is recognised on an accrual basis.

(c) Interest income

Interest income is recognised using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.22 Revenue (cont'd)

(d) Management fee income

Management fee income is recognised on an accruals basis in accordance with the terms agreed between the parties.

(e) Dividend income

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

2.23 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

2.24 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Revenue

	Group	
	2017	2016
	\$	\$
Sale of goods	26,929,824	48,695,455

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

4. Other operating income Other operating expenses

	Group	
	2017	2016
	\$	\$
(a) Other operating income		
Sale of scrap	22,920	24,628
Government grant	31,755	38,622
Foreign exchange gain	-	272,670
Gain on disposal of fixed assets	300	81,782
Write off of other creditor	50,853	-
Others	5,823	6,522
	111,651	424,224
(b) Other operating expenses		
Foreign exchange loss	30,718	-
	30,718	-

5. Finance costs Finance income

	Group	
	2017	2016
	\$	\$
(a) Finance costs		
Interest expense on:		
- term loans	(723,674)	(1,014,297)
- finance leases	(14,768)	(13,889)
- factoring	(51,123)	(92,822)
- overdraft	(29,654)	-
Bank facility fee - loans and factoring	(76,684)	(91,962)
Bank charges - factoring	(195,271)	(233,001)
	(1,091,174)	(1,445,971)
(b) Finance income		
Interest income from:		
- bank balances and fixed deposits	38,364	24,783
	38,364	24,783

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

6. Loss before tax from continuing operations

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

	Group	
	2017	2016
	\$	\$
Employee benefits expense	5,472,091	5,656,335
Depreciation of property, plant and equipment	844,449	848,459
Amortisation of intangible assets	16,961	37,409
Foreign exchange loss/(gain), net	30,718	(272,670)
Operating lease expenses	160,111	181,979
Gain on disposal of property, plant and equipment	(300)	(81,782)
Audit fees:		
- Auditors of the Company	120,000	95,000
- Other auditors	275	667
Non-audit fees:		
- Auditors of the Company	20,301	12,200
	<u>20,301</u>	<u>12,200</u>

7. Taxation

Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 30 June 2017 and 2016 are:

	Group	
	2017	2016
	\$	\$
Current income tax – continuing operations		
- Current income taxation	11,515	15,495
- Over provision in respect of previous years	(73)	(27,300)
Deferred tax – continuing operations		
- Origination and reversal of temporary differences	(517,248)	(195,937)
- (Over)/under provision in respect of previous years	(1,163)	3,513
Tax credit attributable to continuing operations	(506,969)	(204,229)
Tax expense attributable to discontinued operation	-	5,055,351
Income tax (credit)/expense recognised in profit or loss	<u>(506,969)</u>	<u>4,851,122</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

7. Taxation (cont'd)

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

A reconciliation between income tax (credit)/expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 30 June 2017 and 2016 is as follows:

	Group	
	2017	2016
	\$	\$
Loss before taxation from continuing operations	(3,144,333)	(1,714,840)
Profit/(loss) before taxation from discontinued operation	3,440,468	(16,009,689)
Accounting profit/(loss) before taxation	<u>296,135</u>	<u>(17,724,529)</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	73,981	(4,266,364)
Adjustments:		
Non-deductible expenses	146,077	288,269
Income not subject to taxation	(734,229)	(123,690)
Effect of partial tax exemption and tax relief	(22,412)	(39,462)
Deferred tax assets not recognised	8,500	3,995,742
Derecognition of deferred tax assets	-	4,941,415
Over provision in respect of previous years	(1,236)	(23,787)
Others	22,350	78,999
Income tax (credit)/expense recognised in profit or loss	<u>(506,969)</u>	<u>4,851,122</u>

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

As at 30 June 2017, the Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately \$Nil (2016: \$22,000,000) and \$50,000 (2016: \$3,000,000) respectively that are available for offset against future taxable profits of the respective companies in which the temporary differences arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these capital allowances and tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. These capital allowances and tax losses have no expiry date.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

8. Discontinued operation and assets of subsidiary classified as held for sale

On 24 November 2016, the Group entered into a sale and purchase agreement (the "SPA") to dispose its China subsidiary, Santak Metal Manufacturing (Wuxi) Co., Ltd. ("Santak Wuxi") to LY Investment (HK) Limited (the "Purchaser"). As at 30 June 2016, the assets and liabilities of Santak Wuxi had been presented in the balance sheet as "Assets of subsidiary classified as held for sale" and "Liabilities of subsidiary classified as held for sale" respectively, and its results had been presented separately on the Consolidated Income Statement as "Profit/(loss) from discontinued operation, net of taxation".

The disposal was completed on 16 March 2017 upon receiving the final installment of the proceeds from disposal.

Balance sheet disclosures

With the disposal of Santak Wuxi being completed during the year, the assets and liabilities of Santak Wuxi were no longer classified as held for sale as at 30 June 2017. The major classes of assets and liabilities of Santak Wuxi classified as held for sale as of 30 June 2016 were as follows:

	Group 2016
	\$
Assets of subsidiary classified as held for sale:	
Property, plant and equipment*	15,671,953
Intangible assets	6,180
Inventories	13,243,730
Prepayments	646,322
Trade receivables	2,266,298
Other receivables	705,522
Cash and cash equivalents	5,746,275
	<u>38,286,280</u>
Liabilities of subsidiary classified as held for sale:	
Trade payables	(8,207,548)
Other liabilities	(3,013,774)
Liabilities of subsidiary classified as held for sale	<u>(11,221,322)</u>
Net assets directly associated with subsidiary classified as held for sale	<u>27,064,958</u>

- * Before the Company entered into the sale and purchase agreement to dispose Santak Wuxi, there was addition of plant and equipment of \$97,759. There was also a disposal of plant and equipment with cost and accumulated depreciation of \$1,166,960 and \$1,166,460 respectively.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

8. Discontinued operation and assets of subsidiary classified as held for sale (cont'd)

Income statement disclosures

The results of Santak Wuxi for the years ended 30 June are as follows:

	Group	
	2017	2016
	\$	\$
Revenue	3,465,332	14,915,429
Cost of sales	(5,809,811)	(30,615,769)
Gross loss	(2,344,479)	(15,700,340)
Other income	635,763	1,964,598
Distribution and selling expenses	(514,284)	(853,880)
Administrative expenses	(405,586)	(1,032,410)
Other operating expenses	(259,163)	(414,107)
Financial income	5,228	26,450
Loss from discontinued operation before taxation	(2,882,521)	(16,009,689)
Gain on disposal of investment in discontinued operation	6,322,989	-
Taxation	-	(5,055,351)*
Profit/(loss) from discontinued operation, net of taxation	<u>3,440,468</u>	<u>(21,065,040)</u>

* The tax expense arose from the reversal of deferred tax assets recognised in previous financial years. The reversal was due to the loss before taxation of \$16.01 million incurred by discontinued operation for the financial year ended 30 June 2016.

The following items have been included in arriving at profit/(loss) before taxation from discontinued operation:

	Group	
	2017	2016
	\$	\$
Employee benefits expense	3,445,770	8,157,668
Depreciation of property, plant and equipment	-	4,170,447
Amortisation of intangible assets	-	7,542
Foreign exchange loss, net	247,215	552,010
Operating lease expenses	1,201,967	2,241,558
Gain on disposal of property, plant and equipment	(173,699)	(1,027,177)
Audit fees:		
- Auditors of Santak Wuxi	40,000	40,000
- Other auditors	5,648	11,853
Non-audit fees:		
- Other auditors	6,161	10,775
	<u>6,161</u>	<u>10,775</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

8. Discontinued operation and assets of subsidiary classified as held for sale (cont'd)

Cash flow statement disclosures

The cash flows attributable to Santak Wuxi are as follows:

	Group	
	2017	2016
	\$	\$
Operating	(2,011,159)	1,234,736
Investing	(2,710,775)	(277,863)
Net cash (outflows)/inflows	(4,721,934)	956,873

Profit/(loss) per share disclosures

Profit/(loss) per share from discontinued operation attributable to owners of the Company (cents per share)

Basic	3.20	(19.59)
Diluted	3.20	(19.59)

The basic and diluted profit/(loss) per share from discontinued operation are calculated by dividing the profit/(loss) from discontinued operation, net of taxation, attributable to owners of the Company by the weighted average number of ordinary shares for basic loss per share computation and weighted average number of ordinary shares for diluted profit/(loss) per share computation respectively. These profit/(loss) and share data are presented in the tables in Note 10(a).

Immediately before the classification of Santak Wuxi as a discontinued operation, the recoverable amount was estimated by the directors for items of trade receivables, inventories and plant and equipment and no impairment loss was identified. Following the classification, there is also no impairment loss recognised as the directors are of the view that the value of these assets are stated at lower of carrying amount or fair value less cost of sales as required by FRS 105.

Gain on disposal of investment in discontinued operation

The sale of the wholly owned China subsidiary - Santak Wuxi to the Purchaser was for an aggregate consideration of US\$21,000,000 (the "Consideration").

In addition to the consideration, the Purchaser pay the Group based on the unaudited balance sheet of Santak Wuxi as at the completion date:

- (a) an amount equal to the total account receivables plus cash balance minus the total account payables. If the amount is negative, this amount shall be deducted from the Consideration; and

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

8. Discontinued operation and assets of subsidiary classified as held for sale (cont'd)

Gain on disposal of investment in discontinued operation (cont'd)

- (b) an amount equal to the aggregate amount of deposits and prepayments paid by or on account of Santak Wuxi in respect of leased premises, utilities services, insurance policies, professional services contracts, maintenance and services contracts and such similar amounts.

The identifiable assets and liabilities of Santak Wuxi at the completion date were:

	2017
	\$
Assets	
Plant and equipment	15,845,762
Intangible assets	6,210
Inventories	9,244,651
Trade receivables	2,051,469
Other receivables	602,672
Cash and bank balances	1,024,341
Assets of disposal group classified as held for sale	<u>28,775,105</u>
Liabilities	
Trade payables	3,959,109
Other liabilities	1,591,139
Liabilities directly associated with disposal group classified as held for sale	<u>5,550,248</u>
Net assets directly associated with disposal group classified as held for sale	<u>23,224,857</u>
Reserve	
Foreign currency translation reserve	<u>2,107,697</u>
<u>Gain on disposal:</u>	
	2017
	\$
Sales consideration	27,694,064
Less: Net assets disposed off	(23,224,857)
Less: Transaction related costs	(253,915)
Add: Reclassification of foreign currency translation reserve from equity on disposal of subsidiary	<u>2,107,697</u>
Gain on disposal of investment in discontinued operation	<u>6,322,989</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

9. Dividends

	Group and Company	
	2017	2016
	\$	\$
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
First and final exempt (one-tier) dividend for 2016: Nil cents (2015: 0.50 cents) per share	-	537,905
		<u>537,905</u>

10. Profit/(loss) per share

(a) Continuing operations

Basic loss per share from continuing operations is calculated by dividing the loss from continuing operations, net of tax, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share from continuing operations are calculated by dividing the loss from continuing operations, net of tax, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. It excludes the effects of common stock equivalents, consisting of options, which are antidilutive. The share options expired on 12 March 2016 and there is no share option being granted during the year.

The following reflects the profit/(loss) for the year and share data used in the computation of basic and diluted profit/(loss) per share for the years ended 30 June 2017 and 2016:

	Group	
	2017	2016
	\$	\$
Profit/(loss) for the year attributable to owners of the Company	803,104	(22,575,651)
Profit/(loss) from discontinued operation, net of tax, attributable to owners of the Company	3,440,468	(21,065,040)
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings per share	<u>(2,637,364)</u>	<u>(1,510,611)</u>
Weighted average number of ordinary shares for basic profit/(loss) per share computation	<u>107,580,980</u>	<u>107,528,521</u>
Weighted average number of ordinary shares for diluted profit/(loss) per share computation	<u>107,580,980</u>	<u>107,528,521</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

10. Profit/(loss) per share (cont'd)

(a) Continuing operations (cont'd)

During the financial year, there are no share options that have been exercised to acquire ordinary shares (2016: 300,000 share options that have been exercised to acquire 300,000 ordinary shares). There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

(b) Profit/(loss) per share computation

The basic and diluted profit/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic profit/(loss) per share computation. These profit/(loss) and share data are presented in the tables in Note 10(a) above.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

11. Property, plant and equipment

Group	At cost										Total
	At valuation					At cost					
	Leasehold property	Plant and machinery	Motor vehicles	Computers	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost or valuation											
At 1 July 2015	11,500,000	61,618,169	1,224,379	1,095,865	171,206	2,684,652	859,201	5,443,819	6,350,246	3,679,450	94,626,987
Additions	-	1,575,744	80,434	19,508	1,690	7,044	11,312	45,491	21,855	136,635	1,899,713
Disposals	-	(6,293,702)	(159,912)	(48,832)	(4,799)	(8,979)	-	(241,650)	(147,692)	(17,605)	(6,923,171)
Attributable to discontinued operation	-	(26,281,666)	(386,763)	(410,029)	(32,865)	(2,187,338)	(593,104)	(4,665,413)	(5,487,737)	(2,885,241)	(42,930,156)
Exchange differences	-	(1,833,180)	(26,931)	(28,274)	(2,223)	(150,844)	(40,789)	(319,837)	(377,320)	(197,914)	(2,977,312)
At 30 June and 1 July 2016	11,500,000	28,785,365	731,207	628,238	133,009	344,535	236,620	262,410	359,352	715,325	43,696,061
Additions	-	-	-	2,701	3,026	-	-	-	-	-	5,727
Disposals	-	-	(86,556)	-	-	(82,509)	-	-	-	-	(169,065)
Revaluation surplus	1,179,487	-	-	-	-	-	-	-	-	-	1,179,487
Elimination of accumulated depreciation on revaluation	(1,179,487)	-	-	-	-	-	-	-	-	-	(1,179,487)
Exchange differences	-	-	-	725	159	-	273	-	103	-	1,260
At 30 June 2017	11,500,000	28,785,365	644,651	631,664	136,194	262,026	236,893	262,410	359,455	715,325	43,533,983

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Group	At cost										Total
	At valuation					At cost					
	Leasehold property	Plant and machinery	Motor vehicles	Computers	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accumulated depreciation											
At 1 July 2015	393,162	51,900,724	589,302	886,393	161,239	763,650	571,812	1,850,354	2,458,438	3,075,916	62,650,990
Depreciation charge for the year	393,162	2,678,184	99,126	109,668	2,181	227,199	50,101	436,039	508,391	514,855	5,018,906
Disposals	-	(6,293,702)	(145,337)	(48,832)	(4,799)	(8,979)	-	(241,650)	(142,286)	(17,605)	(6,903,190)
Attributable to discontinued operation	-	(18,970,496)	(214,265)	(321,782)	(32,559)	(651,678)	(368,341)	(1,703,974)	(2,318,181)	(2,676,926)	(27,258,202)
Exchange differences	-	(1,323,852)	(14,788)	(21,618)	(2,211)	(43,435)	(25,040)	(112,918)	(155,397)	(180,915)	(1,880,174)
At 30 June and 1 July 2016	786,324	27,990,858	314,038	603,829	123,851	286,757	228,532	227,851	350,965	715,325	31,628,330
Depreciation charge for the year	393,163	350,492	61,124	16,968	1,564	10,827	3,193	5,097	2,021	-	844,449
Disposals	-	-	(70,113)	-	-	(82,508)	-	-	-	-	(152,621)
Elimination of accumulated depreciation on revaluation	(1,179,487)	-	-	-	-	-	-	-	-	-	(1,179,487)
Exchange differences	-	-	-	657	112	-	270	-	103	-	1,142
At 30 June 2017	-	28,341,350	305,049	621,454	125,527	215,076	231,995	232,948	353,089	715,325	31,141,813
Net carrying amount											
At 30 June 2016	10,713,676	794,507	417,169	24,409	9,158	57,778	8,088	34,559	8,387	-	12,067,731
At 30 June 2017	11,500,000	444,015	339,602	10,210	10,667	46,950	4,898	29,462	6,366	-	12,392,170

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Company	Computers \$	Motor vehicles \$	Total \$
Cost			
At 1 July 2015	292,585	497,975	790,560
Additions	5,615	-	5,615
Disposals	-	(90,000)	(90,000)
	<hr/>		
At 30 June and 1 July 2016	298,200	407,975	706,175
Disposals	-	(86,557)	(86,557)
	<hr/>		
At 30 June 2017	298,200	321,418	619,618
	<hr/>		
Accumulated depreciation			
At 1 July 2015	287,354	259,619	546,973
Depreciation charge for the year	3,606	36,208	39,814
Disposals	-	(75,700)	(75,700)
	<hr/>		
At 30 June and 1 July 2016	290,960	220,127	511,087
Depreciation charge for the year	3,720	30,903	34,623
Disposals	-	(70,113)	(70,113)
	<hr/>		
At 30 June 2017	294,680	180,917	475,597
	<hr/>		
Net carrying amount			
At 30 June 2016	7,240	187,848	195,088
	<hr/>		
At 30 June 2017	3,520	140,501	144,021
	<hr/>		

Revaluation of leasehold property

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

If the leasehold property was stated at cost less accumulated depreciation, the net carrying amount would have been \$2,313,000 (2016: \$2,379,000).

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Assets held under finance leases

The carrying amount of motor vehicles of the Group held under finance leases at the balance sheet date was \$339,602 (2016: \$398,388). The Company's motor vehicles were held under finance leases.

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

Assets pledged as security

In addition to assets under finance leases, the Group's leasehold property was mortgaged to a bank as security for term loan (Note 22). The leasehold property is a Jurong Town Corporation ("JTC") detached factory located at 31 Senoko South Road on a leasehold land area of 8,944 square metres. The leasehold property is subject to a 30 years lease commencing from 16 September 1993 with an entitlement for a further term of 30 years.

12. Investments in subsidiary companies

(a) These comprise:

	Company	
	2017	2016
	\$	\$
Unquoted equity shares, at cost	8,356,338	8,356,338
Impairment losses	(243,162)	(243,162)
	<u>8,113,176</u>	<u>8,113,176</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

12. Investments in subsidiary companies (cont'd)

(b) Details of subsidiary companies as at 30 June are as follows:

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held		Cost of investment	
			2017	2016	2017	2016
			%	%	\$	\$
Held by the Company						
Santak Metal Manufacturing Pte Ltd ⁽¹⁾	Singapore	Manufacture of precision machined components	100	100	8,113,173	8,113,173
Santak Industrial Pte Ltd ⁽¹⁾	Singapore	Trading and distribution of electronic, electrical and mechanical components/ products	100	100	243,162	243,162
Santak Electronics Pte Ltd ⁽¹⁾	Singapore	Trading and distribution of electronic, electrical and mechanical components/ products (currently dormant)	100	100	3	3
					8,356,338	8,356,338

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

12. Investments in subsidiary companies (cont'd)

(b) Details of subsidiary companies as at 30 June are as follows (cont'd):

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held	
			2017 %	2016 %
Held by Santak Metal Manufacturing Pte Ltd				
Santak Metal Manufacturing (Wuxi) Co., Ltd ⁽²⁾	Wuxi, People's Republic of China	Manufacture of precision machined components, sub-assembly, die-casting as well as mould/fixture design and fabrication	–*	100
T.N.K. Precision Engineering Work Pte Ltd ⁽¹⁾	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Hang Yip Metal Manufacturing Pte Ltd ⁽¹⁾	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Held by Santak Electronics Pte Ltd				
Santak Electronics Sdn Bhd ⁽³⁾	Malaysia	Manufacture of electronic, electrical and mechanical components and products (currently dormant)	100	100

⁽¹⁾ Audited by Ernst & Young LLP, Singapore.

⁽²⁾ Audited by Wuxi Zhongxin Certified Public Accountants Co., Ltd, a firm of Certified Public Accountants in Wuxi, People's Republic of China.

⁽³⁾ Audited by Low & Co., a firm of Chartered Accountants in Malaysia.

* The subsidiary was disposed in March 2017.

As required by Rule 716 of the Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited: Rules of Catalyst, the Audit Committee and the Board of directors of the Company have satisfied themselves that the appointment of different auditors for its overseas subsidiary companies would not compromise the standard and effectiveness of the audit of the Group.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

13. Intangible assets

Group	Club membership \$	Computer software licenses \$	Total \$
Cost			
At 1 July 2015	150,000	566,993	716,993
Attributable to discontinued operation	-	(229,628)	(229,628)
Addition	2,160	5,536	7,696
Net exchange differences	-	(15,537)	(15,537)
	<hr/>		
At 30 June and 1 July 2016	152,160	327,364	479,524
	<hr/>		
At 30 June 2017	152,160	327,364	479,524
	<hr/>		
Accumulated amortisation			
At 1 July 2015	127,836	452,908	580,744
Amortisation	4,347	40,604	44,951
Attributable to discontinued operation	-	(223,448)	(223,448)
Net exchange differences	-	(14,888)	(14,888)
	<hr/>		
At 30 June and 1 July 2016	132,183	255,176	387,359
Amortisation	1,379	15,582	16,961
	<hr/>		
At 30 June 2017	133,562	270,758	404,320
	<hr/>		
Net carrying amount			
At 30 June 2016	19,977	72,188	92,165
	<hr/>		
At 30 June 2017	18,598	56,606	75,204
	<hr/>		

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

13. Intangible assets (cont'd)

Company	Computer software license \$
Cost	
At 1 July 2015, 30 June 2016, 1 July 2016 and 30 June 2017	<u>211,812</u>
Accumulated amortisation	
At 1 July 2015	185,868
Amortisation	<u>21,541</u>
At 30 June and 1 July 2016	207,409
Amortisation	<u>4,028</u>
At 30 June 2017	<u>211,437</u>
Net carrying amount	
At 30 June 2016	<u>4,403</u>
At 30 June 2017	<u>375</u>

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

14. Restricted fixed deposits

Restricted fixed deposits consist of fixed deposits pledged to banks to secure credit facilities (Note 22) granted to and utilised by a subsidiary company. The proportionate withdrawals of fixed deposits are restricted until the liabilities under the said banking facilities have been discharged accordingly.

Restricted fixed deposits earn interests at the bank's prevailing fixed deposit rates.

During the year, the Group has fully repaid several of its loans and borrowings (Note 22). Consequently the fixed deposits pledged to the banks to secure credit facilities are no longer required.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

15. Inventories

	Group	
	2017	2016
	\$	\$
Balance sheet:		
Raw materials	357,208	344,559
Work-in-progress	375,092	400,206
Finished goods	1,206,488	1,065,593
Total inventories at lower of cost and net realisable value	1,938,788	1,810,358

The allowance for obsolete inventories as at 30 June 2017 amounted to \$1,286,644 (2016: \$1,172,551).

	Group	
	2017	2016
	\$	\$
Income statement:		
Inventories recognised as an expense in cost of sales	25,556,273	45,435,200
Inclusive of the following charge/(credit):		
- inventories written down	163,123	129,760
- reversal of write down of inventories	(47,446)	(59,564)

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

16. Trade receivables

	Group	
	2017	2016
	\$	\$
Trade receivables	3,629,711	7,757,369
Less: Allowance for doubtful receivables	(73,806)	(73,806)
	3,555,905	7,683,563

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition. Included in the trade receivables is an amount of \$91,296 (2016: \$63,841) relating to GST receivables.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

16. Trade receivables (cont'd)

Included in trade receivables at 30 June were trade receivables from customers amounting to \$Nil (2016: \$815,040) sold to a bank under factoring arrangements. These factored trade receivables was included in trade receivables as the Group still retained the risk and rewards associated with the delay and default in payment by customers. These factored trade receivables were secured by credit insurance policies from a financial institution.

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

	Group	
	2017	2016
	\$	\$
United States Dollar	2,682,418	6,905,887

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$1,475,047 (2016: \$1,748,113) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	Group	
	2017	2016
	\$	\$
Trade receivables past due:		
Less than 30 days	975,157	1,470,866
30 to 90 days	381,905	211,455
More than 90 days	117,985	65,792
	<u>1,475,047</u>	<u>1,748,113</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

16. Trade receivables (cont'd)

Receivables that are impaired

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

	Group	
	2017	2016
	\$	\$
Trade receivables – nominal	73,806	73,806
Less: Allowance for doubtful receivables	(73,806)	(73,806)
	<u>–</u>	<u>–</u>
<i>Movement in allowance</i>		
At 1 July	73,806	82,822
Written off	–	(9,016)
At 30 June	<u>73,806</u>	<u>73,806</u>

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

17. Other receivables

	Group	
	2017	2016
	\$	\$
Deposits	880	800
	<u>880</u>	<u>800</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

18. Loan to a subsidiary company Due from subsidiary companies (non-trade)

The loan to a subsidiary company is unsecured, interest-free, has no fixed repayment terms but is not expected to be repaid within the next twelve months and is to be settled in cash.

The amounts due from subsidiary companies are unsecured, interest-free, repayable on demand and are to be settled in cash.

19. Cash and cash equivalents

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

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

As at 30 June 2017, the Group had available, undrawn committed banking facilities of \$4,514,000 (2016: \$2,509,000) in respect of which all conditions precedent had been met.

Subsequent to year end, the bank has granted a revised banking facilities to the Group. The Group's new undrawn committed banking facilities is \$5,914,000.

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

	Group	
	2017	2016
	\$	\$
United States Dollar	9,242,591	3,780,307

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

20. Trade payables

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

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

	Group	
	2017	2016
	\$	\$
United States Dollar	1,212,135	55,599

21. Other liabilities

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Accrued operating expenses	1,186,489	1,285,640	55,674	358,343
Sundry payables	149,076	1,107,914	373,916	125,450
	1,335,565	2,393,554	429,590	483,793

Other liabilities are non-interest bearing and are granted average credit terms of three to six months.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

22. Loans and borrowings

	Maturities	Group	
		2017	2016
		\$	\$
Secured term loans			
Term loan I – USD loan	2010 – 2018	87,712	171,574
Term loan II – USD loan	2016	-	2,698,000
Term loan III – SGD loan	2016	-	1,000,000
Term loan IV – SGD loan	2016	-	500,000
Term loan V – SGD loan	2017	-	2,510,000
Term loan VI – SGD loan	2016	-	1,500,000
Term loan VII – USD loan	2014 – 2018	-	18,211,500
Term loan VIII – USD loan	2014 – 2017	-	1,911,335
Total term loans		87,712	28,502,409
Bank advances on factored trade receivables (Note 16)	2016	-	815,040
Total loans and borrowings		87,712	29,317,449
Due within 12 months		87,712	29,317,449

(a) Term loans I, II, III, IV, VI, VII, and VIII are secured by:-

- (i) a legal mortgage over a subsidiary company's leasehold property as disclosed in Note 11 to the financial statements;
- (ii) a letter of charge and set-off over a subsidiary company's fixed deposits as disclosed in Note 14 to the financial statements; and
- (iii) a corporate guarantee from the Company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

22. Loans and borrowings (cont'd)

- (b) Term loan V is secured by a letter of charge and set-off over a subsidiary company's fixed deposit as disclosed in Note 14 of the financial statements and a corporate guarantee from the Company.
- (c) Term loan I is repayable over 91 months commencing from December 2010 and bears interests at 1.5% per annum over the 1-month Singapore Inter Bank Offer Rate ("SIBOR").
- (d) Term loan II is a revolving credit facility maturing in July 2016 and bears interests at the higher of 2.25% per annum over the prevailing SIBOR or 2.25% per annum above the prevailing cost of funds of the bank. The loan maybe rolled-over upon maturity for periods up to 6 months at each roll-over date.
- (e) Term loan III is a revolving credit facility maturing in November 2016 and bears interest of the higher of 1.75% per annum above the bank's prevailing swap offer rate or 1.75% per annum over the prevailing cost of funds of the bank. The loan maybe rolled-over upon maturity for periods of up to 6 months at each roll-over date.
- (f) Term loan IV is a revolving credit facility maturing in August 2016 and bears interests at the higher of 1.75% per annum above the bank's prevailing swap offer rate or 1.75% per annum over the prevailing cost of funds of the bank. The loan maybe rolled-over upon maturity for periods of up to 6 months at each roll-over date.
- (g) Term loan V is a revolving credit facility maturing in October 2017 and bears interests at mutually agreed rate determined on date of roll-over. The loan maybe rolled-over upon maturity for periods of up to 3 months at each roll-over date.
- (h) Term loan VI is a revolving credit facility maturing in August 2016 and bears interest at the higher of 1.75% per annum above the bank's prevailing swap offer rate or 1.75% over the prevailing cost of funds of the bank. The loan maybe rolled-over upon maturity for periods of up to 6 months at each roll-over date.
- (i) Term loan VII is repayable over 48 months commencing from October 2014 and bears interests at the higher of 2.5% per annum over the prevailing 3-months London Inter Bank Offer Rate ("LIBOR") or 2.5% per annum over the prevailing 3-months cost of funds of the bank.
- (j) Term loan VIII is repayable over 31 months commencing from December 2014 and bears interests at the higher of 2.5% per annum over the prevailing 3-months LIBOR or 2.5% per annum over the prevailing 3-months cost of funds of the bank.
- (k) Bank advances on factored trade receivables bear interests at the higher of 1.25% per annum over the prevailing LIBOR or 1.25% per annum over the bank's prevailing cost of funds until payment is received by the bank. The bank advances on factored trade receivables are secured by credit insurance policies on the factored receivables.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

23. Obligations under finance leases

The Group's property, plant and equipment include leased office equipment and motor vehicles used in the business operations of the precision engineering and assembly division. These leases are classified as finance leases, which expire over the next 7 years and do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rates in the leases range from 3.59% to 5.84% (2016: 3.59% to 4.5%) per annum.

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

Group	Maturities	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
		2017	2017	2016	2016
		\$	\$	\$	\$
Not later than one year	2017	81,817	69,535	81,072	66,350
Later than one year but not later than five years	2018 - 2021	282,089	260,648	317,830	286,036
More than five years	2022	11,466	11,277	54,067	52,388
Total minimum lease payments		375,372	341,460	452,969	404,774
Less: amounts representing finance charges		(33,912)	-	(48,195)	-
Present value of minimum lease payments		341,460	341,460	404,774	404,774
Company					
Not later than one year	2017	38,472	34,102	38,472	32,894
Later than one year but not later than five years	2018 - 2021	108,958	103,459	147,430	137,560
Total minimum lease payments		147,430	137,561	185,902	170,454
Less: amounts representing finance charges		(9,869)	-	(15,448)	-
Present value of minimum lease payments		137,561	137,561	170,454	170,454

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

24. Deferred taxation

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

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
<i>Deferred tax liabilities</i>						
Differences in depreciation for tax purposes	(453,104)	(445,427)	7,677	(131,655)	-	-
Revaluation of leasehold property to fair value	(1,565,585)	(1,412,997)	(53,827)	(53,829)	-	-
	<u>(2,018,689)</u>	<u>(1,858,424)</u>			<u>-</u>	<u>-</u>
<i>Deferred tax assets</i>						
Difference in depreciation for tax purposes	-	-	-	1,215,711	6,860	6,774
Unutilised tax losses	475,323	-	(475,323)	3,612,418	-	-
Provisions	23,064	26,126	3,062	140,741	-	-
Others	-	-	-	79,541	-	-
	<u>498,387</u>	<u>26,126</u>			<u>6,860</u>	<u>6,774</u>
Deferred tax (liabilities)/ assets, net	<u>(1,520,302)</u>	<u>(1,832,298)</u>			<u>6,860</u>	<u>6,774</u>
Deferred tax (income)/ expense			<u>(518,411)</u>	<u>4,862,927</u>		

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

25. Share capital

	Group and Company			
	2017 No. of shares	2017 \$	2016 No. of shares	2016 \$
<i>Ordinary shares issued and fully paid</i>				
At beginning of the year	107,580,980	12,852,187	107,280,980	12,780,487
Exercise of share option	-	-	300,000	71,700
At end of the year	<u>107,580,980</u>	<u>12,852,187</u>	<u>107,580,980</u>	<u>12,852,187</u>

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

During the previous year, the Company had a share option scheme (Note 27) under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group. The share option scheme expired on 12 March 2016.

26. Other reserves

(i) Share option reserve

Share option reserve represents the equity-settled share options granted to employees (Note 27). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options and is reduced by the expiry or exercise of the share options.

	Group and Company	
	2017 \$	2016 \$
At beginning of the year	-	304,947
Transfer of reserve	-	(304,947)
At end of the year	<u>-</u>	<u>-</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

26. Other reserves (cont'd)

(ii) Revaluation reserve

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

	Group	
	2017	2016
	\$	\$
At beginning of the year	7,346,394	7,346,394
Surplus on revaluation of leasehold property	1,179,487	-
Deferred tax on revaluation of leasehold property	(206,418)	-
Net Surplus on revaluation of leasehold property	973,069	-
At end of the year	<u>8,319,463</u>	<u>7,346,394</u>

(iii) Statutory reserves

In accordance with the Foreign Enterprise Law to the subsidiaries in the People's Republic of China ("PRC"), Santak Metal Manufacturing (Wuxi) Co., Ltd. (Santak Wuxi") and Wuxi Tech Precision Engineering Co., Ltd. ("Wuxi Tech") (the "subsidiary companies") are required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory profits/(loss) after tax as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary company. The SRF is not available for dividend distribution to shareholders. The statutory reserve have been reclassified to retained earnings upon disposal of Santak Wuxi during the financial year.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

26. Other reserves (cont'd)

(iii) Statutory reserves (cont'd)

	Group	
	2017	2016
	\$	\$
At beginning of the year	947,125	962,363
Disposal of a subsidiary	(947,125)	(15,238)
At end of the year	-	947,125

The related SRF was reversed to accumulated losses due to the disposal of Santak Wuxi and deregistration of Wuxi Tech.

(iv) Translation reserve

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

	Group	
	2017	2016
	\$	\$
At beginning of the year	2,176,927	3,225,432
Net effect of exchange differences arising from translation of financial statements of foreign operations	(68,416)	(989,346)
Realisation of translation reserve on disposal/deregistration of a subsidiary company	(2,107,697)	(59,159)
At end of the year	814	2,176,927

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

27. Employee benefits

	Group	
	2017	2016
	\$	\$
Employee benefits expense (including directors and key management personnel):		
Salaries, wages and bonuses	7,325,758	10,466,941
Defined contributions plan	1,244,081	2,238,689
Other personnel expenses	348,022	1,108,373
	<u>8,917,861</u>	<u>13,814,003</u>

Santak Share Option Scheme 2001

The Santak Share Option Scheme 2001 (the "Scheme") which had expired on 12 March 2016, was approved and adopted at the Company's Extraordinary General Meeting held on 12 March 2001 to enable eligible directors and employees of the Company and of the Group, other than controlling shareholders of the Company and their associates, to participate in the equity of the Company. The Scheme is administered by the Remuneration Committee.

The total number of new shares over which options may be granted pursuant to the Scheme shall not exceed 15% of the issued share capital of the Company on the date immediately preceding the offer date of the options ("Offer Date"). All options to be issued to executives of the Group and non-executive directors of the Company will have a term no longer than 10 years and 5 years respectively. Persons who are controlling shareholders and their associates shall not be eligible to participate in the Scheme. The exercise price of all options granted for new ordinary shares of the Company must not be less than 80% of the average of the last dealt prices of the shares of the Company for the five market days preceding the Offer Date as determined by the Remuneration Committee. Options granted at market price are exercisable after the first anniversary of the Offer Date. Options granted at a discount to market price are not exercisable before the second anniversary of the Offer Date. The grant of an option shall be accepted within 30 days from the Offer Date and accompanied by payment to the Company of a nominal consideration of \$1.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

27. Employee benefits (cont'd)

Santak Share Option Scheme 2001 (cont'd)

Details of the number and weighted average exercise prices ("WAEP") of, and the movements in share options during the year are as follows:

	No. 2017	WAEP 2017 \$	No. 2016	WAEP 2016 \$
Outstanding at beginning of year	-	-	2,800,000	0.239
Exercised during the year ¹	-	-	(300,000)	0.239
Lapsed during the year	-	-	(2,500,000)	-
Outstanding at end of year	-	-	-	-
Exercisable at end of year	-	-	-	-

¹ The weighted average share price at the date of exercise of the options exercised during the financial year was \$Nil (2016: \$0.239).

No new share options have been granted during the year.

The expected life of the options was based on historical data and was not necessarily indicative of exercise patterns that might occur. The expected volatility reflected the assumption that the historical volatility was indicative of future trends, which might also not necessarily be the actual outcome. No other features of the option grant were incorporated into the measurement of fair value.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

28. Commitments and contingent liabilities

(a) Operating lease commitments

The Group has various operating lease agreements for its offices and factory premises. These leases have an average tenure of between 5 and 60 years with no contingent rent provision included in the contracts. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised in the consolidated income statement during the year amounted to \$1,362,078 (2016: \$2,423,537).

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

	Group	
	2017	2016
	\$	\$
Not later than one year	162,425	1,670,658
Later than one year but not later than five years	649,699	649,699
Later than five years	5,069,007	5,231,432
	<u>5,881,131</u>	<u>7,551,789</u>

(b) Contingent liabilities

Corporate guarantees

Subsequent to the end of the reporting period, the Company issued corporate guarantees amounting to approximately \$7,343,000 (2016: \$104,450,000) in favour of certain financial institutions for banking and finance lease facilities granted to and utilised by a subsidiary company. The fair value of such guarantees was not significant in the current and previous financial years.

At the end of the reporting period, the outstanding liabilities of the subsidiary company which were secured by the abovementioned corporate guarantees amounted to approximately \$222,000 (2016: \$29,474,000).

Available, undrawn committed banking facilities

Subsequent to the end of the reporting period, the Group was granted with undrawn facility amounted to \$5,914,000 (2016: \$2,509,000). Of the total amounts granted, \$5,500,000 (2016: \$2,000,000), \$314,000 (2016: \$309,000) and \$100,000 (2016: \$200,000) pertains to bank loans, performance guarantees and credit card withdrawal limit respectively. There is no drawdown of bank loan as at the report date.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

29. Related party transactions

(a) Sale and purchase of services

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

	Group		Company	
	2017	2016	2017	2016
	\$	\$	\$	\$
Income				
Management fee income from subsidiary companies	-	-	1,584,000	1,515,000
Purchases				
Advisory service fee from a company of which a director has a financial interest (Note (a))	96,000	96,000	96,000	96,000

Note (a): Other director's interest

The Company has entered into a contract with Strategic Alliance Capital Pte Ltd ("SAC"), a company of which a director of the Company is a member and has a substantial financial interest, for the provision of advisory and consultancy services. As at 30 June 2017 and 2016, there were no outstanding amounts due to SAC.

(b) Compensation of key management personnel

	Group	
	2017	2016
	\$	\$
Salaries and other short-term employee benefits	1,421,774	1,706,904
Central Provident Fund contributions	79,824	85,464
	<u>1,501,598</u>	<u>1,792,368</u>
Comprise amounts paid to:		
Directors of the Company	888,956	873,754
Other key management personnel	612,642	918,614
	<u>1,501,598</u>	<u>1,792,368</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

29. Related party transactions (cont'd)

(b) Compensation of key management personnel (cont'd)

Directors' interests in an employee share option plan

In 2016, a participant of the Santak Share Option Scheme exercised options for 300,000 ordinary shares of the Company at a price of \$0.239 each under the Santak Share Option Scheme 2001 (Note 27), with total cash consideration of \$71,700 paid to the Company.

The share options scheme expired on 12 March 2016 and there is no share option being granted to the directors during the year.

30. Segment information

For management purposes, the Group is organised on a world-wide basis into three main operating divisions, namely Precision engineering and assembly, Trading and distribution and Investment and management services:

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

30. Segment information (cont'd)

(a) Operating segments

The following table presents revenue and results information, assets and liabilities information regarding the Group's operating segments for the years ended 30 June 2017 and 2016.

2017	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Adjustments and eliminations \$	Notes	Total \$
Continuing Operations						
Revenue						
Sales to external customers	22,796,649	4,133,175	-	-		26,929,824
Inter-segment sales	-	-	1,584,000	(1,584,000)	A	-
Total revenue	22,796,649	4,133,175	1,584,000	(1,584,000)		26,929,824
Results						
Interest income	38,087	277	-	-		38,364
Interest expenses	(813,641)	-	(5,578)	-		(819,219)
Depreciation and amortisation	(820,202)	(2,558)	(38,650)	-		(861,410)
Other non-cash expenses	(163,123)	-	300	-	B	(162,823)
Taxation	516,958	(7,615)	(2,374)	-		506,969
Segment loss	(2,748,664)	104,980	6,320	-		(2,637,364)
Discontinued Operation						
Revenue						
Sales to external customers	3,465,332	-	-	-		3,465,332
Total revenue	3,465,332	-	-	-		3,465,332
Results						
Interest income	5,228	-	-	-		5,228
Other non-cash expenses	37,076	-	-	-	B	37,076
Segment gain	3,440,468	-	-	-		3,440,468
Group Assets						
Additions to non-current assets	103,486	11	-	-	C	103,486
Segment assets	26,626,270	1,259,056	14,064,016	(14,235,050)	D	27,714,292
Liabilities						
Segment liabilities	9,961,728	1,334,164	564,389	(6,121,874)	E	5,738,407

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

30. Segment information (cont'd)

(a) Operating segments (cont'd)

2016	Precision engineering and assembly	Trading and distribution	Investment and management services	Adjustments and eliminations	Notes	Total
	\$	\$	\$	\$		\$
Continuing Operations						
Revenue						
Sales to external customers	44,536,065	4,159,390	-	-		48,695,455
Inter-segment sales	-	111	1,515,000	(1,515,111)	A	-
Total revenue	44,536,065	4,159,501	1,515,000	(1,515,111)		48,695,455
Results						
Interest income	24,483	300	-	-		24,783
Interest expenses	(1,114,264)	-	(6,744)	-		(1,121,008)
Depreciation and amortisation	(822,059)	(2,454)	(61,355)	-		(885,868)
Other non-cash expenses	(77,688)	(2,471)	(2,300)	-	B	(82,459)
Taxation	212,972	(6,753)	(1,990)	-		204,229
Segment (loss)/profit	(1,678,842)	123,126	45,105	-		(1,510,611)
Discontinued Operation						
Revenue						
Sales to external customers	14,915,429	-	-	-		14,915,429
Inter-segment sales	-	-	-	-	A	-
Total revenue	14,915,429	-	-	-		14,915,429
Results						
Interest income	26,450	-	-	-		26,450
Depreciation and amortisation	(4,177,989)	-	-	-		(4,177,989)
Other non-cash expenses	(1,091,259)	-	-	-	B	(1,091,259)
Taxation	(5,055,351)	-	-	-		(5,055,351)
Segment loss	(21,065,040)	-	-	-		(21,065,040)
Group Assets						
Additions to non-current assets	1,900,079	1,270	6,060	-	C	1,907,409
Segment assets	67,471,998	1,258,108	14,148,578	(14,107,471)	D	68,771,213
Liabilities						
Segment liabilities	50,308,451	1,425,975	655,274	(5,994,312)	E	46,395,388

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

30. Segment information (cont'd)

(a) Operating segments (cont'd)

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

A *Inter-segment revenues are eliminated on consolidation. Amount under "Continuing operations" and "Discontinued operation" do not include trade transactions between the China operation and other operations.*

B *Other non-cash expenses consist of inventories written down amounting to \$299,746 (2016: \$2,280,207), provision for diminution in investment amounting to \$Nil (2016: \$2,471) and gain on fixed assets disposal amounting to \$173,999 (2016 loss: \$1,108,960) as presented in the respective notes to the financial statements.*

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

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

	2017	2016
	\$	\$
Investments in subsidiary companies	(8,113,176)	(8,113,176)
Inter-segment assets	(6,121,874)	(5,994,295)
	<u>(14,235,050)</u>	<u>(14,107,471)</u>

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

	2017	2016
	\$	\$
Inter-segment liabilities	<u>(6,121,874)</u>	<u>(5,994,312)</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

30. Segment information (cont'd)

(b) Geographical segments

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

	Revenue – Continuing Operations \$	Revenue – Discontinued Operation \$	Non-current assets \$
2017			
Singapore	433,179	–	12,467,374
Asean (excluding Singapore)	5,350,428	–	–
North Asia	14,740,666	3,330,587	–
America and Europe	6,194,056	134,745	–
Others	211,495	–	–
Total	<u>26,929,824</u>	<u>3,465,332</u>	<u>12,467,374</u>
2016			
Singapore	506,113	–	12,159,896
Asean (excluding Singapore)	6,316,645	–	–
North Asia	35,177,429	14,895,177	–
America and Europe	6,582,931	20,252	–
Others	112,337	–	–
Total	<u>48,695,455</u>	<u>14,915,429</u>	<u>12,159,896</u>

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

30. Segment information (cont'd)

(b) Geographical segments (cont'd)

Information about major customers

The Group derives revenue from four (2016: three) major customers from the precision engineering and assembly segment as follows:

	2017	2016
	\$	\$
Customer A	6,929,731	10,819,718
Customer B	3,607,846	1,272,353*
Customer C	2,222,082	2,157,192*
Customer D	1,998,220	8,324,550*
	<u>14,757,879</u>	<u>22,573,813</u>

* These figures are presented for comparative purposes only.

31. Financial risk management objectives and policies

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

It is, and has been throughout the year under review, the Group's and the Company's policy that no trading in derivative financial instruments shall be undertaken.

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their cash and bank balances and loans and borrowings.

The Group manages its interest costs by obtaining the most favourable interest rates available without increasing its foreign currency exposure. Surplus funds are placed with reputable bank and/or financial institutions.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 50 (2016: 50) basis points higher/lower with all other variables held constant, the Group's profit/(loss) net of tax would have been approximately \$56,000 higher/lower (2016: \$90,000 lower/higher), arising mainly as a result of higher/lower expense on floating rate bank borrowings and higher/lower interest income from floating rate bank balances.

Liquidity risk

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	Within 1 year	1 to 5 Years	More than 5 years	Total
2017 Group	\$	\$	\$	\$
<i>Financial assets:</i>				
Trade and other receivables (excluding GST receivables)	3,465,489	-	-	3,465,489
Cash and cash equivalents	9,684,983	-	-	9,684,983
Total undiscounted financial assets	<u>13,150,472</u>	-	-	<u>13,150,472</u>
<i>Financial liabilities:</i>				
Trade payables	(2,439,560)	-	-	(2,439,560)
Other liabilities (excluding GST payables)	(1,298,187)	-	-	(1,298,187)
Loans and borrowings	(88,934)	-	-	(88,934)
Obligations under finance leases	(81,817)	(282,089)	(11,466)	(375,372)
Total undiscounted financial liabilities	<u>(3,908,498)</u>	<u>(282,089)</u>	<u>(11,466)</u>	<u>(4,202,053)</u>
Total net undiscounted financial assets/(liabilities)	<u>9,241,974</u>	<u>(282,089)</u>	<u>(11,466)</u>	<u>8,948,419</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Liquidity risk (cont'd)

	Within 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
2016 Group				
Financial assets:				
Restricted fixed deposits	3,509,189	-	-	3,509,189
Trade and other receivables (excluding GST receivables)	7,620,522	-	-	7,620,522
Cash and cash equivalents	5,215,919	-	-	5,215,919
Total undiscounted financial assets	16,345,630	-	-	16,345,630
Financial liabilities:				
Trade payables	(1,225,991)	-	-	(1,225,991)
Other liabilities (excluding GST payables)	(2,372,085)	-	-	(2,372,085)
Loans and borrowings	(30,090,376)	-	-	(30,090,376)
Obligations under finance leases	(81,072)	(317,830)	(54,067)	(452,969)
Total undiscounted financial liabilities	(33,769,524)	(317,830)	(54,067)	(34,141,421)
Total net undiscounted financial liabilities	(17,423,894)	(317,830)	(54,067)	(17,795,791)
2017 Company				
Financial assets:				
Loan to a subsidiary company	-	-	4,030,000	4,030,000
Due from subsidiary companies (non-trade)	1,684,470	-	-	1,684,470
Cash and cash equivalents	71,049	-	-	71,049
Total undiscounted financial assets	1,755,519	-	4,030,000	5,785,519
Financial liabilities:				
Other liabilities (excluding GST payables)	(392,212)	-	-	(392,212)
Obligations under finance leases	(38,472)	(108,958)	-	(147,430)
Total undiscounted financial liabilities	(430,684)	(108,958)	-	(539,642)
Total net undiscounted financial assets/(liabilities)	1,324,835	(108,958)	4,030,000	5,245,877

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Liquidity risk (cont'd)

	Within 1 year	1 to 5 years	More than 5 years	Total
	\$	\$	\$	\$
2016				
Company				
Financial assets:				
Loan to a subsidiary company	-	-	4,030,000	4,030,000
Due from subsidiary companies (non-trade)	1,571,665	-	-	1,571,665
Cash and cash equivalents	212,664	-	-	212,664
Total undiscounted financial assets	1,784,329	-	4,030,000	5,814,329
Financial liabilities:				
Other liabilities (excluding GST payables)	(462,324)	-	-	(462,324)
Obligations under finance leases	(38,472)	(147,430)	-	(185,902)
Total undiscounted financial liabilities	(500,796)	(147,430)	-	(648,226)
Total net undiscounted financial assets/(liabilities)	1,283,533	(147,430)	4,030,000	5,166,103

Credit risk

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

At balance sheet date, the Group has 45% (2016: 30%) of its trade debts relating to two (2016: two) customers. The carrying amount of trade and other receivables, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. Cash and bank balances are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade debts based upon expected collectability of all trade debts.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Credit risk (cont'd)

Exposure to credit risk

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

- A nominal amount of \$7,343,000 (2016: \$104,450,000) relating to corporate guarantees provided by the Company to the banks on a subsidiary company's bank loans.

Credit risk concentration profile

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

	Group			
	2017		2016	
	\$	% of total	\$	% of total
By country:				
People's Republic of China	1,120,019	31	5,362,727	70
Asean excluding Singapore	1,420,279	40	1,255,226	16
Singapore	109,407	3	118,763	2
America & Europe	870,950	25	946,847	12
Others	35,250	1	-	-
	3,555,905	100	7,683,563	100
By operating segments:				
Precision engineering and assembly	2,821,426	79	7,058,094	92
Trading and distribution	734,479	21	625,469	8
	3,555,905	100	7,683,563	100

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. At balance sheet date, trade receivables of \$Nil (2016: \$815,040) due from customers are covered by credit insurance policies from a reputable financial institution with high credit ratings and no history of default.

Cash and cash equivalents that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding trade receivables that are either past due or impaired is disclosed in Note 16.

Foreign exchange risk

The Group is exposed to the effects of foreign exchange rate fluctuations mainly because of its foreign currency denominated operating revenues and expenses, assets and liabilities as well as net investments in foreign operations, primarily in United States Dollars ("USD") and Renminbi ("RMB"). The Group has certain investments in foreign countries mainly in People's Republic of China, whose net assets are exposed to foreign currency translation risk. Approximately 26% (2016: 30%) of the Group's sales are denominated in the functional currencies of the operating units making the sale, while almost 96% (2016: 98%) of costs are denominated in the respective functional currencies of the Group's entities. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group also held cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in USD. At the balance sheet date, net working capital not denominated in their respective functional currencies amounts to \$10,603,728 (2016: \$11,372,000).

The Group manages its foreign exchange exposure by matching, as far as possible, receipts and payments in each individual currency. Where necessary, the Group enters into derivative foreign exchange contracts to hedge its foreign exchange risk resulting from cash flows from transactions denominated in USD.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

Foreign exchange risk (cont'd)

Sensitivity analysis for foreign currency risk

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

		Group	
		Profit/(loss) net of tax	
		2017	2016
		\$'000	\$'000
USD/SGD	- strengthened 5% (2016: 5%)	462	(418)
	- weakened 5% (2016: 5%)	(462)	418

32. Fair value of assets and liabilities

(a) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

(b) Assets and liabilities measured at fair value

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

	Group			Total
	2017 and 2016			
S\$ '000				
Fair value measurements at the end of the reporting period using				
Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)		
Assets measured at fair value				
Non-financial assets:				
<i>Leasehold property</i>	-	-	11,500	11,500

(c) Level 3 fair value measurements

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

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

Description	Fair value S\$'000	Valuation techniques (Level 2)	Unobservable inputs (Level 3)	Range
Recurring fair value measurements				
As at 30 June 2017				
<i>Leasehold building</i>	11,500	Comparable sales approach	Yield adjustments [#]	+/- 19%
As at 30 June 2016				
<i>Leasehold building</i>	11,500	Comparable sales approach	Yield adjustments [#]	+/- 30%

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

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

(i) Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

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

(iii) Valuation policies and procedures

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

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

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

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

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

Loan to a subsidiary company

The loan has no repayment terms and is repayable only when the cash flows of the borrower permit. Therefore, the fair value of this balance is not determinable as the timing of the future cash flows arising from this amount cannot be estimated reliably.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

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

Restricted fixed deposits with floating rates, short-term receivables, short-term payables, current loan and borrowings and non-current loans and borrowings with floating rates

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

Obligations under finance leases and loans and borrowings with fixed rate

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

(f) Categories of financial instruments

Set out below are the carrying amounts of each of the category of the Group's and the Company's financial instruments that are carried in the financial statements:

Group	Loans and receivables	Liabilities at amortised cost
At 30 June 2017	\$	\$
Assets		
Trade and other receivables (excluding GST receivables)	3,465,489	-
Cash and cash equivalents (Note 19)	9,684,983	-
Liabilities		
Trade payables (excluding GST payables)	-	(2,439,560)
Other liabilities (excluding GST payables)	-	(1,298,187)
Loans and borrowings (Note 22)	-	(87,712)
Obligations under finance leases (Note 23)	-	(341,460)
Total	13,150,472	(4,166,919)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

(f) Categories of financial instruments (cont'd)

Group	Loans and receivables	Liabilities at amortised cost
At 30 June 2016	\$	\$
Assets		
Restricted fixed deposits (Note 14)	3,509,189	-
Trade and other receivables (excluding GST receivables)	7,620,522	-
Cash and cash equivalents (Note 19)	5,215,919	-
Liabilities		
Trade payables (excluding GST payables)	-	(1,225,991)
Other liabilities (excluding GST payables)	-	(2,372,085)
Loans and borrowings (Note 22)	-	(29,317,449)
Obligations under finance leases (Note 23)	-	(404,774)
Total	16,345,630	(33,320,299)
Company	Loans and receivables	Liabilities at amortised cost
At 30 June 2017	\$	\$
Assets		
Loan to a subsidiary company (Note 18)	4,030,000	-
Due from subsidiary companies (non-trade) (Note 18)	1,684,470	-
Cash and cash equivalents (Note 19)	71,049	-
Liabilities		
Other liabilities (excluding GST payables)	-	(392,212)
Obligations under finance leases (Note 23)	-	(137,561)
Total	5,785,519	(529,773)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

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

(f) Categories of financial instruments (cont'd)

Company	Loans and receivables	Liabilities at amortised cost
At 30 June 2016	\$	\$
Assets		
Loan to a subsidiary company (Note 18)	4,030,000	-
Due from subsidiary companies (non-trade) (Note 18)	1,571,665	-
Cash and cash equivalents (Note 19)	212,664	-
Liabilities		
Other liabilities (excluding GST payables)	-	(462,324)
Obligations under finance leases (Note 23)	-	(170,454)
Total	<u>5,814,329</u>	<u>(632,778)</u>

33. Capital management

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

The Group's banking facilities contains certain banking covenants which include the maintenance of certain gearing ratios and minimum tangible net asset values. These covenants are tested at the end of each reporting period. At the end of the reporting period, the Group has not breached the bank covenants.

As disclosed in Note 26(iii), Nil (2016: one) subsidiary company of the Group is required by the laws and regulations of the PRC to contribute to and maintain a restricted statutory reserve whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with for the financial year ended 30 June 2016 and up to its point of disposal on 16 March 2017.

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2017

33. Capital management (cont'd)

	Group	
	2017	2016
	\$	\$
Loans and borrowings (Note 22)	87,712	29,317,449
Trade payables (Note 20)	2,439,560	1,225,991
Other liabilities (Note 21)	1,335,565	2,393,554
Obligations under finance leases (Note 23)	341,460	404,774
Less: - Cash and cash equivalents (Note 19)	(9,684,983)	(5,215,919)
- Restricted fixed deposits (Note 14)	-	(3,509,189)
	<hr/>	<hr/>
<i>Net (asset)/debt</i>	(5,480,686)	24,616,660
	<hr/>	<hr/>
Equity attributable to the equity holders of the Company	21,975,885	22,375,825
Less: Statutory reserves fund (Note 26(iii))	-	(947,125)
	<hr/>	<hr/>
<i>Total capital</i>	21,975,885	21,428,700
	<hr/>	<hr/>
Capital and net (asset)/debt	16,495,199	46,045,360
	<hr/>	<hr/>
Gearing ratio	*	53%
	<hr/>	<hr/>

* Not applicable as the Group is in net asset position.

34. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 29 September 2017.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REPORT ON CORPORATE GOVERNANCE

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

BOARD MATTERS

The Board comprises six directors, which consist of two Independent Directors, one Non-Executive Director and three Executive Directors. The Board believes that the existing two Independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board has taken into account the scope and nature of the operations of the Company and considers its current size to be adequate for effective decision making. The Board comprises Directors who as a group provide core competencies such as accounting and finance, business management experience and industry knowledge. The composition of the Board will be reviewed regularly and changes will be made as and when appropriate. Key information regarding the Directors is set out on page 119 to 120 of the Annual Report.

The Board meets at least twice a year and additional meetings are held whenever necessary. The Board is free to request for further clarification and information from management on all matters within their purview. In addition, informal discussions among Non-Executive Directors to exchange views on any aspect of the Group's operations or business are held as and when the need arises. The Company's Constitution provides for meetings of the Board to be conducted by way of telephone conference or similar means of communication. The number of meetings held during the financial year ended 30 June 2017 ("FY2017") and the attendance of the Directors are as follows:

Name of Director	Board Appointment	Date of Appointment and Date of Last Re-election	Board		Audit Committee		Remuneration Committee		Nominating Committee	
			No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Lee Keen Whye	Non-Executive Chairman/ Independent Director	12 March 2001 (30 December 2016)	2	2	2	2	1	1	1	1
Tan Chee Hawaii	Group Managing Director/Executive Director	11 June 2012 (24 October 2012)	2	2	2	2#	1	1#	1	1
Ng Weng Wei	Executive Director	12 March 2001 (30 October 2015)	2	2	2	2#	1	1	1	NA
Tan Sin Hock	Executive Director	12 March 2001 (30 December 2016)	2	2	2	2#	1	NA	1	NA
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (30 October 2015)	2	2	2	2	1	NA	1	NA
Ch'ng Jit Koon	Independent Non-Executive Director	12 March 2001 (30 December 2016)	2	2	2	2	1	1	1	1

Notes:

NA: Not applicable

#: Attendance by invitation

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

BOARD MATTERS (CONT'D)

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

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

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

Management provides the Board with reports of the Company's performance, financial statements and prospects including sales forecasts as well as papers containing relevant background or explanatory information on a half yearly basis which is deemed sufficient in view of the current state of the Company. The Board has separate and independent access to senior management and the Company Secretary who will assist them in discharging their duties and responsibilities. The Company Secretary's responsibilities also include ensuring good information flows within the Board and its Board committees and between management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. In addition, the Company works closely with professionals to provide the Board with updates on changes to relevant laws, regulations and accounting standards. Upon appointment as a Director, a formal letter is provided setting out the Director's duties and obligations. Newly appointed Directors will be given an orientation on the Group's business operations and training is provided in areas such as accounting, legal and industry-specific knowledge. Directors are encouraged to keep abreast of developments in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops. For FY2017, Directors were briefed in areas such as updates on Rules of Catalist of the SGX-ST, changes to financial reporting standards and regulatory developments. Relevant news release issued by SGX-ST and Accounting and Corporate Regulatory Authority of Singapore were also circulated to the Board.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

BOARD MATTERS (CONT'D)

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

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

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

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

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

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

NOMINATING COMMITTEE

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

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

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

NOMINATING COMMITTEE (CONT'D)

- 2) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- 3) to assess nominees or candidates for appointment or re-appointment to the Board, determining whether or not such nominee has the requisite qualification and whether he/she is independent;
- 4) to review and make recommendations to the Board on matter relating to plans for succession, in particular for the Chairman and for the CEO;
- 5) to make recommendations to the Board on matter relating to the development of a process for evaluation of the performance of the Board, its Board committees and Directors;
- 6) to make recommendations to the Board on matter relating to review of training and professional development programs for the Board;
- 7) to determine and review rigorously (where applicable), on an annual basis and as and when circumstances require, whether a Director is independent, bearing in mind the circumstances set forth in the Code and its Guidelines 2.3 and 2.4 and such any other salient factors as may be applicable;
- 8) to recommend Directors who are retiring by rotation to be put forward for re-election and all Directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- 9) to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations and other principal commitments;
- 10) to recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and
- 11) to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board, and to disclose the assessment process annually.

Pursuant to Regulation 91 of the Company's Constitution, one-third of the Directors is required to retire by rotation at every AGM. The NC has recommended that Mr Ng Weng Wei and Mr Ch'ng Jit Koon be nominated for re-election as a Director at the forthcoming AGM. In considering the nominations, the NC took into account the contribution of the Directors with reference to their attendance and participation at Board and Board committees' meetings, as well as the proficiency with which they have discharged their responsibilities.

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

NOMINATING COMMITTEE (CONT'D)

The NC has conducted a rigorous review of the independence of the Independent Directors, Mr Lee Keen Whye and Mr Ch'ng Jit Koon and determined that they have maintained their independence after considering the recommendations set out in the Code. Notwithstanding that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon have served the Board since March 2001, the Board after taking into account the views of the NC, is fully satisfied that they demonstrate complete independence, robustness of character and judgement both in their designated role and as a Board member. In addition, the Board confirms that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon have not been involved in any executive functions as well as day-to-day operations of the Group and that notwithstanding the 9 years time frame they have continued to be and are deemed independent and have the requisite qualifications, experience and integrity as Independent Directors. Furthermore, the Board is of the view that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon are valuable to the Group in terms of their experience and knowledge in finance, understanding of the precision components business and the markets. The Board believes that the existing two Independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group.

Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the NC, in consultation with the Board, determines the selection criteria and will review and consider the qualifications and experience of the nominated Director before the Director is appointed on Board.

The NC has adopted a formal process for the evaluation of the performance of the Board. The performance criteria encompasses the achievement of financial targets which includes return of equity, an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, monitoring of management performance, process for determining remuneration and compensation of Directors and key executives, financial reporting and communication with shareholders. The assessment process involves and includes input from Board members, applying the performance criteria recommended by the NC and approved by the Board. The NC assessed the Board's performance as a whole in FY2017 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

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

REMUNERATION COMMITTEE

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REMUNERATION COMMITTEE (CONT'D)

The RC is responsible for recommending to the Board a framework of remuneration for the Board and key management executives, and to determine specific remuneration packages for each Executive Director. The RC's recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits in kind. If necessary, the RC will seek experts' advice on the remuneration of all Directors. No remuneration consultant was engaged by the Company during FY2017.

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

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

The following table shows a breakdown of the remuneration of Directors of the Company for FY2017.

DIRECTORS' REMUNERATION

Remuneration Bands	Salary	Bonus	Fee ⁽¹⁾	Other	Total
Directors	%	%	%	%	%
Below S\$250,000					
Lee Keen Whye	-	-	100	-	100
Ng Weng Wei	73	6	6	15	100
Tan Sin Hock	76	6	13	5	100
Heng Kheng Hwai	-	-	100	-	100
Ch'ng Jit Koon	-	-	100	-	100
Between S\$250,000 - S\$500,000					
Tan Chee Hawaii	80	7	3	10	100

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REMUNERATION COMMITTEE (CONT'D)

The following table shows a breakdown of the remuneration of management executives (who are not Directors or CEO of the Company) during FY2017.

MANAGEMENT EXECUTIVES' REMUNERATION

Remuneration Bands	Salary	Bonus	Other	Total
Management Executives	%	%	%	%
Below S\$250,000				
Loo Hwee Beng	80	7	13	100
Oh Juan Jong	75	6	19	100
Soh Cheng Lock	84	7	9	100
Leong Yoke May	77	8	15	100
Leong Chung Meng, Anthony ³	88	-	12	100

Notes:

- (1) These fees are subject to the approval of the shareholders at the AGM for FY2017. Non-Executive Directors are paid Directors' fees compensated based on time and effort.*
- (2) The tables above excludes Share Options which are described in the Directors' Statement on page 12. The Share Options Scheme expired on 12 March 2016.*
- (3) Mr Leong Chung Meng, Anthony left the Group in March 2017 and the remuneration was S\$137,000 for FY2017.*

Details on share options granted to the eligible employees pursuant to the Scheme are set out in the Directors' Statement on page 12.

The adjustments to the remuneration packages of employees who are related to a Director and Substantial Shareholder are subject to the annual review of the RC. For FY2017, the total remuneration paid to these employees amounted to S\$65,000 (2016: S\$85,000). Save for Ms Tan Aik Hua who is the sister of the CEO, Mr Tan Chee Hawaii and Executive Director, Mr Tan Sin Hock, there is no other employee who is an immediate family member of a Director or Substantial Shareholder whose remuneration exceeds S\$50,000 for FY2017. The remuneration of Ms Tan Aik Hua exceeds S\$50,000 and is below S\$100,000 during FY2017.

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REMUNERATION COMMITTEE (CONT'D)

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

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

ACCOUNTABILITY AND AUDIT

AUDIT COMMITTEE

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

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

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

- (1) reviewing with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;
- (2) reviewing the adequacy and effectiveness of the Company's risk management and internal controls that address financial, operational, compliance and information technology controls annually;
- (3) reviewing with external auditors, their understanding of the system of internal financial controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls and management's response thereon;
- (4) reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board and the external auditors' report on these financial statements;
- (5) reviewing half-year and full year financial results before submission to the Board for approval;
- (6) reviewing the independence, cost effectiveness and objectivity of external auditors annually and the nomination of their re-appointment as auditors of the Company;

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

ACCOUNTABILITY AND AUDIT (CONT'D)

AUDIT COMMITTEE (CONT'D)

- (7) reviewing all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
- (8) reviewing the assistance given by the management to the external auditors and internal auditors;
- (9) reviewing interested person transactions falling within the scope of the Rules of Catalist;
- (10) reviewing the adequacy and effectiveness of the Company's internal audit function; and
- (11) reviewing the arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

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

The AC, having reviewed the volume of non-audit services to the Company by the external auditors during the year, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The breakdown of their fees for audit and non-audit services is found on note 6 to the financial statements on page 55. The AC is satisfied that the Group has complied with Rules 712, 715 or 716 of the Rules of Catalist, in relation to the appointment of auditing firms.

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

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

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

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

ACCOUNTABILITY AND AUDIT (CONT'D)

AUDIT COMMITTEE (CONT'D)

The Group has in place a system of internal controls that address financial, operational, compliance and information technology risks, and risk management systems, to safeguard Shareholders' investment and the Group's assets. The internal controls maintained by the management, includes inter alia the SAP Enterprise Resources Planning (ERP) system and the ISO 9001:2008 Quality Management System, are in place throughout the financial year to provide reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, compliance with appropriate legislation, regulations and best practices, and the identification and containment of operational and business risks. The Board recognises that the internal controls system provides reasonable but not absolute assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. The internal auditors and the external auditors in the course of their statutory audit, carry out a review of the effectiveness of the Group's material internal controls to the extent of their scope as laid out in their respective audit plans. Material non-compliance and internal control weaknesses noted during their audits, and the internal and external auditors' recommendations, are reported to the AC. In addition, the AC and the Board reviews the Group's internal controls and risk management practices annually, taking into consideration the risks to which the business is exposed to, the likelihood of the occurrence of such risks and the cost of implementing mitigating controls. Based on the internal controls established and maintained by the Group, work performed by the internal auditors, the external auditors and ISO 9001 auditors as well as reviews performed by management, the AC and the Board, the Board with the concurrence of the AC is of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems, are adequate and effective to meet the needs of the Group within the current scope of the Group's business operations.

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

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

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

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

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES (CONT'D)

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

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

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

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

The Company does not have a formal policy on the payment of dividends. However, the Board is mindful of the need to reward shareholders as and when the performance of the Company, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. For FY2017, no dividend has been proposed by the Board as the Group intends to conserve cash for working capital purposes.

DEALINGS IN SECURITIES

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

MATERIAL CONTRACTS

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

SPONSORSHIP

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Asian Corporate Advisors Pte. Ltd. There was no non-sponsor fee paid to the Sponsor or any of its affiliates for FY2017.

INTERESTED PERSON TRANSACTIONS

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Strategic Alliance Capital Pte Ltd ("SAC") ⁽¹⁾	S\$96,000	-

Note:

(1) SAC, of which Mr Lee Keen Whye is a member and has a substantial financial interest, has entered into an agreement with the Company in relation to the provision of advisory and consultancy services.

RISKS MANAGEMENT

Operational Risks

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

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

Financial risks

These are set out in Note 31 to the Financial Statements, on pages 92 to 99 of this Annual Report.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

Directors

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

Mr Tan Chee Hawai was appointed as the Group Managing Director with effect from 11 June 2012. He is also a member of the Nominating Committee. He oversees the planning and review of corporate strategies and policies of the Group, as well as to coordinate the overall management functions. Mr Tan has more than 30 years experience in the Precision-Machined Components industry. With his vast experience in this business, Mr Tan has built up good relationship with many industry players. He is very much in touch with the changes in the market in terms of shifts in the market requirements, as well as changes in key market players. He will, with this, also seek out new business opportunities and expansion possibilities for our Group. He is one of the co-founders of our Group when Santak Metal started as a partnership in 1978. He continued with our Group when Santak Metal was incorporated as a private limited company in October 1983. Mr Tan has actively directed the growth of our Group's business since its inception. Mr Tan was the Group Chairman and Managing Director until 20 August 2004 and he was subsequently appointed as business advisor to the Group since 1 January 2005 until 10 June 2012. His role as business advisor includes advising senior management in the running of the business and its operations.

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

Mr Tan Sin Hock is an Executive Director of our Group. He joined us in May 1980 when Santak Metal was still a partnership. He has continued with us when Santak Metal was incorporated as a private limited company in October 1983. Over more than 20 years, he had been involved in the Precision-Machined Components business of the Santak Group. He was one of our early pioneers involved in the introduction of CNC Machines into Santak Metal's operation in 1983. He underwent overseas training at our machine suppliers' manufacturing

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE (CONT'D)

Directors (Cont'd)

plants in Japan and Switzerland. Over the years, he held several operating portfolios at Santak Metal, including process planning, process troubleshooting and improvement, and equipment maintenance. He is currently responsible for equipment upgrading and plant maintenance.

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

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

Management Executives

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

Mr Oh Juan Jong is the Senior Manager for Sales and Marketing of our Precision Engineering & Assembly Division in Singapore. Mr Oh joined the Division in July 2003 and is currently responsible for the sales and marketing function. Mr Oh holds both an Advanced Diploma in Business information System and a Diploma in Mechanical Engineering from Singapore Polytechnic.

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

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

STATISTICS OF SHAREHOLDINGS

As at 25 September 2017

DISTRIBUTION OF SHAREHOLDINGS

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

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	1.07	11	0.00
100 - 1,000	74	26.43	69,400	0.06
1,001 - 10,000	79	28.21	447,831	0.42
10,001 - 1,000,000	112	40.00	11,998,517	11.15
1,000,001 AND ABOVE	12	4.29	95,065,221	88.37
TOTAL	280	100.00	107,580,980	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN CHEE HAWAI	37,580,570	34.93
2	TAN AH WO	16,776,810	15.60
3	HONG LEONG FINANCE NOMINEES PTE LTD	10,278,000	9.55
4	TAN SIN HOCK	6,704,100	6.23
5	GO MEI LIN	6,107,600	5.68
6	YAP QUAN OR CHRISTINE YAP LYE KUM	5,647,000	5.25
7	HENG KHENG HWAI	4,667,000	4.34
8	OCBC SECURITIES PRIVATE LIMITED	2,330,941	2.17
9	NG WENG WEI	1,618,000	1.50
10	LOW BOON YONG	1,251,700	1.16
11	IP WAN KEUNG	1,057,500	0.98
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,046,000	0.97
13	LOW WEI MIN JAMES (LIU WEIMING, JAMES)	849,000	0.79
14	LAW KUNG YING	771,000	0.72
15	LOW YEE MIN (LIU YUMING)	755,000	0.70
16	CHAN PECK SIM	522,000	0.49
17	SOH CHENG LOCK	510,000	0.48
18	LIM YEE MIN	500,000	0.46
19	TAN KIAN CHUAN (CHEN JIANZHUAN)	500,000	0.46
20	TAN CHOON KWANG	420,000	0.39
	TOTAL	99,892,221	92.85

STATISTICS OF SHAREHOLDINGS

As at 25 September 2017

Approximately 15.7% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual, Section B: Rules of Catalist of SGX-ST.

SUBSTANTIAL SHAREHOLDERS AS AT 25 SEPTEMBER 2017

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

^(a) Mr Tan Chee Hawai's direct interest is derived from shares held in his own name and shares in the name of a custodian account. Mr Tan Chee Hawai's deemed interest is derived from 4,667,000 shares held by his spouse, Mdm Heng Kheng Hwai.

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **SANTAK HOLDINGS LIMITED** (the “**Company**”) will be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on Friday, 27 October 2017 at 2.30 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2017 together with the Auditors’ Report thereon. **(Resolution 1)**

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

Mr Ch’ng Jit Koon

(Resolution 2)

Mr Ng Weng Wei

(Resolution 3)

*Mr Ch’ng Jit Koon will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees respectively and will be considered independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“**SGX-ST Catalist Rules**”).*

Mr Ng Weng Wei will, upon re-election as a Director of the Company, remain as an Executive Director of the Company and a member of the Remuneration Committee.

3. To approve the payment of Directors’ fees for the financial year ended 30 June 2017. **(Resolution 4)**
4. To re-appoint Ernst & Young LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

6. Authority to issue new shares

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

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

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

- (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)]

(Resolution 6)

By Order of the Board

Lai Foon Kuen
Company Secretary
Singapore, 12 October 2017

Explanatory Notes:

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

NOTICE OF ANNUAL GENERAL MEETING

Notes:

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

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

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

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

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

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

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

Personal data privacy:

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

SANTAK HOLDINGS LIMITED

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

PROXY FORM

(PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

IMPORTANT

CPF Investors

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

Personal Data Privacy

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

I/We, _____ (Name)

of _____ (Address)

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	(%)
Address			

or failing the person, or either or both of the persons referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to attend, speak or vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on Friday, 27 October 2017 at 2.30 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No	Resolutions relating to:	¹ No. of Votes For	¹ No. of Votes Against
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2017		
2	Re-election of Mr Ch'ng Jit Koon as a Director		
3	Re-election of Mr Ng Weng Wei as a Director		
4	Approval of Directors' fees for the financial year ended 30 June 2017		
5	Re-appointment of Ernst & Young LLP as Auditors		
6	Authority to issue new shares		

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

Dated this _____ day of _____ 2017

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

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

*Delete where inapplicable



Notes:

1. Please insert the total number of shares of the Company (“Shares”) held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap 289)), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead. A proxy need not be a Member of the Company.
3. Where a Member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

“Relevant intermediary” means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a Member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 not less than forty-eight (48) hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 October 2017.

General:

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

SANTAK HOLDINGS LIMITED

co. reg. no. 200101065H

31 Senoko South Road,
Woodlands East Industrial Estate
Singapore 758084
Tel: (65) 6755 4788
Fax: (65) 6754 7088
Email: santak.holdings@santak.com.sg

www.santak.com.sg