

**SANTAK** 

**SANTAK HOLDINGS LIMITED**

**ANNUAL REPORT 2020**

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

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

The contact person for the Sponsor is Ms. Foo Quee Yin.  
Telephone number: +65 6221 2071



# CORPORATE PROFILE

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

The Precision Engineering Division's main business is in the manufacture of precision machined components specially tailored to meet our customers' requirements. Its clientele include multi-national companies and other main contract manufacturers. Its products are mainly used in hard-disk drive, fibre-optics connectors, oil & gas equipment, 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 OEM assembly of card readers, contactless smartcards, security/access control systems, die-cast & machined parts, metal enclosures and stamped parts, heatsinks, solenoids and coils.

Strategic investments have been made in high precision and automated production machinery in addition to the training and development of the Group's workforce. Ongoing marketing efforts are supported by manufacturing and engineering expertise, built up over the past 42 years.

# CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I hereby present the Annual Report and Financial Statements of Santak Holdings Limited (the "Company") and its subsidiary companies (the "Group") for the Financial Year ended 30 June 2020 ("FY2020").

The market in which the Group operates remains competitive and demanding going forward in the current financial year ending 30 June 2021 ("FY2021"), particularly in the midst of the current uncertain and challenging economic downturn and COVID-19 pandemic environment. In addition, challenges remain in terms of pricing and costs as well as foreign exchange volatility as in prior years.

Arising from the COVID-19 pandemic, the main impact on the Group's business operation so far was the higher machines downtime leading to lower economies of scale recorded and production output affected in FY2020 as a results of the mandatory shutdown during the Circuit Breaker measures

("CB") in Singapore and the Movement Control Order ("MCO") in Malaysia. The Group had implemented the relevant safe management measures at the workplace in accordance with the guidelines provided by the respective authorities in Singapore and Malaysia.

In addition, the Group has announced on 23rd June 2020 that in view of the CB in Singapore and the MCO in Malaysia arising from the COVID-19 pandemic, the Group had to delay the moving of its machinery from the Property in Singapore to its new factory property in Johor Malaysia. The Group had therefore extended the completion date of the disposal of the Singapore Property to 31 December 2020 (the "Assignment Completion Date"). The Group plans to shift all its main machines and equipment to the Johor factory by December 2020. Over the same period, the Group will continue to set up the machines in the Johor factory and further scale up its on-going mass production in the Johor factory. Consequently, these shifting and set-up costs etc. are expected to be recognised over the first half of FY2021. The Company will make further announcements in relation the Proposed Disposal as and when there are material developments. In addition, the Board and the Management will continue to seek opportunities which offer potential growth for the Group and enhancement of value for the Shareholders as and when appropriate.

## **FY2020 vs FY2019 Review of Income Statement**

Revenue decreased by 6.1% from S\$14.12 million in FY2019 to S\$13.26 million in FY2020. The decrease was

mainly due to lower sales derived from the Group's Trading & Distribution Division ("T&D") at S\$4.27 million in FY2020, a decrease of S\$1.06 million or 19.9% compared to S\$5.33 million in FY2019. This decrease was mainly due to lower demand from the security/access control systems business. On the other hand, the above decrease was partially offset by the Group's Precision Engineering Division's ("PE") revenue at S\$8.99 million, an increase of S\$0.20 million or 2.2% compared to prior corresponding year. The increase in sales in PE compared to prior year was mainly due to the higher sales arising from stronger demand from its data storage and oil & gas sectors.

The Group's gross profit was lower at approximately S\$1.98 million in FY2020 compared to approximately S\$2.43 million in FY2019 resulting in lower gross profit margin of approximately 15.0% in FY2020 compared to approximately 17.2% in FY2019. This was mainly due to lower economies of scale recorded as a result of the lower production output arising from the mandatory shutdown during the Circuit Breaker measures ("CB") in Singapore and the Movement Control Order ("MCO") in Malaysia arising from the COVID-19 pandemic. The depreciation expense of right-of-use assets of approximately S\$0.12 million arose from the Group's adoption of SFRS(I) 16 Leases in FY2020 as explained in Note 2.2 to Financial Statement on pages 28 and 29.

Other operating income increased by approximately S\$0.75 million to approximately S\$0.79 million in FY2020 mainly due to governments' grants in

# CHAIRMAN'S STATEMENT

both Singapore and Malaysia amounting to approximately S\$0.55 million for the COVID-19 pandemic supports. In addition, there was a foreign exchange gain of approximately S\$0.10 million arising from the strengthening of USD during FY2020 compared to a foreign exchange loss in FY2019 as well as the reclassification from the translation reserve of approximately S\$0.09 million to the income statement as a dormant wholly-owned subsidiary of the Company, Santak Electronics Pte. Ltd. was struck off from the Register of Companies pursuant to Section 344 of the Companies Act, Chapter 50 of Singapore on 9 December 2019.

Other operating expenses decreased by S\$0.46 million or 45.6% to S\$0.55 million in FY2020 compared to previous year mainly due to lower loss in diminution of value of the Property of S\$0.33 million arising from the Rental Reimbursement due to the extension of the completion date to the Assignment Completion Date on 31 December 2020 in connection with disposal of the Property as announced on 23 June 2020 compared to the S\$0.833 million loss in diminution of value of the Property in connection with the disposal as announced on 27 June 2019. In addition, there was foreign exchange loss of S\$0.11 million recorded in FY2019. The above decrease was partially offset by impairment of approximately S\$0.13 million made to the right-of-use assets associated with the Property to write down the disposal group to its fair value less costs to sell as well as an increase in freight cost by S\$0.05 million incurred for the shifting of some machines and equipment from Singapore factory to the new factory in Johor.

The slight decrease in distribution and selling expenses by S\$0.05 million or 3.8% to S\$1.40 million was mainly due to lower payroll expenses in FY2020 in line with the lower turnover. The administrative expenses increased by S\$0.22 million or 14.2% to approximately S\$1.79 million in FY2020 compared to FY2019 mainly due to the reclassification of S\$0.14 million of manufacturing overhead incurred during CB and MCO from cost of sales to administrative expenses in FY2020 plus depreciation expense of right-of-use assets of S\$0.06 million arising from the Group's adoption of SFRS(I) 16 Leases in FY2020 as well as higher payroll cost mainly in the new Johor factory in FY2020. The increase in financial expenses by approximately S\$0.03 million in FY2020 was the result of interest expense on lease liabilities arising from the Group's adoption of SFRS(I) 16 Leases in FY2020. The lower financial income was due to lower interest income from the lower bank balances and lower interest rate during FY2020 compared to previous year.

Loss before tax of approximately S\$0.99 million was recorded for FY2020 compared to the loss before tax of S\$1.55 million in the previous year. The tax credit of S\$ 0.16 million in FY2020 was mainly due to the reversal of prior year provision for taxation no longer required. The loss after tax for FY2020 was approximately S\$0.83 million compared to the loss after tax of S\$1.59 million for FY2019. The Group's basic and diluted loss per share were both 0.77 cents for FY2020 versus the prior year basic and diluted loss per share of 1.48 cents.

## Review of Financial Position

The increase of the right-of-use assets of S\$0.77 million as at 30 June 2020 was the result of the Group's adoption of SFRS(I) 16 Leases. Operating leases was recognised as right-of-use assets and lease liabilities by discounting the remaining lease payments using the incremental borrowing rate for each individual lease. The amount of right-of-use assets recognized from the operating leases of the leasing of a premise entered into during FY2020 was S\$0.67 million. In addition, leases previously classified as finance leases of S\$0.22 million was reclassified from motor vehicles to right-of-use assets. Right-of-use assets arising from the adoption of SFRS(I) 16 Leases during FY2020 was S\$0.89 million. After deducting depreciation expense of approximately S\$0.12 million during FY2020, the net book value of the right-of-use assets as at 30 June 2020 was S\$0.77 million. The decrease in deferred tax assets was mainly due to utilisation of tax losses brought forward from prior years.

The decrease in inventories by S\$0.75 million or 35.1% to S\$1.39 million as at 30 June 2020 compared to S\$2.14 million as at 30 June 2019 was mainly due to the drawdown of inventories for sales to customers coupled with the lower inventories manufactured during FY2020 as a result of lower production output from lower machines hours ran due to higher machines downtime mainly as a results of the CB in Singapore and the MCO in Malaysia as explained above.

# CHAIRMAN'S STATEMENT

The decrease in trade receivables by approximately S\$0.10 million as at 30 June 2020 versus 30 June 2019 was mainly due to lower sales in FY2020. Other receivables increased by approximately S\$0.30 million as at 30 June 2020 mainly due to increase in receivables of S\$0.16 million in governments' grants for the COVID-19 pandemic supports and increase in deposits by approximately S\$0.13 million mainly comprising of a deposit for a banker guarantee issued to Malaysian custom authority as well as rental deposits.

The increase in assets of a subsidiary classified as held for sale of S\$0.105 million to its net book value of S\$10.48 million as at 30 June 2020 versus S\$10.375 million as at 30 June 2019 was due to the reclassification of right-of-use assets of S\$0.56 million recognized from the operating leases of the Property less impairment of S\$0.13 million to the right-of-use assets associated with the Property to write down the disposal group to its fair value less costs to sell. This was partially offset by the loss in diminution of value of the Property amounting to S\$0.33 million arising from the Rental Reimbursement due to the extension of the completion date to the Assignment Completion Date on 31 December 2020 as explained earlier. On the other hand, the liabilities of a subsidiary classified as held for sale of S\$0.44 million as at 30 June 2020 arose from the present value of the remaining operating lease commitments of the Property as a result of the Group's adoption of SFRS(I) 16 Leases during FY2020.

The increase in other payables of S\$0.04 million was mainly related to a

provision for reinstatement of a lease of premise entered into during FY2020. Trade payables remains relatively stable as at 30 June 2020 vs 30 June 2019. The decrease in provision for taxation by S\$0.18 million was mainly due to the reversal of prior year provision for taxation no longer required. The decrease in cash and cash equivalents by S\$0.36 million from S\$3.55 million to S\$3.19 million is explained in the cash flow explanation in the following paragraphs below. The increase in lease liabilities by S\$0.52 million as at 30 June 2020 was mainly the result of the Group's adoption of SFRS(I) 16 Leases in FY2020.

## Review of Cash Flow

The Group's operations generated net cash flows from operating activities of approximately S\$0.24 million in FY2020 compared to net cash flows generated from operating activities of S\$0.14 million in the previous financial year. This was mainly attributable to a lower loss before tax recorded in FY2020 as well as cash inflow arising from working capital changes (which mainly due to decline in inventory and trade receivables as well as increase in trade payables which were partially offset by increase in other receivables and prepayments).

Net cash used in investing activities was lower at approximately S\$0.34 million in FY2020 which mainly comprises renovation payment of approximately S\$0.22 million for a leased premise in Singapore and software implementation cost as well as purchase of computer and office equipment. This is compared to net cash used in investing activities of S\$3.54 million in FY2019 mainly

comprising the full payment of S\$3.14 million in FY2019 for the acquisition of a factory property in Johor Malaysia and payment of S\$0.40 million for renovation of factory in FY2019.

Net cash used in financing activities increased by approximately S\$0.20 million during FY2020 to S\$0.28 million mainly due to the repayment of principal and interest of lease liabilities amounting to S\$0.28 million in FY2020 arising from the Group's adoption of SFRS(I) 16 Leases in FY2020. Overall, cash and cash equivalents decreased by S\$0.37 million during FY2020 to S\$3.19 million as at 30 June 2020 compared to the balance of S\$3.55 million as at 30 June 2019.

No dividend has been declared or recommended for the FY2020. This is to conserve cash for working capital and capital expenditure purposes.

Our heartfelt appreciation goes to all our customers, shareholders and business associates for their support, 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

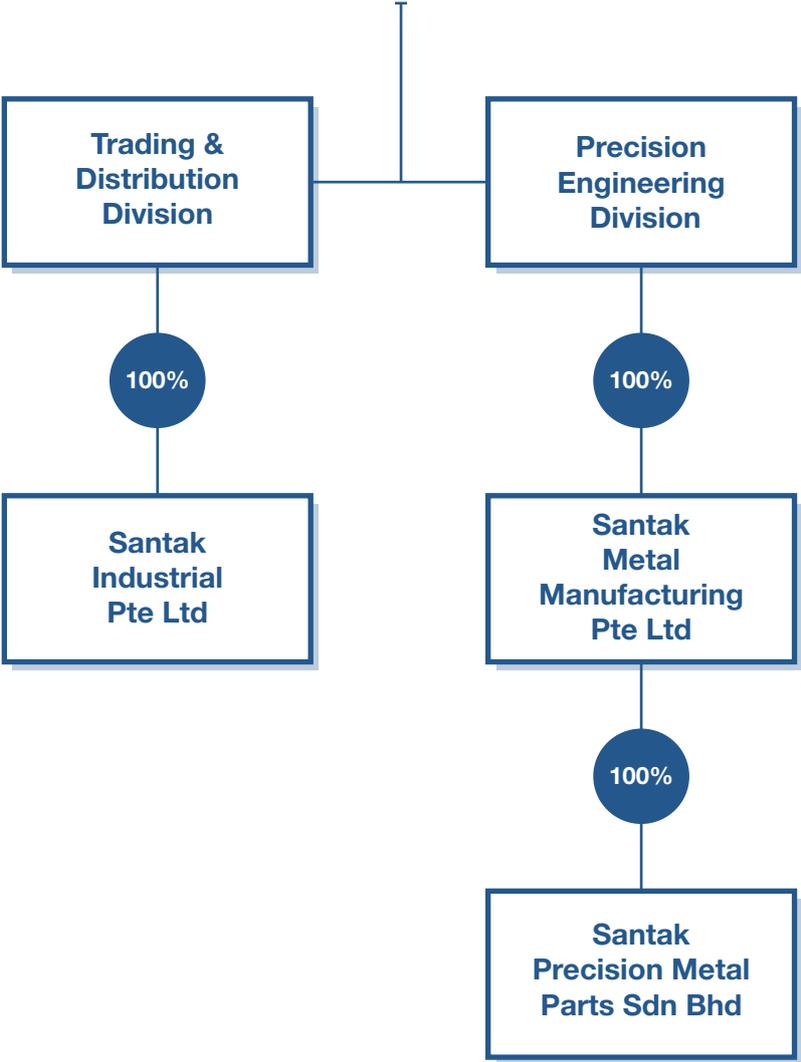
# CORPORATE DATA

<b>Company Registration Number:</b>	200101065H
<b>Board of Directors:</b>	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)
<b>Audit Committee:</b>	Lee Keen Whye (Chairman) Ch'ng Jit Koon Heng Kheng Hwai
<b>Nominating Committee:</b>	Ch'ng Jit Koon (Chairman) Lee Keen Whye Tan Chee Hawaii
<b>Remuneration Committee:</b>	Lee Keen Whye (Chairman) Ch'ng Jit Koon Ng Weng Wei
<b>Company Secretary:</b>	Lai Foon Kuen
<b>Registered Office:</b>	31 Senoko South Road, Woodlands East Industrial Estate Singapore 758084  Tel: 6755 4788 Fax: 6754 7088 Email: <a href="mailto:santak.holdings@santak.com.sg">santak.holdings@santak.com.sg</a> Website: <a href="http://www.santak.com.sg">www.santak.com.sg</a>
<b>Share Registrar:</b>	Boardroom Corporate & Advisory Services Pte. Ltd. 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623
<b>Auditors:</b>	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



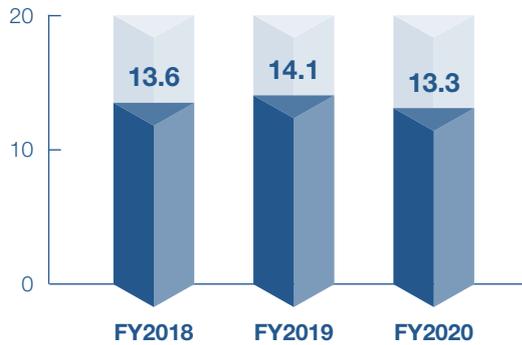
Santak Holdings Limited



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

# FINANCIAL HIGHLIGHTS

**TURNOVER**  
(In S\$Million)



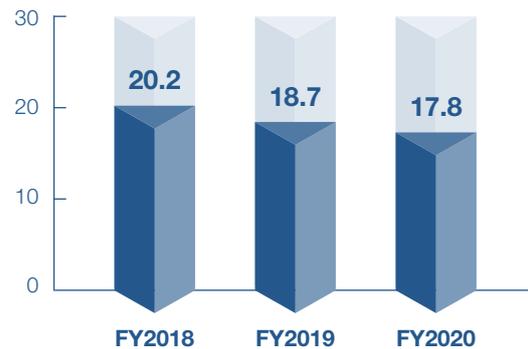
**LOSS AFTER TAX**  
(In S\$Million)

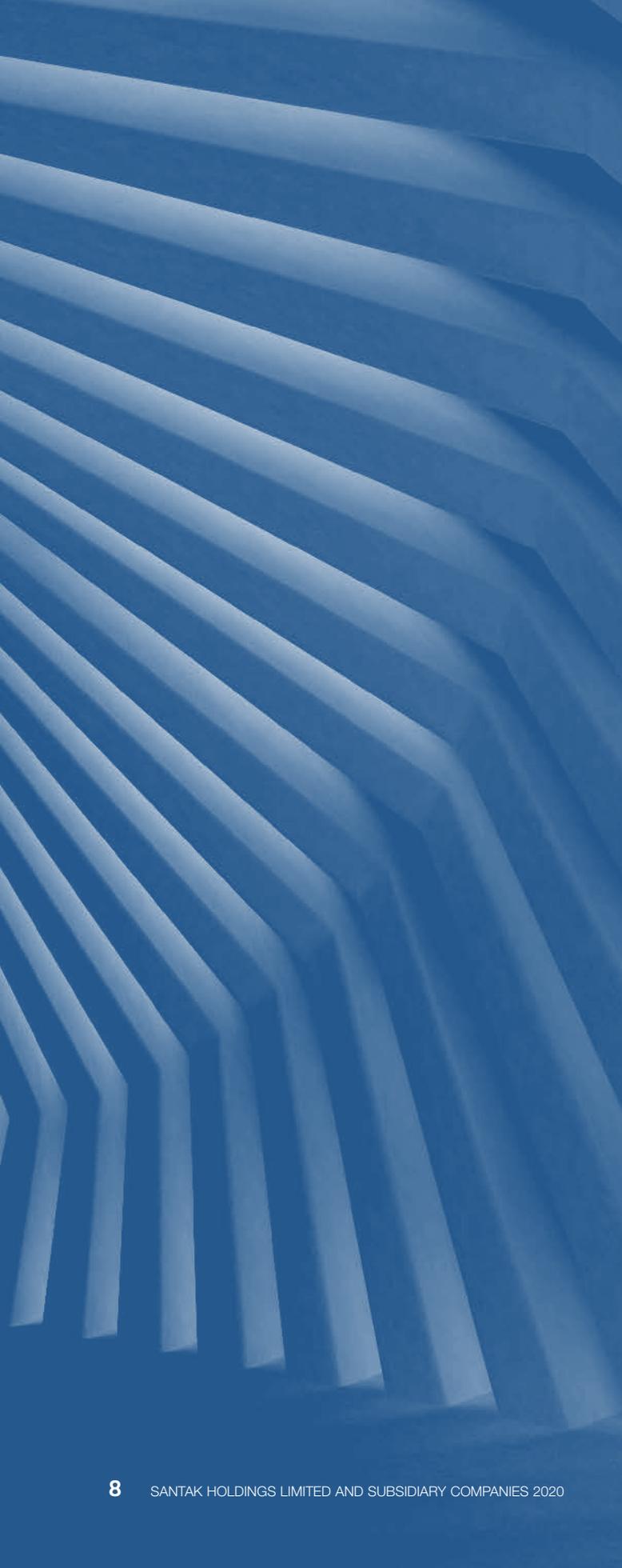


**BASIC/DILUTED LOSS PER SHARE**  
(In Cents)



**NET ASSET VALUE PER SHARE**  
(In Cents)





# FINANCIAL REPORT

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Notes to 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 2020.

## 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 2020, 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 Hawaii  
Ng Weng Wei  
Tan Sin Hock  
Heng Kheng Hwai  
Ch'ng Jit Koon

## Arrangements to enable directors to acquire shares and debentures

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

# DIRECTORS' STATEMENT

## Directors' interests 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 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
<b>Ordinary shares of the Company</b>				
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 2020.

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

## Options

No options were issued by the Company during the financial year. As at 30 June 2020, there are no options on the unissued shares of the Company or any other body corporate which were outstanding.

# DIRECTORS' STATEMENT

## Audit Committee

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

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

The AC performed the functions set out in the Companies Act, and Section B of the Listing Manual of the Singapore Exchange Securities Trading Limited: Rules of Catalist. 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 2020, 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.

The AC convened two meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

# DIRECTORS' STATEMENT

## **Auditor**

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

On behalf of the board of directors,

Tan Chee Hawaii  
Director

Ng Weng Wei  
Director

Singapore  
28th September 2020

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 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 2020, 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, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRSs(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group 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 2020

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

#### Key Audit Matters (cont'd)

##### Allowance for obsolete inventories

As of 30 June 2020, the total inventories and the related allowances for obsolete inventories amounted to \$1.39 million and \$0.71 million respectively. The allowance for inventory obsolescence relates mainly to raw materials, finished goods and work-in-progress. We focused on this area as the gross inventory and the allowance for obsolete inventories carrying amounts are material to the financial statements and the determination of allowance for obsolete inventories requires management to exercise significant judgement in identifying slow-moving or obsolete inventories and making estimates of their net realisable values.

As part of our audit, we attended and observed management's inventory counts at all material inventory locations and observed management's identification of obsolete and slow-moving inventories. We tested on a sample basis, the carrying value of the inventories by testing the reasonableness of the costing, ageing of inventories and analysis of obsolete inventories. We evaluated, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete inventories, and the expected demand and selling price after year end. We also assessed the adequacy of the disclosures related to inventories in Note 12.

##### Recoverability of trade receivables

The Group has trade receivables amounting to \$2.32 million as at 30 June 2020. The Group applied the simplified approach and records lifetime expected credit losses on trade receivables. In applying the expected credit loss model, the Group uses historical loss rate which was based on bad debts written off in the prior years. The historical loss was also adjusted with forward-looking information which incorporated forecasted macroeconomic factors, such as contraction of gross domestic product (GDP) and the probability of default from customers as a result of COVID-19. Based on these assessments, no allowance for expected credit losses was recognised during the financial year.

The application of expected credit loss model required significant management judgment and estimation, as such, we determined that to be a key audit matter.

As part of the audit, we obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables. Our audit procedures included, amongst others, requesting confirmation of trade receivable balances and reviewing for collectability by way of obtaining evidence of receipts from the customers subsequent to the year-end. We evaluated management's assumptions used to determine the provision matrix, through analyses of ageing of trade receivables and historical credit loss experience, as well as assessment of significant overdue trade receivables by reviewing historical payment patterns. We checked the data inputs used and arithmetic accuracy of loss allowance computation and reviewed the forward-looking factors by considering the economic environment which the debtors operate in. We also assessed the adequacy of the Group's disclosures related to the impairment of trade receivables and the related risks such as credit risk and liquidity risk set out in Note 13 and Note 26 to the financial statements.

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### Other Information

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

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

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

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

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

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.

# INDEPENDENT AUDITOR'S REPORT

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 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)

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

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

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

# INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 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)

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

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

### Report on Other Legal and Regulatory Requirements

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

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

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants

Singapore  
28th September 2020

# CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

	Note	2020 \$	2019 \$
<b>Revenue</b>	3	13,258,201	14,121,786
Cost of sales		(11,276,007)	(11,687,395)
<b>Gross profit</b>		1,982,194	2,434,391
Other operating income	4	793,540	46,885
Distribution and selling expenses		(1,395,092)	(1,449,526)
Administrative expenses		(1,785,176)	(1,563,824)
Other operating expenses	4	(554,016)	(1,017,768)
Finance costs	5	(36,044)	(9,539)
Finance income	5	1,474	8,369
<b>Loss before tax</b>	6	(993,120)	(1,551,012)
Taxation	7	161,902	(42,294)
<b>Loss, net of taxation</b>		(831,218)	(1,593,306)
<b>Loss attributable to:</b>			
Owners of the Company			
Loss, net of taxation		(831,218)	(1,593,306)
<b>Loss for the year attributable to owners of the Company</b>		(831,218)	(1,593,306)
<b>Loss per share attributable to owners of the Company (cents per share)</b>			
Basic	8	(0.77)	(1.48)
Diluted	8	(0.77)	(1.48)
<b>Loss per share (cents per share)</b>			
Basic	8	(0.77)	(1.48)
Diluted	8	(0.77)	(1.48)

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 2020

	Note	2020 \$	2019 \$
<b>Loss for the year</b>		(831,218)	(1,593,306)
<b>Other comprehensive income:</b>			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Foreign currency translation	22(ii)	8,180	(36,532)
<b>Total other comprehensive income for the year, net of taxation</b>		8,180	(36,532)
<b>Total comprehensive income for the year</b>		(823,038)	(1,629,838)
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		(823,038)	(1,629,838)
<b>Attributable to:</b>			
Owners of the Company			
Total comprehensive income, net of taxation		(823,038)	(1,629,838)
<b>Total comprehensive income for the year attributable to equity owners of the Company</b>		(823,038)	(1,629,838)

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

# BALANCE SHEETS

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Non-current assets</b>					
Property, plant and equipment	9	4,235,933	4,255,576	19	83,369
Right-of-use assets	19	772,588	–	54,804	–
Investments in subsidiary companies	10	–	–	8,113,173	8,113,176
Intangible assets	11	58,716	49,777	885	165
Deferred tax assets	20	43,824	79,077	9,161	6,923
		<u>5,111,061</u>	<u>4,384,430</u>	<u>8,178,042</u>	<u>8,203,633</u>
<b>Current assets</b>					
Inventories	12	1,391,158	2,143,116	–	–
Prepayments		72,004	60,507	29,205	12,320
Trade receivables	13	2,323,136	2,419,810	–	–
Other receivables	13	367,207	69,557	14,235	–
Loan to a subsidiary company	14	–	–	4,030,000	4,030,000
Due from subsidiary companies (non-trade)	13	–	–	1,935,844	1,851,298
Cash and cash equivalents	15	3,186,438	3,551,651	80,410	133,179
		<u>7,339,943</u>	<u>8,244,641</u>	<u>6,089,694</u>	<u>6,026,797</u>
Assets of a subsidiary classified as held for sale	16	10,480,006	10,375,000	–	–
		<u>17,819,949</u>	<u>18,619,641</u>	<u>6,089,694</u>	<u>6,026,797</u>
<b>Current liabilities</b>					
Trade payables	17	1,259,478	1,230,618	–	–
Other payables	17	1,270,921	1,265,870	334,865	376,403
Lease liabilities	19	188,689	–	31,504	–
Obligations under finance leases	23(b)	–	75,127	–	36,626
Provision for taxation		42,483	223,443	12,036	30,263
		<u>2,761,571</u>	<u>2,795,058</u>	<u>378,405</u>	<u>443,292</u>
Liabilities of a subsidiary classified as held for sale	16	436,247	–	–	–
<b>Net current assets</b>		<u>14,622,131</u>	<u>15,824,583</u>	<u>5,711,289</u>	<u>5,583,505</u>

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

# BALANCE SHEETS

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Non-current liabilities</b>					
Lease liabilities	19	529,731	–	–	–
Obligations under finance leases	23(b)	–	124,574	–	31,504
Provisions	17	35,000	–	–	–
		<u>564,731</u>	<u>124,574</u>	<u>–</u>	<u>31,504</u>
<b>Net assets</b>					
		<u>19,168,461</u>	<u>20,084,439</u>	<u>13,889,331</u>	<u>13,755,634</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	21	12,852,187	12,852,187	12,852,187	12,852,187
Revaluation reserve	22(i)	9,521,142	9,521,142	–	–
Translation reserve	22(ii)	(147,325)	(62,565)	–	–
(Accumulated losses)/retained earnings		(3,057,543)	(2,226,325)	1,037,144	903,447
		<u>19,168,461</u>	<u>20,084,439</u>	<u>13,889,331</u>	<u>13,755,634</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 2020

2020 Group	Share capital (Note 21) \$	Attributable to owners of the Company			Total equity \$
		Accumulated losses \$	Revaluation reserve (Note 22(i)) \$	Translation reserve (Note 22(ii)) \$	
At 1 July 2019	12,852,187	(2,226,325)	9,521,142	(62,565)	20,084,439
Loss for the year	–	(831,218)	–	–	(831,218)
<u>Other comprehensive income</u>					
Foreign currency translation	–	–	–	8,180	8,180
Other comprehensive income for the year, net of taxation	–	–	–	8,180	8,180
Total comprehensive income for the year	–	(831,218)	–	8,180	(823,038)
Realisation of translation reserve on strike off of a subsidiary	–	–	–	(92,940)	(92,940)
At 30 June 2020	12,852,187	(3,057,543)	9,521,142	(147,325)	19,168,461

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 2020

2019 Group	Attributable to owners of the Company				
	Share capital (Note 21) \$	Accumulated losses \$	Revaluation reserve (Note 22(i)) \$	Translation reserve (Note 22(ii)) \$	Total equity \$
At 1 July 2018	12,852,187	(659,496)	9,521,142	444	21,714,277
Loss for the year	–	(1,593,306)	–	–	(1,593,306)
<u>Other comprehensive income</u>					
Foreign currency translation	–	–	–	(36,532)	(36,532)
Realisation of translation reserve on strike off of a subsidiary	–	26,477	–	(26,477)	–
Other comprehensive income for the year, net of taxation	–	26,477	–	(63,009)	(36,532)
Total comprehensive income for the year	–	(1,566,829)	–	(63,009)	(1,629,838)
At 30 June 2019	12,852,187	(2,226,325)	9,521,142	(62,565)	20,084,439

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 2020

Company	Attributable to owners of the Company		
	Share capital (Note 21) \$	Retained earnings \$	Total equity \$
<b>2020</b>			
At 1 July 2019	12,852,187	903,447	13,755,634
Profit for the year, representing total comprehensive income for the year	–	133,697	133,697
At 30 June 2020	12,852,187	1,037,144	13,889,331
<b>2019</b>			
At 1 July 2018	12,852,187	786,291	13,638,478
Profit for the year, representing total comprehensive income for the year	–	117,156	117,156
At 30 June 2019	12,852,187	903,447	13,755,634

*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 2020

	2020	2019
	\$	\$
<b>Cash flows from operating activities</b>		
Loss before tax	(993,120)	(1,551,012)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	110,669	146,333
Depreciation of right-of-use assets	119,173	–
Amortisation of intangible assets	17,956	13,081
Realisation of translation reserve on strike off of a subsidiary	(92,940)	–
Loss in diminution of value of leasehold property	331,241	832,937
Impairment of right-of-use assets	127,282	–
Interest expense – lease liabilities	36,044	9,539
Interest income	(1,474)	(8,369)
Unrealised exchange loss/(gain)	6,851	(20,868)
	<hr/>	<hr/>
<b>Operating cash flows before changes in working capital</b>	(338,318)	(578,359)
	<hr/>	<hr/>
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Inventories	751,958	(443,226)
Trade receivables	96,674	1,320,187
Other receivables and prepayments	(309,147)	(1,682)
Increase/(decrease) in:		
Trade payables	28,860	(372,842)
Other payables	(5,949)	208,044
	<hr/>	<hr/>
<b>Total changes in working capital</b>	562,396	710,481
	<hr/>	<hr/>
<b>Cash flows from operations</b>	224,078	132,122
Interest received	1,474	8,369
Income taxes refund, net	15,506	3,058
	<hr/>	<hr/>
<b>Net cash flows generated from operating activities</b>	241,058	143,549
	<hr/>	<hr/>

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 2020

	2020	2019
	\$	\$
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(314,180)	(3,543,842)
Purchase of intangible assets	(26,895)	(670)
<b>Net cash flows used in investing activities</b>	<u>(341,075)</u>	<u>(3,544,512)</u>
<b>Cash flows from financing activities</b>		
Interest paid	(36,044)	(9,539)
Payment of principal portion of lease liabilities	(243,297)	–
Payment of principal portion of finance lease obligations	–	(72,224)
<b>Net cash flows used in financing activities</b>	<u>(279,341)</u>	<u>(81,763)</u>
Net decrease in cash and cash equivalents	(379,358)	(3,482,726)
Effect of exchange rate changes on cash and cash equivalents	14,145	(13,295)
Cash and cash equivalents at beginning of year	<u>3,551,651</u>	<u>7,047,672</u>
<b>Cash and cash equivalents at end of year (Note 15)</b>	<u><u>3,186,438</u></u>	<u><u>3,551,651</u></u>

*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 2020

## 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 10 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 (International) ("SFRS(I)").

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

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

#### Fundamental accounting concept

The Group recorded a gross profit of \$1.98 million, loss before tax of \$0.99 million and generated operating cash flows of \$0.24 million for this financial year. The directors have prepared the consolidated financial statements on a going concern basis. As at 30 June 2020, the Group's current and total assets exceeded current and total liabilities by \$14.62 million (2019: \$15.82 million) and \$19.17 million (2019: \$20.08 million) respectively.

Management has prepared cash flow forecasts for the 15 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 \$3.19 million as at 30 June 2020 will be sufficient to meet the Group's operational needs and pay its debts as and when they fall due for the 12 months following the date of the financial statements.

In addition, the Group has banking facilities as disclosed in Note 23(d) that would provide adequate cash flow to meet the Group's operational needs when necessary.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### 2.2 Adoption of new and amended standards and interpretations

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 financial periods beginning on or after 1 July 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

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

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group and the Company adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and comparatives are not restated. The Group and Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group and Company applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

On adoption of SFRS(I) 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of FRS 17 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 3.58%.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.2 Adoption of new and amended standards and interpretations (cont'd)

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

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of SFRS(I) 16 are only applied after that date. This resulted in measurement adjustments of S\$7,170 for variable lease payments based on an index or rate. The remeasurements to the lease liabilities were recognised as adjustments to the related right-of-use assets immediately after the date of initial application

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019, as follows:

	<b>Group</b>	<b>Company</b>
	\$	\$
Operating lease commitments disclosed as at 30 June 2019	614,657	–
Discounted using the weighted average incremental borrowing rate as at 1 July 2019	570,699	–
Add: Commitments relating to leases previously classified as finance leases	199,701	68,130
Lease liabilities as at 1 July 2019	<u>770,400</u>	<u>68,130</u>
Of which are:		
Current lease liabilities	193,771	36,626
Non-current lease liabilities	576,629	31,504
	<u>770,400</u>	<u>68,130</u>

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

	<b>Group</b>	<b>Company</b>
	<b>Increase/(decrease)</b>	<b>Increase/(decrease)</b>
	\$	\$
Property, plant and equipment	(222,027)	(83,369)
Right-of-use assets	792,726	83,369
Lease liabilities	770,400	68,130
Finance lease obligations	(199,701)	(68,130)

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### 2.3 Standards issued but not yet effective

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

<i>Description</i>	<i>Effective for annual periods on or after</i>
Amendments to SFRS(I) 3 Definition of a Business	1 January 2020
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

The Directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

#### 2.4 Significant accounting 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.

##### (a) 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 property, plant and equipment and right-of-use assets

The Group assesses whether there are any indicators of impairment for property, plant and equipment and right-of-use assets 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 9.

The carrying amount of the Group's right-of-use assets at the end of the reporting period is disclosed in Note 19.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.4 Significant accounting estimates (cont'd)

#### (a) 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 amount is assessed based on an estimation of the value in use of the subsidiaries and on the ability of the subsidiary company to repay the loan. 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 are disclosed in Note 10 and Note 14 to the financial statements respectively.

##### (iii) Allowance for obsolete inventories

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

In determining the amount of allowance or write down, the Group considers factors including the ageing analysis and the consumption patterns. Such an evaluation requires judgement and affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of the Group's inventories as at 30 June 2020 was \$1,391,158 (2019: \$2,143,116). More details are given in Note 12 to the financial statements.

##### (iv) Recoverability of trade receivables

The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. Management will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 13.

The carrying amount of trade receivables as at 30 June 2020 are \$2,323,136 and 30 June 2019: \$2,419,810 respectively.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### 2.5 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.

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

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.6 Foreign currencies

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

#### (a) Transactions and balances

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

#### (b) Consolidated financial statements

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

### 2.7 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.

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 losses on retirement or disposal of the asset.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

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

Freehold land is not depreciated. Depreciation on other property, plant and equipment 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:

Building	-	50 years
Plant and machinery	-	5 to 8 years
Motor vehicles	-	10 years
Computers	-	2 to 5 years
Office equipment/Furniture & fittings	-	10 years
Air-conditioners	-	10 years
Renovation/Electrical installation	-	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. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

#### 2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as finite.

Intangible assets with finite useful lives are amortised 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.

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.8 Intangible assets (cont'd)

#### (a) Club membership

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

#### (b) Computer software licenses

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

### 2.9 Impairment of non-financial assets

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

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

Impairment losses 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.

### 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.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### 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 instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

###### Subsequent measurement

###### *Investments in debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three measurement categories for classification of debt instruments are:

###### (i) *Amortised cost*

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

###### (ii) *Fair value through other comprehensive income (FVOCI)*

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.11 Financial instruments (cont'd)

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

##### Subsequent measurement (cont'd)

###### *Investments in debt instruments (cont'd)*

###### (iii) *Fair value through profit or loss*

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

##### Derecognition

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

#### (b) Financial liabilities

##### Initial recognition and measurement

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

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

##### Subsequent measurement

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

##### De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### 2.12 Impairment of financial assets

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECLs). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECLs).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when it is probable that contractual payments due will not be collected in accordance with the terms of the agreement. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### 2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, which are subject to an insignificant risk of changes in value.

#### 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.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 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.

### 2.17 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.

### 2.18 Employee benefits

#### (a) Defined contribution plans

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

#### (b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.19 Leases

The accounting policies for *Leases* are applied on and after the initial application date of SFRS(I) 16 *Leases* on 1 July 2019.

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

#### As Lessee

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

#### Right-of-use assets

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9.

The Group's right-of-use assets are presented separately on the balance sheet.

#### Lease liabilities

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.19 Leases (cont'd)

#### Lease liabilities (cont'd)

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

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

#### Short-term leases

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

These accounting policies for *Leases* are applied before the initial application date of SFRS(I) 16 *Leases* on 1 July 2019:

#### 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.

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 2020

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

#### 2.20 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

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

Assets and liabilities classified as held for sale are presented separately as current items in the balance sheet.

#### 2.21 Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

The Group is in the business of manufacturing and trading. Revenue from contracts with customers is recognised when control of the goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

The Group elected the practical expedient, to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.21 Revenue from contracts with customers (cont'd)

#### Sale of goods

The Group manufactures precision machined components and trading of custom made electronic, electrical and mechanical products.

Revenue from sale of goods is recognized based on agreed shipping terms with customers, which is typically upon the delivery of products to the customers. That is the point when the customer obtains control of the goods, and the Group has no remaining control over the products. The Group generally does not allow returns except in the case of damaged products or products with quality issues. Revenue is recognised based on invoiced amount that can be measured reliably.

Revenue is not recognized to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

#### Contract liabilities

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

### 2.22 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.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

#### 2.22 Taxes (cont'd)

##### (b) Deferred tax

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

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### 2.22 Taxes (cont'd)

#### (c) Goods and Services Tax ("GST")

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

- Where the GST incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the GST 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 GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### 2.23 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

### 2.24 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.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 3. Revenue

### Disaggregation of revenue

	Precision engineering		Trading and distribution		Total revenue	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
<b>Primary geographical markets</b>						
Singapore	192,378	282,864	–	–	192,378	282,864
Asean (excluding Singapore)	6,890,894	6,233,689	21,672	38,864	6,912,566	6,272,553
North Asia	57,040	76,690	13,169	25,420	70,209	102,110
America and Europe	1,824,389	2,090,097	4,231,495	5,262,940	6,055,884	7,353,037
Others	27,164	111,222	–	–	27,164	111,222
	<u>8,991,865</u>	<u>8,794,562</u>	<u>4,266,336</u>	<u>5,327,224</u>	<u>13,258,201</u>	<u>14,121,786</u>
Timing of transfer of goods or services						
At a point in time	<u>8,991,865</u>	<u>8,794,562</u>	<u>4,266,336</u>	<u>5,327,224</u>	<u>13,258,201</u>	<u>14,121,786</u>

## 4. Other operating income

### Other operating expenses

	Group	
	2020	2019
	\$	\$
<b>(a) Other operating income</b>		
Sale of scrap	23,455	31,613
Realisation of translation reserve on strike off of a subsidiary	92,940	–
Government grants*	569,272	13,646
Foreign exchange gain, net	99,441	–
Others	8,432	1,626
	<u>793,540</u>	<u>46,885</u>

\* Due to the COVID-19 pandemic, the Group had been granted approximately \$550,000 of government support through wage and rent related subsidies during the year. There are no unfulfilled conditions or contingencies attached to these grants. These grants are recognised in the profit or loss over the period to match them with the costs they are intended to compensate.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 4. Other operating income

### Other operating expenses (cont'd)

	Group	
	2020	2019
	\$	\$
<b>(b) Other operating expenses</b>		
Foreign exchange loss, net	–	(108,228)
Loss in diminution of value of leasehold property	(331,241)	(832,937)
Impairment of right-of-use assets	(127,282)	–
Relocation costs	(95,493)	(37,397)
Others	–	(39,206)
	(554,016)	(1,017,768)

## 5. Finance costs

### Finance income

	Group	
	2020	2019
	\$	\$
<b>(a) Finance costs</b>		
Interest expense on:		
- lease liabilities	(36,044)	–
- finance leases	–	(9,539)
	(36,044)	(9,539)
<b>(b) Finance income</b>		
Interest income from:		
- bank balances	1,474	8,369
	1,474	8,369

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 6. Loss before tax

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

	Group	
	2020	2019
	\$	\$
Audit fees:		
- Auditors of the Company	83,073	76,167
Non-audit fees:		
- Auditors of the Company	21,264	18,500
Depreciation of property, plant and equipment	110,669	146,333
Depreciation of right-of-use assets	119,173	–
Amortisation of intangible assets	17,956	13,081
Operating lease expenses	–	146,057
Employee benefits expense (including directors):		
- Salaries and bonuses	3,977,459	4,345,225
- Contributions to defined contribution plans	343,982	316,232
- Other personnel expenses	94,929	46,936

## 7. Taxation

### Major components of income tax (credit)/expense

The major components of income tax (credit)/expense for the years ended 30 June 2020 and 2019 are:

	Group	
	2020	2019
	\$	\$
Current income tax		
- Current income taxation	25,975	31,756
- (Over)/under provision in respect of previous years	(223,130)	164,860
Deferred tax		
- Origination and reversal of temporary differences	(4,763)	(154,322)
- Under provision in respect of previous years	40,016	–
Income tax (credit)/expense recognised in profit or loss	(161,902)	42,294

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 7. Taxation (cont'd)

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

A reconciliation between income tax (credit)/expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 30 June 2020 and 2019 is as follows:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Loss before taxation	(993,120)	(1,551,012)
Accounting loss before taxation	<u>(993,120)</u>	<u>(1,551,012)</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	(51,374)	(168,429)
Adjustments:		
Non-deductible expenses	94,732	183,710
Income not subject to taxation	(78,191)	(101,534)
Effect of partial tax exemption and tax relief	(28,516)	(36,313)
Deferred tax assets not recognised	84,561	–
(Over)/under provision in respect of previous years	<u>(183,114)</u>	<u>164,860</u>
Income tax (credit)/expense recognised in profit or loss	<u>(161,902)</u>	<u>42,294</u>

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 8. Loss per share

Basic loss per share is calculated by dividing the loss for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is calculated by dividing the loss for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year. There is no share option being granted during the year.

The following reflects the loss for the year and share data used in the computation of basic and diluted loss per share for the years ended 30 June:

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Loss for the year, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	<u>(831,218)</u>	<u>(1,593,306)</u>
Weighted average number of ordinary shares for basic and diluted loss per share computation	<u>107,580,980</u>	<u>107,580,980</u>

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.

The basic and diluted loss per share are calculated by dividing the loss for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic and diluted loss per share computation. These losses and share data are presented in the table above.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 9. Property, plant and equipment

Group	At cost											Total
	Freehold land	Building	Plant and machinery	Motor vehicles	Computers	Office equipment/furniture & fitting	Air-conditioners	Renovation/electrical installation	Tools and equipment	Construction in progress		
<b>Cost or valuation</b>												
At 30 June and 1 July 2018	-	-	28,785,365	644,651	641,806	373,483	258,628	621,817	715,325	-	-	32,041,075
Additions	1,488,780	2,040,611	-	-	2,339	610	-	399,543	863	-	-	3,932,746
Disposals	-	-	-	-	-	-	(12,140)	-	-	-	-	(12,140)
Exchange differences	-	-	-	-	(313)	(184)	-	(44)	-	-	-	(541)
At 30 June 2019	1,488,780	2,040,611	28,785,365	644,651	643,832	373,909	246,488	1,021,316	716,188	-	-	35,961,140
Additions	-	-	(9,454)	-	28,754	13,052	36,827	37,768	(25)	202,400	-	309,322
Adjustment	-	-	15,678	-	-	-	-	-	-	-	-	15,678
Reclassification to right-of-use assets	-	-	-	(644,651)	-	-	-	-	-	-	-	(644,651)
Exchange differences	(5,336)	(7,314)	(1,457)	-	1,146	673	(9)	336	(6)	-	-	(11,967)
At 30 June 2020	1,483,444	2,033,297	28,790,132	-	673,732	387,634	283,306	1,059,420	716,157	202,400	-	35,629,522
<b>Accumulated depreciation</b>												
At 30 June and 1 July 2018	-	-	28,687,779	363,637	629,396	361,531	218,861	592,602	715,325	-	-	31,569,331
Depreciation charge for the year	-	3,590	59,643	58,787	4,790	2,861	10,373	6,252	37	-	-	146,333
Disposals	-	-	-	-	-	-	(9,490)	-	-	-	-	(9,490)
Exchange differences	-	(36)	(43)	-	(314)	(173)	-	(44)	-	-	-	(610)
At 30 June 2019	-	3,554	28,747,379	422,624	633,872	364,219	219,744	598,810	715,362	-	-	31,705,564
Depreciation charge for the year	-	41,033	21,098	-	11,968	3,778	11,434	20,782	576	-	-	110,669
Reclassification to right-of-use assets	-	-	-	(422,624)	-	-	-	-	-	-	-	(422,624)
Exchange differences	-	(383)	(1,325)	-	1,071	632	(14)	33	(34)	-	-	(20)
At 30 June 2020	-	44,204	28,767,152	-	646,911	368,629	231,164	619,625	715,904	-	-	31,393,589
<b>Net carrying amount</b>												
At 30 June 2019	1,488,780	2,037,057	37,986	222,027	9,960	9,690	26,744	422,506	826	-	-	4,255,576
At 30 June 2020	1,483,444	1,989,093	22,980	-	26,821	19,005	52,142	439,795	253	202,400	-	4,235,933

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

Company	Computers \$	Motor vehicles \$	Total \$
<b>Cost</b>			
At 1 July 2018, 30 June 2019 and 1 July 2019	298,200	321,418	619,618
Additions	28	–	28
Reclassification to right-of-use assets (Note 19)	–	(321,418)	(321,418)
At 30 June 2020	298,228	–	298,228
<b>Accumulated depreciation</b>			
At 1 July 2018	297,484	209,483	506,967
Depreciation charge for the year	716	28,566	29,282
At 30 June 2019 and 1 July 2019	298,200	238,049	536,249
Depreciation charge for the year	9	–	9
Reclassification to right-of-use assets (Note 19)	–	(238,049)	(238,049)
At 30 June 2020	298,209	–	298,209
<b>Net carrying amount</b>			
At 30 June 2019	–	83,369	83,369
At 30 June 2020	19	–	19

### *Assets held under finance leases*

The carrying amount of motor vehicles of the Group held under finance leases at the balance sheet date \$222,027 as at 30 June 2019. The Company's motor vehicles were held under finance leases.

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

## 10. Investments in subsidiary companies

	Company	
	2020 \$	2019 \$
Unquoted equity shares, at cost	8,356,335	8,356,338
Impairment losses	(243,162)	(243,162)
	8,113,173	8,113,176

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 10. Investments in subsidiary companies (cont'd)

The Group has the following significant investments in subsidiary companies.

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held		Cost of investment	
			2020	2019	2020	2019
			%	%	\$	\$
<b>Held by the Company</b>						
Santak Metal Manufacturing Pte Ltd <sup>(1)</sup>	Singapore	Manufacture of precision machined components	100	100	8,113,173	8,113,173
Santak Industrial Pte Ltd <sup>(1)</sup>	Singapore	Trading and distribution of electronic, electrical and mechanical components/products	100	100	243,162	243,162
Santak Electronics Pte Ltd <sup>(2)</sup>	Singapore	Trading and distribution of electronic, electrical and mechanical components/products (deregistered)	–	100	–	3
					8,356,335	8,356,338

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held	
			2020	2019
			%	%
<b>Held by Santak Metal Manufacturing Pte Ltd</b>				
T.N.K. Precision Engineering Work Pte Ltd <sup>(1)</sup>	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Santak Precision Metal Parts Sdn Bhd <sup>(3)</sup>	Malaysia	Manufacture of precision machined components	100	100

<sup>(1)</sup> Audited by Ernst & Young Singapore.

<sup>(2)</sup> Deregistered on 9 December 2019.

<sup>(3)</sup> Audited by Ernst & Young Malaysia.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 11. Intangible assets

Group	Club membership \$	Computer software licenses \$	Total \$
<b>Cost</b>			
At 1 July 2018	152,160	327,713	479,873
Additions	–	670	670
At 30 June 2019 and 1 July 2019	152,160	328,383	480,543
Additions	–	26,895	26,895
At 30 June 2020	152,160	355,278	507,438
<b>Accumulated amortisation</b>			
At 1 July 2018	134,941	282,744	417,685
Amortisation	1,379	11,702	13,081
At 30 June 2019 and 1 July 2019	136,320	294,446	430,766
Amortisation	1,379	16,577	17,956
At 30 June 2020	137,699	311,023	448,722
<b>Net carrying amount</b>			
At 30 June 2019	15,840	33,937	49,777
At 30 June 2020	14,461	44,255	58,716

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 11. Intangible assets (cont'd)

<b>Company</b>	<b>Computer software license</b>
	\$
<b>Cost</b>	
At 1 July 2018	211,812
Additions	349
At 30 June 2019 and 1 July 2019	<u>212,161</u>
Additions	860
At 30 June 2020	<u>213,021</u>
<b>Accumulated amortisation</b>	
At 1 July 2018	211,867
Amortisation	129
At 30 June 2019 and 1 July 2019	<u>211,996</u>
Amortisation	140
At 30 June 2020	<u>212,136</u>
<b>Net carrying amount</b>	
At 30 June 2019	<u>165</u>
At 30 June 2020	<u>885</u>

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

## 12. Inventories

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Balance sheet:</b>		
Raw materials	251,907	371,421
Work-in-progress	288,579	395,397
Finished goods	850,672	1,376,298
Total inventories at lower of cost and net realisable value	<u>1,391,158</u>	<u>2,143,116</u>

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 12. Inventories (cont'd)

The allowance for obsolete inventories as at 30 June 2020 amounted to \$707,087 (2019: \$1,198,748).

	Group	
	2020	2019
	\$	\$
<b>Income statement:</b>		
Inventories recognised as an expense in cost of sales	7,697,216	7,058,051
Inclusive of the following charge/(credit):		
- inventories written down	44,541	48,569
- reversal of write down of inventories	(9,354)	(19,990)

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

### 13. Trade and other receivables

	Note	Group		Company	
		2020	2019	2020	2019
		\$	\$	\$	\$
<b>Trade and other receivables (current)</b>					
Trade receivables		2,323,136	2,419,810	-	-
Amount due from subsidiary companies (non-trade)		-	-	1,935,844	1,851,298
<u>Other receivables:</u>					
- Other debtors		17,132	-	-	-
- Grant receivables		157,087	-	14,235	-
- Deposits		192,988	69,557	-	-
Total trade and other receivables (current)		2,690,343	2,489,367	1,950,079	1,851,298
Add: Loan to a subsidiary company	14	-	-	4,030,000	4,030,000
Add: Cash and cash equivalents	15	3,186,438	3,551,651	80,410	133,179
Less: Goods and Services Tax ("GST") receivables		(82,053)	(63,152)	-	-
Total financial assets carried at amortised cost		5,794,728	5,977,866	6,060,489	6,014,477

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 13. Trade and other receivables (cont'd)

### Trade receivables

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 \$82,053 (2019: \$63,152) relating to GST receivables.

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

	Group		Company	
	2020	2019	2020	2019
	\$	\$	\$	\$
United States Dollar	2,181,116	2,282,174	–	–

### Amount due from subsidiary companies

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

### Expected credit losses

There are no movements for allowance for expected credit losses of trade receivables for the years ended 30 June 2020 and 2019.

### ***Credit risk exposure on trade receivables using a provision matrix***

#### **Group**

#### **30 June 2020**

	Current	Days past due		Total
		<90 days	> 90 days	
	\$	\$	\$	\$
Carrying amount of trade receivables	1,535,546	787,590	–	2,323,136
Expected credit losses	–	–	–	–

#### **Group**

#### **30 June 2019**

	Current	Days past due		Total
		<90 days	> 90 days	
	\$	\$	\$	\$
Carrying amount of trade receivables	1,532,571	884,500	2,739	2,419,810
Expected credit losses	–	–	–	–

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

### 14. Loan to a subsidiary company

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

### 15. Cash and cash equivalents

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

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

As at 30 June 2020, the Group had available, undrawn committed banking facilities of \$6,057,000 (2019: \$5,985,000) in respect of which all conditions precedent had been met.

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

	Group	
	2020	2019
	\$	\$
United States Dollar	2,698,647	2,829,691
Euro	29,189	16,235
Malaysia Ringgit	84,171	205,771

### 16. Disposal group classified as held for sale

On March 2018, a directors' resolution had been passed to authorise the relocation plan of the Group's manufacturing operations to Malaysia by purchasing a freehold property in Malaysia and to dispose the Singapore leasehold property.

On 25 July 2018, the Group granted an option to purchase to a third party for its Singapore leasehold property situated at 31 Senoko South Road for a consideration of S\$11,500,000, subject to relevant terms and conditions of the Option. However, the option lapsed as the buyer, who operates in the food industry, did not obtain the necessary JTC approval. Nevertheless, the Group continued to search for a new buyer for the aforesaid property.

On 27 June 2019, The Group announced that they granted an option to purchase ("Option") to an independent third-party purchaser ("Purchaser") for the sale of the Singapore's leasehold property for a consideration of S\$10,500,000 ("Proposed Disposal"). As at 30 June 2019, the Group has received 1% of the option money ("Option Money") from the Purchaser in the sum of \$105,000.

On 1 July 2019, resulting from the adoption of SFRS(I) 16 *Leases*, the Group reclassified the right-of-use assets and its associated lease liabilities to assets of a subsidiary held for sale and liabilities of a subsidiary classified as held for sale as they are directly associated assets and liabilities which will be disposed in a single transaction.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 16. Disposal group classified as held for sale (cont'd)

On 23 June 2020, due to the Circuit Breaker measures (“CB”) in Singapore and the Movement Control Order (“MCO”) in Malaysia arising from the COVID-19 pandemic, the Group faced unforeseen circumstances which had delayed the moving of its machinery from the Property in Singapore to its factory property in Johor Malaysia. As a result, the Group requested JTC and the Purchaser to extend the completion date to 31 December 2020 (“Assignment Completion Date”) and the Group obtained approvals from JTC and the Purchaser on 10 June 2020 and 19 June 2020 respectively. In so doing, the Group agreed to:

- (1) reimburse the Purchaser the pro-rated rental payable by the Purchaser to its landlord for the period from 16 July 2020 to the Assignment Completion Date on 31 December 2020 amounting to S\$331,241 (plus GST) which the Purchaser will incur for extending the existing lease of its current factory premise with its landlord till the Assignment Completion Date (“Rental Reimbursement”). The said sum shall be paid to the Purchaser on Completion;
- (2) bear the property tax, JTC’s land rent, service charges and all other outgoings for the Property up till the Assignment Completion Date; and
- (3) endorse/execute the applications and plans that the Purchaser will be submitting to the relevant authorities including JTC and BCA for refurbishment/renovation of the Property as such applications and plans are required to be endorsed by the Vendor as the current owner of the Property. For avoidance of doubt, the Purchaser will be responsible for refurbishment/renovation of the Property and will bear the costs of such refurbishment/renovation.

### Assets of a subsidiary classified as held for sale

	Group \$
At 30 June 2019 – leasehold property	10,375,000
Reclassification from right-of-use assets (Note 19)	570,699
Adjustment due to revision of variable rate based on an index	(7,170)
Loss in diminution of value of leasehold property	(331,241)
Impairment of right-of-use assets*	(127,282)
At 30 June 2020	<u>10,480,006</u>

\* Depreciation ceased upon the reclassification from right-of-use assets associated with the leasehold property on 1 July 2019. Impairment was made to right-of-use assets associated with the leasehold property to write-down the disposal group to its fair value less costs to sell of \$10,043,759 as at 30 June 2020.

### Liabilities of a subsidiary classified as held for sale

	Group \$
At 30 June 2019	–
Reclassification from lease liabilities (Note 19)	570,699
Adjustment due to revision of variable rate based on an index	(7,170)
Accretion of interest	16,422
Repayments of principal and interest	(143,704)
As at 30 June 2020	<u>436,247</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 16. Disposal group classified as held for sale (cont'd)

	Group \$
Net carrying amount of disposal group classified as held for sale	
At 30 June 2019	10,375,000
At 30 June 2020	<u>10,043,759</u>

## 17. Trade and other payables

	Note	Group		Company	
		2020 \$	2019 \$	2020 \$	2019 \$
<b>Trade and other payables</b>					
Trade payables		1,259,478	1,230,618	-	-
<u>Other payables:</u>					
- Other payables		157,390	128,909	19,488	62,462
- Accrued operating expenses		977,002	1,001,426	315,377	313,941
- Contract liabilities		31,529	30,535	-	-
- Option Money	16	105,000	105,000	-	-
Total trade and other payables		<u>2,530,399</u>	<u>2,496,488</u>	<u>334,865</u>	<u>376,403</u>
Add: Finance lease liabilities	23(b)	-	199,701	-	68,130
Add: Lease liabilities	19	718,420	-	31,504	-
Less: Contract liabilities		(31,529)	(30,535)	-	-
Less: Goods and Services Tax ("GST") payables		(16,570)	(17,652)	(16,570)	(16,188)
Less: Option Money	16	(105,000)	(105,000)	-	-
Total financial liabilities carried at amortised cost		<u>3,095,720</u>	<u>2,543,002</u>	<u>349,799</u>	<u>428,345</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 17. Trade and other payables (cont'd)

### Contract liabilities

No revenue relating to contract liabilities was recognised during the year ended 30 June 2020.

### Trade and other payables

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

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

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
United States Dollar	675,029	596,167

### **Provisions**

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

Movement in provisions for reinstatement are as follows:

	<b>Group</b>
	\$
At 1 July 2020	–
Arising during the year	35,000
At 30 June 2020	<u>35,000</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 18. Loans and borrowings

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

	Non-cash changes						2020 \$
	2019 \$	Accretion of interest \$	Others*	Additions of new lease \$	Adoption of SFRS(I) 16 \$	Cash flows \$	
Lease liabilities	–	19,622	(570,699)	634,734	770,400	(135,637)	718,420
Liabilities of a subsidiary classified as held for sale	–	16,422	563,529	–	–	(143,704)	436,247
Obligations under finance leases	199,701	–	–	–	(199,701)	–	–

\* Others relate to reclassification of the lease liabilities to liabilities of a subsidiary classified as held for sale and measurement adjustments due to revision of variable rate based on an index.

## 19. Leases

### Group as a lessee

The Group has lease contracts for leasehold land and building and motor vehicles used in the business operations. These leases do not contain restrictions concerning dividends, additional debt or further leasing.

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 19. Leases (cont'd)

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

There are lease contracts that include extension options, which are further discussed below.

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

	Group			Company	
	Leasehold land and building	Motor vehicles	Total	Motor vehicles	Total
	\$	\$	\$	\$	\$
At 30 June 2019	–	–	–	–	–
Adoption of SFRS(I) 16 Leases					
- Recognition of right-of-use assets previously classified as operating leases	570,699	–	570,699	–	–
- Reclassification to assets of a subsidiary classified as held for sale (Note 16)	(570,699)	–	(570,699)		
- Reclassification of assets under finance leases	–	222,027	222,027	83,369	83,369
- Provision for reinstatement	35,000	–	35,000		
Additions during the financial year	634,734	–	634,734	–	–
Depreciation	(60,386)	(58,787)	(119,173)	(28,565)	(28,565)
At 30 June 2020	609,348	163,240	772,588	54,804	54,804

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 19. Leases (cont'd)

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

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

#### (b) Lease liabilities

	Group \$	Company \$
At 30 June 2019	–	–
Adoption of SFRS(I) 16 Leases	770,400	68,130
Additions	634,734	–
Reclassification to liabilities of a subsidiary classified as held for sale (Note 16)	(570,699)	–
Accretion of interest	19,622	1,846
Repayments of principal and interest	(135,637)	(38,472)
At 30 June 2020	<u>718,420</u>	<u>31,504</u>
Current	188,689	31,504
Non-current	529,731	–

#### (c) Amounts recognised in consolidated income statement

	Group 2020 \$
Depreciation charge for right-of-use assets	119,173
Interest expense on lease liabilities	36,044
Expense relating to short-term leases	19,165

#### (d) Total cash outflow

The Group had total cash outflows for leases of \$298,506 in 2020.

#### (e) Extension options

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 19. Leases (cont'd)

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

#### (e) Extension options (cont'd)

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

For leases of leasehold land and building, the following factors are normally the most relevant:

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

As at 30 June 2020, potential future cash outflows relating to the land lease of the Group's assets of a subsidiary held for sale of \$4,271,702 (undiscounted) have not been included in lease liabilities because it is reasonably certain that the lease will not be extended.

## 20. Deferred taxation

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

	Group			
	Balance sheets		Consolidated income statement	
	2020	2019	2020	2019
	\$	\$	\$	\$
<b>Deferred tax liabilities</b>				
Differences in depreciation for tax purposes	(549,217)	(376,469)	(172,748)	(24,976)
Revaluation of leasehold property to fair value	(304,408)	(304,408)	–	–
	<u>(853,625)</u>	<u>(680,877)</u>		
<b>Deferred tax assets</b>				
Unutilised tax losses	690,537	753,031	(62,494)	(129,216)
Lease liabilities	175,116	–	175,116	
Provisions	31,796	6,923	24,873	(130)
	<u>897,449</u>	<u>759,954</u>		
Deferred tax assets, net	<u>43,824</u>	<u>79,077</u>		
Deferred tax income			<u>(35,253)</u>	<u>(154,322)</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 20. Deferred taxation (cont'd)

	Company	
	Balance sheets	
	2020	2019
	\$	\$
<b>Deferred tax assets</b>		
Provisions	9,161	6,923
Deferred tax assets, net	<u>9,161</u>	<u>6,923</u>

## 21. Share capital

	Group and Company			
	2020		2019	
	No. of shares	\$	No. of shares	\$
<b>Issued and fully paid ordinary shares</b>				
At 1 July and 30 June	<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.

## 22. Other reserves

### (i) Revaluation reserve

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

	Group	
	2019	2019
	\$	\$
At beginning and end of the year	<u>9,521,142</u>	<u>9,521,142</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 22. Other reserves

### (ii) 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.

	<b>Group</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
At beginning of the year	(62,565)	444
Net effect of exchange differences arising from translation of financial statements of foreign operations	8,180	(36,532)
Realisation of translation reserve on strike off of a subsidiary company	(92,940)	(26,477)
At end of the year	<u>(147,325)</u>	<u>(62,565)</u>

## 23. Commitments and contingent liabilities

### (a) Operating lease commitments

The Group has an operating lease agreement for its offices and factory premises. The lease has a 30 years tenure commencing from 16 September 1993 with a further term of 30 years with no contingent rent provision included in the contract. Lease terms do not contain restrictions on the Group's activities concerning dividends or additional debt. Operating lease payments recognised in the consolidated income statement for the year ended 30 June 2019 amounted to \$146,057.

Future minimum lease payments payable under non-cancellable operating lease as at 30 June 2019 are as follow:

	<b>Group</b>
	<b>2019</b>
	\$
Not later than one year	146,057
Later than one year but not later than five years	468,600
Later than five years	—
	<u>614,657</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 23. Commitments and contingent liabilities (cont'd)

### (b) Obligations under finance leases

As at 30 June 2019, the Group and the Company has leases for its motor vehicles under finance leases.

Future minimum lease payments under finance leases and their present values are as follows:

	<b>Maturities</b>	<b>Minimum lease payments 2019 \$</b>	<b>Present value of payments 2019 \$</b>
<b>Group</b>			
Not later than one year		81,817	75,127
Later than one year but not later than five years	2018 - 2021	129,984	124,574
Total minimum lease payments		211,801	199,701
Less: amounts representing finance charges		(12,100)	–
Present value of minimum lease payments		199,701	199,701
<b>Company</b>			
Not later than one year		38,472	36,626
Later than one year but not later than five years	2018 - 2021	32,014	31,504
Total minimum lease payments		70,486	68,130
Less: amounts representing finance charges		(2,356)	–
Present value of minimum lease payments		68,130	68,130

Obligations under finance leases were reclassified to lease liabilities on 1 July 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2.

### (c) Capital commitments

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

	<b>Group</b>	
	<b>2020 \$</b>	<b>2019 \$</b>
Capital commitments in respect to property, plant and equipment	128,000	171,000

At the end of the financial year ended 30 June 2020, these commitments mainly relate to the renovation of the building of the Group's manufacturing operations in Malaysia.

At the end of the financial year ended 30 June 2019, these commitments relate to the acquisition of the freehold land and building in Malaysia.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 23. Commitments and contingent liabilities (cont'd)

### (d) Contingent liabilities

#### *Corporate guarantees*

At the end of the reporting period, the Company had corporate guarantees amounting to approximately \$7,343,000 (2019: \$7,343,000) in favour of certain financial institutions for banking facilities and finance leases 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 above mentioned corporate guarantees amounted to approximately \$58,000 (2019: \$84,000).

#### *Available, undrawn committed banking facilities*

At the end of the financial year, the Group has banking facilities amounting to \$6,057,000 (2019: \$5,985,000), \$5,500,000 (2019: \$5,500,000), \$457,000 (2019: \$385,000) and \$100,000 (2019: \$100,000) pertaining to bank loan, performance guarantees and credit card withdrawal limit respectively. There is no drawdown of bank loan at the end of the financial year.

### (e) Financial support to a subsidiary

A subsidiary of the Company has provided a commitment for financial support to its subsidiary for a period of twelve months from the end of the reporting period so as to enable its subsidiary to continue to operate as a going concern and meet its contractual obligations when they fall due.

## 24. Related party transactions

### (a) Sale and purchase of services

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

	Company	
	2020	2019
<b>Income</b>	\$	\$
Management fee income from subsidiary companies	1,167,600	1,191,600

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 24. Related party transactions (cont'd)

### (b) Compensation of key management personnel

	Group	
	2020	2019
	\$	\$
Salaries and other short-term employee benefits	1,297,246	1,310,012
Contributions to defined contribution plans	78,960	81,389
	1,376,206	1,391,401
<i>Comprise amounts paid/payable to:</i>		
- Directors of the Company	881,865	884,438
- Other key management personnel	494,341	506,963
	1,376,206	1,391,401

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

## 25. 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 2020

## 25. 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			
	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)	Total
<b>2020</b>				
<b>Assets measured at fair value</b>				
<b>Non-financial assets:</b>				
Assets of subsidiary classified as held for sale				
<i>Leasehold property</i>	–	–	10,500	10,500
<b>2019</b>				
<b>Assets measured at fair value</b>				
<b>Non-financial assets:</b>				
Assets of subsidiary classified as held for sale				
<i>Leasehold property</i>	–	–	10,500	10,500

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### (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	Unobservable inputs	Range
<b>Recurring fair value measurements</b>				
<b>As at 30 June 2020</b>				
Assets of subsidiary classified as held for sale				
<i>Leasehold property</i>	10,500	Arm's length transaction price <sup>^</sup>	N/A	N/A
<b>As at 30 June 2019</b>				
Assets of subsidiary classified as held for sale				
<i>Leasehold property</i>	10,500	Arm's length transaction price <sup>^</sup>	N/A	N/A

<sup>^</sup> The arm's length transaction price is based on the sale consideration that was agreed with an independent third-party purchaser (Note 16).

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

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

	Group 2020 S\$	
	Fair value measurements using significant unobservable inputs (Level 3)	
	Leasehold property	Total
Opening balance*	10,500,000	10,500,000
Total gains or losses for the period Included in profit or loss	–	–
Closing balance*	10,500,000	10,500,000

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

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

#### (ii) Movements in Level 3 assets measured at fair value (cont'd)

	Group 2019 S\$	
	Fair value measurements using significant unobservable inputs (Level 3)	
	Leasehold property	Total
Opening balance	11,207,937	11,207,937
Total gains or losses for the period		
Included in profit or loss	(707,937)	(707,937)
Closing balance*	<u>10,500,000</u>	<u>10,500,000</u>

\* The Group measured the assets of a subsidiary held for sale – leasehold property at the lower of its carrying amount or fair value less cost of disposal at the end of the respective reporting periods. The carrying amount of the leasehold property held for sale as at 30 June 2020 is S\$10,043,759 (30 June 2019: 10,375,000). Information relating to the leasehold property classified as held for sale is disclosed in Note 16.

#### (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 SFRS(I) 13 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.

# NOTES TO FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

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

*Trade receivables (Note 13), other receivables (Note 13), loan to a subsidiary company (Note 14), due from subsidiary companies (Note 13), cash and cash equivalents (Note 15), trade payables (Note 17) and other payables (Note 17).*

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

*Lease liabilities (Note 19)*

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.

### 26. Financial risk management objectives and policies

The Group's and the Company's principal financial instruments comprise lease obligations and cash and cash equivalents. 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 current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

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

#### **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 2020

## 26. 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.

2020 Group	Within 1 year \$	1 to 5 Years \$	Total \$
<b>Financial assets:</b>			
Trade and other receivables (excluding GST receivables)	2,608,290	–	2,608,290
Cash and cash equivalents	3,186,438	–	3,186,438
Total undiscounted financial assets	5,794,728	–	5,794,728
<b>Financial liabilities:</b>			
Trade payables	(1,259,478)	–	(1,259,478)
Other payables (excluding GST payables, contract liabilities and Option Money) (Note 17)	(1,117,822)	–	(1,117,822)
Lease liabilities	(219,443)	(576,931)	(796,374)
Liabilities of a subsidiary classified as held for sale	(142,390)	(320,378)	(462,768)
Total undiscounted financial liabilities	(2,739,133)	(897,309)	(3,636,442)
Total net undiscounted financial assets/(liabilities)	3,055,595	(897,309)	2,158,286
<b>2019 Group</b>			
<b>Financial assets:</b>			
Trade and other receivables (excluding GST receivables)	2,426,215	–	2,426,215
Cash and cash equivalents	3,551,651	–	3,551,651
Total undiscounted financial assets	5,977,866	–	5,977,866
<b>Financial liabilities:</b>			
Trade payables	(1,230,618)	–	(1,230,618)
Other payables (excluding GST payables, contract liabilities and Option Money) (Note 17)	(1,112,683)	–	(1,112,683)
Obligations under finance leases	(81,817)	(129,984)	(211,801)
Total undiscounted financial liabilities	(2,425,118)	(129,984)	(2,555,102)
Total net undiscounted financial assets/(liabilities)	3,552,748	(129,984)	3,422,764

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### Liquidity risk (cont'd)

	Within 1 year \$	1 to 5 Years \$	Total \$
<b>2020</b>			
<b>Company</b>			
<b>Financial assets:</b>			
Trade and other receivables (excluding GST receivables)	14,235	–	14,235
Loan to a subsidiary company	4,030,000	–	4,030,000
Due from subsidiary companies (non-trade)	1,935,844	–	1,935,844
Cash and cash equivalents	80,410	–	80,410
Total undiscounted financial assets	6,060,489	–	6,060,489
<b>Financial liabilities:</b>			
Other payables (excluding GST payables)	(318,295)	–	(318,295)
Lease liabilities	(32,014)	–	(32,014)
Total undiscounted financial liabilities	(350,309)	–	(350,309)
Total net undiscounted financial assets/(liabilities)	5,710,180	–	5,710,180
<b>2019</b>			
<b>Company</b>			
<b>Financial assets:</b>			
Loan to a subsidiary company	4,030,000	–	4,030,000
Due from subsidiary companies (non-trade)	1,851,298	–	1,851,298
Cash and cash equivalents	133,179	–	133,179
Total undiscounted financial assets	6,014,477	–	6,014,477
<b>Financial liabilities:</b>			
Other payables (excluding GST payables)	(360,215)	–	(360,215)
Obligations under finance leases	(38,472)	(32,014)	(70,486)
Total undiscounted financial liabilities	(398,687)	(32,014)	(430,701)
Total net undiscounted financial assets/(liabilities)	5,615,790	(32,014)	5,583,776

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

### *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 68% (2019: 69%) of its trade receivables relating to two (2019: two) customers. The carrying amount of trade and other receivables, cash and cash equivalents represent the Group's maximum exposure to credit risk. Cash and cash equivalents 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 receivables.

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 30 June 2020 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the gross domestic product may deteriorate over the next year, which may lead to an increase in number of defaults. The provision matrix is disclosed in Note 13.

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 (2019: \$7,343,000) relating to corporate guarantees provided by the Company to the banks in relation to a subsidiary company's bank facilities.
- Information regarding trade and other receivables is disclosed in Note 13.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

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

#### Credit risk concentration profile

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

	Group			
	2020		2019	
	\$	% of total	\$	% of total
<b>By country:</b>				
Asean excluding Singapore	1,029,399	44	1,010,714	42
Singapore	142,019	6	133,209	5
America and Europe	1,142,653	49	1,237,492	51
People's Republic of China	9,065	1	11,429	1
Others	–	0	26,966	1
	2,323,136	100	2,419,810	100
<b>By operating segments:</b>				
Precision engineering	1,396,972	60	1,467,080	61
Trading and distribution	926,164	40	952,730	39
	2,323,136	100	2,419,810	100

#### Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and cash equivalents 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 13.

### **Foreign currency risk**

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD"). The Group manages its transactional currency exposures by matching as far as possible, its receipt and payment in each individual currency.

The Group also held cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in USD. At the end of the reporting period, such foreign currency balances are disclosed in Note 15.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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

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

#### Sensitivity analysis for foreign currency risk

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

	<b>Group</b>	
	<b>Loss before tax</b>	
	<b>2020</b>	<b>2019</b>
	\$'000	\$'000
USD/SGD - strengthened 5% (2019: 5%)	163	221
- weakened 5% (2019: 5%)	(163)	(221)

## 27. Segment information

For management purposes, the Group is organised into three main operating divisions, namely Precision engineering, Trading and distribution and Investment and management services:

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

No operating segments have been aggregated to form the above reportable operating segments. Management monitors the operating results of its business 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 2020

## 27. Segment information (cont'd)

### (a) Operating segments

The following table presents revenue and results information, assets and liabilities information regarding the Group's operating segments for the years ended 30 June 2020 and 2019.

2020	Precision engineering \$	Trading and distribution \$	Investment and management services \$	Adjustments and eliminations \$	Notes	Total \$
<b>Revenue</b>						
Sales to external customers	8,991,865	4,266,336	–	–		13,258,201
Inter-segment sales	–	–	1,167,600	(1,167,600)	A	–
Total revenue	<u>8,991,865</u>	<u>4,266,336</u>	<u>1,167,600</u>	<u>(1,167,600)</u>		<u>13,258,201</u>
<b>Results</b>						
Interest income	1,135	339	–	–		1,474
Interest expense - lease liabilities	(34,197)	–	(1,847)	–		(36,044)
Depreciation of plant and equipment	(110,346)	(314)	(9)	–		(110,669)
Depreciation of right-of-use assets	(90,607)	–	(28,566)	–		(119,173)
Amortisation of intangible assets	(17,815)	–	(141)	–		(17,956)
Other non-cash expenses	(503,064)	–	–	–	B	(503,064)
Taxation	154,568	(634)	7,968	–		161,902
Segment (loss)/profit	(1,198,721)	235,606	133,700	(1,803)		(831,218)
<b>Group Assets</b>						
Additions to non-current assets	340,187	–	888	–	C	341,075
Segment assets	21,314,630	1,801,256	14,267,740	(14,452,616)	D	22,931,010
<b>Liabilities</b>						
Segment liabilities	8,328,905	1,394,679	378,405	(6,339,440)	E	3,762,549

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 27. Segment information (cont'd)

### (a) Operating segments (cont'd)

2019	Precision engineering	Trading and distribution	Investment and management services	Adjustments and eliminations	Notes	Total
	\$	\$	\$	\$		\$
<b>Revenue</b>						
Sales to external customers	8,794,562	5,327,224	–	–		14,121,786
Inter-segment sales	–	–	1,191,600	(1,191,600)	A	–
Total revenue	<u>8,794,562</u>	<u>5,327,224</u>	<u>1,191,600</u>	<u>(1,191,600)</u>		<u>14,121,786</u>
<b>Results</b>						
Interest income	8,055	314	–	–		8,369
Interest expense	(6,404)	–	(3,135)	–		(9,539)
Depreciation and amortisation	(129,591)	(413)	(29,410)	–		(159,414)
Other non-cash expenses	(881,506)	–	–	–	B	(881,506)
Taxation	(14,155)	(15,112)	(13,027)	–		(42,294)
Segment (loss)/profit	(1,895,411)	177,123	117,156	7,826		(1,593,306)
<b>Group</b>						
<b>Assets</b>						
Additions to non-current assets	3,933,320	–	95	–	C	3,933,415
Segment assets	21,629,937	1,514,039	14,230,431	(14,370,336)	D	23,004,071
<b>Liabilities</b>						
Segment liabilities	7,442,427	1,259,569	474,796	(6,257,160)	E	2,919,632

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

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 27. Segment information (cont'd)

### (a) Operating segments (cont'd)

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

B *Other non-cash expenses consist of inventories written down amounting to \$44,541 (2019: \$48,569), impairment of right-of-use assets amounting to \$127,282 (2019: \$Nil) and loss in diminution of value of leasehold property amounting to S\$331,241 (2019: \$832,937) 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 balance sheets:*

	<b>2020</b>	<b>2019</b>
	\$	\$
Investments in subsidiary companies	(8,113,176)	(8,113,176)
Inter-segment assets	(6,339,440)	(6,257,160)
	<u>(14,452,616)</u>	<u>(14,370,336)</u>

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

	<b>2020</b>	<b>2019</b>
	\$	\$
Inter-segment liabilities	<u>(6,339,440)</u>	<u>(6,257,160)</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 27. Segment information (cont'd)

### (b) Geographical segments

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

	Revenue	Non-current assets
	\$	\$
<b>2020</b>		
Singapore	192,378	1,168,756
Asean (excluding Singapore)	6,912,566	3,942,305
North Asia	70,209	–
America and Europe	6,055,884	–
Others	27,164	–
Total	<u>13,258,201</u>	<u>5,111,061</u>
<b>2019</b>		
Singapore	282,864	471,007
Asean (excluding Singapore)	6,272,553	3,913,423
North Asia	102,110	–
America and Europe	7,353,037	–
Others	111,222	–
Total	<u>14,121,786</u>	<u>4,384,430</u>

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

#### Information about major customers

The Group derives revenue from four (2019: four) major customers from the operating segments as follows:

	2020	2019
	\$	\$
Customer A	6,431,878	5,474,103
Customer B	2,100,181	2,662,815
Customer C	1,611,213	1,403,713
Customer D	1,880,648	2,165,965
	<u>12,023,920</u>	<u>11,706,596</u>

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 28. Capital management

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, lease liabilities, trade payables and other payables other than contract liabilities, less cash and cash equivalents. Capital means all equities attributable to the owners of the Company. The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

	Group	
	2020	2019
	\$	\$
Trade payables (Note 17)	1,259,478	1,230,618
Other payables (Note 17)	1,270,921	1,265,870
Obligations under finance leases (Note 23b)	–	199,701
Lease liabilities (Note 19)	718,420	–
Less: Cash and cash equivalents (Note 15)	(3,186,438)	(3,551,651)
<i>Net debt</i>	<u>62,381</u>	<u>(855,462)</u>
Equity attributable to the owners of the Company	<u>19,168,461</u>	<u>20,084,439</u>
<b>Capital and net debt</b>	<u>19,230,842</u>	<u>19,228,977</u>
<b>Gearing ratio</b>	<u>0.3%</u>	<u>(4.4%)</u>

## 29. Subsequent events

The Group had announced on 23 June 2020 that in view of the Circuit Breaker measures ("CB") in Singapore and the Movement Control Order ("MCO") in Malaysia arising from the COVID-19 pandemic, the Group faced unforeseen circumstances which had delayed the moving of its machinery from the Property in Singapore to its new factory property in Johor Malaysia. The Group had therefore extended the completion date of the disposal of the Singapore leasehold property to 31 December 2020. The Group plans to shift all its main machines and equipment to the Johor factory by December 2020. The Group will continue to set up the machines in the Johor factory and further scale up its on-going mass production in the Johor factory. Consequently, these shifting and set-up costs etc. are expected to be recognized over the first half of the financial year ending 30 June 2021. The Company will make further announcements in relation to the Proposed Disposal as and when there are material developments.

# NOTES TO FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

## 30. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 28th September 2020.

# 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 Catalyst (the “Rules of Catalyst”) to describe our corporate governance practices with reference to the Code of Corporate Governance 2018 (“2018 Code”). The Board of Directors (the “Board”) is pleased to report the Company’s compliance with the Code except where otherwise explained. In areas where we have not complied with the Code, the Group will continue to assess its needs and implement appropriate measures accordingly.

### BOARD MATTERS

#### Principle 1: The Board’s Conduct of Affairs

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

#### *Provision 1.1 – Principal functions of the Board*

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

The Board is collectively responsible for the long-term success of the Group and objectively takes decisions in the interests of the Company. Apart from its statutory duties and responsibilities, the Board undertakes the following:-

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

These functions are carried out either directly by the Board or through Board committees or through a system of delegation to management staff. Such delegation improves operational efficiency and encourages management decision making while maintaining control over major Group’s policies and decisions.

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

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### BOARD MATTERS (CONT'D)

#### *Provision 1.2 – Directors' orientation and training*

Upon appointment as a Director, a formal letter is provided setting out the Director's duties and obligations. Newly appointed Directors will be given an orientation on the Group's business operations and training is provided in areas such as accounting, legal and industry-specific knowledge. Directors are encouraged to keep abreast of developments in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops. For the financial year ended 30 June 2020 ("FY2020"), Directors were briefed in areas such as updates on Rules of Catalist of the SGX-ST, Code of Corporate Governance, changes to financial reporting standards and regulatory developments. Relevant news release issued by SGX-ST and Accounting and Corporate Regulatory Authority of Singapore were also circulated to the Board. In addition, the Company works closely with professionals to provide the Board with updates on changes to relevant laws, regulations and accounting standards.

Going forward, the Nominating Committee will and in accordance with Rule 406(3)(a) of the Rules of Catalist, ensure that any new director appointed by the Board, who has no prior experience as a director of an issuer listed on the SGX-ST, must undergo mandatory training in his roles and responsibilities as prescribed by the SGX-ST. During FY2020, no new Director was appointed to the Board.

#### *Provision 1.3 - Matters for Board Approval*

The Company has adopted internal guidelines setting forth matters that require Board approval. These matters which are specifically reserved for the Board's decision include:

- (a) matters involving a conflict of interest with a substantial shareholder or Director,
- (b) reviewing and approving the audited financial statements for the Group and the Directors' statement thereto,
- (c) reviewing and approving interim and annual results announcements, as well as other SGXNET announcements including matters required to be announced on SGXNET in accordance with the Rules of Catalist of the SGX-ST;
- (d) dividend payments or other returns to shareholders,
- (e) convening of shareholders' meetings;
- (f) 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.

#### *Provision 1.4 – Delegation by the Board*

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

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### BOARD MATTERS (CONT'D)

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

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

### Provision 1.5 – Board meetings, attendance and multiple commitments

The Board meets at least twice a year and additional meetings are held whenever necessary. The Board is free to request for further clarification and information from management on all matters within their purview. In addition, informal discussions among Non-Executive Directors to exchange views on any aspect of the Group's operations or business are held as and when the need arises. The Company's Constitution provides for meetings of the Board to be conducted by way of telephone conference or similar means of communication. The number of meetings held during FY2020 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 (29 October 2018)	2	2	2	2	1	1	1	1
Tan Chee Hawaii	Group Managing Director/ Executive Director	11 June 2012 (24 October 2019)	2	2	2	2#	1	NA	1	1
Ng Weng Wei	Executive Director	12 March 2001 (27 October 2017)	2	2	2	2#	1	1	1	NA
Tan Sin Hock	Executive Director	12 March 2001 (24 October 2019)	2	2	2	2#	1	NA	1	NA
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (29 October 2018)	2	2	2	2	1	NA	1	NA
Ch'ng Jit Koon	Independent Non-Executive Director	12 March 2001 (27 October 2017)	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)

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

#### *Provision 1.6 – Access to information*

Management provides the Board with reports of the Company's performance, financial statements and prospects including sales forecasts as well as papers containing relevant background or explanatory information on a half yearly basis which is deemed sufficient in view of the current state of the Company.

#### *Provision 1.7 – Access to Management and Company Secretary*

The Board has separate and independent access to senior management and the Company Secretary who will assist them in discharging their duties and responsibilities. The Company Secretary's responsibilities also include ensuring good information flows within the Board and its Board committees and between management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required.

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

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

### **Principle 2: Board Composition and Guidance**

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

#### *Provision 2.1 – Board Independence*

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

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### BOARD MATTERS (CONT'D)

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

- (a) The Independent Directors: (i) are not employed by the Company or any of its related corporations for the current or any of the past three (3) financial years; and (ii) do not have an immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the Remuneration Committee.
- (b) None of the Independent Directors and their immediate family member had in the current or immediate past financial year (i) provided or received payments from the Group aggregated over any financial year in excess of S\$50,000/- for services other than compensation for board service; or (ii) was a substantial shareholder, partner, executive officer or a director of any organisation which provided or received payments from the Group aggregated over any financial year in excess of S\$200,000/- for services rendered.
- (c) None of the Independent Directors are directly associated with a substantial shareholder of the Company in the current or immediate past financial year.

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

The Nominating Committee has conducted a rigorous review of the independence of the Independent Directors, Mr Lee Keen Whye and Mr Ch'ng Jit Koon and determined that they have maintained their independence after considering the recommendations set out in the 2018 Code. Notwithstanding that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon have served the Board since March 2001, the Board after taking into account the views of the Nominating Committee, is fully satisfied that they demonstrate complete independence, robustness of character and judgement both in their designated role and as a Board member. In addition, the Board confirms that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon have not been involved in any executive functions as well as day-to-day operations of the Group and that notwithstanding the 9 years' time frame they have continued to be and are deemed independent and have the requisite qualifications, experience and integrity as Independent Directors. No Nominating Committee member was involved in the deliberation in respect of his own independence.

With respect of the Company's plans for the progressive refreshing of the Board, the Board considers continuity and stability of the Board important and that it is not in the interest of the Company to require directors who have served more than nine years or longer to be ineligible for re-election (as independent directors). The Board is of the view that both Mr Lee Keen Whye and Mr Ch'ng Jit Koon are valuable to the Group in terms of their experience and knowledge in finance, understanding of the precision components business and the markets notwithstanding their long tenure. The Board believes that the existing two independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### BOARD MATTERS (CONT'D)

#### *Provisions 2.2, 2.3 and 2.4 – Board composition and diversity*

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

Although the Company has deviated from Provision 2.3 of the 2018 Code, with three (3) non-executive directors and three (3) Executive Directors of a total of six (6) Directors, the Board believes that the existing two Independent Directors both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board has taken into account the scope and nature of the operations of the Company and considers its current size to be adequate for effective decision making. The composition of the Board will be reviewed regularly and changes will be made as and when appropriate. Key information regarding the Directors is set out on pages 114 to 115 of the Annual Report.

Although the Non-Executive directors are not in a majority, the Board has always discussed important issues robustly and able to reach a consensus without relying on any majority votes to decide nor having an individual or small group of individuals dominate the Board's decision-making process. The mix of Directors as a group provide an appropriate balance and diversity. As mentioned above, the Board has also considered the current size, scope, nature of operations of the Group, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees, especially where cost considerations and agility of the Board in decision-making are critical to the Company. In view of the foregoing, the Board is of the view that the Board's composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company, consistent with the intent of Principle 2 of the Code.

The Company recognises and embraces the benefits of diversity of experience, skill sets, gender, age and ethnics on the Board ("**Board Diversity**") and views Board Diversity as an essential element to attain its strategic objectives and sustainable development. The Board comprises Directors who as a group provide core competencies such as accounting and finance, business management experience and industry knowledge. The Board also has one female director. During Board meetings, the non-executive directors participated actively in discussions on key matters pertaining to the Group. They give constructive comments and suggestions to help develop the Group's strategic and business plans. They review the performance of management in meeting goals and objectives and evaluate their performance.

In light of the foregoing and deliberation in the meeting, the Nominating Committee has decided not to adopt a formal Board Diversity policy. Although the Company does not have a written or formal policy on Board Diversity, the Board have an appropriate balance of diversity and mix of skills, experience, gender, and the core competencies of accounting, and business or management experience and industry knowledge. The Nominating Committee will continue to assess on an annual basis the diversity of the Board and ensure that the diversity would be relevant to the business of the Group. The Board believes that the practices adopted above are consistent with the intent of Provision 2.4 of the 2018 Code.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### BOARD MATTERS (CONT'D)

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

The Non-Executive Directors review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They are also encouraged to meet regularly without management's presence.

The Non-Executive Independent Directors have met in the absence of key management personnel in FY2020. The Chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

### **Principle 3: Chairman and Chief Executive Officer**

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

To ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the Company has a clear division of responsibilities at the top of the Company.

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

Mr Lee Keen Whye, the Chairman of the Company (the "Chairman") is not part of the Management team. The Chairman and the Group Managing Director (the "CEO") have separate roles in the Company and the Chairman and CEO are not related to each other.

#### *Provision 3.2 – Role of the Chairman and the CEO*

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

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

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

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### BOARD MATTERS (CONT'D)

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

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

#### *Provision 3.3 - Lead Independent Director*

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

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

### Principle 4: Board Membership

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

#### *Provision 4.1 and 4.2 – Composition of the Nominating Committee*

### NOMINATING COMMITTEE

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

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

- 1) to make recommendations to the Board on the appointment and re-appointment of Directors (as well as alternate Directors where applicable) and the suitability of such Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board. As part of the selection, appointment and re-appointment of Directors, the NC shall consider issues including composition and progressive renewal of the Board and each Director’s competencies, commitment, contribution and performance including, if applicable, as an Independent Director;
- 2) to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;
- 3) to assess nominees or candidates for appointment or re-appointment to the Board, determining whether or not such nominee has the requisite qualification and whether he/she is independent;
- 4) to review and make recommendations to the Board on matter relating to plans for succession, in particular for the Chairman and for the CEO;

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### NOMINATING COMMITTEE (CONT'D)

- 5) to make recommendations to the Board on matter relating to the development of a process for evaluation of the performance of the Board, its Board committees and Directors;
- 6) to make recommendations to the Board on matter relating to review of training and professional development programs for the Board;
- 7) to determine and review rigorously (where applicable), on an annual basis and as and when circumstances require, whether a Director is independent, bearing in mind the circumstances set forth in the 2018 Code as may be applicable;
- 8) to recommend Directors who are retiring by rotation to be put forward for re-election and all Directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least once every three years;
- 9) to decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations and other principal commitments;
- 10) to recommend to the Board internal guidelines to address the competing time commitments faced by Directors who serve on multiple boards; and
- 11) to assess the effectiveness of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board, and to disclose the assessment process annually.

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

The Company has adopted a formal search and nomination process for new board directors. Where a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new director with particular skills set, the NC, in consultation with the Management and the Board as appropriate, determines the selection criteria such as qualification, skill set, competence and expertise required or expected of a new Board member taking into account the size, structure, composition and progressive renewal of the Board.

The NC will assess the suitability of the potential candidate before he or she is appointed to the Board. The NC could tap on the directors' recommendations of potential candidates or external resources. The potential candidates will go through a shortlisting process and thereafter, interviews are set up with the shortlisted candidates for the NC to assess them before a decision is made. Recommendations of the NC are then put to the Board for its consideration. The Board will review the recommendation and approve the appointment as appropriate.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### NOMINATING COMMITTEE (CONT'D)

#### *Provision 4.4 – Independent review of Directors*

As mentioned under Principle 2 above, the NC also reviews the independence of the Directors annually based on the 2018 Code and the Catalist Rules and have affirmed that Mr Lee Keen Whye and Mr Ch'ng Jit Koon are independent.

Pursuant to Regulation 91 of the Company's Constitution, one third of the Directors (apart from managing director) is required to retire by rotation at every Annual General Meeting ("AGM"). In addition, Rule 720(4) of the Rules of Catalist, a listed issuer must have all directors submit themselves for re-nomination and re-appointment at least once every three years. Accordingly, the NC has recommended Mr Ch'ng Jit Koon and Mr Ng Weng Wei to be nominated for re-election as Directors 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.

Currently, the Board does not have any alternate Directors.

#### *Provision 4.5 - Commitments of Directors*

The Board is of the view that the effectiveness of each Director is best assessed by a qualitative assessment of the Director's contribution and his ability to devote sufficient time and attention to the Company's affairs. The 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 Company is of the view that the directors can and have been adequately carrying out their duties by contributing sufficient time and attention to the Group's affairs. The multiple listed company board representations presently held by the directors do not impede their performance in carrying out their duties and responsibilities as a Director of the Company.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### NOMINATING COMMITTEE (CONT'D)

Details of the Directors seeking re-election pursuant to Rule 720(4) of the Rules of Catalist are provided in the table below in accordance with the requirements under Rule 720(5) of the Rules of Catalist:-

Key Information	Name of Director	
	Ch'ng Jit Koon	Ng Weng Wei
<b>Date of appointment</b>	12 March 2001	12 March 2001
<b>Date of last re-appointment</b>	27 October 2017	27 October 2017
<b>Age</b>	86	50
<b>Country of principal residence</b>	Singapore	Singapore
<b>The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)</b>	<p>Mr Ch'ng has years of experience sitting on the Board of Directors of a few listed companies.</p> <p>He was previously the Non-Executive Chairman of Pan-United Corporation Ltd. He is currently a director of Progen Holdings Ltd. Mr Ch'ng was a member of the Singapore Parliament from 1968 to 1996. He was holding the post of Senior Minister of State, Ministry of Community Development when he retired in January 1997.</p> <p>Mr Ch'ng holds a Bachelor of Arts (Economics and Political Science) degree from Nanyang University, Singapore (now Nanyang Technological University) in March 1960.</p>	<p>Mr Ng worked as a Senior Accountant at an international accounting firm in Sydney from 1994 to 1996 and was a Manager in an international accounting firm in Singapore prior to joining the Group in March 2000.</p> <p>Mr Ng holds a Bachelor of Accountancy (Honours) Degree from Nanyang Technological University and is a Chartered Accountant of both the Chartered Accountants Australia and New Zealand and the Institute of Singapore Chartered Accountants respectively. He is also a member of the Singapore Institute of Directors.</p>

# ADDITIONAL INFORMATION

SGX-ST LISTING MANUAL REQUIREMENTS

## NOMINATING COMMITTEE (CONT'D)

Key Information	Name of Director	
	Ch'ng Jit Koon	Ng Weng Wei
<b>Whether the appointment is executive and if so, please state the area of responsibility</b>	Non-executive.	Executive. Oversees the accounting, human resources and administrative functions as well as information systems in the Group. In addition, also handle the Group's corporate finance and treasury activities, and being involved in the development of the business policies and strategies.
<b>Job title (e.g. Lead ID, AC Chairman, AC member, etc)</b>	<ul style="list-style-type: none"> <li>Chairman of Nominating Committee, Member of Audit and Remuneration Committees</li> </ul>	<ul style="list-style-type: none"> <li>Executive Director</li> <li>Member of Remuneration Committee</li> </ul>
<b>Professional memberships/ qualifications</b>	Nil	Mr Ng is a Chartered Accountant of both the Chartered Accountants Australia and New Zealand and the Institute of Singapore Chartered Accountants respectively. He is also a member of the Singapore Institute of Directors.
<b>Working experience and occupation(s) during the past 10 years</b>	<ul style="list-style-type: none"> <li>Non-Executive Chairman of Pan-United Corporation Ltd.</li> <li>Independent Non-Executive Director of Progen Holdings Ltd., Ho Bee Land Limited, Tung Lok Restaurants (2000) Ltd., Eastern Asia Technology Ltd, Ban Leong Technologies Ltd.</li> <li>Director of Progen Pte Ltd, D.B. Progen Servicing Pte Ltd, Tropical One Pte Ltd, Conference &amp; Exhibition Management Services Pte Ltd, Business China, Ho Bee Foundation.</li> </ul>	Director of Santak Metal Manufacturing Pte. Ltd., Santak Industrial Pte. Ltd., T.N.K. Precision Engineering Work Pte. Ltd., Santak Precision Metal Parts Sdn. Bhd., Santak Electronics Pte Ltd, Santak Electronics Sdn. Bhd., Santak Metal Manufacturing (Wuxi) Co. Ltd., Wuxi Tech Precision Engineering Co. Ltd. and Independent Non-Executive Director of China Taisan Technology Group Holdings Limited.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### NOMINATING COMMITTEE (CONT'D)

Key Information	Name of Director	
	Ch'ng Jit Koon	Ng Weng Wei
<b>Shareholding interest in the Company and its subsidiaries</b>	Please refer to Directors' Statement on the Director's interests in shares and debentures on page 10.	Please refer to Directors' Statement on the Director's interests in shares and debentures on page 10.
<b>Any relationship (including immediate family member relationships) with any existing director, existing executive officer, the Company and/or substantial shareholder of the Company or any of its principal subsidiaries</b>	Nil	Nil
<b>Conflict of Interest (including any competing business)</b>	Nil	Nil
<b>Undertaking (in the format set out in Appendix 7H) under Rule 720(1) submitted to the Company?</b>	Yes	Yes
<b>Current directorships</b> <b>Public listed companies</b>  <b>Private companies</b>	<ul style="list-style-type: none"> <li>• Progen Holdings Limited</li> <li>• Mee Toh Foundation Limited</li> </ul>	<p>No other listed directorships</p> <ul style="list-style-type: none"> <li>• Santak Metal Manufacturing Pte. Ltd.</li> <li>• Santak Industrial Pte. Ltd.</li> <li>• Santak Precision Metal Parts Sdn Bhd</li> <li>• T.N.K. Precision Engineering Work Pte. Ltd.</li> </ul>
<b>Past directorships (in the last 5 years)</b> <b>Public listed companies</b>  <b>Private companies</b>	<ul style="list-style-type: none"> <li>- Non-Executive Chairman of Pan-United Corporation Ltd</li> <li>- Independent Non-Executive Director of Ho Bee Land Limited</li> <li>- Ho Bee Foundation</li> </ul>	<p>Nil</p> <ul style="list-style-type: none"> <li>• Santak Electronics Pte Ltd</li> <li>• Santak Electronics Sdn Bhd</li> <li>• Santak Metal Manufacturing (Wuxi) Co. Ltd</li> <li>• Wuxi Tech Precision Engineering Co. Ltd</li> </ul>
<b>Any prior experience as a director of an issuer listed on the Exchange?</b>	Not applicable. This is a re-election of a director.	Not applicable. This is a re-election of a director.

# ADDITIONAL INFORMATION

SGX-ST LISTING MANUAL REQUIREMENTS

## NOMINATING COMMITTEE (CONT'D)

<b><i>The general statutory disclosures of the Directors are as follows:</i></b>	<b>Ching Jit Koon</b>	<b>Ng Weng Wei</b>
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### NOMINATING COMMITTEE (CONT'D)

<b><i>The general statutory disclosures of the Directors are as follows:</i></b>	<b>Ching Jit Koon</b>	<b>Ng Weng Wei</b>
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### NOMINATING COMMITTEE (CONT'D)

#### Principle 5: Board Performance

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

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

The board evaluation process involves having directors complete the board assessment checklist. The results of the performance evaluation will be compiled by the Company Secretary into a summary report and reported to the NC Chairman before discussing at the NC meeting and reporting to the Board. The individual directors also complete a self individual director checklist annually. The NC assessed the Board's performance as a whole in FY2020 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 some listed board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

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

#### Principle 6 – Procedures for developing remuneration policies

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

*Provision 6.1 and 6.2 – Composition of the Remuneration Committee*

### REMUNERATION COMMITTEE

The Remuneration Committee ("RC") comprises three Directors, of whom two are Independent Directors. The RC is chaired by Mr Lee Keen Whye, the Non-Executive Chairman of the Board. The other members are Mr Ch'ng Jit Koon and Mr Ng Weng Wei. Although the Company's composition of RC has varied from Provision 6.2 where all the RC members should be non-executive directors, the Board is of the opinion that the membership of Mr Ng Weng Wei, Executive Director, would not give rise to potential conflict of interest as Mr Ng Weng Wei is not involved in deciding his own remuneration. Mr. Ng Weng Wei contributes to the discussion by providing the perspective from management's point of view. The RC had adopted a set of written terms of reference, which sets out its functions and responsibilities.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### RENUMERATION COMMITTEE (CONT'D)

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

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

#### *Provision 6.3 – Remuneration framework*

The RC is responsible for recommending to the Board a framework of remuneration for the Board and key management executives, and to determine specific remuneration packages for each Executive Director. The RC's recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits in kind. If necessary, the RC will seek experts' advice on the remuneration of all Directors.

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

All Directors, except for Directors who are controlling shareholders with shareholdings of 15% or more and their associates, are eligible for the share options under the Santak Share Option Scheme 2001 (the "Scheme") which was administered by the RC. The Scheme had expired on 12 March 2016 and the Company currently does not has any long term incentive scheme. The RC will consider implementation of such long term incentive scheme when deemed necessary.

#### *Provision 6.4 - Remuneration consultant*

If necessary, the RC can seek appropriate expert advice inside and/or outside the Company on remuneration of all the Directors. No remuneration consultant was engaged by the Company during FY2020.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### RENUMERATION COMMITTEE (CONT'D)

#### Principle 7 – Level and mix of remuneration

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

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

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

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

The remuneration packages of the Executive Director and key management personnel comprise a basic salary component and a variable component which is based on the performance of the Group as a whole and their individual performance. This is designed to align remuneration with the interests of shareholders and link rewards to corporate and individual performance so as to promote the long-term sustainability of the Group.

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

#### *Provision 7.2 – Remuneration of Non-Executive Directors*

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

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

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### DISCLOSURE ON REMUNERATION

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

#### *Provision 8.1 – Disclosure of remuneration*

The Board, after weighing the advantages and disadvantages of such disclosure, is of the view that while the 2018 Code recommends companies to fully disclose the amount and breakdown of remuneration of each Director, the CEO and key management executives (who are not directors or the CEO) on the named basis, the Board is of the opinion that it would not be in the interests of the Company as such information is confidential and sensitive in nature, and can be exploited by competitors. As such, the Board has deviated from complying with Provision 8.1 of the 2018 Code and provided a breakdown, showing the level and mix of each director and CEO in the bands of S\$250,000 for FY2020.

The following table shows a breakdown of the remuneration of Directors of the Company for FY2020.

### DIRECTORS' REMUNERATION

Remuneration Bands	Salary	Bonus	Fee <sup>(1)</sup>	Other	Total
Directors	%	%	%	%	%
<b>Below S\$250,000</b>					
Lee Keen Whye	–	–	100	–	100
Ng Weng Wei	73	7	6	14	100
Tan Sin Hock	76	6	13	5	100
Heng Kheng Hwai	–	–	100	–	100
Ch'ng Jit Koon	–	–	100	–	100
<b>Between S\$250,000 - S\$500,000</b>					
Tan Chee Hawaii	80	7	4	9	100

Notes:

(1) These fees are subject to the approval of the shareholders at the AGM for FY2020. Non-Executive Directors are paid Directors' fees compensated based on time and effort.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### DISCLOSURE ON REMUNERATION (CONT'D)

The Board is also of the opinion that it is not in the best interest of the Company to disclose the exact details of the names, remuneration and annual aggregate of total remuneration of key management executives as such information is confidential and sensitive in nature and due to competitiveness in the industry for talent. The Group has four key management executives who are not Directors or the CEO. A breakdown, showing the level of the four key management executive's remuneration (who are not Directors or the CEO) in bands of S\$250,000 for FY2020 is set out below:-

### MANAGEMENT EXECUTIVES' REMUNERATION

Remuneration Bands	Salary	Bonus	Other	Total
Management Executives	%	%	%	%
<b>Below S\$250,000</b>				
Loo Hwee Beng	80	7	13	100
Lim Hwee Teen	79	7	14	100
Soh Cheng Lock	83	7	10	100
Leong Yoke May	68	20	12	100

#### *Provision 8.2 – Remuneration of related employees*

The adjustments to the remuneration packages of employees who are related to a Director and Substantial Shareholder are subject to the annual review of the RC. For FY2020, there is no employees whose remuneration exceeds S\$100,000 who are substantial shareholders of the Company or are immediate family members of a director, the CEO or a substantial shareholder of the Company.

The Santak Share Option Scheme 2001 had expired on 12 March 2016 and the Company currently does not has any long-term incentive scheme or share-based compensation scheme.

The Board also ensures that the remuneration policy supports the Company's objectives and strategies. The framework of remuneration adopted by the Group is one that comprises a fixed component and a variable component. The variable component is linked to the performance of the respective entity of the Group in which an individual staff is employed as well as the performance of the individual. The company does not have a long incentive scheme. The Scheme had expired on 12 March 2016 and the Company currently does not has any long term incentive scheme. The RC will consider implementation of such long term incentive scheme when deemed necessary.

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

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### DISCLOSURE ON REMUNERATION (CONT'D)

#### Principle 9: Risk Management and Internal Controls

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

##### *Provision 9.1 – Nature and extent of risks*

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

The Group has in place a system of internal controls that address financial, operational, compliance and information technology risks, and risk management systems, to safeguard Shareholders' investment and the Group's assets. The internal controls maintained by the management, includes *inter alia* the SAP Enterprise Resources Planning (ERP) system and the ISO 9001:2015 Quality Management System, are in place throughout the financial year to provide reasonable assurance against material financial misstatements or loss, and include the safeguarding of assets, the maintenance of proper accounting records, compliance with appropriate legislation, regulations and best practices, and the identification and containment of operational and business risks.

The Board recognises that the internal controls system provides reasonable but not absolute assurance to the integrity and reliability of the financial information and to safeguard the accountability of the assets of the Group. The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. The internal 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.

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

##### *Operational Risks*

The main operational risks faced by the Group include our dependence on the hard disk drive, fibre optics, oil & gas, security/access control systems, telecommunication, consumer electronics and computer industries, loss of any major customers, loss of key personnel and market price erosion of our products. Other risks include monitoring the current uncertain and challenging economic or market downturn and the COVID-19 pandemic environment, 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.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### DISCLOSURE ON REMUNERATION (CONT'D)

#### Compliance Risks

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

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

#### *Financial risks*

Some of the financial risks such as liquidity risk, credit risk and foreign currency risk are set out in the notes 26 to the Financial Statements, on pages 74 to 79 of this Annual Report.

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

#### *Provision 9.2 – Assurance from the CEO and CFO*

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

Based on the internal controls established and maintained by the Group, work performed by the internal 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.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### AUDIT COMMITTEE

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

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

The Board has established an Audit committee (“AC”) and has approved the written terms of reference which set out its functions and responsibilities. The AC consists of three members, two of whom are Independent Directors and one Non-Executive Director. The Chairman of the AC is the Non-Executive Chairman of the Board, Mr Lee Keen Whye. The other members are Mr Ch’ng Jit Koon and Ms Heng Kheng Hwai. The Board considers Mr Lee Keen Whye and Mr Ch’ng Jit Koon as having sufficient financial, business management and accounting knowledge and experience to discharge their responsibilities as members of AC.

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

- (1) reviewing with the external auditors, prior to the commencement of audit, the audit plan which states the nature and scope of the audit;
- (2) reviewing the adequacy and effectiveness of the Company’s risk management and internal controls that address financial, operational, compliance and information technology controls annually;
- (3) reviewing with external auditors, their understanding of the system of internal financial controls relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal controls and management’s response thereon;
- (4) reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board and the external auditors’ report on these financial statements;
- (5) reviewing significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and announcements relating to company’s financial performance;
- (6) reviewing the assurance from the CEO and the Chief Financial Officer (“CFO”) on the financial records and financial statements;
- (7) reviewing half-year and full year financial results before submission to the Board for approval;
- (8) reviewing the adequacy, independence, effectiveness, objectivity, scope and results of external audit annually and the nomination of the re-appointment of external auditors of the Company;
- (9) reviewing all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
- (10) reviewing the assistance given by the management to the external auditors and internal auditors;
- (11) reviewing interested person transactions falling within the scope of the Rules of Catalyst;
- (12) reviewing the adequacy and effectiveness of the Company’s internal audit function; and
- (13) reviewing the arrangements by which employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### AUDIT COMMITTEE (CONT'D)

The AC is authorised to investigate any matters within its terms of reference and has been given full access to and is provided with the co-operation of the Company's management. The AC has reasonable resources to enable it to discharge its functions properly. The AC has full discretion to invite any Director or management staff to attend its meetings.

The Company has put in place a whistle-blowing framework, which provide staff with accessible channels within the Group for reporting possible improprieties in matters of financial reporting or other matters in confidence so that appropriate follow-up actions will be taken. For the financial year ended 30 June 2020, there were no reported incidents pertaining to whistle blowing.

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

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

#### *Provision 10.4 – Internal audit function*

The Group has outsourced its internal audit function to RT LLP, a reputable public accounting firm registered in Singapore on an on-going basis. RT LLP is recognised by ACRA and SGX-ST as a Public Interest Entity auditor. RT LLP is the founder member of RT ASEAN, a network of professional services firms across the globe. The internal audit function is performed from the RT ASEAN network perspective covering a large footprint of jurisdictions, clients and sectors ranging from retailers, manufacturing, logistics, software, electronics, specialist services, etc. The Engagement Team for this engagement comprises a Senior Partner, a Director, a Manager and supported by a Senior Associate. The senior partner has more than 30 years of relevant experience whilst the Director and Manager have more than 10 years of relevant experience each.

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

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### AUDIT COMMITTEE (CONT'D)

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

#### *Provision 10.5 - AC activities during the year*

The AC meets with the external and internal auditors without the presence of the Company's management at least once a year. This is to review the co-operation rendered by management to the external and internal auditors, the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audit, the independence and objectivity of the external auditors.

In relation to the re-appointment of the external auditors, the AC has conducted an annual review of the performance of the external auditors taking into consideration the Audit Quality Indicators Disclosure Framework recommended by Accounting and Corporate Regulatory Authority as reference. The AC, having reviewed the volume of non-audit services to the Company by the external auditors during the year, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The breakdown of their fees for audit and non-audit services is found on note 6 to the financial statements on page 48. The AC is satisfied that the Group has complied with Rules 712 and 715 of the Rules of Catalist, in relation to the appointment of auditing firms.

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

### SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

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

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.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

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

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

The Company's Constitution allows a member of the Company to appoint not more than two proxies to attend and vote at general meetings. In line with the amendments to the Companies Act, 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.

In view of the current COVID-19 situation, the forthcoming AGM to be held in respect of FY2020 can be convened and held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("Meeting Order") regardless what the issuers' constitutive documents stipulate. The Meeting Order provides that the alternative arrangements apply to meetings held during the period commencing from 27 March 2020 to 30 September 2020.

The latest extension of the application duration of the Meeting Order has been extended till 30 June 2021 which provides the listed entities with the option to conduct general meetings by electronic means even where they are permitted under the COVID-19 safe distancing regulations to hold physical meetings, to help minimize physical interactions and COVID-19 transmission risks

Alternative arrangements relate to attendance at the AGM via electronic means i.e. live audio-visual webcast or live audio-only stream, submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM (if any) and appointing the Chairman of the Meeting as the proxy at the AGM, will be put in place.

At the Company's last AGM held on 24 October 2019, all the Directors and external auditors had attended the AGM. The Chairman of the meeting with the assistance of the Company Secretary and service provider briefed the rules of the meetings including the voting procedures.

#### *Provision 11.5 – Minutes of general meetings*

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

In view of the regulatory announcement released by SGX-ST on 27 April 2020 and updates from time to time providing the issuers on additional guidance on the conduct of general meetings during safe management period, the Company would publish minutes of the AGM within one month after the general meeting on SGXnet. The minutes would record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting and responses from the Board of Directors and management.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

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

#### *Provision 11.6 – Dividend policy*

The Company does not have a formal policy on the payment of dividends. However, the Board is mindful of the need to reward shareholders as and when the performance of the Company, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. For FY2020, no dividend has been proposed by the Board as the Group intends to conserve cash for working capital and capital expenditure purposes.

### ENGAGEMENT WITH SHAREHOLDERS

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

#### *Provision 12.1, 12.2 and 12.3 – Stakeholder engagement*

The Company does not practise selective disclosure and ensures timely and adequate disclosure of price sensitive and material information to Shareholders of the Company via SGXNET in accordance with Rules of Catalist.

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

### **Principle 13: Managing stakeholder relationships**

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

#### *Provision 13.1, 13.2 and 13.3 – Stakeholder engagement*

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

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

The Company has a Sustainability Steering Committee, comprising key management executives, identifies possible material topics and reach agreement on the action plan for the reporting process and reports to the Board of Directors on the sustainability management performance of the Group and material issues identified by stakeholders.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### ENGAGEMENT WITH SHAREHOLDERS (CONT'D)

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

- Established policies to uphold the highest standards of ethical business practices with a strong stance against corruption
- Adoption of environmentally practices such as managing or reducing industrial waste and oil emission level
- Noise monitoring are conducted on a periodic basis under the Workplace Safety and Health Act
- Providing training and education opportunities for our employees to abide by the relevant health and safety measures and undertake reasonably practicable steps to ensure workplace safety for a healthy and safe working environment

### DEALINGS IN SECURITIES

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

### MATERIAL CONTRACTS

There are no material contracts to which the Company or any subsidiary is a party and which involve Directors' and controlling shareholders' interests subsisting at the end of the financial year or have been entered into during the financial year.

### SPONSORSHIP

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Asian Corporate Advisors Pte. Ltd. There was no non-sponsor fee paid to the Sponsor or any of its affiliates for FY2020.

### INTERESTED PERSON TRANSACTIONS

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

There are no IPT for the financial year ended 30 June 2020.

# 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 Ntegrator International Ltd which is listed on the SGX-ST as well as Sumner Group Health Limited 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 37 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 Chartered Accountants Australia and New Zealand and the Institute of Singapore Chartered Accountants respectively. He is also a member of the Singapore Institute of Directors.

# ADDITIONAL INFORMATION

## SGX-ST LISTING MANUAL REQUIREMENTS

### DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE (CONT'D)

#### Directors (Cont'd)

**Mr Tan Sin Hock** is 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 37 years, he had been involved in the Precision-Machined Components business of the Santak Group. He was one of our early pioneers involved in the introduction of CNC Machines into Santak Metal's operation in 1983. He underwent overseas training at our machine suppliers' manufacturing plants in Japan and Switzerland. Over the years, he held several operating portfolios at Santak Metal, including process planning, process troubleshooting and improvement, 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 board of Progen Holdings Limited. He was previously Non-Executive Chairman of Pan-United Corporation Ltd and 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 Division and is responsible for the manufacturing operation. Mr Loo joined our Group in October 1999. Mr Loo holds a Bachelor of Mechanical Engineering (Honours) Degree from the National University of Singapore.

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

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

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

# STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2020

## DISTRIBUTION OF SHAREHOLDINGS

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

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	1.09	11	0.00
100 - 1,000	71	25.91	66,300	0.06
1,001 - 10,000	78	28.47	448,731	0.42
10,001 - 1,000,000	110	40.15	10,911,458	10.14
1,000,001 AND ABOVE	12	4.38	96,154,480	89.38
<b>TOTAL</b>	<b>274</b>	<b>100.00</b>	<b>107,580,980</b>	<b>100.00</b>

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAN CHEE HAWAI	47,858,570	44.49
2	TAN AH WO	16,776,810	15.59
3	TAN SIN HOCK	6,704,100	6.23
4	GO MEI LIN	6,115,600	5.68
5	YAP QUAN OR CHRISTINE YAP LYE KUM	5,647,000	5.25
6	HENG KHENG HWAI	4,667,000	4.34
7	LOW BOON YONG	2,094,900	1.95
8	NG WENG WEI	1,618,000	1.50
9	LOW WEI MIN JAMES (LIU WEIMING, JAMES)	1,449,000	1.35
10	KOH CHIN HWA	1,120,000	1.04
11	IP WAN KEUNG	1,057,500	0.98
12	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,046,000	0.97
13	LAW KUNG YING	771,000	0.72
14	LOW YEE MIN (LIU YUMING)	755,000	0.70
15	CHAN PECK SIM	522,000	0.49
16	SOH CHENG LOCK	510,000	0.47
17	LIM YEE MIN	500,000	0.46
18	TAN KIAN CHUAN (CHEN JIANZHUAN)	500,000	0.46
19	TAN CHOON KWANG	420,000	0.39
20	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	390,000	0.36
	<b>TOTAL</b>	<b>100,522,480</b>	<b>93.42</b>

# STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2020

Approximately 16.7% 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 18 SEPTEMBER 2020**

<b>Name of Shareholders</b>	<b>Direct Interest</b>	<b>Deemed Interest</b>
1. Tan Chee Hawaii <sup>(a)</sup>	47,858,570	4,667,000
2. Tan Ah Wo	16,776,810	-
3. Tan Sin Hock	6,704,100	-
4. Go Mei Lin	6,115,600	-
5. Heng Kheng Hwai <sup>(b)</sup>	4,667,000	47,858,570
6. Yap Quan or Christine Yap Lye Kum	5,647,000	-

<sup>(a)</sup> Mr Tan Chee Hawaii's deemed interest is derived from 4,667,000 shares held by his spouse, Mdm Heng Kheng Hwai.

<sup>(b)</sup> Mdm Heng Kheng Hwai's deemed interest is derived from 47,858,570 shares held by her spouse, Mr Tan Chee Hawaii.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **SANTAK HOLDINGS LIMITED** (the “**Company**”) will be held by way of electronic means on Tuesday, 27 October 2020 at 10.30 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2020 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 of S\$155,000 (2019: S\$155,000) for the financial year ended 30 June 2020. **(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.

## 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

# NOTICE OF ANNUAL GENERAL MEETING

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued 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;
  - (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;

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

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting (“**AGM**”) of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

**(Resolution 6)**

By Order of the Board

Lai Foon Kuen  
Company Secretary  
Singapore, 12 October 2020

# NOTICE OF ANNUAL GENERAL MEETING

## 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.

## Explanatory 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, or submitted by electronic via email to <santak.holdings@santak.com.sg>, 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., in accordance with Rule 226(2)(b) and 753(2) of the Singapore Exchange Securities Trading Limited (“**Exchange**”) Listing Manual Section B: Rules of Catalyst for compliance with the relevant rules of the Exchange. The Company’s Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

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

The contact person for the Sponsor is Ms. Foo Quee Yin.

Telephone number: +65 6221 2071

# NOTICE OF ANNUAL GENERAL MEETING

## Notes on the alternative arrangements for the AGM:

1. In view of the circuit breaker measures and pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the Annual General Meeting (the “Meeting” or “AGM”) of the Company will be held by way of electronic means and members of the Company will NOT be allowed to attend the AGM in person. Printed copies of this Notice will still be sent to members. This Notice is also available to members by electronic means via publication on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the Meeting can be electronically accessed via live audio-visual webcast or live audio-only stream [collectively, “live webcast”]), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying document entitled “Instructions to Shareholders for our AGM 2020”.
3. A member will not be able to attend the Meeting. The live webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the Meeting as proxy (“Proxy Form”). If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the Chairman of the Meeting will vote or abstain from voting at his/her discretion.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. Investors whose shares are held with relevant intermediaries under Section 181(1C) of the Companies Act, Chapter 50, such as CPF and SRS investors, who wish to appoint the Chairman of the Meeting as proxy, should approach their respective intermediaries such as CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the date of AGM.
6. The Proxy Form must be submitted through any one of the following means: (a) by depositing a physical copy at the registered office of the Company at 31 Senoko South Road Woodlands East Industrial Estate, Singapore 758084; or (b) by sending a scanned PDF copy by email to <[santak.holdings@santak.com.sg](mailto:santak.holdings@santak.com.sg)>, in either case, not less than 48 hours before the time appointed for holding the Meeting, and failing which, the Proxy Form will not be treated as valid. **In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.**
7. The Company shall be entitled to, and will, treat any valid instrument appointing the Chairman of the Meeting as proxy which was delivered by a member to the Company **before 10.30 a.m. on 25 October 2020** as a valid instrument appointing the Chairman of the Meeting as the member’s proxy to attend, speak and vote at the Meeting if: (a) the member had indicated how he/she/it wished to vote for or vote against or abstain from voting on each resolution; and (b) the member has not withdrawn the appointment by 10.30 a.m. on 25 October 2020.
8. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

# NOTICE OF ANNUAL GENERAL MEETING

## 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.

# INSTRUCTIONS TO SHAREHOLDERS FOR ANNUAL GENERAL MEETING IN 2020

## 1. INTRODUCTION

The Board of Directors (the “Board”) of **SANTAK HOLDINGS LIMITED** (the “Company”) refers to :

- (a) the COVID-19 (Temporary Measures) Act 2020 passed by Parliament on 7 April 2020 which enables the Minister for Law by order to prescribe alternative arrangements for listed companies in Singapore to, inter alia, conduct general meetings, either wholly or partly, by electronic communication, video conferencing, tele-conferencing or other electronic means;
- (b) the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the “Order”) as amended from time to time (the “Alternative Arrangements Order”) which sets out the alternative arrangements in respect of, inter alia, general meetings of companies.
- (c) the joint statement released by the Accounting and Corporate Regulatory Authority, the Monetary Authority of Singapore and Singapore Exchange Regulation on 13 April 2020, providing additional guidance on the conduct of general meetings during the period when elevated safe distancing measures are in place.
- (d) Singapore Exchange Securities Trading Limited has released a regulatory announcement on 7 September 2020 that the Ministry of Law has announced an extension to 30 June 2021 of the duration of legislation that enables entities to hold meetings via electronic means.

## 2. DATE OF ANNUAL GENERAL MEETING (“AGM”)

The Board wishes to inform shareholders that the AGM will be held by way of electronic means on 27 October 2020 at 10.30 a.m. (Singapore time) by way of electronic means through “live audio-visual webcast or “live” audio-only stream to transact the business set out in the Notice of AGM dated 12 October 2020.

The Company has today uploaded the following documents in connection with the AGM on SGXNET:

- (a) the annual report for the financial period ended 30 June 2020 (“2020 AR”);
- (b) the notice of the AGM dated 12 October 2020 (the “Notice of AGM”); and
- (c) the proxy form.

## 3. ELECTRONIC DOCUMENTS

An electronic copy of each of the Notice of AGM and the proxy form would be available on SGXNET and company’s website. A member will need an internet browser and PDF reader to view these documents on SGXNET and the Company’s website.

# INSTRUCTIONS TO SHAREHOLDERS FOR ANNUAL GENERAL MEETING IN 2020

## 4. ALTERNATIVE ARRANGEMENTS FOR AGM

### (a) No physical attendance

**In view of the circuit breaker measures applicable as of date of the Notice of AGM and pursuant to the Alternative Arrangements Order, shareholders will not be allowed to attend the AGM in person.**

Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:

- (i) observing and/or listening to the AGM proceedings via live audio-visual webcast or live audio only stream. Shareholders who wish to participate as such will have to pre-register in the manner outlined in paragraph 4(b) below:
- (ii) submitting questions in advance of the AGM. Please refer to paragraph 4(c) below for further details; and
- (iii) appointing the Chairman of the meeting of the Company (the “Chairman of the Meeting”) as proxy to attend, speak and vote on their behalf at the AGM. Please refer to paragraph 4(d) for further details.

### (b) “Live” audio-visual webcast and “live” audio-only stream

The AGM proceedings will be conducted via electronic means. Shareholders will be able to (i) observe these proceedings through a “live” audio-visual webcast via their mobile phones, tablets or computers, or (ii) listen to these proceedings through a “live” audio-only stream via telephone. In order to do the above, shareholders will have to follow these steps :

- (i) Shareholders who wish to observe or listen to the “live” audio-visual webcast or “live” audio-only stream must pre-register by clicking on the following link and submitting the online registration form <http://globalmeeting.bigbangdesign.co/santak>, no later than 10.30 a.m. on 24 October 2020 (“the **Registration Deadline**”).

Following authentication of a shareholder’s status, such shareholder will receive an email containing the login credentials and the link to access the “live” audio-visual webcast or “live” audio-only stream of the AGM proceedings.

- (ii) Shareholders who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 10.30 a.m. on 25 October 2020 should contact the Company at email address: [webcast@bigbangdesign.co](mailto:webcast@bigbangdesign.co)

Shareholders MUST NOT forward the unique link to other persons who are not Shareholders and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the “LIVE” webcast and Audio-only means.

# INSTRUCTIONS TO SHAREHOLDERS FOR ANNUAL GENERAL MEETING IN 2020

## (c) Submission of questions

Shareholders may also submit questions related to the resolutions to be tabled for approval at the AGM.

All questions must be submitted no later than 10.30 a.m. on 24 October 2020 (the “**Submission Deadline**”) via the pre-registration website (<https://globalmeeting.bigbangdesign.co/santak>)

The Company will endeavour to address substantial and relevant questions relating to the resolutions to be tabled for approval prior to, or at the AGM.

Please note that shareholders will not be able to ask questions at the AGM and accordingly, it is important for shareholders to submit their questions by the Submission Deadline. Minutes of the AGM will be released via SGXNET within one month after the AGM.

## (d) Voting by proxy

Shareholders will not be able to vote online at the AGM. Instead, if shareholders (whether individuals or corporates) wish to exercise their votes, they must submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf.

Shareholders (whether individuals or corporates) appointing the Chairman of the Meeting as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment and votes will be treated as invalid.

The proxy form must be submitted to the Company no later than 10.30 a.m. on 25 October 2020 through any one of the following means:

- (i) by depositing a physical copy at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084.
- (ii) by sending a copy by email to [santak.holdings@santak.com.sg](mailto:santak.holdings@santak.com.sg)

**In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.**

Shareholders who hold their shares through relevant intermediaries # (including CPFIS Members or SRS investors) and who wish to exercise their votes by appointing the Chairman of the Meeting as proxy should approach their respective relevant intermediaries (including their respective CPF Agent Banks or SRS Approved Banks) to submit their voting instructions at least seven (7) working days prior to the date of the AGM.

# INSTRUCTIONS TO SHAREHOLDERS FOR ANNUAL GENERAL MEETING IN 2020

## 5. REMINDER

- (a) As the COVID-19 situation is still evolving, the Company must implement measures to take into account the requirements, guidelines and recommendations of regulatory bodies and government agencies from time to time. Accordingly, the Company may be required to change its AGM arrangements at short notice.
- (b) Shareholders are advised to closely monitor announcements made by the Company on SGXNET.
- (c) The Company seeks the understanding and co-operation of all shareholders in enabling the Company to hold and conduct the AGM in compliance with the circuit breaker measures to stem the spread of COVID-19 infections.
- (d) Recording of the AGM proceedings in whatever form is strictly prohibited. The Company seeks shareholders' patience and understanding during the AGM proceedings in the event of any technical disruptions.

# A relevant intermediary is:

- (a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services under the Securities and Futures Act (Chapter 289 of Singapore) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), 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 Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

# SANTAK HOLDINGS LIMITED

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

## PROXY FORM

(PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

### IMPORTANT

1. Due to the current COVID-19 situation and the related elevated safe distancing measures in Singapore, the AGM of the Company will be convened and held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and members of the Company will **NOT** be allowed to attend the AGM in person.
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. CPF investors who wish to vote should contact their CPF Approved Nominees.
3. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of Annual General Meeting.
4. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Meeting."
5. The Notice of Meeting has been published on 12 October 2020 on the Company's website and made available on the SGX website.
6. Alternative arrangements relating to attendance at the Meeting via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in this annual report on page 123-126 under "Instruction to shareholders for annual general meeting in 2020.

\*I/We, \_\_\_\_\_

of \_\_\_\_\_

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

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

the Chairman of the meeting as \*my/our \*proxy/proxies to attend, speak and vote for \*me/us on \*my/our behalf at the Annual General Meeting (the "AGM") of the Company to be held on 27 October 2020 at 10.30 a.m. by electronic means (via live webcast and audio only means) and at any adjournment thereof. \*I/We direct the Chairman of the Meeting to vote for, against or abstain the Resolutions to be proposed at the AGM as indicated hereunder.

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

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

No	Resolutions relating to:	Number of Votes		
		For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2020			
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 2020			
5	Re-appointment of Ernst & Young LLP as Auditors			
6	Authority to issue new shares			

\*Delete where inapplicable

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

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

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

\*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. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. The live webcast will not provide for online voting. If a member of the Company (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the Chairman of the Meeting will vote or abstain from voting at his/her discretion. The proxy form may be accessed on the SGX website.
3. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner :-
  - a. if submitted by post, be lodged at the registered office of the Company at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084;
  - or
  - b. if submitted electronically, be submitted via email to [santak.holdings@santak.com.sg](mailto:santak.holdings@santak.com.sg)

in either case, **by not later 25 October 2020 10.30 a.m., being at least forty-eight hours before the time appointed for holding the AGM**, failing which the instrument of proxy shall not be treated as valid.

**In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.**

4. All questions must be submitted no later than 10.30 a.m. on 24 October 2020 (the “Submission Deadline”) via the pre-registration website (<https://globalmeeting.bigbangdesign.co/santak>)
5. 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.
6. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, 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 AGM dated 12 October 2020.

**General:**

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



**SANTAK HOLDINGS LIMITED**

co. reg. no. 200101065H

31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084

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