

SANTAK

ANNUAL REPORT 2016

SANTAK HOLDINGS LIMITED

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Proxy Form

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

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

CORPORATE PROFILE

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

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

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

The Group's factories are located in Singapore and the People's Republic of China. 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 38 years.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Santak Holdings Limited (the "Company") and its subsidiary companies (the "Group") for the Financial Year ended 30 June 2016 ("FY2016").

Following review by the Management in connection with the financial performance

of its business operation in China and the weak demand for its China's operation, the Group has initiated an ongoing business restructuring plan which may involve, inter alia, the restructuring and/or disposal of the assets and/or business of its China operation, which was loss making.

As announced on 24 November 2016, a wholly owned subsidiary of the Company, Santak Metal Manufacturing Pte Ltd, has entered into a sales and purchase agreement dated 24 November 2016 (the "SPA") with LY Investment (HK) Limited (the "Purchaser") for the sale of 100% equity interest of its wholly owned subsidiary, Santak Metal Manufacturing (Wuxi) Co., Ltd, to the Purchaser ("Proposed Disposal").

In addition, the Board will also review and restructure its Singapore operations, inter alia, improving its capabilities and business. The Company will make further announcements, in compliance with requirements of Chapter 10 of the Listing Manual of the Singapore Exchange Securities Trading Limited Section B: Rules of Catalist ("Catalist Rules") where applicable. The Company undertakes that it will comply with requirements of Chapter 10 of the Catalist Rules including but not limited to seeking Shareholders' approval for the Proposed Disposal (where applicable).

FY2016 vs FY2015 Continuing Operations

Revenue decreased by 17.0% from S\$58.65 million in FY2015 to S\$48.70 million FY2016. The decrease was mainly due to sales of the Precision Engineering Division ("PE") came in at S\$44.54 million, a decrease of S\$10.92 million or 19.7% compared to prior year. The decrease in sales in PE compared to prior year was mainly due to the lower sales arising from the substantially weaker demand from the recent precision machined component projects in FY2016 for the consumer electronics sector. In particular, the turnover for second half of FY2016 ("2H2016") was substantially lower at S\$14.98 million compared to S\$29.56 million in first half of FY2016 ("1H2016").

On the other hand, the Trading & Distribution Division ("T&D") registered higher sales at S\$4.16 million compared to S\$3.20 million in FY2015 mainly due to stronger demand from the security/access control systems sector. The Group's gross profit was lower at S\$3.26 million in FY2016 compared to S\$4.52 million in FY2015 following the decrease in turnover.

The slight increase in administrative expenses by S\$0.02 million to S\$2.15 million in FY2016 was mainly due to the absence of reclassification of payroll cost to other operating expenses in FY2016 and the higher distribution and selling expenses of S\$1.83 million was mainly due to the higher sales commission expenses in FY2016. Other operating expenses in FY2016 were nil due to the absence of the S\$0.23 million cost incurred in FY2015 for the qualification and development process (including the new production facilities expenses and factory overhead incurred in preparation for the mass production) of our recent precision machined component projects. The increase in financial expenses by approximately S\$0.10 million was the result of higher bank interest expenses arising from the higher bank borrowings balance during FY2016 compared to during FY2015.

A higher loss before tax of S\$1.72 million was registered for FY2016 compared to S\$0.52 million in the previous year.

CHAIRMAN'S STATEMENT

The tax credit of S\$0.20 million in FY2016 was mainly due to the decrease in the deferred tax liabilities mainly arose from higher tax losses and capital allowances balance as at 30 June 2016. The loss after tax for FY2016 was S\$1.51 million. Our basic and diluted loss per share were both 1.40 cents for FY2016 versus basic and diluted loss per share of 0.48 cents in the prior year.

Discontinued Operation

Turnover decreased by 66% from S\$44.50 million in FY2015 to S\$14.92 million in FY2016. This decrease was mainly due to lower orders arising from weaker demand for the consumer electronics sector in our China operations. In particular, the turnover for second half of FY2016 ("2H2016") was significantly lower at S\$2.20 million compared to S\$12.72 million in first half of FY2016 ("1H2016").

The gross loss of S\$15.70 million in FY2016 compared to gross profit of S\$1.07 million in FY2015 was mainly due to a significant decrease in revenue coupled with substantial selling price erosions particularly during 2H2016, as well as the substantial fixed operating overheads arising from additional two new factory facilities set up in FY2015 for the recent precision machined component projects and the on-going efforts to restructure the Group's businesses.

The decrease in administrative expenses by S\$0.32 million to S\$1.03 million in FY2016 and the lower distribution and selling expenses of S\$0.85 million was in line with the lower turnover in FY2016. The lower other operating expenses in FY2016 of S\$0.41 million compared to S\$3.49 million in prior year were mainly due to the absence of the significant costs of approximately S\$3.49 million incurred in FY2015 for the qualification and development process (including the new production facilities expenses and factory overhead incurred in preparation for the mass production) of our recent precision machined component projects.

The lower other income of approximately S\$1.96 million was attributable to lower sales of scraps in FY2016 which

was due to lower turnover as well as foreign exchange loss of S\$0.55 million mainly arising from the weakening of RMB against USD in FY2016. On the other hand, the increase in allowance for stocks obsolescence was mainly due to higher allowance for substantial unit selling price reduction in FY2016. The gain on disposal of property, plant and equipment was due to the disposal of some fully depreciated machines.

As a result, our China operations registered a loss before tax of S\$16.01 million in FY2016 compared to loss before tax of S\$2.78 million in the previous year. The tax expense of S\$5.06 million in FY2016 arose mainly from the de-recognition of deferred tax assets of S\$4.98 m in our China operations. The loss after tax for FY2016 was S\$21.07 million. Our basic and diluted loss per share were both 19.59 cents for FY2016 versus basic and diluted loss per share of 2.59 cents in the prior year.

Review of Financial Position

The decrease in property, plant and equipment ("PPE") from S\$31.98 million as at 30 June 2015 to S\$12.07 million as at 30 June 2016 was mainly due to the reclassification of S\$15.67 million of the China operation PPE to assets held for sales as well as depreciation expense of S\$5.02 million and partially offset by PPE additions during the year.

The decrease in the trade receivables, trade payables and inventories by S\$37.68 million, S\$26.43 million and S\$24.23 million respectively as at 30 June 2016 was due to the decrease in sales, especially in 2H2016 as well as the reclassification of the China operation to assets and liabilities held for sale respectively.

The assets of subsidiary classified as held for sale of S\$38.29 million arose from the reclassification of the assets and liabilities in the China operations as at 30 June 2016. There was no such reclassification in prior year.

Other liabilities decreased by S\$6.72 million to S\$2.39 million mainly as a result of lower provision for payroll cost

CHAIRMAN'S STATEMENT

and other payables for renovations as well as reclassification of the China operation to liabilities held for sale as at 30 June 2016 compared to 30 June 2015.

The lower restricted fixed deposits was due to the lower bank loans outstanding as at 30 June 2016. Loans and borrowings (excluding finance leases) decreased by S\$16.76 million from S\$46.08 million to S\$29.32 million mainly due to repayments of loans and borrowings during FY2016. The Group's loan agreements are subject to covenant clauses. As a subsidiary company did not fulfill a covenant, the non-current portion of the bank loans and borrowings balance of S\$11.05 million has been reclassified as a current liability as at 30 June 2016. The decrease in translation reserves was mainly the result of the weakening of RMB against SGD as at 30 June 2016 compared to 30 June 2015.

Review of Cash Flow

Following the higher loss incurred, the Group's operations generated operating cash outflow before working capital changes of approximately S\$13.26 million in FY2016, compared to operating cash inflow before working capital changes of S\$3.09 million in FY2015. As a result of lower trade debtors and stocks balances as at 30 June 2016, partially offset by lower trade creditors, the Group recorded a net cash generated from operating activities of approximately S\$13.00 million in FY2016, compared to net cash outflow of S\$25.78 million in FY2015. Cash utilised in investing activities decreased by S\$4.30 million mainly as a result of lower renovation of factory facilities and

proceeds from disposal of PPE in FY2016. Net cash used in financing activities during the period was S\$16.88 million which mainly arose from repayments of bank borrowings of S\$15.80 million, dividend payment of S\$0.54 million and interest expense payment of S\$1.12 million. Overall, cash and cash equivalents decreased by S\$4.23 million during FY2016 to S\$10.96 million as at 30 June 2016 compared to the balance of S\$15.52 million as at 30 June 2015.

No dividend has been declared or recommended for FY2016. The market in which the Group operates remains competitive and demanding. Going forward into the current financial year ending 30 June 2017 ("FY2017"), the demand for our precision machined components is expected to be uncertain and challenging in FY2017.

Let me take this opportunity to thank all our customers, shareholders and business associates for their support, confidence and trust throughout the years. Further, I would also like to extend my gratitude to my fellow Board members for their insights and support. Finally, we would also like to place on record our sincere appreciation to our management and staff for their commitments and hard work. We look forward to your continued support in FY2017.

Lee Keen Whye
Chairman

CORPORATE DATA

Company Registration Number: 200101065H

Board of Directors: Lee Keen Whye (Non-Executive Chairman/
Independent Director)
Tan Chee Hawaii (Group Managing Director)
Ng Weng Wei (Executive Director)
Tan Sin Hock (Executive Director)
Heng Kheng Hwai (Non-Executive Director)
Ch'ng Jit Koon (Independent Director)

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

Nominating Committee: Ch'ng Jit Koon (Chairman)
Lee Keen Whye
Tan Chee Hawaii

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

Company Secretary: Lynn Wan Tiew Leng

Registered Office: 31 Senoko South Road,
Woodlands East Industrial Estate
Singapore 758084

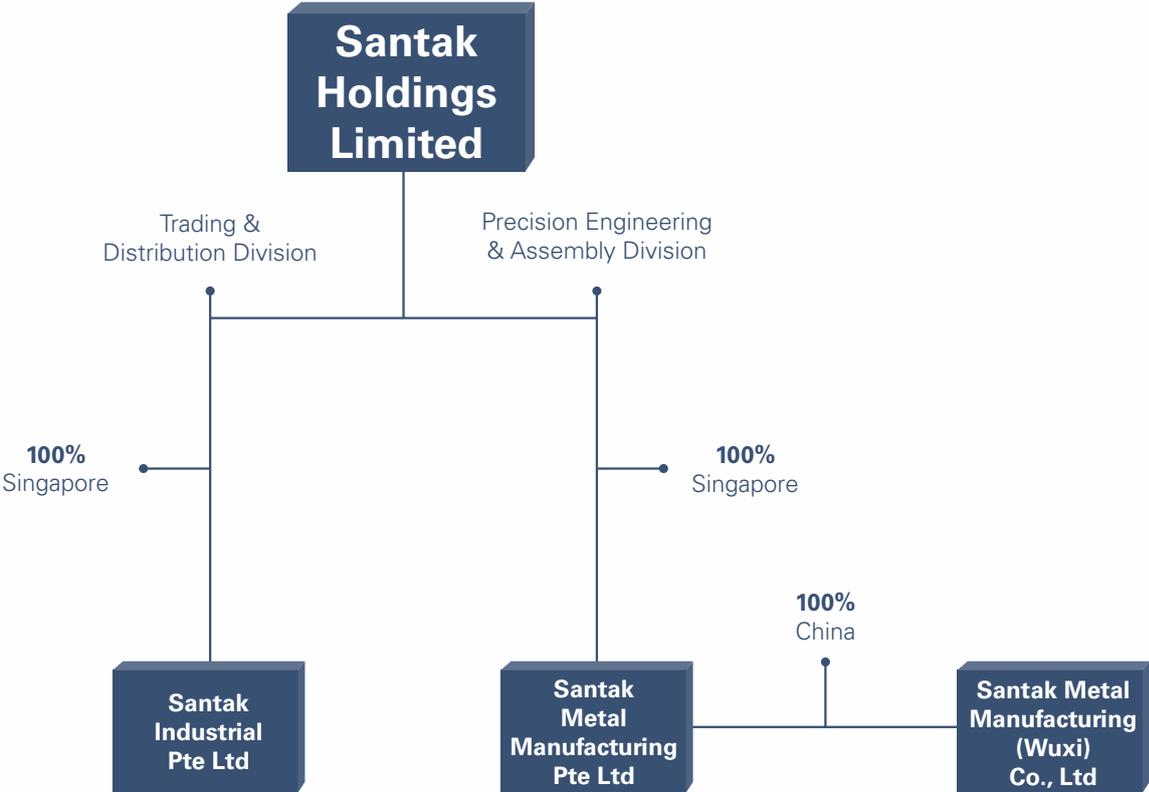
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Fax: 6754 7088/6754 7388
Email: santak.holdings@santak.com.sg

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

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

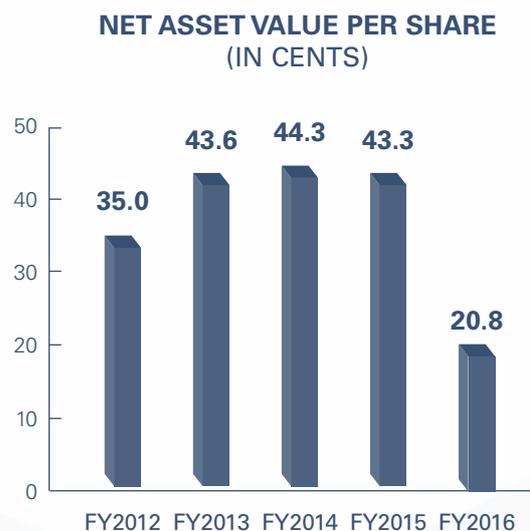
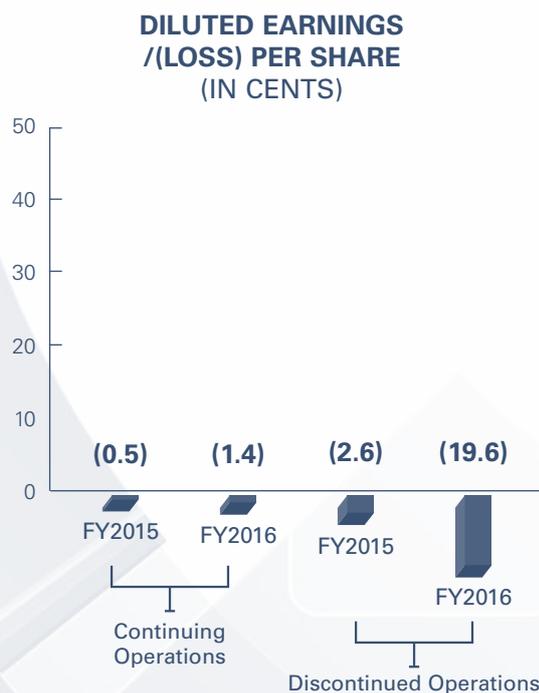
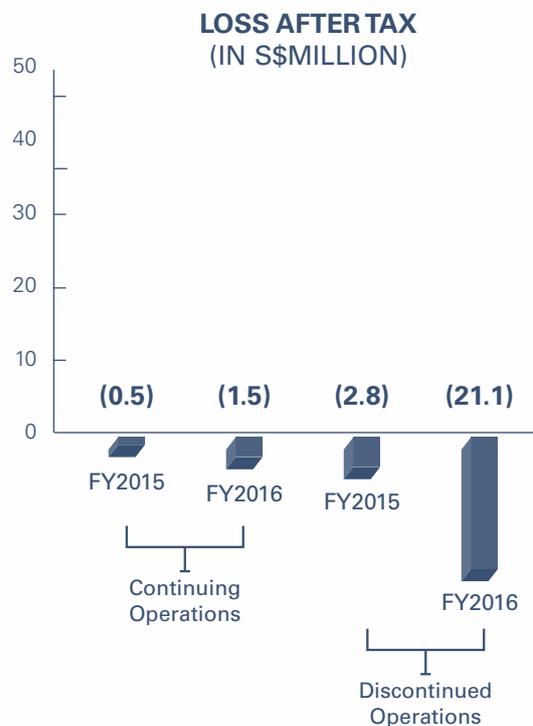
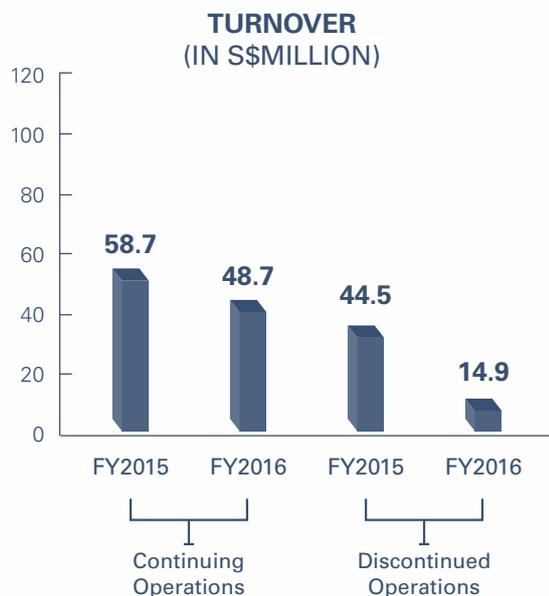
Partner-in-charge: Ken Ong (since FY2016)

CORPORATE STRUCTURE



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

FINANCIAL HIGHLIGHTS



FINANCIAL REPORT

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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 2016.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheets 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 2016, and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

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

Name of director	Direct interest as at		Deemed interest as at	
	1 July 2015	30 June 2016	1 July 2015	30 June 2016
Ordinary shares of the Company				
Lee Keen Whye	200,000	200,000	–	–
Tan Chee Hawaii	47,858,570	47,858,570	4,667,000	4,667,000
Ng Weng Wei	1,618,000	1,618,000	–	–
Tan Sin Hock	6,704,100	6,704,100	–	–
Heng Kheng Hwai	4,667,000	4,667,000	47,858,570	47,858,570
Options to subscribe for ordinary shares				
Ng Weng Wei	800,000	–	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2016.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Tan Chee Hawaii and Heng Kheng Hwai are deemed to have interests in shares of the subsidiary companies of the Company to the extent that the Company has interest.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in the shares, share options 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.

Share options

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

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

DIRECTORS' STATEMENT

Share options (cont'd)

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

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

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

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

The details of the share options are shown below:

Number of options	Exercise price	Exercise period
300,000	\$0.239	15.9.2006 to 14.9.2015
2,500,000	\$0.239	15.9.2006 to 14.9.2015
<u>2,800,000</u>		

DIRECTORS' STATEMENT

Share options (cont'd)

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

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

There were no unissued shares of subsidiaries under option at the end of the financial year.

Audit Committee

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

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

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.

DIRECTORS' STATEMENT

Audit Committee (cont'd)

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 2016, as well as the external auditor's report thereon.

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

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

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

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Tan Chee Hawai
Director

Ng Weng Wei
Director

Singapore
12 December 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2016

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

Report on the Financial Statements

We have audited the accompanying financial statements of Santak Holdings Ltd (the "Company") and its subsidiary companies (the "Group") set out on pages 8 to 102, which comprise the balance sheets of the Group and the Company as at 30 June 2016, 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 a summary of significant accounting policies and other explanatory information.

Management's Responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2016

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

Emphasis of Matter

We draw attention to Note 2 in the financial statements, the Group incurred a net loss after taxation of \$22,576,000 for the year. In addition, the Group also breached bank covenants with its bankers as at 30 June 2016. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

As discussed in Note 2, on 24 November 2016 the Group entered into a sales and purchase agreement to dispose of its subsidiary Santak Metal Manufacturing (Wuxi) Co., Ltd to a third party for US\$21,000,000 (Note 35). The banks have also restructured the loan facilities and covenants such that the Group is no longer in breach of the covenants as at the date of this report. On the premise that the conditions precedent for the completion of the sale of China subsidiary is successfully executed and sales proceeds of the disposal of China subsidiary are duly received, the directors have prepared the financial statements of the Group on a going concern basis.

The ability of the Group to continue as a going concern depends on sales proceeds from disposal of China subsidiary. If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheets. In addition, the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements. Our opinion is not qualified in respect of this matter.

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.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
12 December 2016

CONSOLIDATED INCOME STATEMENT

For the financial year ended 30 June 2016

	Note	2016 \$	Restated 2015 \$
Continuing operations			
Revenue	3	48,695,455	58,650,838
Cost of sales		(45,435,200)	(54,127,016)
Gross profit		3,260,255	4,523,822
Other operating income	4	424,224	419,323
Distribution and selling expenses		(1,833,005)	(1,779,118)
Administrative expenses		(2,145,126)	(2,120,868)
Other operating expenses	4	–	(232,268)
Finance costs	5	(1,445,971)	(1,343,621)
Finance income	5	24,783	17,096
Loss before taxation from continuing operations	6	(1,714,840)	(515,634)
Taxation	7	204,229	5,634
Loss from continuing operations, net of taxation		(1,510,611)	(510,000)
Discontinued operation			
Loss from discontinued operation, net of taxation	8	(21,065,040)	(2,781,811)
Loss for the year		(22,575,651)	(3,291,811)
Loss attributable to:			
Equity holders of the Company			
Loss from continuing operations, net of taxation		(1,510,611)	(510,000)
Loss from discontinued operation, net of taxation		(21,065,040)	(2,781,811)
Loss for the year attributable to equity owners of the Company		(22,575,651)	(3,291,811)
Loss per share (cents per share)			
Basic	10(a)	(1.40)	(0.48)
Diluted	10(a)	(1.40)	(0.48)
Loss per share (cents per share)			
Basic	10(b)	(20.99)	(3.07)
Diluted	10(b)	(20.99)	(3.07)

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 2016

	Note	2016 \$	Restated 2015 \$
Loss for the year		(22,575,651)	(3,291,811)
Other comprehensive income:			
<u>Items that may be reclassified subsequently to profit or loss:</u>			
Realisation of translation reserve on deregistration of a subsidiary company		(59,159)	–
Foreign currency translation	26(iv)	(989,346)	2,799,217
Total other comprehensive income for the year, net of tax		<u>(1,048,505)</u>	<u>2,799,217</u>
Total comprehensive income for the year		<u>(23,624,156)</u>	<u>(492,594)</u>
Total comprehensive income attributable to:			
Equity holders of the Company		<u>(23,624,156)</u>	<u>(492,594)</u>
Attributable to:			
Equity holders of the Company			
Total comprehensive income from continuing operations, net of taxation		(1,560,309)	(452,804)
Total comprehensive income from discontinued operation, net of taxation		<u>(22,063,847)</u>	<u>(39,790)</u>
Total comprehensive income for the year attributable to equity owners of the Company		<u>(23,624,156)</u>	<u>(492,594)</u>

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

BALANCE SHEETS

As at 30 June 2016

	Note	Group		Company	
		2016	2015	2016	2015
		\$	\$	\$	\$
Non-current assets					
Property, plant and equipment	11	12,067,731	31,975,997	195,088	243,587
Investments in subsidiary companies	12	–	–	8,113,176	8,113,176
Intangible assets	13	92,165	136,249	4,403	25,499
Restricted fixed deposits	14	–	2,734,707	–	–
Loan to a subsidiary company	18	–	–	4,030,000	4,030,000
Deferred tax assets	24	–	4,975,810	6,774	3,692
		12,159,896	39,822,763	12,349,441	12,415,954
Current assets					
Restricted fixed deposits	14	3,509,189	1,251,000	–	–
Inventories	15	1,810,358	26,043,348	–	–
Prepayments		76,219	1,872,476	21,583	22,359
Trade receivables	16	7,683,563	45,363,344	–	–
Other receivables	17	800	1,929,075	–	–
Due from subsidiary companies (non-trade)	18	–	–	1,571,665	1,798,952
Dividend receivable from a subsidiary company		–	–	–	200,000
Tax credit		28,989	–	–	–
Cash and cash equivalents	19	5,215,919	15,523,383	212,664	132,412
		18,325,037	91,982,626	1,805,912	2,153,723
Assets of subsidiary classified as held for sale	8	38,286,280	–	–	–
		56,611,317	–	1,805,912	2,153,723
Current liabilities					
Trade payables	20	1,225,991	27,655,787	–	–
Other liabilities	21	2,393,554	9,113,727	483,793	443,529
Loans and borrowings	22	29,317,449	31,160,909	–	–
Obligations under finance leases	23	66,350	54,483	32,894	31,728
Provision for taxation		–	78,607	7,800	9,560
		33,003,344	68,063,513	524,487	484,817
Liabilities of subsidiary classified as held for sale		11,221,322	–	–	–
Net current assets		12,386,651	23,919,113	1,281,425	1,668,906

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

BALANCE SHEETS

As at 30 June 2016

	Note	Group		Company	
		2016	2015	2016	2015
		\$	\$	\$	\$
Non-current liabilities					
Loans and borrowings	22	–	14,923,095	–	–
Obligations under finance leases	23	338,424	327,873	137,560	170,454
Deferred tax liabilities	24	1,832,298	2,024,722	–	–
		<u>2,170,722</u>	<u>17,275,690</u>	<u>137,560</u>	<u>170,454</u>
Net assets		<u>22,375,825</u>	<u>46,466,186</u>	<u>13,493,306</u>	<u>13,914,406</u>
Equity attributable to equity holders of the Company					
Share capital	25	12,852,187	12,780,487	12,852,187	12,780,487
Share option reserve	26(i)	–	304,947	–	304,947
Revaluation reserve	26(ii)	7,346,394	7,346,394	–	–
Statutory reserves	26(iii)	947,125	962,363	–	–
Translation reserve	26(iv)	2,176,927	3,225,432	–	–
(Accumulated losses)/retained profits		(946,808)	21,846,563	641,119	828,972
		<u>22,375,825</u>	<u>46,466,186</u>	<u>13,493,306</u>	<u>13,914,406</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 2016

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

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2016 (cont'd)

2015 Group	Attributable to equity holders of the Company							Total equity \$
	Share capital (Note 25) \$	Share option reserve (Note 26i) \$	Retained profits \$	Revaluation reserve (Note 26ii) \$	Statutory reserves (Note 26iii) \$	Translation reserve (Note 26iv) \$	Total equity \$	
At 1 July 2014	12,780,487	542,228	25,444,836	7,346,394	955,025	426,215	47,495,185	
Loss for the year	-	-	(3,291,811)	-	-	-	(3,291,811)	
Other comprehensive income for the year, net of tax	-	-	-	-	-	2,799,217	2,799,217	
Total comprehensive income for the year	-	-	(3,291,811)	-	-	2,799,217	(492,594)	
Contributions by and distributions to owners	-	-	(536,405)	-	-	-	(536,405)	
Dividends on ordinary shares (Note 9)	-	(237,281)	237,281	-	-	-	-	
Transfer of reserve	-	-	(7,338)	-	7,338	-	-	
Transfer of statutory reserve	-	-	-	-	-	-	-	
At 30 June 2015	12,780,487	304,947	21,846,563	7,346,394	962,363	3,225,432	46,466,186	

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 2016 (cont'd)

Company	Attributable to equity holders of the Company			
	Share capital (Note 25) \$	Share option reserve (Note 26i) \$	Retained profits \$	Total equity \$
2016				
At 1 July 2015	12,780,487	304,947	828,972	13,914,406
Profit for the year	–	–	45,105	45,105
Total comprehensive income for the year	–	–	45,105	45,105
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares (Note 9)	–	–	(537,905)	(537,905)
Transfer of reserve	–	(304,947)	304,947	–
Exercise of employee share options	71,700	–	–	71,700
At 30 June 2016	<u>12,852,187</u>	<u>–</u>	<u>641,119</u>	<u>13,493,306</u>
2015				
At 1 July 2014	12,780,487	542,228	866,608	14,189,323
Profit for the year	–	–	261,488	261,488
Total comprehensive income for the year	–	–	261,488	261,488
<u>Contributions by and distributions to owners</u>				
Dividends on ordinary shares (Note 9)	–	–	(536,405)	(536,405)
Transfer of reserve	–	(237,281)	237,281	–
At 30 June 2015	<u>12,780,487</u>	<u>304,947</u>	<u>828,972</u>	<u>13,914,406</u>

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 2016

	2016	2015
	\$	\$
Cash flows from operating activities		
Loss before taxation from continuing operations	(1,714,840)	(515,634)
Loss before taxation from discontinued operation	(16,009,689)	(2,781,811)
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment	5,018,906	4,798,200
Amortisation of intangible assets	44,951	55,174
(Gain)/loss on disposal of property, plant and equipment	(1,108,959)	1,634
Interest expense	1,121,008	750,287
Interest income	(51,233)	(47,122)
Unrealised exchange (gain)/loss	(505,957)	833,319
Realisation of translation reserves on deregistration of subsidiary company	(59,158)	–
Operating cash flows before changes in working capital	<u>(13,264,971)</u>	<u>3,094,047</u>
<u>Changes in working capital</u>		
Decrease/(increase) in:		
Inventories	10,989,260	(17,664,505)
Trade receivables	35,413,483	(30,044,883)
Other receivables and prepayments	2,372,688	(2,902,327)
(Decrease)/increase in:		
Trade payables	(18,222,248)	19,081,472
Other liabilities	(4,151,030)	2,880,930
Total changes in working capital	<u>26,402,153</u>	<u>(28,649,313)</u>
Cash flows generated from/(used in) operations	13,137,182	(25,555,266)
Interest received	51,233	47,122
Income taxes paid, net	(209,571)	(273,345)
Net cash flows generated from/(used in) operating activities	<u>12,978,844</u>	<u>(25,781,489)</u>
Cash flows from investing activities		
Purchase of plant and equipment (Note (a))	(1,455,082)	(4,625,326)
Purchase of intangible assets	(5,536)	(6,240)
Proceeds from disposal of plant and equipment	1,128,940	1,452
Net cash flows used in investing activities	<u>(331,678)</u>	<u>(4,630,114)</u>

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2016 (cont'd)

	2016	2015
	\$	\$
Cash flows from financing activities		
Repayment of loans and borrowings	(24,075,200)	(6,683,521)
Proceeds from loans and borrowings	8,280,053	39,189,052
Proceeds from/(repayment of) finance leases, net	22,418	(163,591)
Proceeds from share issue	71,700	–
Dividends paid	(537,905)	(536,405)
Interest paid	(1,121,008)	(750,287)
Redemption/(placement) of restricted fixed deposits	484,652	(751,000)
	<hr/>	<hr/>
Net cash flows (used in)/generated from financing activities	(16,875,290)	30,304,248
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(4,228,124)	(107,355)
Effect of exchange rate changes on cash and cash equivalents	(333,065)	684,868
Cash and cash equivalents at beginning of year	15,523,383	14,945,870
	<hr/>	<hr/>
Cash and cash equivalents at end of year (Note 19)	10,962,194	15,523,383

Note(a): Purchase of plant and equipment

The cash outflow on acquisition of plant and equipment amounted to \$1,455,082 (2015: \$4,625,326). As at the balance sheet date, the Group has outstanding payables of \$444,631 (2015: \$871,861) relating to the purchase of plant and equipment.

Note (b): Cash and cash equivalents

Cash and cash equivalents of \$5,746,275 relates to subsidiary classified as held for sale.

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 2016

1. Corporate information

Santak Holdings Limited (the “Company”) is a limited liability company, incorporated and domiciled in the Singapore and is listed on the Singapore Exchange.

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

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

Fundamental accounting concept

The Group incurred a net loss after taxation of \$22,576,000 (2015: \$3,292,000) for the year. As at 30 June 2016, the Group’s current and total assets exceeded current and total liabilities by \$12,387,000 (2015: \$23,919,000) and \$22,376,000 (2015: \$46,466,000) respectively.

As discussed in Note 22 to the financial statements, as at 30 June 2016, the Group has loans and borrowings totalling \$29,317,000 (2015: \$46,084,000). The Group breached bank covenants with the banker as the consolidated tangible net worth of the Group as at 30 June 2016 was \$22,376,000 versus the minimum requirement of \$27,000,000. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Group’s ability to continue as a going concern.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.1 Basis of preparation (cont'd)

Fundamental accounting concept (cont'd)

Notwithstanding the above, the directors have prepared these consolidated financial statements on a going concern basis as the Group has entered into a sales and purchase agreement on 24 November 2016 to dispose of its China subsidiary for US\$21,000,000 (Note 35). In addition, the bankers have granted accommodation on the breach of the bank covenants and have lowered the minimum consolidated tangible net worth requirement to \$15,000,000 so that the Group is no longer in breach of the bank covenants. Hence, the ability of the Group to continue as a going concern is dependent upon the successful execution of the conditions precedent in the sales and purchase agreement, receipt of full proceeds from the sales of its China subsidiary and cashflows generated from the Singapore operations.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the balance sheet. In addition, under such circumstances the Group may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 July 2015. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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 beginning on or after</i>
Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 <i>Non-current Asset Held for Sales and Discontinued Operations</i>	1 January 2016
(b) Amendments to FRS 107 <i>Financial Instruments Disclosures</i>	1 January 2016
(c) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
(d) Amendments to FRS 34 <i>Interim Financial Reporting</i>	1 January 2016
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 7 <i>Disclosure Initiative</i>	1 January 2017
Amendments to FRS 12 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109 <i>Financial Instruments</i>	1 January 2018
FRS 116 <i>Leases</i>	1 January 2019

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

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

FRS 115 Revenue from Contracts with Customers

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

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

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

FRS 109 Financial Instruments

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

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

FRS 116 Leases

A lease would be defined as a contract that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

FRS 116 Leases (cont'd)

The new standard would require lessees to account for all leases (subject to certain exemptions) under a single on-balance sheet model (i.e., in a manner comparable to finance leases under FRS 17).

Lessees would recognise a liability to pay rentals with a corresponding asset. The lease accounting model would result in an accelerated expense recognition pattern as compared to today's operating leases.

The standard would include two recognition and measurement exemptions for lessees – leases of 'low-value assets' (e.g., personal computer) and short-term leases (i.e., leases with a lease term of 12 months or less).

Lessor accounting would be essentially the same as today's lessor accounting, using FRS 17's dual classification approach.

2.4 Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, 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) Judgement made in applying accounting policies

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

Determination of functional currency

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.4 Significant accounting judgements and estimates (cont'd)

(b) Key sources of estimation uncertainty

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

(i) Provision for taxation and deferred taxation

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective entity's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses.

The carrying amount of the Group's (tax credit)/provision for taxation and deferred taxation as at 30 June 2016 were summarised as follows:

(Tax credit)/provision for taxation	:	(\$28,989) (2015: \$78,607)
Deferred tax assets	:	\$Nil (2015: \$4,975,810)
Deferred tax liabilities	:	\$1,832,298 (2015: \$2,024,722)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.4 Significant accounting judgements and estimates (cont'd)

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

(ii) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets, to be within 5 to 8 (2015: 5 to 8) years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. A 10% increase in the expected useful lives of these assets from management's estimates would result in approximately 2% (2015: 13%) decrease/increase in the Group's loss before tax.

The carrying amount of the Group's plant and equipment at the end of each reporting period is disclosed in Note 11 to the financial statements.

2.5 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

(a) Basis of consolidation (cont'd)

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

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

(b) Business combinations

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

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

2.6 Foreign currency

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.6 Foreign currency (cont'd)

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operations.

(b) Consolidated financial statements

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

2.7 Subsidiary companies

A subsidiary company 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 subsidiary companies are accounted for at cost less any impairment losses.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.8 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.

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.8 Property, plant and equipment (cont'd)

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

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

2.9 Intangible assets

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

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

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

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

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

(a) Club membership

Club membership is stated at cost less impairment losses and is amortised on a straight-line basis over its finite useful life of 37 (2015: 30) years starting from the financial year ended 30 June 1994.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.9 Intangible assets (cont'd)

(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.

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

	<i>Club membership</i>	<i>Computer software licenses</i>
Internally generated or acquired	Acquired	Acquired
Useful lives and amortisation method used	<ul style="list-style-type: none"> • Finite (2015: Finite) • Amortised over 37 years on straight-line basis (2015: 30 years) 	<ul style="list-style-type: none"> • Finite (2015: Finite) • Amortised over 3 to 10 years on straight-line basis (2015: 3 to 10 years)
Impairment testing	When an indication of impairment exists.	When an indication of impairment exists.
Review of amortisation period and method	Amortisation period and method are reviewed at each financial year-end.	Amortisation period and method are reviewed at each financial year-end.
Classification	Distribution and selling expenses and administrative expenses.	Cost of sales, distribution and selling expenses and administrative expenses.

2.10 Impairment of non-financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, or other available fair value indicators.

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

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

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

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.11 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Loans and receivables

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

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.

Regular way purchase and sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.11 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

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

Derecognition

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

2.12 Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.12 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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

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

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

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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.

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 2016

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 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

(c) Employee share option plans

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.16 Employee benefits (cont'd)

(c) Employee share option plans (cont'd)

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

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

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

2.17 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 Leases

As lessee

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.18 Leases (cont'd)

As lessee (cont'd)

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.

2.19 Non-current assets held for sale and discontinued operation

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

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

2.20 Revenue

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

(a) Sales of goods

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.20 Revenue (cont'd)

(b) Commission income

Commission income is recognised on an accrual basis.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Management fee income

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

(e) Dividend income

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

2.21 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.21 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.21 Taxes (cont'd)

(c) Sales tax

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

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

2.22 Segment reporting

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

2.23 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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2.23 Contingencies (cont'd)

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

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

2.24 Financial guarantee

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

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

2.25 Government grants

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

3. Revenue

	Group	
	2016	Restated 2015
	\$	\$
Sale of goods	48,695,455	58,650,838

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

4. Other operating income Other operating expenses

	Group	
	2016	Restated 2015
	\$	\$
(a) Other operating income		
Sale of scrap	24,628	28,315
Government grant	38,622	22,303
Foreign exchange gain	272,670	349,804
Gain on disposal of fixed assets	81,782	–
Others	6,522	18,901
	<u>424,224</u>	<u>419,323</u>
(b) Other operating expenses		
New projects qualification & development cost	–	(232,268)

5. Finance costs Finance income

	Group	
	2016	Restated 2015
	\$	\$
(a) Finance costs		
Interest expense on:		
- term loans	(1,014,297)	(654,032)
- finance leases	(13,889)	(11,384)
- factoring	(92,822)	(84,871)
Bank facility fee - loans and factoring	(91,962)	(285,800)
Bank charges - factoring	(233,001)	(307,534)
	<u>(1,445,971)</u>	<u>(1,343,621)</u>
(b) Finance income		
Interest income from:		
- bank balances and fixed deposits	24,783	17,096

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

6. Loss before taxation from continuing operations

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

	Group	
	2016	Restated 2015
	\$	\$
Employee benefits expense	5,656,335	6,175,649
Depreciation of property, plant and equipment	848,459	912,475
Amortisation of intangible assets	37,409	35,056
Foreign exchange gain, net	(272,670)	(349,804)
Operating lease expenses	181,979	188,528
Gain on disposal of property, plant and equipment	(81,782)	–
Audit fees:		
- Auditors of the Company	95,000	100,000
- Other auditors	667	85
Non-audit fees:		
- Auditors of the Company	12,200	17,377

7. Taxation

Major components of income tax

The major components of income tax for the years ended 30 June 2016 and 2015 are:

	Group	
	2016	Restated 2015
	\$	\$
Current income tax – continuing operations		
- Current income taxation	(15,495)	(100,044)
- Over/(under) provision in respect of previous years	27,300	(3,863)
Deferred tax – continuing operations		
- Origination and reversal of temporary differences	195,937	93,941
- (Under)/over provision in respect of previous years	(3,513)	15,575
- Benefits from other deductible temporary differences	–	25
Tax credit attributable to continuing operations	204,229	5,634
Tax expense attributable to discontinued operation	(5,055,351)	–
Tax (expense)/credit recognised in profit or loss	(4,851,122)	5,634

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Taxation (cont'd)

Relationship between tax (expense)/credit and accounting loss

A reconciliation between tax (expense)/credit and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 30 June 2016 and 2015 is as follows:

	Group	
	2016	Restated 2015
	\$	\$
Loss before taxation from continuing operations	(1,714,840)	(515,634)
Loss before taxation from discontinued operation	(16,009,689)	(2,781,811)
	<u>(17,724,529)</u>	<u>(3,297,445)</u>
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,266,364	787,562
Adjustments:		
Non-deductible expenses	(288,269)	(510,633)
Income not subject to taxation	123,690	2,443
Effect of partial tax exemption and tax relief	39,462	114,595
Deferred tax assets not recognised	(3,995,742)	(2,386,039)
Utilisation of deferred tax assets previously not recognised	–	1,988,175
De-recognition of deferred tax assets	(4,941,415)	–
(Under)/over provision in respect of previous years	(89,447)	11,738
Others	34,235	(2,207)
	<u>(4,851,122)</u>	<u>5,634</u>
Tax (expense)/credit	<u>(4,851,122)</u>	<u>5,634</u>

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

As at 30 June 2016, the Group has unutilised tax losses, unabsorbed capital allowances, and other deductible temporary differences amounting to approximately \$22,000,000 (2015: \$195,000), \$3,000,000 (2015: \$50,000) and \$14,300,000 (2015: \$117,000) respectively that are available for offset against future taxable profits of the respective companies in which the temporary differences arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these capital allowances and tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. These capital allowances and tax losses have no expiry date except for which an amount of \$24,000,000 (2015:\$24,629,000) will expire between 2018 to 2020.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

The Company has entered into a sales and purchase agreement to dispose of its China subsidiary, Santak Metal Manufacturing (Wuxi) Co., Ltd. ("Santak Wuxi"). Santak Wuxi was previously reported in the Precision engineering and assembly segment and was loss making for the last three years. As at 30 June 2016, the assets and liabilities of Santak Wuxi have been presented in the balance sheet as "Assets of subsidiary classified as held for sale" and "Liabilities of subsidiary classified as held for sale" respectively, and its results have been presented separately on the Consolidated Income Statement as "Loss from discontinued operation, net of tax".

Balance sheet disclosures

The assets and liabilities of Santak Wuxi classified as held for sale as at 30 June are as follows:

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Income statement disclosures

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

	Group	
	2016	Restated 2015
	\$	\$
Revenue	14,915,429	44,496,965
Cost of sales	(30,615,769)	(43,429,914)
Gross (loss)/profit	(15,700,340)	1,067,051
Other income	1,964,598	2,195,906
Distribution and selling expenses	(853,880)	(1,233,372)
Administrative expenses	(1,032,410)	(1,353,071)
Other operating expenses	(414,107)	(3,488,347)
Financial income	26,450	30,022
Loss from discontinued operation before taxation	(16,009,689)	(2,781,811)
Taxation	(5,055,351)	-
Loss from discontinued operation, net of tax	(21,065,040)	(2,781,811)

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

	Group	
	2016	Restated 2015
	\$	\$
Employee benefits expense	8,157,668	11,154,371
Depreciation of property, plant and equipment	4,170,447	3,885,725
Amortisation of intangible assets	7,542	20,118
Foreign exchange loss/(gain), net	552,010	(110,217)
Operating lease expenses	2,241,558	1,212,081
(Gain)/loss on disposal of property, plant and equipment	(1,027,177)	1,634
Audit fees:		
- Auditors of Santak Wuxi	40,000	35,000
- Other auditors	11,853	11,683
Non-audit fees:		
- Other auditors	10,775	3,006

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Cash flow statement disclosures

The cash flows attributable to Santak Wuxi are as follows:

	Group	
	2016	2015
	\$	\$
Operating	1,234,736	(6,990,542)
Investing	(277,863)	(4,565,983)
Financing	–	8,033,924
	<hr/>	<hr/>
Net cash inflows/(outflows)	956,873	(3,522,601)

Loss per share disclosures

Loss per share from discontinued operation attributable to owners of the Company (cents per share)

Basic	<hr/>	<hr/>
	(19.59)	(2.59)
Diluted	<hr/>	<hr/>
	(19.59)	(2.59)

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

Immediately before the classification of Santak Wuxi as a discontinued operation, the recoverable amount was estimated by the directors for items of trade receivables, inventories and plant and equipment and no impairment loss was identified. Following the classification, there is also no impairment loss recognised as the directors are of the view that the value of these assets are stated at lower of carrying amount or fair value less cost of sales as per required by FRS105.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

9. Dividends

	Group and Company	
	2016	2015
	\$	\$
Declared and paid during the financial year:		
<i>Dividends on ordinary shares:</i>		
First and final exempt (one-tier) dividend for 2015: 0.50 cents (2014: 0.50 cents) per share	537,905	536,405
	2016	2015
	\$	\$
Proposed but not recognised as a liability as at 30 June:		
<i>Dividends on ordinary shares, subject to shareholders' approval at the AGM:</i>		
First and final exempt (one-tier) dividend for 2016: Nil (2015: 0.50 cents) per share	–	537,905

10. Loss per share

(a) *Continuing operations*

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

Diluted loss per share from continuing operations are calculated by dividing the loss from continuing operations, net of tax, attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year. It excludes the effects of common stock equivalents, consisting of options, which are antidilutive.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

10. Loss per share (cont'd)

(a) Continuing operations (cont'd)

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 2016 and 2015:

	Group	
	2016	Restated 2015
	\$	\$
Loss for the year attributable to owners of the Company	(22,575,651)	(3,291,811)
Less: Loss from discontinued operation, net of tax, attributable to owners of the Company	(21,065,040)	(2,781,811)
Loss from continuing operations, net of tax, attributable to owners of the Company used in the computation of diluted earnings per share	<u>(1,510,611)</u>	<u>(510,000)</u>
Weighted average number of ordinary shares for basic loss per share computation	107,528,521	107,280,980
Weighted average number of ordinary shares for diluted loss per share computation	<u>107,528,521</u>	<u>107,280,980</u>

During the financial year, there is 300,000 share options (2015: Nil) that has been exercised to acquire ordinary shares 300,000 (2015: Nil). There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

(b) Loss per share computation

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 loss per share computation. These loss and share data are presented in the tables in Note 10(a) above.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

11. Property, plant and equipment

Group	At cost											Total
	Leasehold property	Plant and machinery	Motor vehicles	Computers	Construction in progress	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost or valuation												
At 1 July 2014	11,500,000	58,141,045	1,191,158	895,291	2,757,306	165,444	1,190,649	641,469	2,773,079	3,740,544	2,740,441	85,736,426
Additions	-	986,550	-	170,674	-	2,450	762,633	180,559	1,331,026	1,301,917	761,378	5,497,187
Disposals	-	(29,400)	-	(27,955)	-	-	(16,836)	-	-	-	-	(74,191)
Adjustments/transfers during the year	-	157,943	-	30,742	(2,913,920)	-	650,787	-	1,085,628	988,820	-	-
Exchange differences	-	2,362,031	33,221	27,113	156,614	3,312	97,419	37,173	254,086	318,965	177,631	3,467,565
At 30 June and 1 July 2015	11,500,000	61,618,169	1,224,379	1,095,865	-	171,206	2,684,652	859,201	5,443,819	6,350,246	3,679,450	94,626,987
Additions	-	1,575,744	80,434	19,508	-	1,690	7,044	11,312	45,491	21,855	136,635	1,899,713
Disposals	-	(6,293,702)	(159,912)	(48,832)	-	(4,799)	(8,979)	-	(241,650)	(147,692)	(17,605)	(6,923,171)
Attributable to discontinued operation (Note 8)	-	(26,281,666)	(386,763)	(410,029)	-	(32,865)	(2,187,338)	(593,104)	(4,665,413)	(5,487,737)	(2,885,241)	(42,930,156)
Exchange differences	-	(1,833,180)	(26,931)	(28,274)	-	(2,223)	(150,844)	(40,789)	(319,837)	(377,320)	(197,914)	(2,977,312)
At 30 June 2016	11,500,000	28,785,365	731,207	628,238	-	133,009	344,535	236,620	262,410	359,352	715,325	43,696,061

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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

Group	At cost											Total
	Leasehold property	Plant and machinery	Motor vehicles	Computers	Construction in progress	Office equipment	Air-conditioners	Furniture and fittings	Renovation	Electrical installation	Tools and equipment	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Accumulated depreciation												
At 1 July 2014	-	47,568,712	461,946	788,550	-	153,125	555,769	491,357	1,386,678	1,843,571	2,540,528	55,790,236
Depreciation charge for the year	393,162	2,698,014	112,734	107,168	-	5,157	195,381	56,834	362,984	484,925	381,841	4,798,200
Disposals	-	(29,400)	-	(27,955)	-	-	(13,750)	-	-	-	-	(71,105)
Elimination of accumulated depreciation on revaluation	-	(773)	-	-	-	-	-	-	-	-	-	(773)
Exchange differences	-	1,664,171	14,622	18,630	-	2,957	26,250	23,621	100,692	129,942	153,547	2,134,432
At 30 June and 1 July 2015	393,162	51,900,724	589,302	886,393	-	161,239	763,650	571,812	1,850,354	2,458,438	3,075,916	62,650,990
Depreciation charge for the year	393,162	2,678,184	99,126	109,668	-	2,181	227,199	50,101	436,039	508,391	514,855	5,018,906
Disposals	-	(6,293,702)	(145,337)	(48,832)	-	(4,799)	(8,979)	-	(241,650)	(142,286)	(17,605)	(6,903,190)
Attributable to discontinued operation (Note 8)	-	(18,970,496)	(214,265)	(321,782)	-	(32,559)	(651,678)	(368,341)	(1,703,974)	(2,318,181)	(2,676,926)	(27,258,202)
Exchange differences	-	(1,323,852)	(14,788)	(21,618)	-	(2,211)	(43,435)	(25,040)	(112,918)	(155,397)	(180,915)	(1,880,174)
At 30 June 2016	786,324	27,990,858	314,038	603,829	-	123,851	286,757	228,532	227,851	350,965	715,325	31,628,330
Net carrying amount												
At 30 June 2015	11,106,838	9,717,445	635,077	209,472	-	9,967	1,921,002	287,389	3,593,465	3,891,808	603,534	31,975,997
At 30 June 2016	10,713,676	794,507	417,169	24,409	-	9,158	57,778	8,088	34,559	8,387	-	12,067,731

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Company	Computers \$	Motor vehicles \$	Total \$
Cost			
At 1 July 2014	289,672	497,975	787,647
Additions	2,913	–	2,913
At 30 June and 1 July 2015	292,585	497,975	790,560
Additions	5,615	–	5,615
Disposals	–	(90,000)	(90,000)
At 30 June 2016	298,200	407,975	706,175
Accumulated depreciation			
At 1 July 2014	284,684	216,472	501,156
Depreciation charge for the year	2,670	43,147	45,817
At 30 June and 1 July 2015	287,354	259,619	546,973
Depreciation charge for the year	3,606	36,208	39,814
Disposals	–	(75,700)	(75,700)
At 30 June 2016	290,960	220,127	511,087
Net carrying amount			
At 30 June 2015	5,231	238,356	243,587
At 30 June 2016	7,240	187,848	195,088

Revaluation of leasehold property

The leasehold property of the Group was revalued at 30 June 2016 based on independent professional valuations carried out by an accredited valuer. These valuations are determined by the valuer based on the direct comparison method that makes reference to recent market transactions.

If the leasehold property was stated at cost less accumulated depreciation, the net carrying amount would have been \$2,379,000 (2015: \$2,467,000).

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Assets held under finance leases

The carrying amount of motor vehicles of the Group held under finance leases at the balance sheet date was \$398,388 (2015: \$372,050). The Company's motor vehicles were held under finance leases.

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

Assets pledged as security

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

12. Investments in subsidiary companies

(a) These comprise:

	Company	
	2016	2015
	\$	\$
Unquoted equity shares, at cost	8,356,338	8,356,338
Impairment losses	(243,162)	(243,162)
	<hr/>	<hr/>
	8,113,176	8,113,176

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

12. Investments in subsidiary companies (cont'd)

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held		Cost of investment	
			2016	2015	2016	2015
			%	%	\$	\$
Held by the Company						
Santak Metal Manufacturing Pte Ltd ⁽¹⁾	Singapore	Manufacture of precision machined components	100	100	8,113,173	8,113,173
Santak Industrial Pte Ltd ⁽¹⁾	Singapore	Trading and distribution of electronic, electrical and mechanical components/ products	100	100	243,162	243,162
Santak Electronics Pte Ltd ⁽¹⁾	Singapore	Trading and distribution of electronic, electrical and mechanical components/ products (currently dormant)	100	100	3	3
					8,356,338	8,356,338

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

12. Investments in subsidiary companies (cont'd)

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

Name of company	Country of incorporation and place of business	Principal activities	Percentage of equity held	
			2016 %	2015 %
Held by Santak Metal Manufacturing Pte Ltd				
Santak Metal Manufacturing (Wuxi) Co., Ltd ⁽²⁾	Wuxi, People's Republic of China	Manufacture of precision machined components, sub-assembly, die-casting as well as mould/fixture design and fabrication	100**	100
Wuxi Tech Precision Engineering Co., Ltd ⁽²⁾	Wuxi, People's Republic of China	Manufacture of precision machined components, mould/fixture design and fabrication	—*	100
T.N.K. Precision Engineering Work Pte Ltd ⁽¹⁾	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Hang Yip Metal Manufacturing Pte Ltd ⁽¹⁾	Singapore	Manufacture of precision machined components (currently dormant)	100	100
Held by Santak Electronics Pte Ltd				
Santak Electronics Sdn Bhd ⁽³⁾	Malaysia	Manufacture of electronic, electrical and mechanical components and products (currently dormant)	100	100

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

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

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

* The subsidiary was deregistered in April 2016.

** The impairment for investment in subsidiary is recorded at Santak Metal Manufacturing Pte Ltd financial statement.

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

13. Intangible assets

Group	Club membership \$	Computer software licenses \$	Total \$
Cost			
At 1 July 2014	150,000	543,373	693,373
Net exchange differences	–	17,380	17,380
Addition	–	6,240	6,240
At 30 June and 1 July 2015	150,000	566,993	716,993
Attributable to discontinued operation	–	(229,628)	(229,628)
Addition	2,160	5,536	7,696
Net exchange differences	–	(15,537)	(15,537)
At 30 June 2016	152,160	327,364	479,524
Accumulated amortisation			
At 1 July 2014	125,502	384,537	510,039
Amortisation	2,334	52,840	55,174
Net exchange differences	–	15,531	15,531
At 30 June and 1 July 2015	127,836	452,908	580,744
Amortisation	4,347	40,604	44,951
Attributable to discontinued operation	–	(223,448)	(223,448)
Net exchange differences	–	(14,888)	(14,888)
At 30 June 2016	132,183	255,176	387,359
Net carrying amount			
At 30 June 2015	22,164	114,085	136,249
At 30 June 2016	19,977	72,188	92,165

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

13. Intangible assets (cont'd)

Company	Computer software license \$
Cost	
At 1 July 2014, 30 June and 1 July 2015	211,367
Addition	<u>445</u>
At 30 June 2016	<u>211,812</u>
Accumulated amortisation	
At 1 July 2014	164,626
Amortisation	<u>21,242</u>
At 30 June and 1 July 2015	185,868
Amortisation	<u>21,541</u>
At 30 June 2016	<u>207,409</u>
Net carrying amount	
At 30 June 2015	<u>25,499</u>
At 30 June 2016	<u>4,403</u>

The amortisation expense is included in the "Administrative expenses" line item in profit or loss.

14. Restricted fixed deposits

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

15. Inventories

	Group	
	2016	2015
	\$	\$
Balance sheet:		
Raw materials	344,559	3,832,653
Work-in-progress	400,206	7,713,767
Finished goods	1,065,593	14,496,928
	<hr/>	<hr/>
Total inventories at lower of cost and net realisable value	1,810,358	26,043,348

	Group	
	2016	Restated 2015
	\$	\$
Income statement:		
Inventories recognised as an expense in cost of sales	45,435,200	54,127,016
Inclusive of the following charge/(credit):		
- inventories written down	129,760	826,475
- reversal of write down of inventories	(59,564)	(137,446)
	<hr/>	<hr/>

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

16. Trade receivables

	Group	
	2016	2015
	\$	\$
Trade receivables	7,757,369	45,446,166
Less: Allowance for doubtful receivables	(73,806)	(82,822)
	<hr/>	<hr/>
	7,683,563	45,363,344

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 Trade receivables is an amount of \$63,841 (2015: \$5,308,995) relates to GST receivables.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

16. Trade receivables (cont'd)

Included in trade receivables at 30 June were trade receivables from customers amounting to \$815,040 (2015: \$12,016,723) sold to a bank under factoring arrangements. These factored trade receivables was included in trade receivables as the Group still retained the risk and rewards associated with the delay and default in payment by customers. These factored trade receivables were secured by credit insurance policies from a financial institution.

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

	Group	
	2016	2015
	\$	\$
United States Dollar	6,905,887	24,245,394

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$1,748,113 (2015: \$16,195,367) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period are as follows:

	Group	
	2016	2015
	\$	\$
Trade receivables past due:		
Lesser than 30 days	1,470,866	7,813,030
30 to 90 days	211,455	7,585,042
91 to 120 days	65,792	797,295
	<u>1,748,113</u>	<u>16,195,367</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

16. Trade receivables (cont'd)

Receivables that are impaired

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

	Group	
	Individually impaired	
	2016	2015
	\$	\$
Trade receivables – nominal	73,806	82,822
Less: Allowance for doubtful receivables	(73,806)	(82,822)
	–	–
	–	–
<i>Movement in allowance</i>		
At 1 July	82,822	82,158
Exchange differences	–	664
Written off	(9,016)	–
	73,806	82,822
At 30 June	73,806	82,822

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

17. Other receivables

	Group	
	2016	2015
	\$	\$
Deposits	800	626,415
Sundry receivables	–	1,302,660
	800	1,929,075
	800	1,929,075

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

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

19. Cash and cash equivalents

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

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

As at 30 June 2016, the Group had available, undrawn committed banking facilities of \$2,509,000 (2015: \$11,932,000) 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	
	2016	2015
	\$	\$
United States Dollar	3,780,307	11,699,357

20. Trade payables

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

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

	Group	
	2016	2015
	\$	\$
United States Dollar	55,599	88,735

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

21. Other liabilities

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Accrued operating expenses	1,285,640	4,249,257	358,343	386,760
Sundry payables	1,107,914	4,864,470	125,450	56,769
	<u>2,393,554</u>	<u>9,113,727</u>	<u>483,793</u>	<u>443,529</u>

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

22. Loans and borrowings

	Maturities	Group	
		2016	2015
		\$	\$
Secured term loans			
Term loan I – USD loan	2010 – 2018	171,574	254,177
Term loan II – SGD loan	2012 – 2016	–	302,153
Term loan III – USD loan	2016	2,698,000	2,690,000
Term loan IV – SGD loan	2016	1,000,000	1,000,000
Term loan V – SGD loan	2016	500,000	500,000
Term loan VI – SGD loan	2011 – 2015	–	380,040
Term loan VII – SGD loan	2017	2,510,000	4,170,000
Term loan VIII – SGD loan	2016	1,500,000	1,500,000
Term loan IX – USD loan	2014 – 2018	18,211,500	19,092,573
Term loan X – USD loan	2014 – 2017	1,911,335	4,178,338
Total term loans		<u>28,502,409</u>	<u>34,067,281</u>
Bank advances on factored trade receivables (Note 16)	2016	815,040	12,016,723
Total loans and borrowings		<u>29,317,449</u>	<u>46,084,004</u>
Due within 12 months		29,317,449	31,160,909
Due after 12 months		–	14,923,095
		<u>29,317,449</u>	<u>46,084,004</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

22. Loans and borrowings (cont'd)

- (a) Term loans I, III, IV, V, VI, VIII, IX, and X are secured by:-
- (i) a legal mortgage over a subsidiary company's leasehold property as disclosed in Note 11 to the financial statements;
 - (ii) a letter of charge and set-off over a subsidiary company's fixed deposits as disclosed in Note 14 to the financial statements; and
 - (iii) a corporate guarantee from the Company.
- (b) Term loan II is secured by a corporate guarantee from the Company.
- (c) Term loan VII is secured by a letter of charge and set-off over a subsidiary company's fixed deposit as disclosed in Note 14 of the financial statements and a corporate guarantee from the Company.
- (d) Term loan I is repayable over 91 months commencing from December 2010 and bears interests at 1.5% per annum over the 1-month Singapore Inter Bank Offer Rate ("SIBOR").
- (e) Term loan II is repayable over 48 months commencing from April 2012 and bears interest at 4.5% per annum. The loan is fully discharged during the year.
- (f) Term loan III is a revolving credit facility maturing in July 2016 and bears interests at the higher of 2.25% per annum over the prevailing SIBOR or 2.25% per annum above the prevailing cost of funds of the bank. The loan may be rolled-over upon maturity for periods up to 6 months at each roll-over date.
- (g) Term loan IV is a revolving credit facility maturing in November 2016 and bears interest of the higher of 1.75% per annum above the bank's prevailing swap offer rate or 1.75% per annum over the prevailing cost of funds of the bank. The loan may be rolled-over upon maturity for periods of up to 6 months at each roll-over date.
- (h) Term loan V is a revolving credit facility maturing in August 2016 and bears interests at the higher of 1.75% per annum above the bank's prevailing swap offer rate or 1.75% per annum over the prevailing cost of funds of the bank. The loan may be rolled-over upon maturity for periods of up to 6 months at each roll-over date.
- (i) Term loan VI is repayable over 48 months commencing from December 2011 and bears interests at the higher of 2.25% per annum above the bank's 3-month swap offer rate or 2.25% per annum over the 3-month cost of funds of the bank.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

22. Loans and borrowings (cont'd)

- (j) Term loan VII is a revolving credit facility maturing in October 2017 and bears interests at mutually agreed rate determined on date of roll-over. Subject to the bank's approval, the loan may be rolled-over upon maturity for periods of up to 3 months at each roll-over date.
- (k) Term loan VIII is a revolving credit facility maturing in August 2016 and bears interest at the higher of 1.75% per annum above the bank's prevailing swap offer rate or 1.75% over the prevailing cost of funds of the bank. The loan may be rolled-over upon maturity for periods of up to 6 months at each roll-over date.
- (l) Term loan IX is repayable over 48 months commencing from October 2014 and bears interests at the higher of 2.5% per annum over the prevailing 3-month London Inter Bank Offer Rate ("LIBOR") or 2.5% per annum over the prevailing 3-month cost of funds of the bank.
- (m) Term loan X is repayable over 31 months commencing from December 2014 and bears interests at the higher of 2.5% per annum over the prevailing 3-month LIBOR or 2.5% per annum over the prevailing 3-month cost of funds of the bank.
- (n) Bank advances on factored trade receivables bear interests at the higher of 1.25% per annum over the prevailing LIBOR or 1.25% per annum over the bank's prevailing cost of funds until payment is received by the bank. The bank advances on factored trade receivables are secured by credit insurance policies on the factored receivables.

Breach of covenants

During the financial year, the Group breached covenants in respect of its term loans. A subsidiary company did not fulfil the requirements to maintain a minimum consolidated tangible net worth of \$35 million for term loans I, III, IV, V, VI, VIII IX and X and a minimum consolidated tangible net worth of \$27 million for term loan VII. Due to the breach of covenant clauses, the banks are contractually entitled to request for immediate repayment of the outstanding loan amounts. These amounts outstanding on these term loans were presented as current liabilities at the end of the reporting period.

One of the banks constituting 91% of the total outstanding bank loans had agreed to accommodate the breach on a one off basis for 3 months from 29 August 2016. The remaining bank granted an indulgence on the covenant breach for term loan VII. Subsequently, the banks lowered the minimum consolidated tangible net worth covenants to \$15 million so that the Group is no longer in breach of the bank covenants since the Group has entered into a sales and purchase agreement to dispose of the China subsidiary (Note 35).

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

23. Obligations under finance leases

The Group's property, plant and equipment include leased plant and machinery and motor vehicles used in the business operations of the precision engineering and assembly division. These leases are classified as finance leases, which expire over the next 7 years and do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rates in the leases range from 3.59% to 5.356% (2015: 3.59% to 4.5%) per annum.

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

Group	Maturities	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
		2016	2016	2015	2015
		\$	\$	\$	\$
Not later than one year	2017	81,072	66,350	67,327	54,483
Later than one year but not later than five years	2018 - 2021	317,830	286,036	269,280	238,579
More than five years	2022	54,067	52,388	92,069	89,294
Total minimum lease payments		452,969	404,774	428,676	382,356
Less: amounts representing finance charges		(48,195)	–	(46,320)	–
Present value of minimum lease payments		404,774	404,774	382,356	382,356
Company		Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
		2016	2016	2015	2015
		\$	\$	\$	\$
Not later than one year	2017	38,472	32,894	38,472	31,728
Later than one year but not later than five years	2018 - 2021	147,430	137,560	153,888	138,950
More than five years	2022	–	–	32,014	31,504
Total minimum lease payments		185,902	170,454	224,374	202,182
Less: amounts representing finance charges		(15,448)	–	(22,192)	–
Present value of minimum lease payments		170,454	170,454	202,182	202,182

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

24. Deferred taxation

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

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$
<i>Deferred tax liabilities</i>						
Differences in depreciation for tax purposes	(445,427)	(577,082)	(131,655)	(56,924)	-	-
Provisions	26,126	19,186	(6,940)	1,237	-	-
Revaluation of leasehold property to fair value	(1,412,997)	(1,466,826)	(53,829)	(53,828)	-	-
	<u>(1,832,298)</u>	<u>(2,024,722)</u>			<u>-</u>	<u>-</u>
<i>Deferred tax assets</i>						
Difference in depreciation for tax purposes	-	1,215,711	1,215,711	-	6,774	3,692
Unutilised tax losses	-	3,612,418	3,612,418	-	-	-
Provisions	-	147,681	147,681	-	-	-
Translation adjustments	-	-	(34,395)	(26)	-	-
	-	<u>4,975,810</u>			<u>6,774</u>	<u>3,692</u>
Deferred tax expense/ (income)			<u>4,748,991</u>	<u>(109,541)</u>		

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

25. Share capital

	Group and Company			
	2016 No. of shares	2016 \$	2015 No. of shares	2015 \$
<i>Ordinary shares issued and fully paid</i>				
At beginning of the year	107,280,980	12,780,487	107,280,980	12,780,487
Exercise of share option	300,000	71,700	–	–
At end of the year	107,580,980	12,852,187	107,280,980	12,780,487

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.

The Company had a share option scheme (Note 27) under which options to subscribe for the Company's ordinary shares have been granted to employees of the Group.

26. Other reserves

(i) Share option reserve

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

	Group and Company	
	2016 \$	2015 \$
At beginning of the year	304,947	542,228
Transfer of reserve	(304,947)	(237,281)
At end of the year	–	304,947

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

26. Other reserves (cont'd)

(ii) Revaluation reserve

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

	Group	
	2016	2015
	\$	\$
At beginning and end of the year	7,346,394	7,346,394

(iii) Statutory reserves

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

	Group	
	2016	2015
	\$	\$
At beginning of the year	962,363	955,025
Transfer (to)/from accumulated losses	(15,238)	7,338
At end of the year	947,125	962,363

Wuxi Tech Precision Engineering Co., Ltd. was deregistered in April 2016, hence the related SRF was reversed to accumulated losses.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

26. Other reserves (cont'd)

(iv) Translation reserve

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

	Group	
	2016	2015
	\$	\$
At beginning of the year	3,225,432	426,215
Net effect of exchange differences arising from translation of financial statements of foreign operations	(989,346)	2,799,217
Realisation of translation reserve on deregistration of a subsidiary company	(59,159)	–
	<hr/>	<hr/>
At end of the year	<u>2,176,927</u>	<u>3,225,432</u>

27. Employee benefits

	Group	
	2016	2015
	\$	\$
Employee benefits expense (including directors and key management personnel):		
Salaries, wages and bonuses	10,466,941	12,257,222
Defined contributions plan	2,238,689	2,623,170
Other personnel expenses	1,108,373	2,449,628
	<hr/>	<hr/>
	<u>13,814,003</u>	<u>17,330,020</u>

Santak Share Option Scheme 2001

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

27. Employee benefits (cont'd)

Santak Share Option Scheme 2001 (cont'd)

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

The options issued under the Scheme have all expired in September 2015.

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

	No. 2016	WAEP 2016 \$	No. 2015	WAEP 2015 \$
Outstanding at beginning of year	2,800,000	0.239	2,800,000	0.239
Exercised during the year ¹	(300,000)	0.239	–	–
Lapsed during the year	(2,500,000)	–	–	–
Outstanding at end of year ²	–	–	2,800,000	0.239
Exercisable at end of year	–	–	2,800,000	0.239

¹ The weighted average share price at the date of exercise of the options exercised during the financial year was \$0.239 (2015: \$Nil).

² The exercise price for options outstanding at the end of the year was \$Nil (2015: \$0.239). There are no outstanding options at the end of the year. The weighted average remaining contractual life for the outstanding options as at 30 June 2015 is 3 months.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

27. Employee benefits (cont'd)

Santak Share Option Scheme 2001 (cont'd)

No new share options have been granted during the year.

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

28. Commitments and contingent liabilities

(a) Operating lease commitments

The Group has various operating lease agreements for its offices and factory premises. These leases have an average tenure of between 5 and 60 years with no contingent rent provision included in the contracts. Most leases contain renewable options. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Operating lease payments recognised in the consolidated income statement during the year amounted to \$2,423,537 (2015: \$1,400,609).

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

	Group	
	2016	2015
	\$	\$
Not later than one year	1,670,658	1,721,276
Later than one year but not later than five years	649,699	2,603,743
Later than five years	5,231,432	5,393,859
	7,551,789	9,718,878

(b) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements is as follows:

	Group	
	2016	2015
	\$	\$
Commitments in respect of property, plant and equipment	–	1,013,000

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

28. Commitments and contingent liabilities (cont'd)

(c) Contingent liabilities

Corporate guarantees

The Company issued corporate guarantees amounting to approximately \$104,450,000 (2015: \$111,272,000) in favour of certain financial institutions for banking and finance lease facilities granted to and utilised by a subsidiary company. The fair value of such guarantees was not significant in the current and previous financial years.

At the end of the reporting period, the outstanding liabilities of the subsidiary company which were secured by the abovementioned corporate guarantees amounted to approximately \$29,474,000 (2015: \$46,264,000).

29. Related party transactions

(a) Sale and purchase of services

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

	Group		Company	
	2016	2015	2016	2015
	\$	\$	\$	\$
Income				
Management fee income from subsidiary company	-	-	1,515,000	1,515,000
Dividend income from subsidiary company	-	-	-	200,000
Purchases				
Advisory service fee from a company of which a director has a financial interest (Note (a))	96,000	96,000	96,000	96,000

Note (a): Other director's interest

The Company has entered into a contract with Strategic Alliance Capital Pte Ltd ("SAC"), a company of which a director of the Company is a member and has a substantial financial interest, for the provision of advisory and consultancy services. As at 30 June 2016 and 2015, there were no outstanding amounts due to SAC.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

29. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2016	2015
	\$	\$
Salaries and other short-term employee benefits	1,706,904	1,782,423
Central Provident Fund contributions	85,464	78,431
	1,792,368	1,860,854
Comprise amounts paid to:		
Directors of the Company	873,754	870,407
Other key management personnel	918,614	990,447
	1,792,368	1,860,854

Directors' interests in an employee share option plan

During the financial year, a participant of the Santak Share Option Scheme exercised options for 300,000 (2015: Nil) ordinary shares of the Company at a price of \$0.239 (2015: \$Nil) each under the Santak Share Option Scheme 2001 (Note 27), with total cash consideration of \$71,700 (2015: \$Nil) paid to the Company.

No share option was granted to the directors during the year.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information

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

Precision engineering and assembly:

Manufacture of precision machined components, sub-assembly, die-casting as well as mould/fixture design and fabrication.

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 2016

30. Segment information (cont'd)

(a) Operating segments

The following table presents revenue and results information, assets and liabilities information regarding the Group's operating segments for the years ended 30 June 2016 and 2015.

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (cont'd)

(a) Operating segments (cont'd)

2015 (Restated)	Precision engineering and assembly \$	Trading and distribution \$	Investment and management services \$	Adjustments and eliminations \$	Notes	Total \$
Continuing operations						
Revenue						
Sales to external customers	55,450,559	3,200,279	–	–		58,650,838
Inter-segment sales	–	302	1,715,000	(1,715,302)	A	–
Total revenue	55,450,559	3,200,581	1,715,000	(1,715,302)		58,650,838
Results						
Interest income	16,876	220	–	–		17,096
Interest expenses	(744,675)	–	(5,612)	–		(750,287)
Depreciation and amortisation	(878,402)	(2,071)	(67,058)	–		(947,531)
Other non-cash expenses	(96,671)	(4,818)	–	–	B	(101,489)
Taxation	12,336	(759)	(5,943)	–		5,634
Segment (loss)/profit	(616,117)	44,629	261,488	(200,000)	C	(510,000)
Discontinued operation						
Revenue						
Sales to external customers	44,496,965	–	–	–		44,496,965
Inter-segment sales	–	–	–	–	A	–
Total revenue	44,496,965	–	–	–		44,496,965
Results						
Interest income	30,022	–	–	–		30,022
Interest expenses	–	–	–	–		–
Depreciation and amortisation	(3,905,843)	–	–	–		(3,905,843)
Other non-cash expenses	(731,438)	–	–	–	B	(731,438)
Taxation	–	–	–	–		–
Segment profit/(loss)	(2,781,811)	–	–	–	C	(2,781,811)
Group						
Assets						
Additions to non-current assets	5,496,722	2,652	4,053	–	D	5,503,427
Segment assets	130,700,814	1,074,977	14,565,985	(14,536,387)	E	131,805,389
Liabilities						
Segment liabilities	89,750,731	1,360,173	651,580	(6,423,281)	F	85,339,203

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (cont'd)

(a) Operating segments (cont'd)

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

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

B *Other non-cash expenses consist of inventories written down amounting to \$2,280,207 (2015: \$826,475), provision for diminution in investment amounting to \$2,471 (2015: \$4,818) and gain on fixed assets disposal amounting to \$1,108,960 (2015 loss: \$1,634) as presented in the respective notes to the financial statements.*

C *The following item is deducted from segment profit to arrive at "Loss before taxation" presented in the consolidated income statement:*

	2016	2015
	\$	\$
Inter-segment income	-	200,000

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

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

	2016	2015
	\$	\$
Investments in subsidiary companies	(8,113,176)	(8,113,176)
Inter-segment assets	(5,994,295)	(6,423,211)
	<u>(14,107,471)</u>	<u>(14,536,387)</u>

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

	2016	2015
	\$	\$
Inter-segment liabilities	<u>(5,994,312)</u>	<u>(6,423,281)</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (cont'd)

(b) Geographical segments

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

	Revenue – Continuing Operations \$	Revenue – Discontinued Operation \$	Non-current assets \$
2016			
Singapore	506,113	–	12,159,896
Asean (excluding Singapore)	6,316,645	–	–
North Asia	35,177,429	14,895,177	–
America and Europe	6,582,931	20,252	–
Others	112,337	–	–
Total	<u>48,695,455</u>	<u>14,915,429</u>	<u>12,159,896</u>
2015 (Restated)			
Singapore	978,589	–	12,966,835
Asean (excluding Singapore)	6,553,248	–	–
North Asia	46,445,953	44,496,965	19,145,411
America and Europe	4,534,146	–	–
Others	138,902	–	–
Total	<u>58,650,838</u>	<u>44,496,965</u>	<u>32,112,246</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Segment information (cont'd)

(b) Geographical segment (cont'd)

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

Information about major customers

The Group derives revenue from three (2015: three) major customers arising from the precision engineering and assembly segment are as follows:

	2016	2015
	\$	\$
Customer A	10,819,718	15,878,953
Customer B	3,444,474*	21,516,862
Customer C	8,780,243	19,871,974
Customer D	8,959,588	12,438,749*
	<u>32,004,023</u>	<u>69,706,538</u>

* These figures are presented for comparative purposes only.

31. Financial risk management objectives and policies

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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.

Interest rate risk

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

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

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the Group's loss net of tax would have been approximately \$90,000 (2015: \$156,000) lower/higher, arising mainly as a result of lower/higher expense on floating rate bank borrowings and lower/higher interest income from floating rate bank balances.

Liquidity risk

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

	Within 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
2016 Group				
Financial assets:				
Restricted fixed deposits	3,509,189	–	–	3,509,189
Trade and other receivables (excluding GST receivables)	7,620,522	–	–	7,620,522
Cash and cash equivalents	5,215,919	–	–	5,215,919
Total undiscounted financial assets	16,345,630	–	–	16,345,630
Financial liabilities:				
Trade payables (excluding GST payables)	(1,225,991)	–	–	(1,225,991)
Other liabilities (excluding GST payables)	(2,372,085)	–	–	(2,372,085)
Loans and borrowings	(30,090,376)	–	–	(30,090,376)
Obligations under finance leases	(81,072)	(317,830)	(54,067)	(452,969)
Total undiscounted financial liabilities	(33,769,524)	(317,830)	(54,067)	(34,141,421)
Total net undiscounted financial liabilities	(17,423,894)	(317,830)	(54,067)	(17,795,791)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Liquidity risk (cont'd)

	Within 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
2015 Group				
Financial assets:				
Restricted fixed deposits	1,251,000	2,734,707	–	3,985,707
Trade and other receivables (excluding GST receivables)	41,983,424	–	–	41,983,424
Cash and cash equivalents	15,523,383	–	–	15,523,383
Total undiscounted financial assets	58,757,807	2,734,707	–	61,492,514
Financial liabilities:				
Trade payables (excluding GST payables)	(27,654,248)	–	–	(27,654,248)
Other liabilities (excluding GST payables)	(9,090,159)	–	–	(9,090,159)
Loans and borrowings	(31,884,921)	(15,241,387)	–	(47,126,308)
Obligations under finance leases	(67,327)	(269,280)	(92,069)	(428,676)
Total undiscounted financial liabilities	(68,696,655)	(15,510,667)	(92,069)	(84,299,391)
Total net undiscounted financial liabilities	(9,938,848)	(12,775,960)	(92,069)	(22,806,877)
2016 Company				
Financial assets:				
Loan to a subsidiary company	–	–	4,030,000	4,030,000
Due from subsidiary companies (non-trade)	1,571,665	–	–	1,571,665
Dividend receivable from a subsidiary company	–	–	–	–
Cash and cash equivalents	212,664	–	–	212,664
Total undiscounted financial assets	1,784,329	–	4,030,000	5,814,329
Financial liabilities:				
Other liabilities (excluding GST payables)	(462,324)	–	–	(462,324)
Obligations under finance leases	(38,472)	(147,430)	–	(185,902)
Total undiscounted financial liabilities	(500,796)	(147,430)	–	(648,226)
Total net undiscounted financial assets/(liabilities)	1,283,533	(147,430)	4,030,000	5,166,103

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

2015 Company	Within 1 year \$	1 to 5 years \$	More than 5 years \$	Total \$
Financial assets:				
Loan to a subsidiary company	–	–	4,030,000	4,030,000
Due from subsidiary companies (non-trade)	1,798,952	–	–	1,798,952
Dividend receivable from a subsidiary company	200,000	–	–	200,000
Cash and cash equivalents	132,412	–	–	132,412
	<hr/>			<hr/>
Total undiscounted financial assets	2,131,364	–	4,030,000	6,161,364
Financial liabilities:				
Other liabilities (excluding GST payables)	(420,171)	–	–	(420,171)
Obligations under finance leases	(38,472)	(153,888)	(32,014)	(224,374)
	<hr/>			<hr/>
Total undiscounted financial liabilities	(458,643)	(153,888)	(32,014)	(644,545)
	<hr/>			<hr/>
Total net undiscounted financial assets/(liabilities)	1,672,721	(153,888)	3,997,986	5,516,819

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 30% (2015: 30%) of its trade debts relating to two (2015: two) customers. The carrying amount of trade and other receivables, fixed deposits and cash and bank balances represent the Group's maximum exposure to credit risk. Cash and bank balances are placed with banks of good standing. The Group performs ongoing credit evaluation of its customers' financial conditions and maintains an allowance for doubtful trade debts based upon expected collectability of all trade debts.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Credit risk (cont'd)

Exposure to credit risk

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

- A nominal amount of \$104,450,000 (2015: \$111,272,000) relating to corporate guarantees provided by the Company to the banks on a subsidiary company's bank loan.

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			
	2016		2015	
	\$	% of total	\$	% of total
By country:				
People's Republic of China	5,362,727	70	43,086,993	94
Asia excluding Singapore	1,255,226	16	1,177,636	3
Singapore	118,763	2	255,728	1
USA & Europe	946,847	12	842,987	2
	<hr/> 7,683,563	100	<hr/> 45,363,344	100
By operating segments:				
Precision engineering and assembly	7,058,094	92	44,841,662	99
Trading and distribution	625,469	8	521,682	1
	<hr/> 7,683,583	100	<hr/> 45,363,344	100

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. At balance sheet date, trade receivables of \$815,040 (2015: \$12,016,723) due from customers are covered by credit insurance policies from a reputable financial institution with high credit ratings and no history of default.

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

Financial assets that are either past due or impaired

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

Foreign exchange risk

The Group is exposed to the effects of foreign exchange rate fluctuations mainly because of its foreign currency denominated operating revenues and expenses, assets and liabilities as well as net investments in foreign operations, primarily in Renminbi ("RMB") and United States Dollars ("USD"). The Group has certain investments in foreign countries mainly in People's Republic of China, whose net assets are exposed to foreign currency translation risk. The Group manages its foreign exchange exposure by matching, as far as possible, receipts and payments in each individual currency.

Where necessary, the Group enters into derivative foreign exchange contracts to hedge its foreign exchange risk resulting from cash flows from transactions denominated in USD. Approximately 30% (2015: 47%) of the Group's sales are denominated in the functional currencies of the operating units making the sale, while almost 98% (2015: 91%) of costs are denominated in the respective functional currencies of the Group's entities. The Group's trade receivable and trade payable balances at the balance sheet date have similar exposures.

The Group also held cash and cash equivalents denominated in foreign currencies for working capital purposes, mainly in USD and RMB. At the balance sheet date, net working capital not denominated in their respective functional currencies amounts to \$11,372,000 (2015: \$36,946,000).

The Renminbi is not freely convertible into foreign currencies. Under the People's Republic of China ("PRC") foreign exchange control regulations and administration of settlement, sales and payment of foreign exchange regulations, the Group is permitted to exchange Renminbi for foreign currencies through banks that are authorised to conduct foreign exchange business.

At 30 June 2016, the Group had hedged none (2015: Nil) of its foreign currency denominated trade receivables.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Foreign exchange risk (cont'd)

Sensitivity analysis for foreign currency risk

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

	Group	
	Loss net of tax	
	2016	2015
	\$'000	\$'000
USD/SGD - strengthened 5% (2015: 5%)	-418	+483
- weakened 5% (2015: 5%)	+418	-483
USD/RMB - strengthened 5% (2015: 5%)	+74	+90
- weakened 5% (2015: 5%)	-74	-90

32. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(b) Assets and liabilities measured at fair value

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

	Group			
	2016 and 2015			
	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
Assets measured at fair value				
Non-financial assets:				
<i>Leasehold property</i>	–	–	11,500	11,500

(c) Level 3 fair value measurements

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

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

Description	Fair value as at	Valuation	Unobservable	Range
	30 June 2016			
	and 30 June	techniques	inputs	
	2015	(Level 2)	(Level 3)	
	S\$ '000			
<i>Recurring fair value measurements</i>				
<i>Leasehold building</i>	11,500	Comparable sales approach	Yield adjustments [#]	+/- 35%

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

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

There is no movement in the fair value measurements of Level 3 assets between the valuation done as at 30 June 2014 and 30 June 2016.

(iii) Valuation policies and procedures

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

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

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to use a minimum of two valuation approaches to allow for cross-checks.

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 2016

32. 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 not reasonable approximation of fair value**

Loan to a subsidiary company

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

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

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

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

Obligations under finance leases and loans and borrowings with fixed rate

Management believes that the carrying amount recorded at the balance sheet date approximates its fair value as the interest rates of the finance leases and long-term fixed rate loans and borrowings closely approximates the market interest rates on or near the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(f) Categories of financial instruments

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

Group	Loans and receivables	Liabilities at amortised cost
<i>At 30 June 2016</i>	\$	\$
Assets		
Restricted fixed deposits (Note 14)	3,509,189	–
Trade receivables (excluding GST receivables)	7,619,722	–
Other receivables (excluding GST receivables)	800	–
Cash and cash equivalents (Note 19)	5,215,919	–
Liabilities		
Trade payables (excluding GST payables)	–	(1,225,991)
Other liabilities (excluding GST payables)	–	(2,372,085)
Loans and borrowings (Note 22)	–	(29,317,449)
Total	16,345,630	(32,915,525)
<i>At 30 June 2015</i>		
Assets		
Restricted fixed deposits (Note 14)	3,985,707	–
Trade receivables (excluding GST receivables)	40,054,349	–
Other receivables (excluding GST receivables)	1,929,075	–
Cash and cash equivalents (Note 19)	15,523,383	–
Liabilities		
Trade payables (excluding GST payables)	–	(27,654,248)
Other liabilities (excluding GST payables)	–	(9,090,159)
Loans and borrowings (Note 22)	–	(46,084,004)
Total	61,492,514	(82,828,411)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

Company <i>At 30 June 2016</i>	Loans and receivables \$	Liabilities at amortised cost \$
Assets		
Loan to a subsidiary company (Note 18)	4,030,000	–
Due from subsidiary companies (non-trade) (Note 18)	1,571,665	–
Cash and cash equivalents (Note 19)	212,664	–
Liabilities		
Other liabilities (excluding GST payables)	–	(462,324)
Total	5,814,329	(462,324)
<i>At 30 June 2015</i>		
Assets		
Loan to a subsidiary company (Note 18)	4,030,000	–
Due from subsidiary companies (non-trade) (Note 18)	1,798,952	–
Dividend receivable from a subsidiary company	200,000	–
Cash and cash equivalents (Note 19)	132,412	–
Liabilities		
Other liabilities (excluding GST payables)	–	(420,171)
Total	6,161,364	(420,171)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

33. Capital management

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

The Group's banking facilities contains certain banking covenants which include the maintenance of certain gearing ratios and minimum tangible net asset values. These covenants are tested at the end of each reporting period. As disclosed in Note 22, the Group breached covenants of its term loans. The banks had not requested for immediate repayment of the outstanding loan amounts as at the date when these financial statements were authorised for issue. As of the date the financial statements were authorised for issue, the banks had lowered the minimum consolidated tangible net worth covenants to \$15 million so that the Group is no longer in breach of the bank covenants as discussed in Note 22.

As disclosed in Note 26(iii), one (2015: two) subsidiary company(ies) of the Group is(are) required by the laws and regulations of the PRC to contribute to and maintain a restricted statutory reserve whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary company(ies) for the financial years ended 30 June 2016 and 2015.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

33. Capital management (cont'd)

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

	Group	
	2016	2015
	\$	\$
Loans and borrowings (Note 22)	29,317,449	46,084,004
Trade payables (Note 20)	1,225,991	27,655,787
Other liabilities (Note 21)	2,393,554	9,113,727
Obligations under finance leases (Note 23)	404,774	382,356
<i>Less:</i> - Cash and cash equivalents (Note 19)	(5,215,919)	(15,523,383)
- Restricted fixed deposits (Note 14)	(3,509,189)	(3,985,707)
<i>Net debt</i>	<u>24,616,660</u>	<u>63,726,784</u>
Equity attributable to the equity holders of the Company	22,375,825	46,466,186
<i>Less:</i> Statutory reserves fund (Note 26iii)	(947,125)	(962,363)
<i>Total capital</i>	<u>21,428,700</u>	<u>45,503,823</u>
Capital and net debt	<u>46,045,360</u>	<u>109,230,607</u>
Gearing ratio	<u>53%</u>	<u>58%</u>

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

34. Comparative figures

Some of the figures have been restated as the China operation has been classified as a discontinued operation. Results of the Group have been presented in accordance with FRS 105: Non-current Assets held for Sale and Discontinued Operations. For comparative purposes, the following have been re-presented to be consistent with the current year's presentation and to better reflect the nature of the Company's operations.

	Restated 2015 \$	Previous 2015 \$
Continuing operations		
Revenue	58,650,838	103,147,803
Cost of sales	(54,127,016)	(97,556,930)
Gross profit	4,523,822	5,590,873
Other operating income	419,323	2,615,229
Distribution and selling expenses	(1,779,118)	(3,012,492)
Administrative expenses	(2,120,868)	(3,473,941)
Other operating expenses	(232,268)	(3,720,615)
Finance costs	(1,343,621)	(1,343,621)
Finance income	17,096	47,122
Loss before taxation from continuing operations	(515,634)	(3,297,445)
Taxation	5,634	5,634
Loss from continuing operations, net of taxation	(510,000)	(3,291,811)
Discontinued operation		
Loss from discontinued operation, net of taxation	(2,781,811)	-
Loss for the year	(3,291,811)	(3,291,811)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

34. Comparative figures (cont'd)

	Restated 2015 \$	Previous 2015 \$
Loss attributable to:		
Equity holders of the Company		
Loss from continuing operations, net of taxation	(510,000)	(3,291,811)
Loss from discontinued operation, net of taxation	(2,781,811)	–
	<hr/>	<hr/>
Loss for the year attributable to equity owners of the Company	(3,291,811)	(3,291,811)
	<hr/>	<hr/>
Loss per share from continuing operations attributable to equity holders of the Company (cents per share)		
Basic	(0.48)	(3.07)
Diluted	(0.48)	(3.07)
	<hr/>	<hr/>
Loss per share (cents per share)		
Basic	(3.07)	(3.07)
Diluted	(3.07)	(3.07)
	<hr/>	<hr/>

35. Events occurring after the report period

A wholly owned subsidiary of the Company, Santak Metal Manufacturing Pte Ltd (“Santak Singapore”) has entered into a sale and purchase agreement dated 24th November 2016 (the “SPA”) with LY Investment (HK) Limited (the “Purchaser”) for the sale of the wholly owned China subsidiary- Santak Metal Manufacturing (Wuxi) Co., Ltd. (“Santak Wuxi”) to the Purchaser for a consideration of US\$21,000,000.

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

- (a) an amount equal to the total account receivables plus cash balance minus the total account payables. If the amount is negative, this amount shall be deducted from the consideration; and
- (b) an amount equal to the aggregate amount of deposits and prepayments paid by or on account of Santak Wuxi in respect of leased premises, utilities services, insurance policies, professional services contracts, maintenance and services contracts and such similar amounts.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

35. Events occurring after the report period (cont'd)

The Completion of the disposal of Santak Wuxi is conditional upon the following conditions having been fulfilled:

- (a) the Company having received the approval of its shareholders in a general meeting of the transaction contemplated under the SPA, or the SGX-ST granting a waiver of the requirement for such shareholders' approval;
- (b) this SPA and the new articles of association of Santak Wuxi having been approved by the Ministry of Commerce of the PRC or its local counterpart ("MOFCOM") and Santak Wuxi having received its new certificate of approval or filing receipt from MOFCOM reflecting the Purchaser as the sole shareholder of Santak Wuxi;
- (c) Santak Wuxi having received its new business license, reflecting the Purchaser as the sole shareholder of Santak Wuxi; and
- (d) all other consents and approvals required under all applicable laws and relevant agreements for the sale of Santak Wuxi and to give effect to the transaction contemplated under the SPA (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which Santak Singapore or Santak Wuxi is a party or by which Santak Singapore or Santak Wuxi or their assets are bound) being obtained.

Further details of the proposed disposal can be found in the announcement dated 24 November 2016 on SGXNET.

36. Authorisation of financial statements

The financial statements of Santak Holdings Limited for the financial year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on 12 December 2016.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REPORT ON CORPORATE GOVERNANCE

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

BOARD MATTERS

The Board comprises six directors, which consist of two Independent Directors, one Non-Executive Director and three Executive Directors. The Board believes that the existing two Independent Directors, both of whom have many years of business and financial experience, are able to serve the present needs of the Group. The Board has taken into account the scope and nature of the operations of the Company and considers its current size to be adequate for effective decision making. The Board comprises Directors who as a group provide core competencies such as accounting and finance, business management experience and industry knowledge. The composition of the Board will be reviewed regularly and changes will be made as and when appropriate. Key information regarding the Directors is set out on page 115 to 116 of the Annual Report.

The Board meets at least twice a year and additional meetings are held whenever necessary. The Board is free to request for further clarification and information from management on all matters within their purview. In addition, informal discussions among Non-Executive Directors to exchange views on any aspect of the Group’s operations or business are held as and when the need arises. The Company’s Constitution provides for meetings of the Board to be conducted by way of telephone conference or similar means of communication. The number of meetings held during the financial year ended 30 June 2016 (“FY2016”) and the attendance of the Directors are as follows:

Name of Director	Board Appointment	Date of Appointment and Date of Last Re-election/ Re-appointment ¹	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 2014)	2	2	2	2	1	1	1	1
Tan Chee Hawaii	Group Managing Director/Executive Director	11 June 2012 (24 October 2012)	2	2	2	2#	1	1#	1	1
Ng Weng Wei	Executive Director	12 March 2001 (30 October 2015)	2	2	2	2#	1	1	1	NA
Tan Sin Hock	Executive Director	12 March 2001 (29 October 2014)	2	2	2	2#	1	NA	1	NA
Heng Kheng Hwai	Non-Executive Director	12 March 2001 (30 October 2015)	2	2	2	2	1	NA	1	NA
Ch’ng Jit Koon	Independent Non-Executive Director	12 March 2001 (30 October 2015*)	2	2	2	2	1	1	1	1

Notes:

NA: Not applicable

#: Attendance by invitation

*: Re-appointment pursuant to Section 153(6) of the Companies Act, Chapter 50, which was in force immediately before 3 January 2016

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

BOARD MATTERS (CONT'D)

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

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

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

Management provides the Board with reports of the Company's performance, financial statements and prospects including sales forecasts as well as papers containing relevant background or explanatory information in a timely manner required to support the decision making process. The Board has separate and independent access to senior management and the Company Secretary who will assist them in discharging their duties and responsibilities. The Company Secretary's responsibilities also include ensuring good information flows within the Board and its Board committees and between management and Non-Executive Directors, advising the Board on all governance matters, as well as facilitating orientation and assisting with professional development as required. In addition, the Company works closely with professionals to provide the Board with updates on changes to relevant laws, regulations and accounting standards. Upon appointment as a Director, a formal letter is provided setting out the Director's duties and obligations. Newly appointed Directors will be given an orientation on the Group's business operations and training is provided in areas such as accounting, legal and industry-specific knowledge. Directors are encouraged to keep abreast of developments in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops. For FY2016, Directors were briefed in areas such as updates on Rules of Catalist of the SGX-ST, changes to financial reporting standards and regulatory developments. Relevant news release issued by SGX-ST and Accounting and Corporate Regulatory Authority of Singapore were also circulated to the Board.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

BOARD MATTERS (CONT'D)

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

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

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

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

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

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

NOMINATING COMMITTEE

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

NOMINATING COMMITTEE (CONT'D)

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

Pursuant to Article 91 of the Company's Constitution, one-third of the Directors is required to retire by rotation at every AGM. The NC has recommended that Mr Lee Keen Whye and Mr Tan Sin Hock be nominated for re-election as a Director at the forthcoming AGM. Mr Tan Sin Hock is the brother of the CEO, Mr Tan Chee Hawaii and Substantial Shareholder, Mr Tan Ah Wo as well as brother-in-law of Non-Executive Director and Substantial Shareholder, Ms Heng Kheng Hwai. In addition, the Board has also recommended the re-appointment of Mr Ch'ng Jit Koon as a Director of the Company under Article 95 of the Company's Constitution, who was previously re-appointed to hold office until this AGM pursuant to then Section 153(6) of the Companies Act, Cap. 50, which was repealed with effect from 3 January 2016. 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. Each of Mr Lee Keen Whye and Mr Ch'ng Jit Koon, being interested in the matter had abstained from all discussions and recommendations in respect of their own re-election/re-appointment.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

NOMINATING COMMITTEE (CONT'D)

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

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

The NC has adopted a formal process for the evaluation of the performance of the Board. The performance criteria includes an evaluation of the size and composition of the Board, the Board's access to information, accountability, Board processes, monitoring of management performance and communication with shareholders. The assessment process involves and includes input from Board members, applying the performance criteria recommended by the NC and approved by the Board. The NC assessed the Board's performance as a whole in FY2016 and is of the view that the performance of individual members of the Board and the Board as a whole was satisfactory. Although some of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

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

REMUNERATION COMMITTEE

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REMUNERATION COMMITTEE (CONT'D)

The RC is responsible for recommending to the Board a framework of remuneration for the Board and key management executives, and to determine specific remuneration packages for each Executive Director. The RC's recommendations will be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. The RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, and benefits in kind. If necessary, the RC will seek experts' advice on the remuneration of all Directors. No remuneration consultant was engaged by the Company during FY2016.

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

No Director is involved in determining his own remuneration. All Directors, except for Directors who are controlling shareholders with shareholdings of 15% or more and their associates, are eligible for the share options under the Santak Share Option Scheme 2001 (the "Scheme") which is administered by the RC. The Scheme had expired on 12 March 2016.

The following table shows a breakdown of the remuneration of Directors of the Company for FY2016.

DIRECTORS' REMUNERATION

Remuneration Bands	Salary	Bonus	Fee ⁽¹⁾	Other	Total
Directors	%	%	%	%	%
Below S\$250,000					
Lee Keen Whye	–	–	100	–	100
Ng Weng Wei	79	7	7	7	100
Tan Sin Hock	75	6	13	6	100
Heng Kheng Hwai	–	–	100	–	100
Ch'ng Jit Koon	–	–	100	–	100
Between S\$250,000 - S\$500,000					
Tan Chee Hawaii	78	7	4	11	100

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REMUNERATION COMMITTEE (CONT'D)

The following table shows a breakdown of the remuneration of management executives (who are not Directors or CEO of the Company) during FY2016.

MANAGEMENT EXECUTIVES' REMUNERATION

Remuneration Bands	Salary	Bonus	Other	Total
Management Executives	%	%	%	%
Below S\$250,000				
Leong Chung Meng, Anthony	83	-	17	100
Loo Hwee Beng	81	7	12	100
Oh Juan Jong	75	6	19	100
Soh Cheng Lock	83	7	10	100
Leong Yoke May	78	7	15	100
Tan Chor Tat, Steven ⁽³⁾	77	11	12	100

Notes:

- (1) These fees are subject to the approval of the shareholders at the AGM for FY2016. Non-Executive Directors are paid Directors' fees compensated based on time and effort.*
- (2) The tables above excludes Share Options which are described in the Directors' Statement on pages 9 to 13.*
- (3) Mr Tan Chor Tat, Steven resigned from the Group on 31 March 2016.*

Details on share options granted to the eligible employees pursuant to the Scheme are set out in the Directors' Statement on pages 9 to 13.

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 FY2016, the total remuneration paid to these employees amounted to S\$85,000 (2015: S\$89,000). Save for Ms Tan Aik Hua who is the sister of the CEO, Mr Tan Chee Hawaii and Executive Director, Mr Tan Sin Hock, there is no other employee who is an immediate family member of a Director or Substantial Shareholder whose remuneration exceeds S\$50,000 for FY2016. The remuneration of Ms Tan Aik Hua exceeds S\$50,000 and is below S\$100,000 during FY2016.

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

REMUNERATION COMMITTEE (CONT'D)

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

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

ACCOUNTABILITY AND AUDIT

AUDIT COMMITTEE

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

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

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 evaluation of the system of internal financial controls relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls and management's response thereon;
- (4) reviewing the financial statements of the Company and the consolidated financial statements of the Group before submission to the Board and the external auditors' report on these financial statements;
- (5) reviewing half-year and full year financial results before submission to the Board for approval;
- (6) reviewing the independence, cost effectiveness and objectivity of external auditors annually and the nomination of their re-appointment as auditors of the Company;

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

ACCOUNTABILITY AND AUDIT (CONT'D)

AUDIT COMMITTEE (CONT'D)

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

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

The AC, having reviewed the volume of non-audit services to the Company by the external auditors during the year, and being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, is pleased to recommend their re-appointment. The breakdown of their fees for audit and non-audit services is found on note 6 to the financial statements on page 49. The AC is satisfied that the Group has complied with Rules 712, 715 or 716 of the Rules of Catalist, in relation to the appointment of auditing firms.

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

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

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

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

ACCOUNTABILITY AND AUDIT (CONT'D)

AUDIT COMMITTEE (CONT'D)

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

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

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

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES

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

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

SHAREHOLDERS' RIGHTS AND RESPONSIBILITIES (CONT'D)

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

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

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

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

The Company does not have a formal policy on the payment of dividends. However, the Board is mindful of the need to reward shareholders as and when the performance of the Company, its projected capital requirements, cash-flow and operating requirements, allow for the payment of dividends. For FY2016, no dividend has been proposed by the Board in view of the losses in the year.

DEALINGS IN SECURITIES

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

MATERIAL CONTRACTS

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

SPONSORSHIP

The Company is currently under the SGX-ST Catalist sponsor-supervised regime. The continuing sponsor of the Company is Asian Corporate Advisors Pte. Ltd. There was no non-sponsor fee paid to the Sponsor or any of its affiliates for FY2016.

INTERESTED PERSON TRANSACTIONS

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

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

Note:

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

RISKS MANAGEMENT

Operational Risks

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

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

Financial risks

These are set out in Note 31 to the Financial Statements, on pages 85 to 92 of this Annual Report.

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE

Directors

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

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

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

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

ADDITIONAL INFORMATION

SGX-ST Listing Manual Requirements

DIRECTORS AND MANAGEMENT EXECUTIVES PROFILE (CONT'D)

Directors (Cont'd)

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

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

Mr Ch'ng Jit Koon is a Non-Executive Independent Director of our Group. He is also Chairman of the Nominating Committee and member of both the Audit and Remuneration Committees. He also sits on the boards of Pan-United Corporation Ltd, Ho Bee Land Limited and Progen Holdings 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 community organizations. Mr Ch'ng holds a Bachelor of Arts (Economics and Political Science) degree from Nanyang University, Singapore (now Nanyang Technological University).

Management Executives

Mr Leong Chung Meng, Anthony is the General Manager/Director of our Precision Engineering & Assembly Division's subsidiary companies in Wuxi, China. Mr Leong is responsible for the manufacturing operation and marketing functions of our subsidiary companies in China. He joined the Group in 2005 when the Group acquired Wuxi Tech Precision Engineering Co., Ltd where he was a co-founder. He holds a Diploma in Business Efficiency & Productivity (Industrial engineering) from the NPB Institute for Productivity Training in Singapore.

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

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

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

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

STATISTICS OF SHAREHOLDINGS

As at 28 November 2016

DISTRIBUTION OF SHAREHOLDINGS

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

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

<u>SIZE OF SHAREHOLDINGS</u>	<u>NO. OF SHAREHOLDERS</u>	<u>%</u>	<u>NO. OF SHARES</u>	<u>%</u>
1 - 99	3	1.09	11	0.00
100 - 1,000	74	26.81	70,700	0.07
1,001 - 10,000	79	28.62	446,931	0.42
10,001 - 1,000,000	109	39.49	11,150,317	10.36
1,000,001 AND ABOVE	11	3.99	95,913,021	89.15
TOTAL	276	100.00	107,580,980	100.00

TWENTY LARGEST SHAREHOLDERS

<u>NO.</u>	<u>NAME</u>	<u>NO. OF SHARES</u>	<u>%</u>
1	TAN CHEE HAWAI	37,580,570	34.93
2	TAN AH WO	16,776,810	15.59
3	HONG LEONG FINANCE NOMINEES PTE LTD	10,278,000	9.55
4	TAN SIN HOCK	6,704,100	6.23
5	GO MEI LIN	6,107,000	5.68
6	YAP QUAN OR CHRISTINE YAP LYE KUM	5,647,000	5.25
7	HENG KHENG HWAI	4,667,000	4.34
8	OCBC SECURITIES PRIVATE LIMITED	4,431,041	4.12
9	NG WENG WEI	1,618,000	1.50
10	IP WAN KEUNG	1,057,500	0.98
11	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,046,000	0.97
12	LOW WEI MIN JAMES	829,000	0.77
13	LAW KUNG YING	771,000	0.72
14	LOW YEE MIN (LIU YUMING)	745,000	0.69
15	TAN CHOR TAT	600,000	0.56
16	CHAN PECK SIM	522,000	0.49
17	SOH CHENG LOCK	510,000	0.47
18	LIM YEE MIN	500,000	0.46
19	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	390,000	0.36
20	LOO HWEE BENG	341,000	0.32
	TOTAL	101,121,021	93.98

STATISTICS OF SHAREHOLDINGS

As at 28 November 2016

Approximately 15.4% 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 Catalyst of SGX-ST.

SUBSTANTIAL SHAREHOLDERS AS AT 28 NOVEMBER 2016

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

(Company Registration No. 200101065H)

(Incorporated in Singapore with limited liability)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Santak Holdings Limited (“the Company”) will be held at 31 Senoko South Road, Woodlands East Industrial Estate, Singapore 758084 on Friday, 30 December 2016 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 year ended 30 June 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors, who are retiring by rotation pursuant to Article 91 of the Company’s Constitution and who, being eligible, offer themselves for re-election:
 - (i) Mr Lee Keen Whye **(Resolution 2)**
 - (ii) Mr Tan Sin Hock **(Resolution 3)**

Mr Lee Kee Whye will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee 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 Tan Sin Hock will, upon re-election as a Director of the Company, remain as an Executive Director of the Company.

3. To re-appoint Mr Ch’ng Jit Koon as Director of the Company under Article 95 of the Constitution of the Company, who was previously re-appointed to hold office until this Annual General Meeting pursuant to Section 153(6) of the Companies Act, Cap. 50, which was in force immediately before 3 January 2016.

*Mr Ch’ng Jit Koon will, upon re-appointment as a Director of the Company, remain as the Chairman of the Nominating Committee, a member of the Audit Committee and Remuneration Committee and will be considered independent for the purposes of Rule 704(7) of the SGX-ST Catalist Rules. **(Resolution 4)***
4. To approve the payment of Directors’ fees for the year ended 30 June 2016. **(Resolution 5)**
5. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

(Company Registration No. 200101065H)

(Incorporated in Singapore with limited liability)

AS SPECIAL BUSINESS

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

7. Authority to issue new shares

That pursuant to Section 161 of the Companies Act, Cap. 50 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 (“**shares**”) whether by way of rights or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, debentures or other Instruments convertible into shares,

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) 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) 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) 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) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

(Company Registration No. 200101065H)

(Incorporated in Singapore with limited liability)

- (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the SGX-ST Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) 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 of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (i)] **(Resolution 7)**

By Order of the Board

Lynn Wan Tiew Leng
Company Secretary
Singapore, 14 December 2016

Explanatory Note:

- (i) The Ordinary Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held 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 issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

NOTICE OF ANNUAL GENERAL MEETING

(Company Registration No. 200101065H)

(Incorporated in Singapore with limited liability)

Notes:

- (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 Annual General Meeting (the “**Meeting**”).

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the Meeting, 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.

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

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

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

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

Personal data privacy:

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

SANTAK HOLDINGS LIMITED

(Company Registration No. 200101065H)
(Incorporated In The Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

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

I/We, _____ (Name)

of _____ (Address)

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on 30 December 2016 at 10.30 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion, as he/she/they will on any other matter arising at the Meeting and at any adjournment thereof.

No	Resolutions relating to:	¹ No. of Votes For	¹ No. of Votes Against
1	Directors' Statement and Audited Financial Statements for the year ended 30 June 2016		
2	Re-election of Mr. Lee Keen Whye as a Director		
3	Re-election of Mr. Tan Sin Hock as a Director		
4	Re-appointment of Mr Ch'ng Jit Koon as a Director		
5	Approval of Directors' fees		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Authority to issue new shares		

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

Dated this _____ day of _____ 2016

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

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

*Delete where inapplicable



Notes:

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

“Relevant intermediary” means:

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

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 December 2016.

General:

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

SANTAK HOLDINGS LIMITED

co. reg. no. 200101065H

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