



ANNUAL REPORT **2016**



CFM HOLDINGS LIMITED
Registration No.: 200003708R

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	PROXY FORM

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

BOARD OF DIRECTORS

Ip Kwok Wing
Executive Chairman

Lim Fong Li Janet
Chief Executive Officer

Kenneth Ip Yew Wa
Executive Director

Er Kwong Wah
Lead Independent Director

Ong Wei Jin
Independent Director

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITORS

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

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

COMPANY SECRETARY

Leong Chee Meng, Kenneth

REGISTERED OFFICE

4 Ang Mo Kio Avenue 12
#05-01 CFM Building
Singapore 569498
Tel: +65 6481 2888
Fax: +65 6481 1122
Email: irc@cfmholdings.com

SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

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

As part of the Group's diversification plan, the Group has acquired a new subsidiary trading in disposable and wearable products for use in pharmaceutical, cleanroom, bio-medical, laboratories and hospitals in financial year ended 30 June 2015 ("FY2015").

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

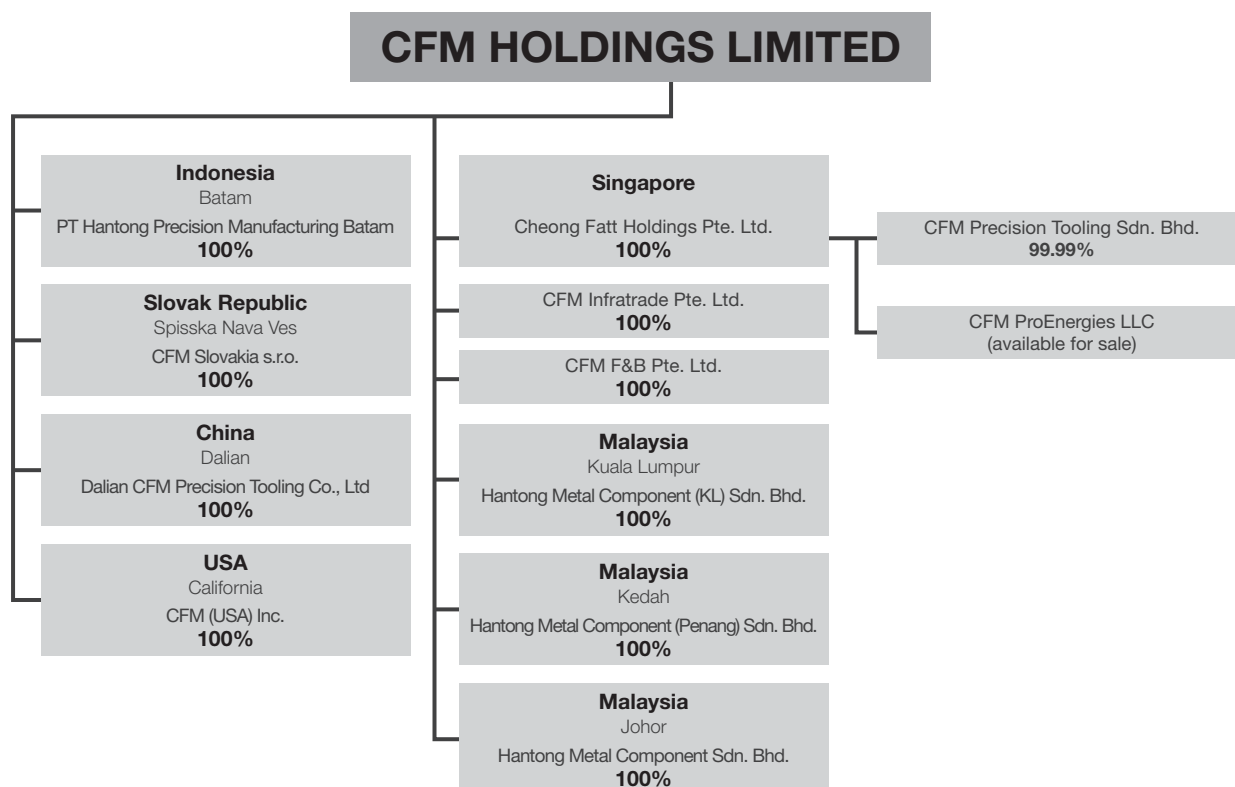
VISION

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

MISSION

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

CORPORATE STRUCTURE



OUR GLOBAL FOOTPRINT

CFM Holdings Limited

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

Subsidiaries

SINGAPORE

Cheong Fatt Holdings Pte. Ltd.

CFM Intrade Pte. Ltd.

CFM F&B Pte. Ltd.

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

SLOVAK REPUBLIC

CFM Slovakia s.r.o.

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

CHINA

Dalian CFM Precision Tooling Co., Ltd

Room 1-1A

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

INDONESIA

PT Hantong Precision Manufacturing Batam

Komplek Citra Buana Centre Park 2,
Lot 6, Kampung Seraya Sub-District,
Batu Ampar District,
Batam, Indonesia

MALAYSIA

Hantong Metal Component (KL) Sdn. Bhd.

Lot 1911-A Kawasan Perindustrian,
Kg Baru Balakong,
43300 Seri Kembangan,
Selangor, Malaysia

CFM Precision Tooling Sdn. Bhd.

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

Hantong Metal Component Sdn. Bhd.

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

Hantong Metal Component (Penang) Sdn. Bhd.

Lot 83 & 84, Jalan 1/8 PKNK,
Kawasan Perusahaan LPK,
Taman Ria Jay,
08000 Sungai Petani, Kedah,
Malaysia

UZBEKISTAN

CFM ProEnergies LLC

"Navoi" Free Industrial -
Economic Zone, Karmana District,
210600, Republic of Uzbekistan

DEAR SHAREHOLDERS,

On behalf of the Board of Directors of CFM Holdings Limited (the "Company") and together with its subsidiaries (the "Group"), I would like to present to you the Annual Report for the financial year ended 30 June 2016 ("FY2016").

FINANCIAL HIGHLIGHTS

The Group has shown a decrease in revenue from \$31 million for the year ended 30 June 2015 ("FY2015") to \$26 million for FY2016. Gross Profit Margin also decreased from 17.1% for FY2015 to 14.5% for FY2016. This is mainly due to lower revenue recorded for the current financial year compared to previous corresponding financial year and revised depreciation rates for certain property, plant and equipment to be in line with their deteriorating usable conditions for the year. As a result, the Group has made a loss for the year of \$4.0 million for FY2016.

PROSPECTS AND OUTLOOK

In view of the general market sentiments remained weak and on-going uncertainties in the global economy, we anticipate challenges to persist in the Group's core business i.e. metal stamping and fabrication business. Therefore, Management will continue to monitor and tighten cost control over its operations and to constantly improve productivity.

Besides, the Group will also explore potential merger and acquisition activities, investment opportunities that will contribute to the Company's growth plans and will enhance shareholders' value over the long term.

APPRECIATION

The Board would like to take this opportunity to thank Mr Peter Lai Hock Meng for his dedicated service as our Non-Executive Independent Director. Mr Peter Lai Hock Meng has resigned as Non-Executive Independent Director to pursue other business and career interests.

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

Last but not least, I would like to thank our shareholders for your belief in us. We look forward to your continued support in the year ahead.

Ip Kwok Wing

Executive Chairman

BOARD OF DIRECTORS

Mr Ip Kwok Wing

Executive Chairman

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

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

Mdm Lim Fong Li Janet

Chief Executive Officer

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

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

Mr Kenneth Ip Yew Wa

Executive Director

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

Mr Ip obtained his Mechanical Engineering degree from Nanyang Technological University.

Mr Er Kwong Wah

Lead Independent Director

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

Currently, he holds the position of Executive Director, East Asia Institute of Management. Additionally, he sits as an Independent Director on the Boards of several public companies listed in the Singapore Exchange.

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

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

Mr Ong Wei Jin

Independent Director

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

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

KEY MANAGEMENT PERSONNEL

Lee Chong Ping

Chief Financial Officer

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

OPERATIONAL AND FINANCIAL REVIEW

Review of Consolidated Income Statement

Revenue

For FY2016, the Group registered a revenue of \$25.62 million which was a decrease of \$5.41 million from the previous corresponding financial year. The decrease was mainly due to decreased in demand of metal stamping and fabrication and the effect of change in accounting treatment for trading of other components and parts by \$6.67 million and offset by partially increase contributions in trading of clean room products of \$1.20 million.

Gross Profit

Our gross profit decreased from \$5.31 million in FY2015 to \$3.72 million in FY2016. Gross profit margin also decreased from 17.10% to 14.52% for the same period. The decreased gross profit and gross profit margin were attributed by the following factors:

- a. Lower revenue recorded during the current financial year compared to previous corresponding financial year as reasons explained above; and
- b. Revised depreciation rates for certain property, plant and equipment to be in-line with their deteriorating usable conditions.

Other Income

Other income in FY2016 consists of income from rental income (\$0.31 million), gain on disposal of property, plant and equipment of (\$0.02 million), sales of machinery (\$0.02 million), interest from fixed deposit and insurance claim of (\$0.02 million) and other miscellaneous income (\$0.22 million). Other income has decreased from \$0.96 million in FY2015 to \$0.58 million in FY2016 which was mainly attributed by:

- a. Absence of gain on disposal of investment property;
- b. Absence of gain on foreign exchange;
- c. Decrease in gain on disposal of property, plant & equipment; offset by the following (d) and (e)
- d. Increase in rental income in FY2016;
- e. Other income (i.e. HDB re-assignment income and sales of machinery)

Administrative and Other Expenses

Administrative expenses in FY2016 consist mainly of directors' remuneration and salary expenses (\$2.87 million), professional fees (\$0.85 million), depreciation charge (\$0.76 million), land lease, office rental and property tax for Singapore factory (\$0.37 million), office repairs and maintenance (\$0.30 million), printing & stationery (\$0.08 million), travelling expenses (\$0.11 million), allowance for doubtful debts (\$0.24 million), telephone (\$0.06 million), intangible asset written off (\$0.59 million), amortization of intangible asset (\$0.07 million), provision for inventory obsolescence (\$0.51 million) loss in foreign exchange of \$0.06 million and other miscellaneous expenses (\$0.40 million).

It has increased from \$5.84 million in FY2015 to \$7.27 million in FY2016 mainly due to:

- a. Intangible asset written off of \$0.59 million
- b. Higher depreciation charges from a revised depreciation policy for the Group's non-income generating property, plant and equipment of \$0.36 million;
- c. Impairment loss in respect of property, plant and equipment of \$0.06 million and fixed assets written off of \$0.02 million;
- d. Increase in allowance for doubtful debts of \$0.19 million;
- e. Increase in provision for inventory obsolescence of \$0.33 million which are no longer required in the production and the materials are not in usable conditions; offset by
- f. Decrease in professional fees by \$0.18 million.

Finance Costs

Finance costs increase from \$0.08 million in FY2015 to \$0.29 million in FY2016. The increase in finance costs was mainly due to interest charges from the drawdown of the construction loan for the rebuilding of the Singapore factory and bank loan for the purchase of Malaysia factory. During the current financial year, the interest charges of \$0.08 million (FY2015: \$0.14 million) was capitalized under property, plant and equipment.

OPERATIONAL AND FINANCIAL REVIEW

Income Tax Expense

The Group tax expense decreased from \$0.16 million in FY2015 to a tax credit of \$0.04 million in FY2016. The decrease in income tax expenses was mainly due to loss recorded by the operating subsidiaries and overprovision of income tax and deferred tax in prior years.

Loss for the Year

Overall, the Group recorded a loss after tax of \$3.99 million in FY2016 as compared to a loss after tax of \$0.58 million in FY2015.

Review of Consolidated Balance Sheet

Non-Current Assets

Property, plant and equipment decreased from \$15.08 million as at 30 June 2015 to \$13.42 million as at 30 June 2016. The decrease is mainly due to depreciation charge of \$2.35 million, impairment loss on plant and machinery of \$0.06 million, property, plant and equipment written off of \$0.02 million, translation difference of \$0.35 million, offset by purchase of property, plant and equipment of \$1.12 million during the current financial year.

During the current financial year, the Management performed an impairment test for its Intangible assets. The Management found that certain major customers have ceased to order from the subsidiary and the products' pricing are not so competitive compared to the competitors. Those customers contributed significant portion of the subsidiary's revenue. As a result of the assessment, the intangible assets has been fully written off in view of the recoverable amount is below the carrying value during the current financial year. The intangible assets relate to a subsidiary acquired by the Company in January 2015.

Current Assets

Inventories decreased by approximately \$0.78 million as at 30 June 2016 after net of inventories written down. The decrease in inventory was mainly due to less purchases during the current financial year.

Trade receivables decreased from \$8.81 million as at 30 June 2015 to \$6.21 million as at 30 June 2016. The decrease in trade receivable is in line with the decrease in the revenue during the current financial year. Trade receivables turnover has decreased from 104 days to 94 days.

Other receivables as at 30 June 2016 consist mainly of deposits and prepayments (\$0.37 million), tax recoverable mainly from Malaysian and Slovakia tax authorities (\$0.17 million) and other receivables (\$0.15 million).

Current Liabilities

Trade payables decrease from \$3.79 million as at 30 June 2015 to \$3.32 million as at 30 June 2016. The decrease in trade payables was mainly due to less purchases of materials made due to the lower demand from customers.

Other payables as at 30 June 2016 comprised mainly:

- a. Accrued expenses of \$2.11 million, mainly consideration payable for the acquisition of CFM Infratrade Pte Ltd, accrued employee related expenses and other non-trade related expenses;
- b. Other creditors of approximately of \$1.33 million (mainly construction cost of \$0.90 million);
- c. Amount due to a director of approximately \$0.78 million, which is unsecured, no interest bearing, and with no fixed terms of repayment. The amount due to a director was used for temporary cash management purpose of the Company and it does not affect the going concern of the Group;
- d. Other of approximately of \$0.20 million consisting of provision of withholding tax, provision for directors' fees and rental and deposit received.

The increased of other payables from \$4.27 million as at 30 June 2015 to \$4.42 million as at 30 June 2016 was mainly due to increase in advance from a director, offset by payment to the seller for the acquisition of CFM Infratrade Pte. Ltd. and decrease in provision for bonus and other employee benefits.

OPERATIONAL AND FINANCIAL REVIEW

Finance Lease and Borrowings

Total borrowings for the Group decreased from \$9.02 million as at 30 June 2015 to \$8.77 million as at 30 June 2016. This was mainly due to the repayment of the finance lease and borrowings during the current financial year.

Review of Consolidated Statement of Cash Flows

For the financial year ended 30 June 2016, the Group had generated net cash inflow of \$2.40 million from its operating activities as compared to net cash outflow of \$1.98 million for FY2015. The increase in net cash flow was due to:

The Group generated operating cash outflow before working capital changes of \$0.17 million in FY2016, as compared to cash inflow of \$0.76 million in FY2015 mainly due to loss before tax of \$4.02 million in FY2016 as compared to loss before tax of \$0.43 million in FY2015. As a result of a decrease in inventories of \$0.27 million, receivables of \$2.44 million and payables of \$0.03 million, the Group recorded a net cash generated from operating activities of \$2.40 million in FY2016.

Net cash used in investing activities amounted to \$1.39 million in FY2016 as compared to \$2.84 million in FY2015. The net cash flow used was mainly for the purchase of property, plant & equipment of \$1.0 million, repayment of outstanding consideration of \$0.40 million for the acquisition of a subsidiary, but offset partially by proceed from disposal of property, plant and equipment of \$0.02 million.

Net cash used in financing activities of approximately \$0.65 million in FY2016 was mainly attributed by:

- a. proceeds from borrowings of approximately \$1.4 million; but offset by
- b. repayment of borrowings of \$1.56 million;
- c. net repayment of finance lease liabilities of approximately \$0.20 million; and
- d. Interest payment of \$0.29 million.

As a result of the above, the Group's cash and cash equivalent increased from \$3.77 million as at FY2015 to \$3.98 million as at FY2016.

On 3 August 2016, the Company has entered into a termination agreement with Midsouth Technology Pte Ltd (the "Vendor") to abort its investment of 10% interest in Midsouth Camca S.A. De. C.V, a company incorporated in Mexico that is engaged in the business of the assembly of standard parts of home appliances, which had not taken place since on 1 July 2015. The Company will continue other forms of cooperation, i.e trade of home appliance components with the Midsouth Camca S.A. De C.V.. The termination of the Agreement will not have any material effect on the Group's earnings per share and net tangible assets per share for the financial year ended 30 June 2016.

Save as disclosed in this Annual Report, there is no material development subsequent to the release of the unaudited results for FY2016 on 26 August 2016 which would materially affect the Group's operating and financial performance.

CORPORATE GOVERNANCE

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

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

(A) BOARD MATTERS

Board’s Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with the Management to achieve this and the Management remains accountable to the Board.

Role of the Board

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

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

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

- (j) identify the key stakeholder groups and recognise that their perceptions affect the company's reputation; and
- (k) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

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

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

The number of Board and Board committee meetings held during the financial year ended 30 June 2016, as well as the attendance of each member at these meetings, is set out below:

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

* By invitation

** Peter Lai Hock Meng resigned on 18 July 2016

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

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

CORPORATE GOVERNANCE

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

Board Composition and Balance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

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

The Board presently comprises five (5) directors, two (2) of whom are independent non-executive directors. As the Chairman of the Board and the CEO are immediate family members, its present composition is not entirely in compliance with the Code's guidelines that independent directors make up at least half of the Board. Nevertheless, as the Board requires accountability and responsibility at this point of time when economic conditions and sentiments are weak, Mr Ip Kwok Wing will be retained as the Executive Chairman for the Board to tap on his numerous years of experience in manoeuvring the Company through the difficult economic conditions. In addition, Mr Kenneth Ip Yew Wa, Executive Director of the Company, who has been entrusted with responsibilities will continue with the management of the Company's subsidiaries on a day-to-day basis, until such time when the Board and its Committees are reconstituted at a later stage.

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

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

* Peter Lai Hock Meng resigned on 18 July 2016

Mr Er has been re-designated as Lead Independent Director following to the cessation of Mr Peter Lai as Lead Independent Director.

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

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

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

Chairman and Chief Executive Officer

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE

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

Board Membership

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

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

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

Role of the NC

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

The primary functions of the NC include the following:

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

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

The NC has also adopted internal guidelines addressing competing time commitments that are faced when directors serve on multiple boards. The NC determines annually whether a director with multiple board representations is able to and has been adequately carrying out his duties as a director of the Company. In making this determination, the NC took into account the respective director's actual conduct and effectiveness on the Board, and the time and attention given by each of them to the affairs of the Company, and is satisfied that all the directors having multiple board representations have been able to and have adequately carried out their duties as a director. To further ensure directors could carry out his duties adequately and effectively, the NC also places a maximum limit of eight (8) non-executive directorships an independent director can hold on the board of listed companies (excluding non-listed companies and other non-profit or non-commercial organizations) if he is not holding a full time job. In the event of a director holding a full time job, the maximum limit of his directorships in listed companies should not be more than six (6). During the financial year, the NC has reviewed and confirmed that all the directors have met the criteria and are able to carry out their duties as a director.

Process for appointment of new directors

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

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

Criteria for appointment of new directors

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

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

CORPORATE GOVERNANCE

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

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

- (a) pages 31 and 32 – Academic and professional qualifications, date of first appointment as director, date of last re-election as director, directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments, whether appointment is executive or non-executive, or considered by the NC to be independent; and
- (b) page 36 – Shareholdings in the Company and its related companies.

Board Performance

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

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

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

Evaluation process

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

Performance criteria

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

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

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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

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

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

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

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

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

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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

In addition to the above, the RC will also review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoids rewarding poor performance.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC assists the Board to ensure that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance related elements of remuneration form a significant part of the total remuneration package of executive directors and is designed to align the directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of independent directors to ensure that the remuneration commensurate with the level of contribution, taking into account factors such as effort and time, and responsibilities of the directors. The Company will submit the quantum of directors' fees for each year to the shareholders for approval at each AGM.

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

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

Disclosure on Remuneration

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Policy in respect of independent directors' remuneration

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

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

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

CORPORATE GOVERNANCE

Remuneration of the directors, key management personnel (who are not also directors) for the financial year ended 30 June 2016

The level and mix of each of the directors' remuneration, and that of each of the key management personnel (who are not also directors), in bands of \$250,000 for the financial year ended 30 June 2016, are set out below:

	Base Salary	Variable/ Performance Related Income	Director Fees	Benefit in Kind/ Allowance	Total
Remuneration Band Name of Director					
Above \$500,000					
–					
Above \$250,000 to \$500,000					
Ip Kwok Wing	88%	4%	–	8%	100%
\$250,000 and below					
Lim Fong Li Janet	91%	5%	–	4%	100%
Kenneth Ip Yew Wa	84%	8%	–	8%	100%
Er Kwong Wah	–	–	100%	–	100%
Peter Lai Hock Meng	–	–	100%	–	100%
Ong Wei Jin	–	–	100%	–	100%
Remuneration Band Name of Top 5 Existing Key Management Personnel					
\$250,000 and below					
Chong Tze Huei	84%	6%	–	10%	100%
Lee Chong Ping	85%	–	–	15%	100%
Keong Kok Yoon	89%	–	–	11%	100%
Miroslav Turčanik	88%	12%	–	–	100%
Wong Lai Cheung	66%	2%	–	32%	100%
Remuneration Band Name of Key Management Personnel who had resigned during current financial year					
\$250,000 and below					
Fred Hoo Khiang Seng	81%	11%	–	8%	100.0%
Thomas Soh Kee Poh	53%	47%	–	–	100.0%

- Notes:
- Ip Kwok Wing and Lim Fong Li Janet are husband and wife.
 - Kenneth Ip Yew Wa is the son of Ip Kwok Wing (Executive Chairman) and Lim Fong Li Janet (CEO). The remuneration for his appointment as Executive Director of the Company and as a general manager of Hantong Metal Component (Penang) Sdn. Bhd. and CFM Slorakia s.r.o during the financial year ended 30 June 2016 was within the range of \$150,000 to \$200,000.
 - The total remuneration paid to the existing top five key management personnel (who are not directors or the CEO) is \$336,000.
 - The total director fees payable to Peter Lai Hock Meng in FY2016 was \$23,350, subject to the approval from the shareholders at the AGM. Peter Lai has resigned on 18 July 2016.
 - The total remuneration paid to Fred Hoo Khiang Seng (who had resigned on 20 May 2016) was \$221,352.
 - The total remuneration paid to Thomas Soh Kee Poh (who had resigned on 29 July 2015) was \$19,292.
 - Lee Chong Ping was appointed on 20 May 2016.

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

No termination, retirement and post-employment benefits were granted to directors, the CEO or the top five key management personnel for the financial year ended 30 June 2016.

During the FY2016, a subsidiary of the Group has appointed Mr Ip Jowa Andrew (Ye Zuhua) as management trainee who is the son of Mr Ip Kwok Wing and Mdm Lim Fong Li Janet. Total remuneration paid/payable to Mr Andrew Ip during the FY2016 was below \$50,000. Save as disclosed above, there were no other employees of the Company or its subsidiaries who are immediate family members of any director or the CEO, and whose remuneration exceeded S\$50,000 for the financial year ended 30 June 2016. "Immediate family member" means the spouse, child, adopted child, stepchild, brother, sister or parent.

CFM Performance Share Plan

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

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

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

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

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

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

The total number of New Shares which may be issued pursuant to Awards granted under the Plan shall not exceed 15% of the issued Shares of the Company (excluding any Shares held in treasury) on the day Shareholders approve the Plan, provided always that the total number of New Shares which may be issued pursuant to Awards granted under the Plan when aggregated with the aggregate number of Shares which may be granted under any other share plan or share option scheme shall not exceed any limits prescribed by the SGX-ST. Further details of the Plan can also be found on page 37 of the Directors' Statement.

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

CORPORATE GOVERNANCE

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required). The Management currently provides executive directors with appropriately detailed management accounts, which shows a balanced and understandable assessment of the Company's performance, position and prospects on a quarterly basis.

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

Risk Management And Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Company's internal and external auditors conduct an annual review of the adequacy and effectiveness of the Company's internal controls, including financial, operational and compliance controls, and risk management policies and systems established by the Management (collectively "internal controls"). Any material non-compliance or failures in internal controls, and recommendations for improvements, are reported to the AC and the Board. The AC and the Board also review, at least annually, the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

Relying on the reports from external auditors, internal auditors and the representation from the Management, the AC has carried out assessments on the adequacy of the internal controls during the financial year. Any material non-compliance or weaknesses in internal control or recommendations from the external auditors and internal auditors to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the management and the recommendations made by the external auditors and internal auditors.

Arising from the various weaknesses highlighted by the internal auditors in FY2012 particularly on "the Commission Payments" and "Senior Management Remuneration Package" in FY2012, various steps as a continuous improvement process been implemented by the Management, various Board Committees and the Board to improve the internal controls.

For "the Commission Payments", the Company has implemented all "business referral fees" must be documented by agreements setting out, inter alia, the nature and basis for computation of the relevant Commission Payments, as well as to provide for appropriate representation and warranties, and none of such payments must be made in cash. In addition, such payment shall also be subject to prior authorization and payment approval as well as any other internal controls by the Internal Auditors in due course after the completion of a full review and formulation or implementation of action plan(s) in relation to this matter. The Board is satisfied and is of the opinion that the control measures implemented by the Group to address "the Commission Payments" issue is adequate.

As for “Senior Management Remuneration Package”, the Company has implemented all decisions regarding salary increments or adjustments, bonuses, profit-sharing, allowances and benefits to be payable, made or given to the Senior Management, whether on a group or individual basis, and all other transactions or dealing with the Senior Management in their personal capacity must be made only with, or subject to the prior approval of the Remuneration Committee and the Board, and all payments relating to the any foregoing must be counter-signed or approved by the one member of the RC after, inter alia, verification of compliance with such directors, approval or policies of the RC or the Board which may be in place. The Board is satisfied and is of the opinion that the control measures implemented by the Group to address “the Senior Management Remuneration Package” issue is adequate.

In addition, the Company regularly reviews and improves its other business processes and activities to identify areas of significant business risk as well as taken appropriate measures to control and mitigate these risks. The Group reviews all significant control procedures and highlights the significant matters to the AC and Board.

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

Based on the various control systems put in place and maintained by the Company, (including, inter alia, control measures implemented by the Group to address “the Commission Payment” and “the Senior Management Remuneration Package”), the report from the external auditors and internal auditors on follow-up action taken by the Management, periodic reviews by the Management, various Board Committees and the Board, the Board with the concurrence of the AC is of the opinion that the system of internal controls maintained by the Company were adequate and effective in addressing financial, operational, compliance risks, information technology controls and risk management system.

For the financial year ended 30 June 2016, the Board had received assurance from the CEO and CFO that (i) the financial records have been properly maintained and the financial statements gives a true and fair view of the Company’s operations and finances; and (ii) the Company’s risk management and internal control systems were effective.

The Board will continue to review and take appropriate steps to strengthen the Group’s overall internal control system.

Audit Committee

Principle 12: The Board should establish an Audit Committee (“AC”) with written terms of reference which clearly set out its authority and duties.

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

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

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

CORPORATE GOVERNANCE

The primary functions of the AC are as follows:

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

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

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

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

In addition, the AC undertook a half yearly review of the independence and objectivity of the external auditors through discussions with the external auditors, as well as reviewing the non-audit fees awarded to them and has confirmed that the non-audit services performed by the external auditors would not affect their independence. Fees paid or payable by the Group to external auditors for audit services for the financial year ended 30 June 2016 amounted to \$146,000 and there were no non-audit fees paid or payable.

The Company confirmed that Rule 712 and Rule 716 of the Catalyst Rules in relation to the auditors of the Company have been complied with. The Board and AC are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the Group.

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

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

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

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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

An independent and internal audit firm, Messrs Protiviti was engaged to undertake the review of material internal controls, including financial, operational and compliance controls on a significant business unit of the Group. All findings and recommendations of Messrs Protiviti were submitted to the AC for deliberation with copies of these reports extended to the CEO and the relevant senior management officers. Protiviti carries out its function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC also reviewed the adequacy and effectiveness of the internal audit function of the Group annually and their view of the state of the internal controls for the Group is stated in Principle 11 as above. In addition, the AC will review the adequacy of the internal audit function annually and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.

CORPORATE GOVERNANCE

(D) COMMUNICATION WITH SHAREHOLDERS

Communication with Shareholders

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

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

Material information is disclosed and communicated to shareholders in a comprehensive, accurate and timely manner through:

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

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

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

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

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

The Group currently does not have a formal dividend policy as it needs to conserve its financial resources amidst the current weak economic environment.

(E) DEALINGS IN SECURITIES

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

(F) RISK MANAGEMENT

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

(G) INTERESTED PERSON TRANSACTIONS ("IPT")

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

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

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

CORPORATE GOVERNANCE

Pursuant to Catalyst Rule 1204(17), a breakdown of Interested Person Transactions conducted during the financial year ended 30 June 2016 are as follows:

	Aggregate value of all interested person transactions during the financial year under review	Aggregate value of all interested person transactions conducted during the financial year under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Sales and services provided to CFM Solutions Pte. Ltd. ¹	\$109,848	Not applicable
Sales and services provided by CFM Solutions Pte. Ltd. ¹	\$224,688	Not applicable
Payment to Harry Elias Partnership LLP ²	\$48,485	Not applicable

¹ CFM Solutions Pte. Ltd. is a private company incorporated Singapore which Mr Ip Jowa Andrew (Ye Zuhua) is the sole Director and shareholder who directly hold an aggregate 70% of issued and paid up share capital of CFM Solutions Pte. Ltd. Mr Ip Jowa Andrew (Ye Zuhua) is the son of Mr Ip Kwok Wing, the Executive Chairman and Madam Lim Fong Li Janet, the Chief Executive Officer and youngest brother of Mr Kenneth Ip Yew Wa, the Executive Director of CFM Holdings Limited.

² Mr Ong Wei Jin ("Mr Ong") is the Partner in the firm and Mr Ong is a Non-Executive Independent Director of CFM Holdings Limited.

(H) MATERIAL CONTRACTS

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

(I) NON-SPONSOR FEES

There were no non-sponsor fees paid to the Company's sponsor, Asian Corporate Advisors Pte. Ltd., for the financial year ended 30 June 2016.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

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

CORPORATE GOVERNANCE

Name	Academic/ Professional Qualifications/ Affiliations	Board Appointment Executive/ Non- Executive/ Independent	Date of Appointment	Date Last Re-elected	Directorship/ Chairmanships in other Listed Companies in Singapore (Present & Held Over the Preceding Three Years) & Other Principal Commitments
Er Kwong Wah	Bachelor of Applied Science (Honours) Master in Business Administration	Independent Director	28 February 2013	27 October 2015	<p>Other Listed Companies</p> <p>Present:</p> <p>Cosco Corporation (Singapore) Ltd. (listed on SGX)</p> <p>China Essence Group Ltd. (listed on SGX)</p> <p>Eucon Holding Ltd. (listed on SGX)</p> <p>GKE Corporation Ltd. (listed on SGX)</p> <p>China Sky Chemical Fibre Co., Ltd. (listed on SGX)</p> <p>China Environment Ltd. (listed on SGX)</p> <p>Success Dragon Ltd. (listed on HKSE)</p> <p>Over Preceding 3 Years:</p> <p>China Oilfield Technology Limited</p> <p>Other principal commitments</p> <p>Executive Director, East Asia Institute of Management</p>

APPENDIX

Code of Corporate Governance Specific principles and guidelines for disclosure

Relevant Guidelines or Principles	Page Reference in this Annual Report
Guideline 1.3 Delegation of authority, by the Board to any board committee, to make decisions on certain board matters	12–13
Guideline 1.4 The number of meetings of the Board and board committees held in the year, as well as the attendance of every board member at these meetings	13
Guideline 1.5 The type of material transactions that require board approval under guidelines	12–13
Guideline 1.6 The induction, orientation and training provided to new and existing directors	13
Guideline 2.3 The Board should identify in the company's Annual Report each director it considers to be independent. Where the Board considers a director to be independent in spite of the existence of a relationship as stated in the Code that would otherwise deem a director not to be independent, the nature of the director's relationship and the reasons for considering him as independent should be disclosed	14
Guideline 2.4 Where the Board considers an independent director, who has served on the Board for more than nine years from the date of his first appointment, to be independent, the reasons for considering him as independent should be disclosed.	14
Guideline 3.1 Relationship between the Chairman and CEO where they immediate family members	15
Guideline 4.1 Names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board	16
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	17
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	17–18
Guideline 4.7 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	18, 31, 32
Guideline 5.1 The Board should state in the company's Annual Report how assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's Annual Report	18

CORPORATE GOVERNANCE

Relevant Guidelines or Principles	Page Reference in this Annual Report
Principle 7.1 Names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board	20
Guideline 7.3 Names and firms of the remuneration consultants (if any) should be disclosed in the annual remuneration report, including a statement on whether the remuneration consultants have any relationships with the company	20
Guideline 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	21
Guideline 9.1 Remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) of the company. The annual remuneration report should include the aggregate amount of any termination, retirement and post-employment benefits that may be granted to directors, the CEO and the top five key management personnel (who are not directors or the CEO)	22
Guideline 9.2 Fully disclose the remuneration of each individual director and the CEO on a named basis. There will be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives	22
Guideline 9.3 Name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of \$250,000. There will be a breakdown (in percentage or dollar terms) of each key management personnel's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are also encouraged to fully disclose the remuneration of the said top five key management personnel	22
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds \$50,000 during the year. This will be done on a named basis with clear indication of the employee's relationship with the relevant director or the CEO. Disclosure of remuneration should be in incremental bands of \$50,000	23
Guideline 9.5 Details and important terms of employee share schemes	23, 37
Guideline 9.6 For greater transparency, companies should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance. The annual remuneration report should set out a description of performance conditions to which entitlement to short-term and long-term incentive schemes are subject, an explanation on why such performance conditions were chosen, and a statement of whether such performance conditions are met	21

Relevant Guidelines or Principles	Page Reference in this Annual Report
<p>Guideline 11.3 The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems. The commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems The Board should also comment on whether it has received assurance from the CEO and the CFO: (a) that the financial records have been properly maintained and the financial statements give true and fair view of the company's operations and finances; and (b) regarding the effectiveness of the company's risk management and internal control systems</p>	24–25
<p>Guideline 12.1 Names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board</p>	25–26
<p>Guideline 12.6 Aggregate amount of fees paid to the external auditors for that financial year, and breakdown of fees paid in total for audit and non-audit services respectively, or an appropriate negative statement</p>	27
<p>Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report</p>	27
<p>Guideline 12.8 Summary of the AC's activities and measures taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements</p>	27
<p>Guideline 15.4 The steps the Board has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefings</p>	28–29
<p>Guideline 15.5 Where dividends are not paid, companies should disclose their reasons</p>	29

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of CFM Holdings Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the balance sheet of the Company for the financial year ended 30 June 2016.

In the opinion of the directors:

- (i) the consolidated financial statements of the Group and the balance sheet of the Company as set out on pages 40 to 95, 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 for the financial year then ended in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

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

Arrangement to enable directors to acquire benefits

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

Directors' interests in shares and debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act Cap. 50 (the "Act") except as follows:

Name of director	Number of ordinary shares			
	Holdings registered in the name of director		Holdings in which a director is deemed to have an interest	
	At beginning of the financial year	At end of the financial year	At beginning of the financial year	At end of the financial year
The Company				
Ip Kwok Wing	40,018,085	40,018,085	-	-
Lim Fong Li Janet	33,169,850	33,169,850	-	-

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

CFM Performance Share Plan

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

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

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

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

Audit committee

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

Er Kwong Wah – Chairman
Ong Wei Jin
Ip Kwok Wing – appointed on 18 July 2016
Peter Lai Hock Meng – resigned on 18 July 2016

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

- (a) to review the financial and operating results and accounting policies of the Group;
- (b) to review the scope and results of the audit and its cost effectiveness;
- (c) to review the financial statements before their submission to the Board of Directors ("Board") and the external auditor's report on those financial statements;
- (d) to review the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance;
- (e) to review the half-yearly and annual announcement of results of the Group to Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board for approval;

DIRECTORS' STATEMENT

Audit committee (cont'd)

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

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

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

Independent auditor

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

On behalf of the directors

Ip Kwok Wing
Executive Chairman

Lim Fong Li Janet
Chief Executive Officer

27 September 2016

INDEPENDENT AUDITOR'S REPORT

To the Members of CFM Holdings Limited

Report on the Financial Statements

We have audited the accompanying financial statements of CFM Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 40 to 95, which comprise the balance sheets of the Group and the Company as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and 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 (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.

Auditor's 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 judgment, 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 auditor considers 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 consolidated financial statements of the Group and the balance sheet 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 the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

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.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

27 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 30 June 2016

	Note	Group	
		2016 \$'000	2015 \$'000
Revenue	3	25,618	31,029
Cost of sales		(21,897)	(25,722)
Gross profit		3,721	5,307
Other income	4	582	963
Marketing and distribution expenses		(774)	(778)
Administrative and other expenses		(7,265)	(5,839)
Finance costs	5	(287)	(79)
Loss before tax	6	(4,023)	(426)
Tax credit/(expense)	8	38	(157)
Loss for the year		(3,985)	(583)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences arising on consolidation		(493)	(1,050)
Total comprehensive loss for the financial year		(4,478)	(1,633)
Loss attributable to:			
Equity holders of the Company		(3,985)	(582)
Non-controlling interests		-	(1)
Loss for the year		(3,985)	(583)
Total comprehensive loss attributable to:			
Equity holders of the Company		(4,478)	(1,632)
Non-controlling interests		-	(1)
Total comprehensive loss for the financial year		(4,478)	(1,633)
Loss per share (EPS) (expressed in cents per share)			
- Basic	9	(3.67)	(0.54)
- Diluted	9	(3.67)	(0.54)

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

BALANCE SHEETS

As at 30 June 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current assets					
Property, plant and equipment	10	13,415	15,076	7	10
Intangible assets	11	–	664	–	–
Investment property	12	–	–	–	–
Investments in subsidiaries	13	–	–	16,905	18,364
Trade receivables	17	369	–	–	–
		13,784	15,740	16,912	18,374
Current assets					
Inventories	16	3,021	3,798	–	–
Trade receivables	17	6,213	8,807	142	169
Other receivables and prepayments	18	698	826	111	23
Amounts due from subsidiaries	14	–	–	5,271	5,197
Available-for-sale financial asset	15	–	–	–	–
Cash and cash equivalents	19	5,702	5,500	1,551	1,348
		15,634	18,931	7,075	6,737
Total assets		29,418	34,671	23,987	25,111
Non-current liabilities					
Finance lease liabilities	20	101	138	–	–
Borrowings	21	5,988	1,588	–	–
Deferred tax liabilities	22	516	577	91	91
		6,605	2,303	91	91
Current liabilities					
Trade payables	23	3,317	3,789	6	–
Other payables	24	4,419	4,272	1,602	1,506
Amount due to subsidiaries		–	–	46	–
Finance lease liabilities	20	97	148	–	–
Borrowings	21	2,580	7,144	1,402	1,402
Income tax payables		28	65	11	11
Provision	25	200	300	–	–
		10,641	15,718	3,067	2,919
Total liabilities		17,246	18,021	3,158	3,010
Net assets		12,172	16,650	20,829	22,101
Equity					
Share capital	26	21,704	21,704	21,704	21,704
(Accumulated losses)/Retained earnings	27	(6,620)	(2,635)	(875)	397
Foreign currency translation reserve		(2,912)	(2,419)	–	–
Equity attributable to equity holders of the Company		12,172	16,650	20,829	22,101
Non-controlling interests		–	–	–	–
Total equity		12,172	16,650	20,829	22,101

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2016

	← Attributable to equity holders of the Company →					
	Equity, total	Equity attributable to equity holders of the Company, total	Share capital	Accumulated losses	Foreign currency translation reserve	Non- controlling interests
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Balance at 1 July 2015	16,650	16,650	21,704	(2,635)	(2,419)	–
Loss for the year	(3,985)	(3,985)	–	(3,985)	–	–
<i>Other comprehensive loss:</i>						
Currency translation differences arising on consolidation	(493)	(493)	–	–	(493)	–
Total comprehensive loss for the year	(4,478)	(4,478)	–	(3,985)	(493)	–
Balance at 30 June 2016	12,172	12,172	21,704	(6,620)	(2,912)	–
Group						
Balance at 1 July 2014	18,283	18,282	21,704	(2,053)	(1,369)	1
Loss for the year	(583)	(582)	–	(582)	–	(1)
<i>Other comprehensive loss:</i>						
Currency translation differences arising on consolidation	(1,050)	(1,050)	–	–	(1,050)	–
Total comprehensive loss for the year	(1,633)	(1,632)	–	(582)	(1,050)	(1)
Balance at 30 June 2015	16,650	16,650	21,704	(2,635)	(2,419)	–

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2016

	Group	
	2016 \$'000	2015 \$'000
Cash flows from operating activities		
Loss before tax	(4,023)	(426)
Adjustments for:		
Amortisation of intangible assets	70	35
Depreciation		
- Property, plant and equipment	2,349	1,312
- Investment property	-	5
Gain on disposal of investment property	-	(185)
Gain on disposal of property, plant and equipment	(16)	(107)
Property, plant and equipment written off	16	-
Impairment loss on property, plant and equipment	56	-
Intangible assets written off	594	-
Inventories written down	413	91
Inventories written off	141	52
Inventories written back	(47)	(85)
Interest expenses	287	79
Interest income	(7)	(8)
Operating cash flows before working capital changes	(167)	763
Inventories	270	945
Receivables and prepayments	2,438	(780)
Payables	(25)	(2,333)
Foreign currency translation adjustments	13	(423)
Cash generated from/(used in) operations	2,529	(1,828)
Interest received	7	8
Income tax paid	(135)	(156)
Net cash generated from/(used in) operating activities	2,401	(1,976)
Cash flows from investing activities		
Purchases of property, plant and equipment (Note A)	(1,005)	(2,905)
Proceeds from disposal of property, plant and equipment	16	133
Proceeds from disposal of investment property	-	498
Acquisition of a subsidiary, net of cash acquired (Note 13)	-	(561)
Repayment of outstanding consideration for the acquisition of a subsidiary	(400)	-
Net cash used in investing activities	(1,389)	(2,835)
Cash flows from financing activities		
Repayment of borrowings	(1,564)	(820)
Proceeds from borrowings	1,400	5,777
Interest paid	(287)	(219)
Net repayment of finance lease liabilities	(200)	(230)
Fixed deposits pledged with financial institutions	2	(80)
Net cash (used in)/generated from financing activities	(649)	4,428

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2016

	Note	Group	
		2016 \$'000	2015 \$'000
Net increase/(decrease) in cash and cash equivalents		363	(383)
Cash and cash equivalents at beginning of the financial year		3,774	4,175
Effect of exchange rate changes on opening cash and cash equivalents		(159)	(18)
Cash and cash equivalents at end of the financial year	19	3,978	3,774

Note A:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$1,117,000 (2015: \$3,977,000) of which \$112,000 (2015: \$96,000) was financed by means of finance lease, cash payment of \$1,005,000 (2015: \$2,905,000) was made to purchase property, plant and equipment. In 2015, borrowing costs of \$140,000 arising from a bank loan borrowed specifically for the purpose of the construction of a leasehold building was capitalised as part of additions to the leasehold property and an amount of \$836,000 relating to the construction of the leasehold building in Singapore remained outstanding as at 30 June 2015.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

1. Corporate information

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

The registered office and principal place of business of the Company is located at 4 Ang Mo Kio Avenue 12, #05-01, CFM Building, Singapore 569498.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 13.

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

2. Summary of significant accounting policies

(a) Basis of preparation

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

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

The financial statements are presented in Singapore dollar ("S\$") and all values are rounded to the nearest thousand ("S\$'000") except when otherwise indicated.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Critical accounting estimates and assumptions used that are significant to the financial statements, and areas involving a major degree of judgments or complexity, are disclosed in Note 2(x).

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

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not have any material effect on the financial results or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(a) Basis of preparation (cont'd)

New and revised standards, amendments to standards and interpretations that have been issued at the reporting date but are not yet effective for the financial year ended 30 June 2016 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company except for the adoption of the following new FRS which are relevant to the Group:

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments and insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess its contracts with customers in accordance with FRS 115.

FRS 109 Financial Instruments

FRS 109 includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets, and (iii) general hedge accounting. FRS 109, when effective will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess the potential impact of FRS 109 and plans to adopt the standard on the required effective date.

FRS 116 Leases

FRS 116 replaces the existing FRS 17: Leases. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items.

The lease liability is initially measured as the present value of future lease payments (include fixed, non-cancellable payments for lease elements and certain types of contingent payments etc), with adjustments for any prepaid rents, lease incentives received and initial direct costs incurred. In subsequent periods, the lease liability is accounted for similarly to a financial liability using the effective interest method. The right-of-use asset is accounted for similarly to a purchased asset and depreciated or amortised.

The standard is effective for annual periods beginning on or after 1 January 2019. The Group will assess the potential impact of FRS 116 and plans to adopt the standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(b) Revenue recognition

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

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

(c) Basis of consolidation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(c) Basis of consolidation (cont'd)

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

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

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

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

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

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

(d) Subsidiaries

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

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

(e) Property, plant and equipment

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

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

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

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

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

Freehold buildings	-	20 years
Renovation	-	5 years
Office equipment	-	3 to 5 years
Machinery and equipment	-	5 years
Furniture and fittings	-	3 to 5 years
Toolings	-	5 years
Motor vehicles	-	3 to 5 years
Leasehold land and building	-	18 to 20 years

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

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

(f) Intangible assets

Customer relationships were acquired in business combinations and are recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight line method over its estimated useful life of 10 years. It is 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 once at each financial year-end.

(g) Investment property

Cost model

Investment property comprises significant portions of leasehold property that are held for long-term rental yields and for capital appreciation.

Investment property is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(g) Investment property (cont'd)

Cost model (cont'd)

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

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

(h) Inventories

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

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

(i) Cash and cash equivalents

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

(j) Financial assets

(i) Classification

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(j) Financial assets (cont'd)

(i) Classification (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets include equity securities that are non-derivatives. Investments in equity securities classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

(ii) Recognition and derecognition

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

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

(iii) Initial measurement

Loans and receivables and available-for-sale financial assets are initially recognised at fair value plus transaction costs.

(iv) Subsequent measurement

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

Available-for-sale investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less impairment loss.

(v) Impairment

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

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(j) Financial assets (cont'd)

(v) Impairment (cont'd)

Loans and receivables (cont'd)

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

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

Available-for-sale financial assets

Impairment loss for available-for-sale financial assets carried at cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of impairment loss is recognised in profit or loss and such losses are not reversed in subsequent periods.

(k) Financial liabilities

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

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

(l) Provisions for other liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(m) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

(n) Employee benefits

(i) *Employee leave entitlements*

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

(ii) *Defined contribution plans*

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

(o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(o) Income tax (cont'd)

Deferred tax are charged or credited to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

(p) Foreign currency

(i) *Functional and presentation currency*

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

(ii) *Transactions and balances*

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

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

(iii) *Translation of Group entities' financial statements*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(p) Foreign currency (cont'd)

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

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

(q) Leases

When a Group entity is the lessee:

(i) Finance leases

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

(ii) Operating leases

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

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

When a Group entity is the lessor:

(i) Operating leases

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

(r) Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

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

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

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

(s) Financial guarantees

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

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

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

(t) Dividends

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

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

(u) Share capital

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

(v) Government grants

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(w) Segment reporting

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

(x) Significant accounting estimates and judgments

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of asset or liability affected in the future periods.

Key sources of estimation uncertainty

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

(i) *Impairment of non-financial assets*

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

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

At 30 June 2016, the carrying amounts of property, plant and equipment, intangible assets, investment property and investments in subsidiaries are disclosed in Notes 10, 11, 12 and 13 respectively.

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

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

During the financial year, the Group has revised the estimated useful lives of its property, plant and equipment to be within 3 to 20 years. The financial effect of this reassessment, assuming the assets are held until the end of their estimated useful lives, resulted in the increase in depreciation expense in the current financial year by \$1,028,000.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(x) Significant accounting estimates and judgments (cont'd)

(ii) *Useful lives of property, plant and equipment and intangible assets (cont'd)*

Unless the property, plant and equipment are fully depreciated or sold to third parties, depreciation charges for future years are expected to be similarly affected by these changes in accounting estimates.

(iii) *Write-down of inventories*

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

At 30 June 2016, the carrying amount of inventories of the Group after the write-down is disclosed in Note 16.

(iv) *Impairment of receivables*

a) *Amounts due from subsidiaries*

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

At 30 June 2016, the amounts due from subsidiaries are disclosed in Note 14.

b) *Third party receivables*

The allowance for doubtful third party receivables of the Group is based on the ongoing assessment on whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the present value of estimated future cash flows differ from management's estimates, the Group's allowance for impairment for trade receivables and the trade receivables balance at the end of the reporting period will be affected accordingly.

At 30 June 2016, the carrying amounts of the trade and other receivables of the Group and Company are disclosed in Notes 17 and 18 respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

(v) Income taxes

The Group has exposures to income taxes in various jurisdictions. Significant judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determined is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issue based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

At 30 June 2016, the carrying amounts of the Group's and the Company's current tax payables were \$28,000 (2015: \$65,000) and \$11,000 (2015: \$11,000) respectively; and deferred tax liabilities were \$516,000 (2015: \$577,000) and \$91,000 (2015: \$91,000) respectively.

3. Revenue

	Group	
	2016 \$'000	2015 \$'000
Sales of metal components	20,025	24,453
Sales of other components and parts	607	2,847
Sales of cleanroom products	2,552	1,356
Services rendered for toolings	2,434	2,373
	25,618	31,029

4. Other income

	Group	
	2016 \$'000	2015 \$'000
Allowance for doubtful non-trade receivables written back (Note 18)	21	–
Assignment fee income	50	–
Gain on disposal of property, plant and equipment	16	107
Gain on disposal of investment property	–	185
Gain on foreign currency exchange	–	352
Government grants	67	43
Insurance claim	8	–
Interest income	7	8
Rental income	308	183
Sales of machinery	20	–
Services rendered to a related party	56	–
Waiver of trade payables	3	–
Others	26	85
	582	963

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

5. Finance costs

	Group	
	2016 \$'000	2015 \$'000
Interest expense on finance leases	84	24
Interest expense on bank loans	203	55
	287	79

6. Loss before tax

	Group	
	2016 \$'000	2015 \$'000
Loss before tax is stated after charging/(crediting):		
Allowance for doubtful trade receivables (Note 17)	206	1
Allowance for doubtful trade receivables written back (Note 17)	(1)	–
Allowance for doubtful non-trade receivables written back (Note 18)	(21)	(15)
Amortisation of intangible assets (Note 11)	70	35
Audit fees paid/payable to:		
- auditor of the Company	78	74
- other auditors	68	71
Fees for non-audit services paid/payable to:		
- auditor of the Company	–	–
- other auditors	–	–
Bad debts written off (trade)	31	83
Depreciation		
- property, plant and equipment (Note 10)	2,349	1,312
- investment property (Note 12)	–	5
Directors' fees paid/payable to non-executive directors of the Company	62	64
Loss/(gain) on foreign currency exchange	63	(352)
Impairment loss on property, plant and machinery (Note 10)	56	–
Intangible assets written off	594	–
Inventories written down (Note 16)	413	91
Inventories written back (Note 16)	(47)	(85)
Inventories written off (Note 16)	141	52
Operating lease expenses	492	719
Property, plant and equipment written off	16	–
Staff costs (Note 7)	8,012	8,588
Provision for construction and consultancy fees (Note 25)	–	300
Provision for litigation expenses (Note 25)	200	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

7. Staff costs

	Group	
	2016 \$'000	2015 \$'000
Salaries and bonuses	6,587	7,192
Contributions to defined contribution plans	456	479
Other benefits	969	917
	8,012	8,588

8. Tax (credit)/expense

Major components of income tax (credit)/expense for the financial years ended 30 June 2016 and 2015 are:

	Group	
	2016 \$'000	2015 \$'000
Current year:		
Current tax	58	268
Deferred tax	(88)	(80)
	(30)	188
(Over)/under provision of tax in prior years:		
Current tax	(45)	(21)
Deferred tax	37	(10)
	(8)	(31)
Income tax (credit)/expense	(38)	157

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

	Group	
	2016 \$'000	2015 \$'000
Loss before tax	(4,023)	(426)
Tax calculated at statutory rate of 17%	(684)	(72)
Effect of different tax rates in foreign jurisdictions	(20)	58
Income not subject to tax	(86)	(1,518)
Expenses not deductible for income tax purposes	583	1,712
Utilisation of investment allowances and tax losses	(52)	(149)
Tax rebates and exemptions	(6)	(18)
Over provision of tax in prior years	(8)	(31)
Deferred tax assets not recognised	235	181
Others	-	(6)
	(38)	157

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

8. Tax (credit)/expense (cont'd)

At the balance sheet date, the Group has unutilised tax losses and deferred capital allowances amounting to \$5,723,000 (2015: \$3,976,000) that are available for carry forward to offset against future taxable income subject to the compliance with the tax regulations of the respective countries in which the Group companies are incorporated and the approval by the relevant tax authorities. Deferred tax assets in respect of the tax losses and deferred capital allowances carried forward have not been recognised in the financial statements as it is not probable that future taxable profits will be sufficient to allow the related tax benefits to be realised.

9. Loss per share (EPS)

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

	Group	
	2016	2015
<hr/>		
<i>Earnings</i>		
Loss attributable to equity holders of the Company (\$'000)	(3,985)	(582)
<hr/>		
<i>Number of shares ('000)</i>		
Weighted average number of ordinary shares in issue	108,519	108,519
<hr/>		

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

10. Property, plant and equipment

Group	Freehold lands \$'000	Freehold buildings \$'000	Leasehold lands and buildings \$'000	Leasehold building construction-in-progress \$'000	Reno- vation \$'000	Office equipment \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Toolings \$'000	Motor vehicles \$'000	Total \$'000
2016											
Cost											
At 1.7.2015	799	2,920	9,632	-	1,568	1,597	20,722	142	685	1,111	39,176
Additions	-	-	282	332	110	170	127	35	-	61	1,117
Disposals /write-off	-	-	-	-	(50)	(146)	(174)	(12)	(1)	(71)	(454)
Reclassification	-	-	300	(332)	(31)	32	-	31	-	-	-
Exchange differences	(40)	(41)	(129)	-	(51)	(55)	(790)	(2)	(1)	(58)	(1,167)
At 30.6.2016	759	2,879	10,085	-	1,546	1,598	19,885	194	683	1,043	38,672
Accumulated depreciation											
At 1.7.2015	-	825	183	-	932	1,158	18,684	106	677	769	23,334
Depreciation charge (Note 6)	-	63	487	-	223	201	1,188	17	5	165	2,349
Disposals /write-off	-	-	-	-	(50)	(136)	(169)	(11)	(1)	(71)	(438)
Exchange differences	-	(14)	(1)	-	(32)	(38)	(676)	(1)	(1)	(40)	(803)
At 30.6.2016	-	874	669	-	1,073	1,185	19,027	111	680	823	24,442
Accumulated impairment losses											
At 1.7.2015	-	672	-	-	-	-	94	-	-	-	766
Impairment loss (Note 6)	-	-	-	-	-	-	56	-	-	-	56
Exchange differences	-	(1)	-	-	-	-	(6)	-	-	-	(7)
At 30.6.2016	-	671	-	-	-	-	144	-	-	-	815
Carrying amount											
At 30.6.2016	759	1,334	9,416	-	473	413	714	83	3	220	13,415

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

Group	Freehold lands \$'000	Freehold buildings \$'000	Leasehold lands and buildings \$'000	Leasehold building construction- in-progress \$'000	Renov- ation \$'000	Office equipment \$'000	Machinery and equipment \$'000	Furniture and fittings \$'000	Toolings \$'000	Motor vehicles \$'000	Total \$'000
2015											
Cost											
At 1.7.2014	892	3,405	-	6,562	1,356	1,364	21,821	104	750	1,058	37,312
Acquisition of subsidiary	-	-	-	-	-	92	55	17	-	109	273
Additions	-	-	1,982	1,102	270	225	312	27	-	59	3,977
Disposals	-	-	-	-	-	(4)	(216)	-	-	(46)	(266)
Reclassification	-	-	7,664	(7,664)	-	-	-	-	-	-	-
Exchange differences	(93)	(485)	(14)	-	(58)	(80)	(1,250)	(6)	(65)	(69)	(2,120)
At 30.6.2015	799	2,920	9,632	-	1,568	1,597	20,722	142	685	1,111	39,176
Accumulated depreciation											
At 1.7.2014	-	903	-	-	853	1,007	19,169	88	699	667	23,386
Acquisition of subsidiary	-	-	-	-	-	89	52	17	-	89	247
Depreciation charge (Note 6)	-	57	183	-	107	128	690	5	41	101	1,312
Disposals	-	-	-	-	-	(4)	(193)	-	-	(43)	(240)
Exchange differences	-	(135)	-	-	(28)	(62)	(1,034)	(4)	(63)	(45)	(1,371)
At 30.6.2015	-	825	183	-	932	1,158	18,684	106	677	769	23,334
Accumulated impairment losses											
At 1.7.2014	-	765	-	-	-	-	102	-	-	-	867
Exchange differences	-	(93)	-	-	-	-	(8)	-	-	-	(101)
At 30.6.2015	-	672	-	-	-	-	94	-	-	-	766
Carrying amount											
At 30.6.2015	799	1,423	9,449	-	636	439	1,944	36	8	342	15,076

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

	Office equipment \$'000
Company	
2016	
Cost	
At 1.7.2015 and at 30.6.2016	<u>20</u>
Accumulated depreciation	
At 1.7.2015	10
Depreciation charge	<u>3</u>
At 30.6.2016	<u>13</u>
Carrying amount	
At 30.6.2016	<u>7</u>
2015	
Cost	
At 1.7.2014	17
Additions	<u>3</u>
At 30.6.2015	<u>20</u>
Accumulated depreciation	
At 1.7.2014	7
Depreciation charge	<u>3</u>
At 30.6.2015	<u>10</u>
Carrying amount	
At 30.6.2015	<u>10</u>

- (a) The net carrying amounts of property, plant and equipment of the Group held under finance lease arrangements (Note 20) at the end of the financial year are as follows:

	Group	
	2016	2015
	\$'000	\$'000
Office equipment	63	–
Machinery and equipment	93	355
Motor vehicles	99	238
	<u>255</u>	<u>593</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

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

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

	Group	
	2016 \$'000	2015 \$'000
Freehold land	568	608
Freehold buildings	362	408
Leasehold land and building	9,416	9,449
Machinery and equipment	-	424
	10,346	10,889

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

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

- (d) The Group's leasehold building construction-in-progress includes borrowing costs arising from bank loans borrowed specifically for the purpose of the construction of a leasehold building. During the financial year, the borrowing costs capitalised as a cost of leasehold building construction-in-progress amounted to \$nil (2015: \$140,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

11. Intangible assets

	Customer relationship \$'000
Group	
Cost	
At 1.7.2015	699
Written off	(699)
	<hr/>
At 30.6.2016	-
	<hr/>
Accumulated amortisation	
At 1.7.2015	35
Amortisation charge for the year (Note 6)	70
Written off	(105)
	<hr/>
At 30.6.2016	-
	<hr/>
Carrying amount	
At 30.6.2016	-
	<hr/>
2015	
Cost	
At 1.7.2014	-
Acquisition of subsidiary (Note 13)	699
	<hr/>
At 30.6.2015	699
	<hr/>
Accumulated amortisation	
At 1.7.2014	-
Amortisation charge for the year (Note 6)	35
	<hr/>
At 30.6.2015	35
	<hr/>
Carrying amount	
At 30.6.2015	664
	<hr/>

Customer relationships were acquired in the acquisition of CFM Infratrade Pte Ltd. and have a useful life of 10 years. The amortisation expense is included in the 'Administrative and other expenses' line item in profit or loss.

During the current financial year, the Management performed an impairment test for its intangible assets. The Management found that certain major customers have ceased to order from the subsidiary and the products' pricing are not so competitive compared to the competitors. Those customers contributed to a significant portion of the subsidiary's revenue. As a result of the assessment, the intangible assets has been fully written off in view of the recoverable amount is below the carrying value during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

12. Investment property

	Group	
	2016 \$'000	2015 \$'000
Cost		
Balance at beginning of the financial year	-	414
Disposal	-	(414)
Balance at end of the financial year	-	-
Accumulated depreciation		
Balance at beginning of the financial year	-	96
Depreciation charge (Note 6)	-	5
Disposal	-	(101)
Balance at end of the financial year	-	-
Carrying amount		
Balance at end of the financial year	-	-

The following amounts are recognised in profit or loss:

	Group	
	2016 \$'000	2015 \$'000
Rental income	-	42
Direct operating expenses (including depreciation) arising from investment property that generated rental income	-	8
Gain on disposal	-	185

In 2015, the investment property was disposed:

Location	Description	Tenure	Approximate build-up area (sqm)	Held by
Lot 69/5, 69/6 Jalan 12, Kawasan Perusahaan MIEL Bakar Arang Phase V 08000 Sungai Petani Kedah Darul Aman Malaysia	Office/factory	Leasehold	1,068	Hantong Metal Component (Penang) Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

13. Investments in subsidiaries

	Company	
	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	22,013	19,979
Acquisition during the year (Note (b))	-	2,034
Impairment losses	(5,108)	(3,649)
	16,905	18,364

Movements in the impairment losses are as follows:

Balance at beginning of the financial year	3,649	11,483
Additional impairment loss (Note (c))	1,459	727
Impairment loss written back (Note (c))	-	(8,561)
Balance at end of the financial year	5,108	3,649

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

Name	Country of incorporation	Principal activities	Equity interest	
			2016 %	2015 %
<i>Held by the Company</i>				
PT Hantong Precision Manufacturing Batam ⁽¹⁾	Indonesia	Manufacturing of metal plates and metal stamping	100	100
Cheong Fatt Holdings Pte. Ltd. ⁽²⁾	Singapore	Manufacturing of metal plates and metal stamping	100	100
Hantong Metal Component Sdn. Bhd. ⁽¹⁾	Malaysia	Manufacturing of metal plates and metal stamping	100	100
Hantong Metal Component (KL) Sdn. Bhd. ⁽¹⁾	Malaysia	Manufacturing of metal plates and metal stamping	100	100
Hantong Metal Component (Penang) Sdn. Bhd. ⁽¹⁾	Malaysia	Manufacturing of metal plates and metal stamping	100	100
CFM Slovakia s.r.o. ⁽¹⁾	Slovak Republic	Manufacturing of metal plates and metal stamping	100	100
CFM (USA), Inc. ⁽⁴⁾	The United States of America	Dormant	100	100
Dalian CFM Precision Tooling Co., Ltd. ⁽³⁾	The People's Republic of China	Manufacturing and fabricating engineering tools	100	100
CFM Infratrade Pte. Ltd. ⁽²⁾	Singapore	Trading and supplying disposable and wearable for use in clean room, bio-medical, laboratories and hospitals	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

13. Investments in subsidiaries (cont'd)

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

Name	Country of incorporation	Principal activities	Equity interest	
			2016 %	2015 %
<i>Held by the Company</i>				
CFM F&B Pte. Ltd. ⁽²⁾	Singapore	Dormant	100	100
<i>Held by Cheong Fatt Holdings Pte. Ltd.</i>				
CFM Precision Tooling Sdn. Bhd. ⁽¹⁾	Malaysia	Manufacture and fabrication of all types of engineering tools and precision engineering	99.99	99.99

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

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

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

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

(b) Acquisition of a subsidiary

On 15 January 2015, the Group acquired the entire issued share capital of CFM Infratrade Pte. Ltd. for \$2.0 million. The fair values of the identifiable assets and liabilities of CFM Infratrade Pte. Ltd. as at the date of acquisition were as follows:

	Group \$'000
Property, plant and equipment	26
Inventories	693
Trade and other receivables	680
Cash and cash equivalents	439
Intangible assets	699
Trade and other payables	(467)
Tax payable	(5)
Deferred tax liability	(131)
Fair value of purchase consideration	1,934
Deemed interest expense	66
Total purchase consideration	<u>2,000</u>

The total purchase consideration is repayable in five (5) tranches with the last payment due on 30 June 2017. The fair value purchase consideration of \$1,934,000 is determined based on discounting the deferred consideration using the market rate prevailing on acquisition date of 2.94% per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

13. Investments in subsidiaries (cont'd)

(b) Acquisition of a subsidiary (cont'd)

	Group \$'000
<hr/>	
Purchase consideration:	
Cash paid	1,000
Outstanding consideration	1,000
	2,000
Cash outflow on acquisition:	
Cash paid	1,000
Cash and cash equivalents in subsidiary acquired	(439)
	561

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

During the financial year, management performed an impairment test for the investment in Dalian CFM Precision Tooling Co., Ltd ("CFM Dalian") as this subsidiary had been persistently making losses. An impairment loss of \$169,000 (2015: \$727,000) was recognised for the year ended 30 June 2016 to write down this subsidiary to its recoverable amount of \$477,000 (2015: \$646,000). The recoverable amount of the investment in CFM Dalian has been determined based on a value in use calculation using cash flow projections from forecasts approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 14.0% and 2.0% (2015: 14.0% and 2.0%) respectively.

The management performed an impairment test for the investment in Hantong Metal Component Sdn. Bhd. ("HTJB") as this subsidiary was in the loss making position. An impairment loss of \$696,000 was recognised for the year ended 30 June 2016 to write down this subsidiary to its recoverable amount of \$1,853,000. The recoverable amount of the investment in HTJB has been determined based on a value in use calculation using cash flow projections from forecasts approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 12.0% and 2.0% respectively.

The management performed an impairment test for investment in Cheong Fatt Holdings Pte. Ltd. ("Cheong Fatt"). The recoverable amount for Cheong Fatt has been computed based on fair value less costs to sell ("FVLCS"). The FVLCS is determined after considering the open market value of its property as determined by Jones Lang LaSalle Property Consultants Pte Limited on 15 August 2016 in their report dated 15 August 2016 and the net asset value of the subsidiary at the reporting date. As the recoverable amount is more than the carrying amount and Cheong Fatt is generating positive cash flow, no impairment was recognised for the year ended 30 June 2016. In 2015, as the recoverable amount is more than the impairment loss for Cheong Fatt previously recognised, a reversal of impairment loss of Cheong Fatt of \$8,561,000 was recognised for the year ended 30 June 2015.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

13. Investments in subsidiaries (cont'd)

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

The management performed an impairment test for the investment in CFM Infratrade Pte. Ltd. ("CFM Infratrade") as the management found that certain major customers have ceased to order from CFM Infratrade and the products' pricing are not so competitive compared to the competitors. An impairment loss of \$594,000 was recognised for the year ended 30 June 2016 to write down this subsidiary to its recoverable amount of \$1,340,000. The recoverable amount of the investment in CFM Infratrade has been determined based on a value in use calculation using cash flow projections from forecasts approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the five-year period are 12.0% and 2.0% respectively.

14. Amounts due from subsidiaries

	Company	
	2016	2015
	\$'000	\$'000
Current assets		
Receivables due from subsidiaries (non-trade)	1,424	1,811
Loans to subsidiaries		
- interest at 6.0% per annum	609	864
- interest at 5.0% per annum	-	41
- interest-free	3,577	3,218
	5,610	5,934
Allowance for doubtful receivables		
- non-trade receivables	(18)	(130)
- loans to subsidiaries	(321)	(607)
	(339)	(737)
	5,271	5,197

The non-trade receivables amounting to \$1,424,000 (2015: \$1,811,000) are unsecured, interest-free and repayable on demand.

During the current financial year ended 30 June 2016, the Company has agreed to waive the interest charges on certain loans to subsidiaries. These loans amounted to \$45,000 (2015: \$54,000) at the balance sheet date.

Loans to subsidiaries are unsecured and repayable on demand or repayable after 1 year from draw down date, which ranges from 2013 to 2016.

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

	Company	
	2016	2015
	\$'000	\$'000
Balance at beginning of the financial year	737	906
Allowance written back	(398)	(169)
Balance at end of the financial year	339	737

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

15. Available-for-sale financial asset

	Group	
	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	-	-

In 2014, the management has made several attempts to get in contact with the joint venture partner to withdraw from the investment in a subsidiary, CFM ProEnergies, LLC ("CFMPE") but has yet to receive any response from them. The Group was also unable to obtain the management accounts and audited financial statements of CFMPE since the financial year ended 30 June 2014 from their joint venture partner. In addition, the Group was not informed of nor involved in the major operating and financial decisions and the appointment or removal of the board of directors of CFMPE and the Group Chief Executive Officer ceased to be an authorised bank signatory during the financial year ended 30 June 2014. In view of the above, the Group has reassessed its control over CFMPE and concluded that it has lost its control over the subsidiary. Accordingly, the investment in CFMPE was reclassified from assets classified as held for sale to available-for-sale financial assets since the financial year ended 30 June 2014. The investment has been fully impaired since the financial year ended 30 June 2013.

16. Inventories

	Group	
	2016 \$'000	2015 \$'000
Raw materials	980	1,124
Finished goods	1,404	1,905
Work-in-progress	637	748
Stocks-in-transit	-	21
	3,021	3,798

Raw materials, consumables and changes in finished goods and work-in-progress included as cost of sales during the financial year amounted to \$21,121,000 (2015: \$25,412,000).

Inventories are stated at net realisable value after deducting inventories write-down of \$413,000 (2015: \$91,000) (Note 6), inventories write-off of \$141,000 (2015: \$52,000) (Note 6) and reversal of inventories write-down of \$47,000 (2015: \$85,000) (Note 6) based on the increased planned usage of certain inventory items during the financial year.

17. Trade receivables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Non-current assets</i>				
External parties	369	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

17. Trade receivables (cont'd)

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current assets				
External parties	7,212	9,614	-	-
Related party	6	7	-	-
Subsidiaries	-	-	142	169
	7,218	9,621	142	169
Less: allowance for doubtful receivables - external parties	(1,005)	(814)	-	-
	6,213	8,807	142	169

Movements in allowance for doubtful receivables are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of the financial year	814	892	-	-
Reclassification to doubtful other receivables	(3)	-	-	-
Acquisition of a subsidiary	-	10	-	-
Amount written off against allowance	(1)	(74)	-	-
Allowance made for the financial year (Note 6)	206	1	-	-
Allowance written back (Note 6)	(1)	-	-	-
Exchange differences	(10)	(15)	-	-
Balance at end of the financial year	1,005	814	-	-

18. Other receivables and prepayments

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Deposits	180	444	-	-
Interest receivables	2	2	1	2
Dividend receivables	-	-	100	-
Prepayments	192	236	10	21
Tax recoverable	170	86	-	-
Related party	23	-	-	-
Sundry debtors	137	80	-	-
	704	848	111	23
Less: allowance for doubtful receivables	(6)	(22)	-	-
	698	826	111	23

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

18. Other receivables and prepayments (cont'd)

Movements in allowance for doubtful receivables are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of the financial year	22	40	-	-
Reclassification from doubtful trade receivables	3	-	-	-
Allowance written back (Note 6)	(21)	(15)	-	-
Exchange differences	2	(3)	-	-
Balance at end of the financial year	6	22	-	-

The amount due from a related party is non-trade in nature, unsecured, interest-free and repayable within the next 12 months after the balance sheet date.

19. Cash and cash equivalents

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Bank and cash balances	3,978	3,774	461	261
Fixed deposits	1,724	1,726	1,090	1,087
	5,702	5,500	1,551	1,348

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

	Group	
	2016 \$'000	2015 \$'000
Bank and cash balances	3,978	3,774
Fixed deposits	1,724	1,726
	5,702	5,500
Fixed deposits pledged	(1,724)	(1,726)
	3,978	3,774

Group

Fixed deposits amounting to \$1,724,000 (2015: \$1,726,000) are pledged with financial institutions as securities for loans and credit facilities granted to the Group.

At the balance sheet date, the fixed deposits earn interest of 0.10% to 3.40% (2015: 0.25% to 3.40%) per annum and mature within 12 months (2015: 12 months).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

19. Cash and cash equivalents (cont'd)

Company

Fixed deposits amounting to \$1,090,000 (2015: \$1,087,000) are pledged with financial institutions as securities for loans and credit facilities granted to Company and subsidiaries of the Company.

At the balance sheet date, the fixed deposits earn interest of 0.10% to 0.25% (2015: 0.25%) per annum and mature within 12 months (2015: 12 months).

20. Finance lease liabilities

	Group			
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2016 \$'000	2016 \$'000	2015 \$'000	2015 \$'000
Not later than one year	107	97	161	148
Later than one year but not later than five years	107	101	148	138
Total minimum lease payments	214	198	309	286
Less: finance charges	(16)	-	(23)	-
Present value of minimum lease payments	198	198	286	286

	Group	
	2016 \$'000	2015 \$'000
Representing finance lease liabilities:		
Current	97	148
Non-current	101	138
	198	286

The net carrying amounts of plant and equipment acquired under finance lease arrangements are disclosed in Note 10(a). The interest rates range from 2.80% to 6.23% (2015: 2.70% to 6.23%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

21. Borrowings

		Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current					
Secured					
Bank loan I	(a)	245	4,939	-	-
Bank loan II	(b)	-	131	-	-
Bank loan III	(c)	500	500	-	-
Bank loan IV	(d)	1,402	1,402	1,402	1,402
Bank loan V	(e)	75	77	-	-
Bankers' acceptances	(f)	358	95	-	-
		2,580	7,144	1,402	1,402
Non-current					
Secured					
Bank loan I	(a)	4,573	-	-	-
Bank loan V	(e)	1,415	1,588	-	-
Total		5,988	1,588	-	-

Details of the borrowings are as follows:

- (a) Bank loan I bears interest at 2.40% to 4.30 % (2015: 3.25%) per annum. This construction loan has been converted into mortgage loan on 1 January 2016, which is repayable over 20 years.

The mortgage loan is secured by:

- (i) Fixed and floating charge on all present and future property at No.4 Ang Mo Kio Avenue 12 Singapore 569498, including assets, liabilities and goodwill of a subsidiary;
 - (ii) Undertakings in connection with the operations of the leasehold property as approved by Housing Development Board;
 - (iii) Corporate guarantee by the Company; and
 - (iv) First legal mortgage of a property of two directors of a subsidiary.
- (b) In 2015, bank loan II bore interest at 1.89% per annum and was secured by pledges on the property, plant and equipment of a subsidiary with a net carrying amount of \$423,600.
- (c) Bank loan III bears interest at 1.75% (2015: 1.75%) per annum with initial maturity being 12 months from the facility agreement date of 13 October 2008. The loan has been extended until 20 March 2017. It is secured by fixed deposit of \$515,000 (2015: \$513,000) of the Company.
- (d) Bank loan IV bears interest at 3.01% to 3.02% (2015: 2.84% to 2.86%) per annum. It is secured by fixed deposits of \$575,000 (2015: \$574,000) of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

21. Borrowings (cont'd)

- (e) Bank loan V bears interest at 4.85% (2015: 4.85%) per annum and is repayable in 180 monthly instalments commencing August 2015. It is secured by a first charge over the subsidiary's leasehold land and building with a net carrying amount of \$1,742,000 (2015: \$1,963,000).
- (f) Bankers' acceptances bear interest at 3.88% to 5.45% (2015: 3.60% to 6.96%) per annum and are secured by a first and legal charge over the subsidiary's freehold land and building with a net carrying amount of \$301,000 (2015: \$322,000) and a corporate guarantee by the Company.

22. Deferred tax liabilities

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

The movements in the deferred tax liabilities are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Balance at beginning of the financial year	577	597	91	91
Acquisition of a subsidiary	-	131	-	-
Credit to profit or loss	(51)	(90)	-	-
Exchange differences	(10)	(61)	-	-
Balance at end of the financial year	516	577	91	91

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Deferred tax liabilities</i>				
Excess of tax written down value over net carrying amount of property, plant and equipment	512	561	-	-
Other temporary differences	4	16	91	91
	516	577	91	91

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

23. Trade payables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade creditors	3,275	3,732	6	–
Advance receipts	26	16	–	–
Advance billings	16	41	–	–
	3,317	3,789	6	–

24. Other payables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Sundry creditors	422	363	9	4
Accrued operating expenses	1,692	1,885	477	484
Amount due to a related party	12	40	–	–
Amounts due to directors	782	71	500	–
Accrual for directors' fee	62	64	62	64
Other payable for acquisition of a subsidiary	554	954	554	954
Other payable for property, plant and equipment	895	895	–	–
	4,419	4,272	1,602	1,506

The amount due to a related party is non-trade in nature, unsecured, interest-free and repayable within the next 12 months after the balance sheet date.

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

25. Provision

	Group	
	2016 \$'000	2015 \$'000
Provision for construction and consultancy fees	–	300
Provision for litigation expenses	200	–
	200	300

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

In 2015, provision for construction and consultancy fees relates to the ongoing application for Temporary Occupation Permit of a property in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

26. Share capital

	Group and Company	
	2016	2015
	\$'000	\$'000
Issued and fully paid up capital		
108,518,995 ordinary shares with no par value	21,704	21,704

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.

27. (Accumulated losses)/retained earnings

Group

Included in accumulated losses of the Group is an amount of \$318,000 (2015: \$318,000) relating to legal reserve fund of a subsidiary. In accordance with the Slovak Commercial Code applicable to the subsidiary in the Slovak Republic, the subsidiary is required to make appropriation to a legal reserve fund based on a minimum amount of 5% of net profit annually, until the legal reserve fund exceeds at least 10% of the registered share capital. This fund can be used for covering the subsidiary's losses only and thus not available for dividend distribution to shareholders. No appropriation was made during the financial years ended 30 June 2016 and 2015 as the legal reserve fund is at least 10% of the registered share capital of the subsidiary.

	Company	
	2016	2015
	\$'000	\$'000
(Accumulated losses)/retained earnings		
Balance at beginning of the financial year	397	(6,989)
(Loss)/profit for the financial year	(1,272)	7,386
Balance at end of the financial year	(875)	397

28. Commitments

(a) Capital commitments

Capital commitments not provided for in the financial statements:

	Group	
	2016	2015
	\$'000	\$'000
Capital commitments in respect of property, plant and equipment	51	37

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

28. Commitments (cont'd)

(b) Operating lease commitment

As lessee:

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

	Group	
	2016 \$'000	2015 \$'000
Not later than one year	355	564
Later than one year but not later than five years	208	124
	563	688

As lessor:

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

	Group	
	2016 \$'000	2015 \$'000
Not later than one year	454	442
Later than one year but not later than five years	240	507
	694	949

The leases have varying terms and renewal rights.

(c) Other commitment - Company

As at 30 June 2016, the Company has provided continuing financial support of \$3,815,000 (2015: \$7,306,000) to certain subsidiaries in net current liability position.

29. Contingent liabilities

(a) Guarantees

	Company	
	2016 \$'000	2015 \$'000
Corporate guarantees provided by the Company to financial institutions for banking facilities granted to subsidiaries	9,832	8,089
Amount utilised by the subsidiaries	5,588	5,449

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

29. Contingent liabilities (cont'd)

(a) Guarantees (cont'd)

The directors have assessed the fair values of these financial guarantees to have no material financial impact on the results and the accumulated losses of the Company for the financial years ended 30 June 2016 and 30 June 2015.

(b) Legal claim

Group

As disclosed during the financial year ended 30 June 2013, an ex-parte injunction (the "Injunction") has been granted by the High Court of Malaya on 30 June 2013 and served on Hantong Metal Component (Penang) Sdn. Bhd., a wholly-owned subsidiary of the Company on 2 July 2013. There was no outcome following to the trial on 19 and 20 September 2016 and it will be continued at a later date to be confirmed by the Court.

Legal advice obtained indicates that it is unlikely that any significant liability will arise. At the date of these financial statements, the directors are of the view that no material losses will arise in respect of the legal claim.

(c) Temporary occupation permit of a property in Singapore

Cheong Fatt Holdings Pte Ltd ("Cheong Fatt"), a subsidiary of the Company, received a Temporary Occupation Permit (the "TOP") certificate for its new building (the "Property") from its architect on 7 January 2015. However, on 22 May 2015, it came to the attention of Cheong Fatt management that the TOP was not issued by the proper authority. On 6 July 2015, Building and Construction Authority (the "BCA") issued a letter to Cheong Fatt to immediately cease occupying the Property as it is an offence to occupy a property without a TOP. Cheong Fatt appealed to BCA for extension of time to vacate the Property, but was rejected per its letter issued on 15 July 2015. Subsequently, on 16 September 2015, Cheong Fatt has obtained TOP for the Property excluding first storey showroom, third and fourth storey. On 2 December 2015, Cheong Fatt has obtained full TOP for the Property.

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

Cheong Fatt's factory's main contractor, has obtained an interim injunction to restrain the Company from calling on the insurance guarantee. Cheong Fatt's subsequent application to discharge the injunction was part heard by the High Court on 29 June 2016, and is currently pending further directions from the Court.

The main contractor has issued a separate writ and statement of claim on 18 May 2016 claiming for amounts of approximately S\$ 2.4 million due for alleged variation works, and for damages for alleged breach of contract. The Company has entered an appearance and filed a defence and counterclaim of approximately S\$2.7 million in the new suit.

At the upcoming Pre Trial Conference for both suits, the parties will seek the Court's directions on whether both the cases should be consolidated and tried together or otherwise.

In the meantime, the parties have jointly agreed to refer both the cases to mediation at the Singapore Mediation Centre and have jointly agreed on the nomination of two mediators. The date for the mediation hearing has yet to be confirmed by the Singapore Mediation Centre.

Legal advice obtained indicates that it is unlikely that any significant liability will arise. At the date of these financial statements, the directors are of the view that no material losses will arise in respect of the legal claim.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

30. Significant related party transactions

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

	Group	
	2016 \$'000	2015 \$'000
Building management fees charged by a related party	61	22
Service fees charged by a related party	89	–
Collection on behalf by a related party	3	–
Payment of expenses on behalf by a related party	71	72
Service fees charged to a related party	57	22
Collection on behalf of a related party	47	–
Payment of expenses on behalf for a related party	5	–
Services rendered by a firm which an Independent Director has interest	48	7

- (b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	Group	
	2016 \$'000	2015 \$'000
Salaries and bonus	1,133	1,079
Directors' fees	62	64
Contributions to defined contribution plan	62	49
Other short-term benefits	65	67
	1,322	1,259

Included in the above are remuneration paid to the directors of the Company totalling \$745,000 (2015: \$709,000).

31. Segment information

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

31. Segment information (cont'd)

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

	Metal stamping		Tooling		Components and parts		Cleanroom products		Consolidated	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Segment revenue										
- Sales to external customers	20,308	24,405	2,467	2,373	269	2,866	2,574	1,385	25,618	31,029
Segment result	(1,002)	2,008	(803)	(793)	173	79	74	94	(1,558)	1,388
Unallocated expenses									(2,178)	(1,735)
Finance costs									(287)	(79)
Loss before tax									(4,023)	(426)
Tax credit / (expense)									38	(157)
Loss after tax									(3,985)	(583)
Group assets and liabilities										
Segment assets	24,224	27,465	369	1,038	1,408	81	1,672	3,955	27,673	32,539
Unallocated assets									1,745	2,132
Total assets									29,418	34,671
Segment liabilities	4,946	5,411	373	509	670	580	345	351	6,334	6,851
Unallocated liabilities									10,912	11,170
Total liabilities									17,246	18,021

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

31. Segment information (cont'd)

	Metal stamping		Tooling		Components and parts		Cleanroom products		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Other segment information										
Amortisation of intangible assets	-	-	-	-	-	-	70	35	70	35
Intangible asset written off	-	-	-	-	-	-	594	-	594	-
Capital expenditure	1,073	3,901	-	-	-	-	44	76	1,117	3,977
Depreciation of property, plant and equipment	2,101	1,232	226	72	-	-	22	8	2,349	1,312
Depreciation of investment property	-	5	-	-	-	-	-	-	-	5
Impairment less on property, plant and equipment	-	-	56	-	-	-	-	-	56	-
Property, plant and equipment written off	10	-	-	-	-	-	6	-	16	-

Segment results

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

Segment assets

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

Segment liabilities

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

Geographical segments

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

31. Segment information (cont'd)

Geographical information

	Singapore		Malaysia		Japan		United States of America		Slovak Republic		Czech Republic		Netherlands		Others*		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales to external customers	5,113	4,021	11,046	13,272	2,278	2,333	688	461	1,563	1,654	1,326	2,015	1,055	1,184	2,549	6,089	25,618	31,029
Non-current assets	8,252	8,554	3,497	4,955	-	-	-	1	1,924	2,044	-	-	-	-	111	187	13,784	15,740
Other geographical information:																		
Capital expenditure	746	1,516	332	2,342	-	-	-	-	25	44	-	-	-	-	14	75	1,117	3,977

* Others comprise Indonesia, Hong Kong, The People's Republic of China, Mexico, United Kingdom, Germany, Hungary, Romania and Austria. Revenue of approximately \$2,890,000 (2015: \$4,306,000) are derived from one (2015: one) external customer with revenue more than 10% of the Group's revenue and are attributed to Metal Stamping and Tooling Segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments

(a) Categories of financial instruments

The financial instruments as at balance sheet date are:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Loans and receivables	12,620	14,811	7,065	6,716
Financial liabilities				
At amortised costs	16,369	16,890	3,046	2,889

(b) Financial risk management

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

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

Credit risk

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

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

As the Group and Company do not hold any collateral, the maximum exposure to credit risk for each class of financial assets is the carrying amount of that class of financial asset presented on the balance sheets, except for a nominal amount of \$9,832,000 (2015: \$8,089,000) relating to corporate guarantees provided by the Company to financial institutions for banking facilities extended to subsidiaries as disclosed in Note 29(a).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
By geographical areas				
Singapore	1,442	2,060	3,250	2,944
Malaysia	2,494	3,514	1,221	1,371
Indonesia	73	51	-	-
Slovak Republic	590	1,892	-	-
Others	1,983	1,290	942	1,051
	6,582	8,807	5,413	5,366
By types of debtors				
Related party	-	7	-	-
Subsidiaries	-	-	5,413	5,366
Non-related parties				
- Multi-national companies	5,039	6,600	-	-
- Other companies	1,521	2,011	-	-
- Individuals	22	189	-	-
	6,582	8,807	5,413	5,366

The analysis of the trade receivables and amounts due from subsidiaries are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Neither past due nor impaired	5,708	3,791	1,233	1,729
Past due but not impaired	874	5,016	4,180	3,637
Past due and impaired	1,005	803	339	737
Gross amounts	7,587	9,610	5,752	6,103
Less: allowance for doubtful receivables	(1,005)	(803)	(339)	(737)
	6,582	8,807	5,413	5,366

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Credit risk (cont'd)

(i) *Financial assets that are neither past due nor impaired*

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

(ii) *Financial assets that are past due but not impaired*

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Past due 0-3 months	776	3,680	817	144
Past due 3-6 months	61	1,092	–	46
Past due over 6 months	37	244	3,363	5,113
	874	5,016	4,180	5,303

(iii) *Financial assets that are past due and impaired*

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

At the balance sheet date, the Group has provided the following impairments:

- (i) \$1,005,000 (2015: \$814,000) for its trade receivables (Note 17); and
- (ii) \$6,000 (2015: \$22,000) for its other receivables (Note 18).

The Company has provided for impairment of \$339,000 (2015: \$737,000) (Note 14) for its amounts due from subsidiaries at the balance sheet date.

Interest rate risk

The Group's policy is to obtain the most favourable interest rates available without increasing its interest rate risk exposure. The Group constantly monitors its interest rate risk and does not utilise forward contracts or other arrangements for trading or speculative purposes. As at 30 June 2016, there were no such arrangements, interest rate swap contracts or other derivative instruments that were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Interest rate risk (cont'd)

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
<i>Within one year-fixed rates</i>				
Borrowings	1,836	6,340	1,402	1,402
Finance lease liabilities	97	148	–	–
<i>Within one year-floating rates</i>				
Borrowings	744	804	–	–
<i>More than one year-fixed rates</i>				
Borrowings	1,415	1,588	–	–
Finance lease liabilities	101	138	–	–
<i>More than one year-floating rates</i>				
Borrowings	4,573	–	–	–

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

Sensitivity analysis on interest rate risk

The sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting periods in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. If the interest rates increase/decrease by 100 (2015: 100) basis point with all other variables being held constant, would not have a significant impact on the Group's and the Company's (loss)/profit for the current and previous financial years.

Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily United States Dollar ("USD"), Euro ("EUR"), Hong Kong Dollar ("HKD"), Thai Baht ("THB"), Malaysian Ringgit ("MYR"), Singapore Dollar ("SGD"), and Indonesian Rupiah ("INR"). As at the balance sheet date, there was no outstanding forward foreign exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

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

	SGD \$'000	USD \$'000	EUR \$'000	Total \$'000
At 30 June 2016				
<i>Financial assets</i>				
Trade and other receivables	–	2,424	–	2,424
Cash and cash equivalents	46	739	70	855
	46	3,163	70	3,279
<i>Financial liabilities</i>				
Trade and other payables	17	975	–	992
Net financial assets denominated in foreign currencies	29	2,188	70	2,287

	SGD \$'000	USD \$'000	INR \$'000	Total \$'000
At 30 June 2015				
<i>Financial assets</i>				
Trade and other receivables	–	3,433	52	3,485
Cash and cash equivalents	48	203	4	255
	48	3,636	56	3,740
<i>Financial liabilities</i>				
Trade and other payables	56	1,081	4	1,141
Net financial (liabilities)/assets denominated in foreign currencies	(8)	2,555	52	2,599

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

	USD \$'000
At 30 June 2016	
<i>Financial assets</i>	
Trade and other receivables	106
Cash and cash equivalents	35
Amounts due from subsidiaries	446
Net financial assets denominated in foreign currencies	587

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Foreign currency risk (cont'd)

	USD \$'000
<hr/>	
At 30 June 2015	
<i>Financial assets</i>	
Trade and other receivables	106
Cash and cash equivalents	6
Amounts due from subsidiaries	554
	<hr/>
Net financial assets denominated in foreign currencies	666
	<hr/>

Sensitivity analysis on foreign currency risk

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

	Group	
	2016 (Increase)/ decrease in loss after tax \$'000	2015 (Increase)/ decrease in loss after tax \$'000
<hr/>		
USD		
- strengthen	182	212
- weaken	(182)	(212)
	<hr/>	<hr/>
	Company	
	2016 (Increase)/ decrease in profit after tax \$'000	2015 Increase/ (decrease) in profit after tax \$'000
<hr/>		
USD		
- strengthen	49	55
- weaken	(49)	(55)
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

Liquidity and cash flow risk

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

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

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

	2016				2015			
	Repayable on demand or within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	Repayable on demand or within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Group								
Trade payables	3,275	-	-	3,275	3,732	-	-	3,732
Other payables	4,328	-	-	4,328	4,399	-	-	4,399
Borrowings	2,816	1,552	4,635	9,003	7,403	2,191	-	9,594
Finance lease liabilities	107	107	-	214	161	148	-	309
	10,526	1,659	4,635	16,820	15,695	2,339	-	18,034
Company								
Trade payables	6	-	-	6	-	-	-	-
Other payables	1,592	-	-	1,592	1,487	-	-	1,487
Amount due to a subsidiary	46	-	-	46	-	-	-	-
Borrowings	1,411	-	-	1,411	1,410	-	-	1,410
	3,055	-	-	3,055	2,897	-	-	2,897

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

32. Financial instruments (cont'd)

(b) Financial risk management (cont'd)

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

	2016			2015		
	Repayable on demand or within 1 year \$'000	1 to 5 years \$'000	Total \$'000	Repayable on demand or within 1 year \$'000	1 to 5 years \$'000	Total \$'000
Company						
Financial guarantee contract	5,588	–	5,588	5,449	–	5,449

33. Fair values of assets and liabilities

(a) *Fair value hierarchy*

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

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

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

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

The carrying amounts of non-current borrowings and finance lease liabilities approximate their fair values as these financial instruments bear interest rates which approximate the market interest rates at the balance sheet date. These fair value measurement for disclosure purpose are categorised in level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2016

34. Capital management

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

In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return on capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings. No changes were made in the objectives, policies or processes during the financial years ended 30 June 2016 and 2015.

As disclosed in Note 27, a subsidiary of the Group is required to make appropriation to a legal reserve fund. This externally imposed capital requirement has been complied with by the subsidiary for the financial years ended 30 June 2016 and 2015.

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

	Group	
	2016	2015
	\$'000	\$'000
Net debt	11,000	11,879
Equity	11,854	16,332
Total capital	22,854	28,211
Gearing ratio	48%	42%

35. Events after the balance sheet date

On 3 August 2016, the Company has entered into a termination agreement with the Vendor to abort its proposed investment of 10% interest in Midsouth Camca S.A. De. C.V, a company incorporated in Mexico that is engaged in the business of the assembly of standard parts of home appliances, which has not taken place since 1 July 2015.

36. Authorisation of financial statements

The consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors dated 27 September 2016.

STATISTICS OF SHAREHOLDINGS

As at 26 September 2016

Issued and fully Paid-up Capital	:	\$21,703,799
Number of Ordinary Shares in issue (excluding treasury shares)	:	108,518,995
Number of treasury shares held	:	Nil
Class of Shares	:	Ordinary
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.22	2	0.00
100 - 1,000	100	21.83	99,065	0.09
1,001 - 10,000	139	30.35	900,000	0.83
10,001 - 1,000,000	210	45.85	17,711,015	16.32
1,000,001 AND ABOVE	8	1.75	89,808,913	82.76
TOTAL	458	100.00	108,518,995	100.00

Substantial Shareholders

As shown in the Registrar of Substantial Shareholders:

	No. of Ordinary Shares	
	Direct Interest	Deemed Interest
Ip Kwok Wing	40,018,085	33,169,850
Lim Fong Li Janet	33,169,850	40,018,085
Ang Hao Yao (Hong Haoyao)	6,261,148	–

Note :

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

STATISTICS OF SHAREHOLDINGS

As at 26 September 2016

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	IP KWOK WING	40,018,085	36.88
2	LIM FONG LI JANET	33,169,850	30.57
3	ANG HAO YAO (HONG HAOYAO)	6,261,148	5.77
4	TAN YEOK MENG	3,551,830	3.27
5	CHAN TIN JOR	2,151,000	1.98
6	LEE YAN KIT	1,773,000	1.63
7	NG BEE KEOW	1,756,000	1.62
8	LIM HOE KOK	1,128,000	1.04
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	762,000	0.70
10	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	737,000	0.68
11	PANG CHEOW JOW	700,000	0.65
12	TEE AH KAW	652,000	0.60
13	GAN SENG KUEI	500,000	0.46
14	ONG HWEE JOO SHEENA	470,000	0.43
15	CHEW YI HONG (ZHOU YUFENG)	461,200	0.42
16	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	452,000	0.42
17	UOB KAY HIAN PRIVATE LIMITED	428,000	0.39
18	JEANETTE KOH CHEW TEE	425,000	0.39
19	PHYLLIS TEH SIOK KHIM	400,000	0.37
20	RHB SECURITIES SINGAPORE PTE. LTD.	395,000	0.36
	TOTAL	96,191,113	88.63

PUBLIC FLOAT

Based on the information available to the Company as at 26 September 2016, approximately 26.79% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rules 723 of the Singapore Exchange Securities Trading Limited Listing Manual Section B : Rules of Catalyst.

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

CFM HOLDINGS LIMITED

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

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CFM Holdings Limited (the “**Company**”) will be held at The Singapore Island Country Club, Ballroom 3, Level 3, 180 Island Club Road, Singapore 578774, on Wednesday, 26 October 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 30 June 2016 together with the Independent Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Article 115 of the Constitution of the Company, and who have, being eligible, offered themselves for re-election as Directors:

Mdm Lim Fong Li Janet **(Resolution 2)**
Mr Ong Wei Jin **(Resolution 3)**
[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$64,050 for the financial year ended 30 June 2016. (2015: \$64,300) **(Resolution 4)**
4. To re-appoint Messrs Baker Tilly TFW LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business that may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

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

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

- (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,

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

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 (including shares to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from the exercising of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Constitution, for the time being, of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 6)

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

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

[See Explanatory Note (iii)]

(Resolution 7)

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

By Order of the Board

Kenneth Leong
Company Secretary
Singapore,
11 October 2016

Explanatory Notes:

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

Mr Ong Wei Jin, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee, a member of the Audit and Remuneration Committees and will be considered independent for the purposes of Rule 704(7) of the Catalyst Rules of the SGX-ST.

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

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

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

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

Notes:

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

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

2. A proxy need not be a member of the Company.
3. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on his behalf.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Ang Mo Kio Avenue 12, #05-01, CFM Building, Singapore 569498 not less than forty-eight (48) hours before the time appointed for holding the Meeting of the Company.
5. This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("**Exchange**"). The Company's Sponsor has not independently verified the contents of this notice including the correctness of any of the figures used, statements or opinions made.

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

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

NOTICE OF THE SIXTEENTH ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company:

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

CFM HOLDINGS LIMITED

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

IMPORTANT

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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

of _____ (Full Address)

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Annual General Meeting (the "Meeting") as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Meeting of the Company to be held at The Singapore Island Country Club, Ballroom 3, Level 3, 180 Island Club Road, Singapore 578774 on 26 October 2016 at 10.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

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

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the year ended 30 June 2016 together with the Independent Auditors' Report thereon		
2	Re-election of Mdm Lim Fong Li Janet as a Director		
3	Re-election of Mr Ong Wei Jin as a Director		
4	Approval of Directors' fees amounting to S\$64,050 for the financial year ended 30 June 2016		
5	Re-appointment of Baker Tilly TFW LLP as the Company's Auditors		
6	Authority to issue new shares		
7	Authority to grant awards and to allot and issue shares under the CFM Performance Share Plan		

Dated this _____ day of _____ 2016

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

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

*Delete where inapplicable



Notes:

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

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
 - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
 - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
 6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 4 Ang Mo Kio Avenue 12, #05-01 CFM Building, Singapore 569498 not less than 48 hours before the time appointed for the Meeting.
 7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
 8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 October 2016.

CFM HOLDINGS LIMITED

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

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