CFM HOLDINGS LIMITED

Registration No.: 200003708R

ANNUAL REPORT

2014

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Ip Kwok Wing
Executive Chairman

Janet Lim Fong Li
Chief Executive Officer

Peter Lai Hock Meng
Lead Independent Director

Ong Wei Jin
Independent Director (appointed 07-01-2014)

Er Kwong Wah
Independent Director

AUDIT COMMITTEE

Peter Lai Hock Meng *(Chairman)*
Ong Wei Jin
Er Kwong Wah

REMUNERATION COMMITTEE

Er Kwong Wah *(Chairman)*
Ong Wei Jin
Peter Lai Hock Meng

NOMINATING COMMITTEE

Ong Wei Jin *(Chairman)*
Peter Lai Hock Meng
Er Kwong Wah

AUDITORS

Baker Tilly TFW LLP
Chartered Accountants of Singapore
15 Beach Road #03-10
Beach Centre
Singapore 189677
Partner: Khor Boon Hong
(appointed since financial year ended 30 June 2011)

COMPANY SECRETARY

Robin Yoo Loo Ping

REGISTERED OFFICE

4 Ang Mo Kio Avenue 12
#05-01 CFM Building
Singapore 569498
Tel: +65 6481 2888
Fax: +65 6481 1122
admin-sg@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

CORPORATE PROFILE

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

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

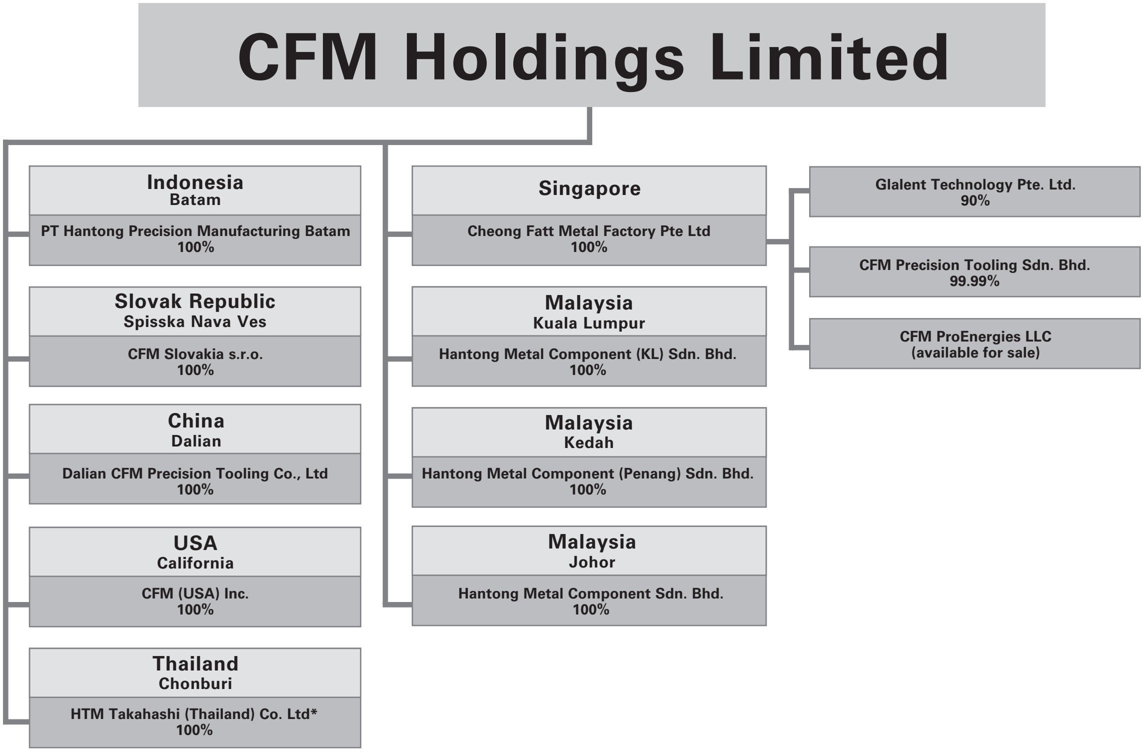
VISION

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 upgrading 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 Metal Factory Pte Ltd
Glalent Technology 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, Kelurahan Kampung Seraya,
Kecamatan Batu Ampar,
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 Perindustrian Sungai Petani,
08000 Sungai Petani, Kedah,
Malaysia

THAILAND
HTM Takahashi (Thailand) Co. Ltd.
Level 29, 999/9 Rawa I Road,
Khwaeng Pathumwan Khet
Pathumwan, Bangkok 10330,Thailand

UZBEKISTAN
CFM ProEnergies LLC
"Navoi" Free Industrial -
Economic Zone, Karmana District,
210600, Republic of Uzbekistan

* Dissolved on 4 June 2014

CHAIRMAN'S STATEMENT

Dear Shareholders,

For and on behalf of the Board of Directors of CFM Holdings Limited (the "Company"), I am pleased to present the Annual Report and Financial Statements for the year ended 30 June 2014.

This year has been an exciting year for the Company, when we go through some restructuring of our operations and the reconstruction of the Singapore factory by turning it into a 5 storey industrial building. During the year, we have also embarked on a new direction as we revised our Vision and Mission Statement.

Overall Financial Performance Review

The Group has shown a decrease in revenue from S$43 million to S$35 million for the 12 month period from 1 July 2013 to 30 June 2014. However, Gross Profit Margin increased from 14.9% to 18.8% for fiscal year 2014. This is mainly due to cost cutting measures undertaken by the management and increased efficiency. Expenses for the group has also decreased which resulted in a net profit for the year of S$0.4 million for fiscal year 2014 as compared to a loss of S$3.3 million in prior year.

Prospects and Outlook

The Group will continue to tighten our costs, improve efficiency and strengthen our market position to meet the uncertain global outlook. In addition, we continue to be committed to focus on our existing growth strategies and to enhance our shareholders' value.

As at the date of this report, the construction of the new Singapore 5 storey industrial building has been substantially completed and is pending receipt of "Temporary Occupation Permit" ("TOP"). A tenancy agreement has been signed with a tenant to lease a space of approximately 5,600 square feet from the subsidiary. At the same time, the subsidiary is also in discussion with a few potential tenants. Based on Housing & Development Board of Singapore prevailing sub-letting rules, the Company can sublet up to 50% of the total rentable area of 62,000 square feet.

As regards to a litigation with a previous customer, there has been no material update to date (Note 31 (b)).

Appreciation

I would like to express my appreciation to my fellow Directors, the management team and all our employees for their dedication and commitments to the group and to our valued customers and our business partners for their invaluable support.

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 Janet Lim Fong Li, 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 Janet Lim Fong Li

Chief Executive Officer

Mdm Janet Lim Fong Li is the Chief Executive Officer ("CEO") of our Group. Assisted by the Group Chief Financial Officer and Group General Manager, 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 Peter Lai Hock Meng

Lead Independent Director

Mr Peter Lai Hock Meng has more than 30 years experience in financial services industry including central banking, investment banking, private banking, stock broking, venture capital, asset management, treasury management and private equity investments. He is currently chairman of a boutique corporate advisory firm HML Consulting Group Pte Ltd based in Singapore, and Chief Executive Officer of an investment holding company CY Foundation Group Ltd listed on the Hong Kong Stock Exchange. He also sits on the board of several other companies listed on the Singapore Exchange and the London Stock Exchange as Independent Director.

Mr Lai graduated with a Bachelor and Master of Arts in Economics from the University of Cambridge, England. He is also a CFA charter holder from the CFA Institute, USA, and a Fellow of the Chartered Institute of Marketing, UK.

Mr Ong Wei Jin

Independent Director

Mr Ong has been appointed as our independent non-executive Director since 7 January 2014. He is also 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.

Mr Er Kwong Wah

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. He is also a Member of Raffles Institution Board of Governors.

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.

KEY MANAGEMENT PERSONNEL

Mr Fred Hoo Khiang Seng

Chief Financial Officer

Mr Hoo joined the Group on 1 November 2013 as Chief Financial Officer. He has more than 18 years of financial and compliance experiences. Prior to joining the Group, he had worked in international accounting firms in USA and Asia Pacific region from 1995 to 2004. From 2004 to 2010, he assumed roles in Internal Audit departments and in 2010 was posted to Shanghai, China, to lead and build a financial project team.

He is a chartered accountant with the Institute of Singapore Chartered Accountants and obtained his MBA from Southern Illinois University of Carbondale in 2006.

Mr James Tan Hock Soon

Group General Manager

Prior to joining CFM Holdings on 11 November 2013 as a Group General Manager, Mr Tan has years of experience in plant set up and overseeing business operations in Shanghai, PRC as a General Manger for several years. He managed both Singapore manufacturing operations and foreign based MNC companies listed on NASDAQ USA. These companies business focused mainly in manufacturing processes of electronic connectors, switches and automotive component parts that involved in high precision metal stamping, engineering plastic moulding, precision tool room fabrication and assembly line work.

Mr Tan earned a master degree in business administration from University of Dubuque, Iowa, USA.

Mr Kenneth Ip Yew Wa

General Manager of Hantong Metal Component (Penang) Sdn. Bhd.

Mr Ip 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. In July 2013, he was appointed the general manager of Hantong Metal Component (Penang) Sdn Bhd. 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.

FINANCIAL AND OPERATION REVIEW

	Group	
	2014	2013
	S$'000	S$'000
Revenue	**34,757**	42,838
Gross profit	**6,534**	6,363
Profit/(loss) before tax	**781**	(2,444)
Tax expense	**(381)**	(851)
Net profit/(loss)	**400**	(3,295)
Total assets	**31,605**	29,716
Total liabilities	**13,322**	11,511

Financial and Operation Review

Overview of the Group's Operations

Our Group designs, fabricates tool-and-die and manufactures fabrication and metal stamping components for the electronics, automotive, telecommunications and mechanical and electrical industries. Our operations are in Singapore, Malaysia, Slovak Republic, China and Indonesia. We are established in these countries to maintain proximity with our customers.

Singapore and Indonesia

Our Singapore and Indonesia operations contributed 17.9% of the Group's revenue. Singapore operation focused on Marketing & Sales, Design and Procurement activities. We also specialize in prototyping and sheet metal fabrication. The sales for FY2014 has decreased by 48.6% mainly from the trading business. Our Singapore operation has incurred a net loss for the year.

Our Indonesia operation went through another challenging year. Revenue for the year was lower than the year before after the relocation of operations of the major customers since FY2010. It continued to incur losses for this financial year. Therefore, we are restructuring our operation in the new financial year.

Malaysia

During the financial year under review, our Malaysian operations contributed 46.4% of the Group's revenue. The revenue was 23.0% lower as compared to FY2013 mainly due to decrease in orders by our Japanese customers. Various cost control exercises and measures in addition to the improvement in the production efficiency efforts have been implemented during this challenging period. By improving our marketing and internal efficiency, we foresee our Malaysian operations to continue to perform positively in the coming year.

Eastern Europe

Our Slovak Republic operation managed to contribute 28.2% of the Group's revenue with the continued support from our strategic customers.

We will continue to develop new customers in Eastern and Western Europe to further increase our revenue from our Slovak Republic's operation. The Group will continue to improve the production efficiency and to implement cost cutting exercise in our Slovak Republic operation. We foresee our Slovak operation would be able to continue to be one of the profit contributors to our Group in the coming year.

China

Our operation in China has improved during the financial year. The revenue continues to improve as compared to FY2013. Improving production efficiency, cost control, and enlargement of customers base remain our key priorities in the coming year.

Uzbekistan

Since the last financial year, we have been seeking opportunity to withdraw from the investment in Uzbekistan. The financial year under review, our Uzbekistan operation continues to be in pre-operating status. In view of our project in Uzbekistan is slower than our initial projection and expectation, we have decided to exit from Uzbekistan.

FINANCIAL AND OPERATION REVIEW

Review of Consolidated Profit and Loss Statement

For the financial year ended 30 June 2014, the Group has registered a lower revenue of S$34.76 million, a decrease of S$8.08 million from last year. The decrease was experienced in our operations in Malaysia, Indonesia and Singapore while offset by increased contributions from China and Slovakia.

Group profit margin has increased from 14.9% to 18.8% for this financial year. The improved gross profit margin attributed by continued efforts to tighten cost and improving productivity in all our operations.

Other income decreased by 51.8% mainly due to loss of rental income resulted from rebuilding the Singapore factory and lower investment income from the ceased joint-venture project in Port Dickson.

Administrative expenses decreased significantly from S$8.45 million in FY2013 to S$5.11 million in FY2014 mainly due to the following factors:

a. lower impairment charge for FY2014 while an impairment of S$0.90 million resulted from the demolition of the Singapore factory and impairment from property, plant & equipment in one subsidiary of S$0.13 million in FY2013;

b. decrease in bad debt provision of S$0.90 million in FY2013 to S$0.15 million in FY2014;

c. no depreciation charge for the Singapore factory which was under construction in FY2014 (S$0.58 million in FY2013); and

d. decrease in stock provision of S$0.26 million in FY2013 to S$0.06 million in FY2014.

The Group tax expense decreased significantly from S$0.85 million in FY2013 to S$0.38 million in FY2014. High tax expense in FY2013 was mainly due to S$0.42 million tax expense on gain on disposal of assets in our Thailand subsidiary.

Overall, the Group recorded a profit after tax of S$0.40 million for the financial year ended 30 June 2014.

Review of Consolidated Balance Sheet

Property, plant and equipment increased from S$6.85 million as at 30 June 2013 to S$13.06 million as at 30 June 2014. This is mainly due to the capitalization of the construction cost of the new factory in Singapore.

Investment in a subsidiary, CFM ProEnergies, LLC, was reclassified to Available-for-sale financial asset, arising from the loss of control over the subsidiary. The investment in this subsidiary was fully impaired for the financial year ended 30 June 2013.

As of 30 June 2014, the proceeds from divestment in a joint venture project in Port Dickson, Malaysia has been fully received. Hence, investment declined from S$0.23 million as at 30 June 2013 to nil as at 30 June 2014.

Inventories increased by approximately S$0.20 million as at 30 June 2014 after net of inventories written down. The inventories written down for FY2014 was S$0.06 million, out of which, S$0.04 million related to inventories manufactured for Applicam Industries (S) Pte. Ltd., which is currently under Judicial Management.

Trade receivables decreased from S$8.63 million as at 30 June 2013 to S$7.26 million as at 30 June 2014 due to lower revenue generated. The Group recorded allowance for doubtful debt (trade) of approximately S$0.08 million in relation to one customer, Showa International (HK) Co. Ltd. This amount relates to additional billing to the said customer in July 2013. As at 30 June 2014, the Group has provided full provision for all trade receivable from Showa International (HK) Co. Ltd.

Other receivables has decreased slightly from S$1.11 million as at 30 June 2013 to S$1.04 million as at 30 June 2014. This was mainly due to allowances provided for deposit placed with Mesme Rise Resources and amount due from an ex-director in FY2013.

Trade payables decreased from S$6.14 million as at 30 June 2013 to S$3.90 million as at 30 June 2014 was mainly due to shorter repayment term given by suppliers.

Other payables increased from S$2.82 million as at 30 June 2013 to S$4.50 million as at 30 June 2014 was mainly due to the accrual of construction cost payable to the main contractor of the Singapore factory for approximately S$1.20 million.

Total borrowings for the Group increased from S$1.55 million as at 30 June 2013 to S$4.21 million as at 30 June 2014. This was mainly due to the drawdown of the construction loan for the Singapore factory.

Review of Consolidated Statement of Cash Flows

For the full year ended 30 June 2014, the Group had generated a net cash inflow of S$0.18 million from our operating activities as compared to net cash outflow of S$0.07 million in FY2013. The increase in positive net operating cash flow was due to:

a. profit generated in FY2014 before tax of approximately S$0.78 million;

b. non-cash movements of expenses like depreciation charge of S$1.17 million;

c. S$1.39 million receipts from receivables; but offset by

d. increase in inventories purchase by S$0.2 million; and

e. payment of S$2.51 million to suppliers.

Net cash flows used in investing activities amounted to S$4.88 million in FY2014 as compared to net cash flow generated from investing activities of S$4.54 million in FY2013. The net cash flow used was mainly for the payment of the construction cost of the new Singapore factory of approximately S$4.61 million, but partially offset by proceed from cessation of the joint-venture project of S$0.1 million and disposal of property, plant and equipment of approximately S$0.3 million.

Net cash from financing activities of approximately S$2.55 million in FY2014 was mainly attributed to:

a. repayment of bank loans of approximately S$0.16 million;

b. Interest payment of S$0.09 million;

c. net repayment of finance lease liabilities of approximately S$0.27 million;

d. partially offset by proceed from banks of approximately S$2.92 million; and

e. released of fixed deposits pledged with financial institution of approximately S$0.15 million.

The Group's cash and cash equivalent decreased from S$6.40 million as at 30 June 2013 to S$4.18 million as at 30 June 2014.

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;

CORPORATE GOVERNANCE

(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, 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 functions 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 four (4) times a year and as warranted by particular circumstances. The Articles of Association 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 2014, as well as the attendance of each member at these meetings, are set out below:

Name of Directors	Board Meetings	Board Committee Meetings		
		Audit	Nominating	Remuneration
Ip Kwok Wing	4	*4	*1	*1
Janet Lim Fong Li	4	*4	*2	*1
Ong Wei Jin**	2	2	0	0
Soo Kok Hwa***	1	*1	*1	*1
Wong Kok Hoe ***	1	1	1	1
Er Kwong Wah	4	4	2	1
Peter Lai Hock Meng	4	4	2	1
Total No. of Meetings Held	4	4	2	1

* By invitation
** Ong Wei Jin was appointed to the Board on 7 January 2014
*** Wong Kok Hoe and Soo Kok Hwa did not seek for re-election as director in the 13th AGM on 31 October 2013

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

As and when necessary the directors would receive further relevant training especially in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards, insider trading, as well as changes in the relevant provisions of the 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 three (3) 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 years from the date of his first appointment.

CORPORATE GOVERNANCE

The Board presently comprises five (5) directors, three (3) of whom are independent non-executive directors. As the Chairman of the Board and the CEO are immediate family members, the present composition of the Board complies with the Code's guidelines that independent directors make up at half of the Board. 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	–	–	–
Janet Lim Fong Li	Executive Director & CEO	–	–	–
Peter Lai Hock Meng	Lead Independent Director	Chairman	Member	Member
Ong Wei Jin	Independent Director	Member	Chairman	Member
Er Kwong Wah	Independent Director	Member	Member	Chairman

The size and composition of the Board is reviewed annually by the NC which is of the view that the current Board size of five (5) directors, three (3) of whom are independent non-executive directors, is appropriate and facilitates effective decision-making, taking into account the nature and scope of the Company's operations.

The NC is also 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.

CORPORATE GOVERNANCE

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

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

(b) all major decisions made by the Executive Chairman and CEO of the Company are reviewed and approved by the Board.

Mr Peter Lai Hock Meng who is the Chairman of Audit Committee, member for both Nominating Committee and Remuneration Committee had been appointed as Lead Independent Director on 28 December 2012. 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.

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Notwithstanding the above, the Board retains the right to review the current status as facts and circumstances change.

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 non-executive directors, all of whom are independent:

Ong Wei Jin	–	Chairman
Er Kwong Wah	–	Member
Peter Lai Hock Meng	–	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;

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(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.

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Criteria for appointment of new directors

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

(a) Integrity;

(b) Independent mindedness;

(c) Possess core competencies which meet the current needs of the Company and complement the skills and competencies of the existing directors on the Board;

(d) Able to commit time and effort to carry out duties and responsibilities effectively;

(e) Experience in the relevant field of business of the Company or industries in which it operates; and

(f) Financially literate.

All directors are to submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Under the Company's existing Articles of Association, 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 33, 34 and 35 – 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 40 – 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.

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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.

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.

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

The RC currently comprises entirely independent non-executive directors as follows:

Er Kwong Wah	–	Chairman
Ong Wei Jin	–	Member
Lai Hock Meng	–	Member

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

(a) to review and recommend to the Board a framework of remuneration for the Executive Chairman, directors, and key management personnel of the Company. The framework will cover all aspects of remuneration, including without limitation, directors' fees, basic salaries, allowances, bonuses, options and benefits-in-kind;

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(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 following share plans of the Company, namely:

1. The CFM Holdings Share Option Scheme (the "**Scheme**"), which was implemented in December 2003, but was subsequently withdrawn upon the expiration of the scheme. No option was granted during the life span of the scheme; and

2. The CFM Holdings Performance Share Scheme, to be approved at the EGM to be held on 31 October 2014.

The RC has access to professional advice from experts outside the Company on executive remuneration matters as and when necessary. In accessing the professional advise 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 professional 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.

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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 has reviewed and recommended to the Board the adoption of a performance share scheme for directors,key management personnel and employees. The Company will seek the approval of its shareholders at this annual general meeting for the adoption of the performance share scheme.

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.

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.

CORPORATE GOVERNANCE

Policy in respect of independent directors' remuneration

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

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

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

Remuneration of the directors, key management personnel (who are not also directors) for the financial year ended 30 June 2014

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 S$250,000 for the financial year ended 30 June 2014, are set out below:

	Base Salary	Variable/ Performance Related Income	Director Fees	Benefit in Kind/ Allowance	Total
Remuneration Band Name of Director					
Above S$500,000					
–					
Above S$250,000 to S$500,000					
Ip Kwok Wing	88.4%	7.4%	–	4.2%	100.0%
Janet Lim Fong Li	88.2%	7.4%	–	4.4%	100.0%
S$250,000 and below				–	
Wong Kok Hoe	–	–	100.0%	–	100.0%
Peter Lai Hock Meng	–	–	100.0%	–	100.0%
Er Kwong Wah	–	–	100.0%	–	100.0%
Soo Kok Hwa	85.4%	7.4%	–	7.2%	100.0%
Ong Wei Jin	–	–	100.0%	–	100.0%
Remuneration Band Name of Top 5 Key Management Personnel					
S$250,000 and below					
James Tan Hock Soon	95.9%	–	–	4.1%	100.0%
Fred Hoo Khiang Seng	92.0%	–	–	8.0%	100.0%
Keong Kok Yoon	61.7%	23.8%	–	14.5%	100.0%
Kenneth Ip Yew Wa	66.4%	18.8%	–	14.8%	100.0%
Thomas Soh Kee Poh	76.9%	7.7%	–	15.4%	100.0%

Note:
- Ip Kwok Wing and Janet Lim Fong Li are husband and wife.
- Kenneth Ip Yew Wa is the son of Ip Kwok Wing (Executive Chairman) and Janet Lim (CEO). The remuneration for his appointment as a general manager of Hantong Metal Component (Penang) Sdn Bhd during the financial year ended 30 June 2014 was within the range of S$100,000 to S$150,000.
- Wong Kok Hoe and Soo Kok Hwa did not seek for re-election as directors in the Annual General Meeting on 31 October 2013.
- Ong Wei Jin was appointed to the Board on 7 January 2014.
- The total remuneration paid to the top five key management personnel is S$504,000.

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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 2014.

Save as disclosed above, there were no other employees of the Company or its subsidiaries who were immediate family members of any director or the CEO whose remuneration exceeded S$50,000 for the financial year ended 30 June 2014. "Immediate family member" means the spouse, child, adopted child, stepchild, brother, sister or parent.

There were no share options granted by the Company since the commencement of the share option scheme in December 2013. The scheme was subsequently withdrawn in December 2013 after a lifespan of ten (10) years.

(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.

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**").

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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.

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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 in addressing financial, operational, compliance risks, information technology controls and risk management system.

For the financial year ended 30 June 2014, 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 non-executive directors, all of whom are independent:

Peter Lai Hock Meng	–	Chairman
Er Kwong Wah	–	Member
Ong Wei Jin	–	Member

Mr Peter Lai Hock Meng has accounting and related financial management expertise and experience. 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 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;

CORPORATE GOVERNANCE

(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.

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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 and non-audit services for the financial year ended 30 June 2014 amounted to S$141,000 (including under provision in prior year of S$3,000) and S$0 respectively.

The Company confirmed that Rule 712, Rule 715 and 716 of the Catalist Rule in relation to the auditors of the Company have been complied with. In addition, the Board and audit committee are satisfied that the appointment of different auditors to its subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

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.

An independent and internal audit firm, 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

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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 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.

(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.

CORPORATE GOVERNANCE

Shareholders are invited to attend shareholders' meetings to put forth any questions they may have on the motions to be debated and decided upon. If any shareholder is unable to attend, he is allowed to appoint up to two (2) proxies to vote on his behalf at the meeting through proxy forms sent in advance. 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.

For greater transparency, the Company will put all resolutions to vote by poll at its fourteenth 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 for expansion.

(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.

CORPORATE GOVERNANCE

(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.

There was no interested person transaction above S$100,000 conducted during the financial year ended 30 June 2014.

(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 2014.

CORPORATE GOVERNANCE

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE

Name	Academic/ Professional Qualifications/ Affiliations	Board Appointment Executive/ Non-Executive/ Independent	Date of Appointment	Date Last Re-elected	Directorship/ Chairmanships in other Listed Companies in Singapore (Present & Held Over the Preceding Three Years) & Other Principal Commitments
Ip Kwok Wing	Hong Kong Secondary School	Executive Chairman	28 April 2000	31 October 2013	Other Listed Companies Nil Other principal commitments Nil
Janet Lim Fong Li	Bachelor of Science in Business Administration and Master's Degree in Marketing Communication	Chief Executive Officer	28 April 2000	28 October 2010	Other Listed Companies Nil Other principal commitments Nil
Ong Wei Jin	LLB (Hons) MBA (Investment and Finance) LLM	Independent Director	7 January 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	31 October 2013	Other Listed Companies Present: Cosco Corporation (Singapore) Ltd (listed on SGX) China Essence Group Ltd (listed on SGX) Eucon Holding Ltd (listed on SGX) GKE Corporation Ltd (listed on SGX) China Oilfield Technology Services Group Ltd (listed on SGX) China Sky Chemical Fibre Ltd (listed on SGX) C Y Foundation Group Ltd (listed on HKSE) Over Preceding 3 Years: ASA Holding Ltd Sun East Holding Ltd Unidux Electronics Ltd Thai Prime Fund Ltd Firstlink Investments Corp Ltd Other principal commitments Nil

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
Peter Lai Hock Meng	MA Degree in Economics	Independent Director	25 November 2011	28 December 2012	Other Listed Companies Present: Delong Holdings Ltd (Listed on SGX) PureCircle Ltd (Listed on LSE) China Energy Limited (Listed on SGX) China Essence Group Ltd (Listed on SGX) China Oilfield Technology Services Group Ltd (Listed on SGX) ASTI Holdings Limited (Listed on SGX) CY Foundation Group Limited (Listed on HKSE) Other principal commitments Member, Investment Committee, Hwa Chong Institution Member, Management Council & Academic Board, EASB Institute of Management, Singapore Council member, The China Society, Singapore Member, Inquiry Committee, The Singapore Law Society

CORPORATE GOVERNANCE

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 – 14
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	14
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 – 15
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 – 16
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	17 – 19
Guideline 4.4 The maximum number of listed company board representations which directors may hold should be disclosed	18
Guideline 4.6 Process for the selection, appointment and re-appointment of new directors to the Board, including the search and nomination process	18 – 19
Guideline 4.7 Key information regarding directors, which directors are executive, non-executive or considered by the nominating committee to be independent	19

CORPORATE GOVERNANCE

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	19 – 20
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	21 – 22
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	22
Guideline 9 Clear disclosure of remuneration policies, level and mix of remuneration, and procedure for setting remuneration	23 – 24
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)	24
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	24
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 S$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	24
Guideline 9.4 Details of the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S$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 S$50,000	24

CORPORATE GOVERNANCE

Guideline 9.5 Details and important terms of employee share schemes	25
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	24
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	26 – 27
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	27 – 29
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	29
Guideline 12.7 The existence of a whistle-blowing policy should be disclosed in the company's Annual Report	29
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	29
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	30 – 31
Guideline 15.5 Where dividends are not paid, companies should disclose their reasons	31

CFM HOLDINGS LIMITED AND ITS SUBSIDIARIES

30 JUNE 2014

Contents

DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of CFM Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 30 June 2014.

1. DIRECTORS

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

Ip Kwok Wing	–	Executive Chairman
Janet Lim Fong Li	–	Chief Executive Officer
Peter Lai Hock Meng	–	Lead Independent Director
Er Kwong Wah	–	Independent Director
Ong Wei Jin	–	Independent Director (Appointed on 7 January 2014)

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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.

3. 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 companies 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:

	Number of ordinary shares			
	Holdings registered in the name of director		**Holdings in which a director is deemed to have an interest**	
Name of director	**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	33,169,850	33,169,850
Janet Lim Fong Li	33,169,850	33,169,850	40,018,085	40,018,085

There was no change in any of the above-mentioned interests in the Company between the end of the financial period and 21 July 2014.

DIRECTORS' REPORT

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)

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

By virtue of Section 7 of the Singapore Companies Act, Ip Kwok Wing and Janet Lim Fong Li are deemed to have an interest in the shares held by the Company in its subsidiaries.

4. DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of these related corporations.

5. OPTIONS

The Company has an employee share option plan, the CFM Holdings Share Option Scheme (the "Scheme"), which was implemented in December 2003 and was subsequently withdrawn upon the expiration of this Scheme in December 2013. A summary of the rules of the Scheme is set out as follows:

- Under the rules of the Scheme, Executive, Non-executive Directors and employees of the Group, who are not controlling shareholders or their respective associates (as defined in the Listing Manual), are eligible to participate in the Scheme.

- The Scheme is administered by a committee comprising Directors (the "Committee"), including Directors who may be participants of the Scheme, with powers to determine, *inter alia*, the following:

  (i) persons to be granted Options;
  (ii) number of Options to be offered; and
  (iii) recommendations for modifications to the Scheme.

- The Committee comprises three directors, namely, Peter Lai Hock Meng, Er Kwong Wah and Ong Wei Jin. A member of the Committee who is also a participant of the Scheme must not be involved in its deliberation in respect of options granted or to be granted to him.

- The aggregate number of shares over which the Committee may grant Options on any date, when aggregated with the number of shares issued and issuable in respect of all Options granted under the Scheme and any other share option schemes of our Company, shall not exceed fifteen per cent (15%) of the issued shares of the Company on the day preceding the date of the relevant grant.

DIRECTORS' REPORT

5. OPTIONS (CONTINUED)

- The Options that are granted under the Scheme may have exercise prices that are, at the Committee's discretion, set at a discount to a price equal to the average of the last dealt prices for the shares on the Official List of the SGX-Catalist for the five (5) consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share (the "Market Price") (subject to a maximum discount of twenty per cent (20%)), ("Incentive Option"), or fixed at the Market Price ("Market Price Option"). Options may only be exercised after the second anniversary of the date of grant of that option. All options granted under the Scheme will have a life span of ten (10) years.

- The Scheme shall continue in operation for a maximum duration of ten (10) years and may be continued for any further period thereafter with the approval of our Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

There were no options granted since commencement of the scheme till the end of the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

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

6. AUDIT COMMITTEE

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

Peter Lai Hock Meng – Chairman
Er Kwong Wah
Ong Wei Jin

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 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;

DIRECTORS' REPORT

6. AUDIT COMMITTEE (CONTINUED)

(e) to review the half-yearly and annual announcement of results of the Group to Singapore Exchange Securities Trading Limited ("SGX-ST") before submission to the Board for approval;

(f) to consider and review the assistance given by the Management to the auditors;

(g) to 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 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 auditors 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.

DIRECTORS' REPORT

7. 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	Janet Lim Fong Li
Executive Chairman	Chief Executive Officer

3 October 2014

STATEMENT BY DIRECTORS

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 48 to 111, are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014, and of the results, 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.

On behalf of the directors

Ip Kwok Wing
Executive Chairman

Janet Lim Fong Li
Chief Executive Officer

3 October 2014

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 48 to 111, which comprise the balance sheets of the Group and the Company as at 30 June 2014, 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 profit and loss accounts and balance sheets 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 qualified audit opinion on the consolidated financial statements of the Group and for our audit opinion on the balance sheet of the Company.

Basis for Qualified Opinion for the Group

In our auditor's report on the consolidated financial statements of the Group for the financial year ended 30 June 2013, we expressed a qualified opinion as we were unable to obtain sufficient information and explanations to enable us to form an opinion as to whether the unaudited management accounts of a subsidiary, CFM ProEnergies LLC ("CFMPE"), used in the preparation of the consolidated financial statements, were prepared in accordance with Singapore Financial Reporting Standards and in form and content appropriate and proper for the purpose of preparation of the consolidated financial statements of the Group. Accordingly, we were unable to determine whether any adjustments might be necessary in respect of the net loss of CFMPE amounted to $87,000 and loss recognised on classification of CFMPE's assets and liabilities as held for sale amounted to $471,000 included in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the financial year ended 30 June 2013.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
CFM HOLDINGS LIMITED

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Basis for Qualified Opinion for the Group (Continued)

Our opinion for the consolidated financial statements for the current financial year ended 30 June 2014 is also qualified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

Opinion on the consolidated financial statements of the Group
In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion, the consolidated financial statements of the Group 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 state of affairs of the Group as at 30 June 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Opinion on the balance sheet of the Company
In our opinion, the balance sheet of the Company is 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 state of affairs of the Company as at 30 June 2014.

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 subsidiaries 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

3 October 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		Group	
		2014	2013
	Note	**$'000**	$'000
Revenue	3	**34,757**	42,838
Cost of sales		**(28,223)**	(36,475)
Gross profit		**6,534**	6,363
Other income	4	**534**	1,098
Marketing and distribution expenses		**(1,113)**	(1,373)
Administrative and other expenses		**(5,112)**	(8,451)
Finance costs	5	**(62)**	(81)
Profit/(loss) before tax	6	**781**	(2,444)
Tax expense	8	**(381)**	(851)
Profit/(loss) for the year		**400**	(3,295)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(176)**	308
Total comprehensive income/(loss) for the financial year		**224**	(2,987)
Profit/(loss) attributable to:			
Equity holders of the Company		**400**	(3,261)
Non-controlling interests		**–**	(34)
Profit/(loss) for the year		**400**	(3,295)
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		**239**	(2,951)
Non-controlling interests		**(15)**	(36)
Total comprehensive income/(loss) for the financial year		**224**	(2,987)
Earnings per share (EPS) ***(expressed in cents per share)***			
– Basic	9	**0.37**	(3.01)
– Diluted	9	**0.37**	(3.01)

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

BALANCE SHEETS

AT 30 JUNE 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**$'000**	$'000	**$'000**	$'000
Non-current assets					
Property, plant and equipment	10	**13,059**	6,848	**10**	7
Investment property	11	**318**	340	**–**	–
Investments in subsidiaries	12	**–**	–	**8,496**	9,742
Amounts due from subsidiaries	13	**–**	–	**31**	49
		13,377	7,188	**8,537**	9,798
Current assets					
Investment	15	**–**	234	**–**	–
Inventories	16	**4,107**	3,905	**–**	–
Trade receivables	17	**7,257**	8,629	**176**	162
Other receivables and prepayments	18	**1,043**	1,111	**136**	12
Amounts due from subsidiaries	13	**–**	–	**4,254**	3,488
Available-for-sale financial asset	14	**–**	–	**–**	–
Cash and cash equivalents	19	**5,821**	8,198	**2,265**	2,606
		18,228	22,077	**6,831**	6,268
Assets classified as held for sale	20	**–**	451	**–**	–
Total current assets		**18,228**	22,528	**6,831**	6,268
Total assets		**31,605**	29,716	**15,368**	16,066
Non-current liabilities					
Finance lease liabilities	21	**241**	295	**–**	–
Borrowings	22	**149**	317	**–**	–
Deferred tax liabilities	23	**597**	637	**91**	91
		987	1,249	**91**	91
Current liabilities					
Trade payables	24	**3,898**	6,141	**–**	–
Other payables	25	**4,502**	2,821	**551**	623
Amounts due to subsidiaries	26	**–**	–	**–**	1,269
Finance lease liabilities	21	**178**	221	**–**	–
Borrowings	22	**3,638**	713	**–**	–
Income tax payables		**119**	61	**11**	11
		12,335	9,957	**562**	1,903
Liabilities associated with assets classified as held for sale	20	**–**	305	**–**	–
Total current liabilities		**12,335**	10,262	**562**	1,903
Total liabilities		**13,322**	11,511	**653**	1,994
Net assets		**18,283**	18,205	**14,715**	14,072

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

BALANCE SHEETS

AT 30 JUNE 2014

		Group		Company	
		2014	2013	**2014**	2013
	Note	**$'000**	$'000	**$'000**	$'000
Equity					
Share capital	27	**21,704**	21,704	**21,704**	21,704
Accumulated losses	28	**(2,053)**	(2,364)	**(6,989)**	(7,632)
Other reserves		**(1,369)**	(1,297)	**–**	–
Equity attributable to equity holders of the Company		**18,282**	18,043	**14,715**	14,072
Non-controlling interests		**1**	162	**–**	–
Total equity		**18,283**	18,205	**14,715**	14,072

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		← Attributable to equity holders of the Company					→	
	Equity, total $'000	Equity attributable to equity holders of the Company, total $'000	Share capital $'000	Accumulated losses $'000	Other reserves, total $'000	Premium paid on acquisition of non-controlling interests $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000
Group								
Balance at 1 July 2013	18,205	18,043	21,704	(2,364)	(1,297)	(89)	(1,208)	162
Profit for the year	400	400	–	400	–	–	–	–
Other comprehensive income/(loss):								
Currency translation differences arising on consolidation	(176)	(161)	–	–	(161)	–	(161)	(15)
Total comprehensive income for the year	224	239	–	400	(161)	–	(161)	(15)
Changes in ownership interest in subsidiaries								
Subsidiary dissolved during the year	–	–	–	(89)	89	89	–	–
Deemed loss of control over a subsidiary	(146)	–	–	–	–	–	–	(146)
Total changes in ownership interests in subsidiaries	(146)	–	–	(89)	89	89	–	(146)
Balance at 30 June 2014	**18,283**	**18,282**	**21,704**	**(2,053)**	**(1,369)**	**–**	**(1,369)**	**1**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

		← Attributable to equity holders of the Company					→	
	Equity, total $'000	Equity attributable to equity holders of the Company, total $'000	Share capital $'000	(Accumulated losses)/ retained earnings $'000	Other reserves, total $'000	Premium paid on acquisition of non-controlling interests $'000	Foreign currency translation reserve $'000	Non-controlling interests $'000
Group								
Balance at 1 July 2012	21,952	21,754	21,704	1,657	(1,607)	(89)	(1,518)	198
Loss for the year	(3,295)	(3,261)	–	(3,261)	–	–	–	(34)
Other comprehensive income/(loss):								
Currency translation differences arising on consolidation	308	310	–	–	310	–	310	(2)
Total comprehensive (loss)/income for the year	(2,987)	(2,951)	–	(3,261)	310	–	310	(36)
Contributions by and distributions to owners:								
Dividend on ordinary shares (Note 30)	(760)	(760)	–	(760)	–	–	–	–
Total transactions with owners in their capacity as owners	(760)	(760)	–	(760)	–	–	–	–
Balance at 30 June 2013	18,205	18,043	21,704	(2,364)	(1,297)	(89)	(1,208)	162

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

	Note	Group 2014 $'000	2013 $'000
Cash flows from operating activities			
Profit/(loss) before tax		**781**	(2,444)
Adjustments for:			
Depreciation			
– Property, plant and equipment		**1,165**	1,940
– Investment property		**8**	8
Gain on disposals of property, plant and equipment		**(59)**	(59)
Gain on disposal of asset held for sale		**–**	(17)
Impairment loss on property, plant and equipment		**–**	1,030
Loss recognised on remeasurement to fair value less costs to sell		**–**	471
Return on investment		**(78)**	(342)
Property, plant and equipment written off		**17**	228
Interest expenses		**62**	81
Interest income		**(7)**	(29)
Operating cash flows before working capital changes		**1,889**	867
Inventories		**(202)**	640
Receivables		**1,390**	131
Payables		**(2,508)**	(919)
Foreign currency translation adjustments		**(71)**	67
Cash generated from operations		**498**	786
Interest received		**7**	29
Income tax paid		**(324)**	(882)
Net cash from/(used in) operating activities		**181**	(67)
Cash flows from investing activities			
Purchases of property, plant and equipment (Note A)		**(5,308)**	(239)
Proceeds from disposals of property, plant and equipment		**120**	1,466
Proceeds from disposals of other assets of a subsidiary		**–**	1,943
Proceeds from return and refund on investment		**305**	1,349
Proceed from disposal of asset held for sale		**–**	24
Net cash (used in)/from investing activities		**(4,883)**	4,543
Cash flows from financing activities			
Repayment of borrowings		**(162)**	(2,884)
Proceeds from borrowings		**2,919**	1,623
Interest paid		**(90)**	(81)
Net repayment of finance lease liabilities		**(265)**	(355)
Dividend paid to shareholders		**–**	(760)
Fixed deposits pledged with financial institutions		**149**	14
Net cash from/(used in) financing activities		**2,551**	(2,443)
Net (decrease)/increase in cash and cash equivalents		**(2,151)**	2,033
Cash and cash equivalents at beginning of the financial year		**6,403**	4,317
Effect of exchange rate changes on opening cash and cash equivalents		**(77)**	53
Cash and cash equivalents at end of the financial year	19	**4,175**	6,403

Note A:

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $7,451,000 (2013: $667,000) of which $167,000 (2013: $428,000) was financed by means of finance leases and $28,000 (2013: Nil) relates to borrowing costs arising from a bank loan borrowed specifically for the purpose of the construction of a leasehold building which have been capitalised. Cash payment of $5,308,000 (2013: $239,000) was made to purchase property, plant and equipment of which $2,741,000 (2013: Nil) was paid from the proceeds from borrowings. An amount of $1,948,000 (2013: Nil) relating to the construction of the leasehold building in Singapore was unpaid as at 30 June 2014.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

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 12.

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

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 dollars ("$") and all values are rounded to the nearest thousand ("$'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 judgements or complexity, are disclosed in Note 2(y).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, investments and current amounts due from/to 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.

New 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 2014 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 revised and new FRS which are relevant to the Group:

(i) FRS 110 Consolidated Financial Statements

FRS 110 supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities*, which is effective for annual periods beginning on or after 1 January 2014. It changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. FRS 110 requires an investor to reassess the decision on whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group will apply FRS 110 from 1 July 2014, but this is not expected to have any significant impact on the financial statements of the Group.

(ii) FRS 112 Disclosure of interests in other entities

FRS 112 is effective for financial periods beginning on or after 1 January 2014. It combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. FRS 112 specifies minimum disclosures that an entity must provide. It requires for an entity to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity and to disclose the nature of its interests in unconsolidated structured entities and the nature of the risks it is exposed to as a result. The Group will apply FRS 112 prospectively from 1 July 2014. FRS 112 will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Basis of consolidation (Continued)

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.

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 and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control over another 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 subsequent carried at cost less accumulated depreciation and any impairment in value.

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

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

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. Depreciation of other property, plant and equipment is calculated on a straight-line basis to write off the cost of the property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Freehold buildings	–	20 to 50 years
Renovation	–	5 to 10 years
Office equipment	–	3 to 10 years
Machinery and equipment	–	8 to 10 years
Furniture and fittings	–	3 to 10 years
Toolings	–	5 years
Motor vehicles	–	3 to 10 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment (Continued)

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) 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 of 48 years.

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.

(g) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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.

(i) 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 only 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 investment, trade and other receivables (excluding prepayments and tax recoverable), amounts due from subsidiaries and cash and cash equivalents on the balance sheets.

Available-for-sale financial assets

Available-for-sale financial assets include equity securities. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(i) **Financial assets** (Continued)

(ii) Recognition and derecognition (Continued)

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 financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised. Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

(v) Impairment

Loans and receivables

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.

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 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial assets (Continued)

(v) Impairment (Continued)

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.

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.

(j) Assets classified as held for sale

Assets classified as held for sale of their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

No depreciation or amortisation is provided against the assets while it is classified as asset held for sale.

The assets shall be derecognised on disposal and the difference between the net disposal proceeds and the carrying amount is recognised as profit or loss in the period of disposal.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Assets classified as held for sale (Continued)

An asset that ceases to be classified as assets held for sale shall be measured at the lower of its carrying amount before the asset was classified as assets held for sale, adjusted for any depreciation, amortisation or revaluations that would be recognised had the asset not be classified as asset held for sale.

(k) Financial liabilities

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

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

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(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 directly to equity, in which case it is recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Income tax (Continued)

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.

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 dollars, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Foreign currency (Continued)

(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 taken to the foreign currency translation reserve.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, 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 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Impairment of non-financial assets (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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) Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Changes in the fair value of derivative instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

(y) Significant accounting estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Significant accounting estimates and judgements (Continued)

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 2014, the carrying amounts of property, plant and equipment, investment property and investments in subsidiaries are disclosed in Notes 10, 11 and 12 respectively.

(ii) Depreciation of property, plant and equipment

The Group reviews the useful lives of property, plant and equipment at each reporting date in accordance with the accounting policy in Note 2(e). The estimation of the useful lives involves significant judgement. The net carrying amount of property, plant and equipment at 30 June 2014 and the annual depreciation charge for the financial year ended 30 June 2014 are disclosed in Note 10.

(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 2014, the carrying amount of inventories of the Group after the write-down is disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

2. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

(y) **Significant accounting estimates and judgements** (Continued)

Key sources of estimation uncertainty (Continued)

(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 2014, the amounts due from subsidiaries are disclosed in Notes 13 and 17.

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 2014, the carrying amounts of the trade and other receivables of the Group and Company are disclosed in Notes 17 and 18 respectively.

(v) Income taxes

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

At 30 June 2014, the carrying amounts of the Group's and the Company's current tax payables were $119,000 (2013: $61,000) and $11,000 (2013: $11,000) respectively; and deferred tax liabilities were $597,000 (2013: $637,000) and $91,000 (2013: $91,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

3. REVENUE

	Group	
	2014	2013
	$'000	$'000
Sales of metal components	**29,670**	31,059
Sales of other components and parts	**1,954**	5,783
Services rendered for toolings	**3,133**	5,996
	34,757	42,838

4. OTHER INCOME

	Group	
	2014	2013
	$'000	$'000
Gain on disposal of property, plant and equipment	**59**	59
Gain on foreign currency exchange	**37**	–
Gain on disposal of asset held for sale	**–**	17
Government grants	**72**	60
Interest income	**7**	29
Rental income	**50**	282
Return on investment	**78**	342
Others	**231**	309
	534	1,098

5. FINANCE COSTS

	Group	
	2014	2013
	$'000	$'000
Interest expense on finance leases	**46**	26
Interest expense on bank loans	**16**	55
	62	81

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

6. PROFIT/(LOSS) BEFORE TAX

	Group	
	2014	2013
	$'000	$'000
Profit/(loss) before tax is stated after charging/(crediting):		
Allowance for doubtful trade receivables (Note 17)	**112**	901
Allowance for doubtful non-trade receivables (Note 18)	**39**	–
Allowance for doubtful trade receivables written back (Note 17)	**–**	(2)
Audit fees paid/payable to auditor of the Company		
– current year	**65**	65
– underprovision in prior year	**3**	8
Audit fee paid/payable to other auditors		
– current year	**73**	75
– underprovision in prior year	**–**	4
Bad debts written off (trade)	**22**	–
Depreciation		
– property, plant and equipment (Note 10)	**1,165**	1,940
– investment property (Note 11)	**8**	8
Directors' fees paid/payable to non-executive directors of the Company	**70**	71
Fees for non-audit services paid/payable to:		
– other auditors	**–**	7
Impairment loss on property, plant and equipment (Note 10)	**–**	1,030
Inventories written down (Note 16)	**59**	256
Inventories written back (Note 16)	**(22)**	(14)
Inventories written off	**–**	204
Loss on foreign currency exchange	**–**	134
Loss recognised on remeasurement to fair value less costs to sell (Note 20)	**–**	471
Operating lease expenses	**631**	662
Property, plant and equipment written off	**17**	228
Staff costs (Note 7)	**8,788**	10,017

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

7. STAFF COSTS

	Group	
	2014	2013
	$'000	$'000
Staff		
Salaries and bonuses	**7,260**	8,207
Contributions to defined contribution plans	**385**	450
Other short-term benefits	**1,143**	1,360
	8,788	10,017

8. TAX EXPENSE

Major components of income tax expense for the financial years ended 30 June 2014 and 2013 are:

	Group	
	2014	2013
	$'000	$'000
Current year:		
Current tax	**408**	989
Deferred tax	**(31)**	(287)
	377	702
Under/(over) provision of tax in prior years:		
Current tax	**21**	(120)
Deferred tax	**(17)**	269
	4	149
Income tax expense	**381**	851

8. TAX EXPENSE (CONTINUED)

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

	Group	
	2014	2013
	$'000	$'000
Profit/(loss) before tax	**781**	(2,444)
Tax calculated at statutory rate of 17%	**133**	(415)
Effect of different tax rates in foreign jurisdictions	**92**	149
Effect of change in rate	**5**	–
Income not subject to tax	**(16)**	(6)
Expenses not deductible for income tax purposes	**307**	646
Utilisation of investment allowances and tax losses	**(186)**	(49)
Tax rebates and exemptions	**(12)**	(5)
(Over)/under provision of tax in prior years	**(5)**	149
Deferred tax assets not recognised	**44**	382
Others	**19**	–
	381	851

At the balance sheet date, the Group has unutilised tax losses and deferred capital allowances amounting to $4,019,000 (2013: $3,830,000) that are available for carry forward to offset against future taxable income subject to the tax regulations of the respective countries in which the Group companies are incorporated and 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. EARNINGS PER SHARE (EPS)

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

	Group	
	2014	2013
Earnings		
Profit/(loss) attributable to equity holders of the Company ($'000)	**400**	(3,261)
Number of shares ('000)		
Weighted average number of ordinary shares in issue	**108,519**	108,519

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

9. EARNINGS PER SHARE (EPS) (CONTINUED)

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

10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Freehold buildings $'000	Leasehold land and building $'000	Leasehold building construction-in-progress $'000	Renovation $'000	Office equipment $'000	Machinery and equipment $'000	Furniture and fittings $'000	Toolings $'000	Motor vehicles $'000	Total $'000
2014											
Cost											
At 1.7.2013	902	3,306	2,400	–	1,188	1,302	21,751	93	733	1,112	32,787
Additions	–	–	–	6,562	307	153	314	11	–	104	7,451
Disposals/write-off	–	–	(2,400)	–	(118)	(86)	(131)	(2)	–	(131)	(2,868)
Reclassification	–	–	–	–	(2)	–	2	–	–	–	–
Exchange differences	(10)	99	–	–	(19)	(5)	(115)	2	17	(27)	(58)
At 30.6.2014	**892**	**3,405**	**–**	**6,562**	**1,356**	**1,364**	**21,821**	**104**	**750**	**1,058**	**37,312**
Accumulated depreciation											
At 1.7.2013	–	812	1,500	–	803	982	18,702	84	624	662	24,169
Depreciation charge	–	75	–	–	155	98	669	2	59	107	1,165
Disposals/write-off	–	–	(1,500)	–	(90)	(71)	(114)	(2)	–	(85)	(1,862)
Exchange differences	–	16	–	–	(15)	(2)	(88)	4	16	(17)	(86)
At 30.6.2014	**–**	**903**	**–**	**–**	**853**	**1,007**	**19,169**	**88**	**699**	**667**	**23,386**
Accumulated impairment losses											
At 1.7.2013	–	740	900	–	21	3	104	2	–	–	1,770
Disposal	–	–	(900)	–	(21)	(3)	(2)	(2)	–	–	(928)
Exchange differences	–	25	–	–	–	–	–	–	–	–	25
At 30.6.2014	**–**	**765**	**–**	**–**	**–**	**–**	**102**	**–**	**–**	**–**	**867**
Carrying amount											
At 30.6.2014	**892**	**1,737**	**–**	**6,562**	**503**	**357**	**2,550**	**16**	**51**	**391**	**13,059**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land $'000	Freehold buildings $'000	Leasehold land and building $'000	Renovation $'000	Office equipment $'000	Machinery and equipment $'000	Furniture and fittings $'000	Toolings $'000	Motor vehicles $'000	Total $'000
2013										
Cost										
At 1.7.2012	885	3,190	2,400	1,333	1,276	21,758	123	717	1,094	32,776
Additions	–	–	–	113	65	380	–	–	109	667
Disposals/write-off	–	–	–	(49)	(85)	(502)	(21)	–	(104)	(761)
Transfer to assets classified as held for sale	–	–	–	(180)	(9)	(218)	(10)	–	–	(417)
Reclassification	–	–	–	(37)	37	–	–	–	–	–
Exchange differences	17	116	–	8	18	333	1	16	13	522
At 30.6.2013	902	3,306	2,400	1,188	1,302	21,751	93	733	1,112	32,787
Accumulated depreciation										
At 1.7.2012	–	533	1,230	711	931	17,677	87	549	642	22,360
Depreciation charge	–	266	270	94	92	1,051	5	60	102	1,940
Disposals/write-off	–	–	–	(7)	(55)	(292)	(9)	–	(90)	(453)
Exchange differences	–	13	–	5	14	266	1	15	8	322
At 30.6.2013	–	812	1,500	803	982	18,702	84	624	662	24,169
Accumulated impairment losses										
At 1.7.2012	–	717	–	–	–	–	–	–	–	717
Impairment loss	–	–	900	21	3	104	2	–	–	1,030
Exchange differences	–	23	–	–	–	–	–	–	–	23
At 30.6.2013	–	740	900	21	3	104	2	–	–	1,770
Carrying amount										
At 30.6.2013	902	1,754	–	364	317	2,945	7	109	450	6,848

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment $'000
2014	
Cost	
At 1.7.2013	12
Additions	6
Disposal	(1)
At 30.6.2014	**17**
Accumulated depreciation	
At 1.7.2013	5
Depreciation charge	3
Disposal	(1)
At 30.6.2014	**7**
Carrying amount	
At 30.6.2014	**10**
2013	
Cost	
At 1.7.2012	6
Additions	6
At 30.6.2013	12
Accumulated depreciation	
At 1.7.2012	4
Depreciation charge	1
At 30.6.2013	5
Carrying amount	
At 30.6.2013	7

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The net carrying amounts of property, plant and equipment of the Group held under finance lease arrangements (Note 21) at the end of the financial year are as follows:

	Group	
	2014	2013
	$'000	$'000
Machinery and equipment	**270**	652
Motor vehicles	**416**	224
	686	876

(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	
	2014	2013
	$'000	$'000
Freehold land	**662**	683
Freehold buildings	**456**	482
Leasehold building construction-in-progress (Note 22(a))	**6,562**	–
Machinery and equipment	**609**	496
	8,289	1,661

(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 (Note (d))	Office/factory	Leasehold	5,733*	Cheong Fatt Metal Factory 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.
Batu 14 3/4 Jalan Sungai Tiram, Johor Darul Takzim Malaysia	Vacant land	Freehold	–	Hantong Metal Component Sdn. Bhd.

* Under construction as at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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 $28,000 (2013: Nil).

11. INVESTMENT PROPERTY

	Group	
	2014	2013
	$'000	$'000
Cost		
Balance at beginning of the financial year	**428**	424
Exchange differences	**(14)**	4
Balance at end of the financial year	**414**	428
Accumulated depreciation		
Balance at beginning of the financial year	**88**	80
Depreciation charge	**8**	8
Balance at end of the financial year	**96**	88
Carrying amount		
Balance at end of the financial year	**318**	340

Investment property is leased to non-related parties under operating leases.

The following amounts are recognised in profit or loss:

	Group	
	2014	2013
	$'000	$'000
Rental income	**35**	36
Direct operating expenses (including depreciation) arising from investment property that generated rental income	**10**	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

11. INVESTMENT PROPERTY (CONTINUED)

The fair value of the investment property amounted to $502,000 (2013: $458,000), determined based on valuation performed as at 19 June 2014 (2013: 22 July 2013). The valuation is based on the properties' highest and best use by an external and independent professional valuer, Henry Butcher Malaysia (Kedah) Sdn. Bhd. using Comparison Method Approach. Sale prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size, tenure, location, condition and prevailing market condition (Level 3 fair value hierarchy).

The investment property held by the Group as at 30 June 2014 is as follows:

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.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost	**21,225**	21,225
Subsidiary dissolved during the year	**(1,246)**	–
Impairment losses	**(11,483)**	(11,483)
	8,496	9,742

Movements in the impairment losses are as follows:

	2014	2013
Balance at beginning of the financial year	**11,483**	6,131
Additional impairment loss	**–**	5,352
Balance at end of the financial year	**11,483**	11,483

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name	Country of incorporation	Principal activities	Equity interest 2014 %	Equity interest 2013 %
Held by the Company				
PT Hantong Precision Manufacturing Batam (1)	Indonesia	Manufacturing of metal plates and metal stamping	**100**	100
Cheong Fatt Metal Factory 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
HTM Takahashi (Thailand) Company Ltd (5)	Thailand	–	**–**	100
Held by Cheong Fatt Metal Factory Pte Ltd				
Glalent Technology Pte. Ltd. (2)	Singapore	Dormant	**90**	90
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.
(5) Dissolved during the year.

13. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Non-current assets		
Loans to a subsidiary		
– interest at 4.5% per annum	**31**	49
Current assets		
Receivables due from subsidiaries (non-trade)	**1,678**	1,480
Dividend receivables due from subsidiaries	**–**	722
Loans to subsidiaries		
– interest at 6.0% per annum	**429**	1,004
– interest at 5.0% per annum	**152**	152
– interest at 4.5% per annum	**38**	27
– interest-free	**2,863**	785
	5,160	4,170
Allowance for doubtful receivables		
– non-trade receivables	**(130)**	(130)
– loans to subsidiaries	**(776)**	(552)
	(906)	(682)
	4,254	3,488

Company

The non-trade receivables amounting to $1,678,000 (2013: $1,480,000) are unsecured, interest-free and repayable on demand.

During the current financial year ended 30 June 2014, the Company has agreed to waive the interest charges on certain loans to subsidiaries. These loans amounted to $650,000 (2013: $663,000) at the balance sheet date.

Loans to subsidiaries are unsecured and repayable on demand, except for a loan amounting to $69,000 (2013: $76,000) is repayable over 24 monthly instalments commencing in May 2014.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

13. AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

Company (Continued)

Movements in allowance for doubtful receivables are as follows:

	Company	
	2014	2013
	$'000	$'000
Balance at beginning of the financial year	**682**	–
Allowance made for the financial year	**224**	682
Balance at end of the financial year	**906**	682

14. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group	
	2014	2013
	$'000	$'000
Unquoted equity share, at cost	**–**	–

During the financial year, the Company reassessed its control over a subsidiary, CFM ProEnergies, LLC ("CFMPE") and concluded that it has lost its control over CFMPE (Note 20). Accordingly, the investment in CFMPE was reclassified from Assets classified as held for sale to Available-for-sale financial assets during the financial year. The investment has been fully impaired in the financial year ended 30 June 2013.

15. INVESTMENT

	Group	
	2014	2013
	$'000	$'000
Investment	**234**	1,225
Less: refund of investment cost	**(227)**	(1,007)
Exchange differences	**(7)**	16
At end of the financial year	**–**	234

During the financial year ended 30 June 2012, one of the Company's subsidiaries had entered into a joint venture agreement ("JVA") with R.M Leopad Sdn. Bhd. ("RMLSB") to collaborate and undertake a project, namely Hijau Gasoil Project ("the Project"), awarded by Shell Refining Company (FOM) Berhad for a period of 2 years commencing from the date of award of the contract in June 2011. The Project was located at Port Dickson, Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

15. INVESTMENT (CONTINUED)

Under the JVA, RMLSB should provide the relevant business contacts and be responsible for the ground level scaffolding, insulation and refractory work for the Project as well as the procurement of the materials required for such works, whereas the Company should provide part of the funding requirements for the Project, up to Malaysia Ringgit ("MYR") 5 million (approximately $2,002,000). The total funding of MYR5 million was made during the financial year ended 30 June 2012.

The return on funding costs bore the rate of 34% over the period of the project and the amount was refundable on demand. The investment was secured over a corporate guarantee by Leopad Holdings Sdn. Bhd., a company which has a common corporate shareholder and certain common directors with RMLSB.

16. INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Raw materials	**1,856**	1,642
Finished goods	**1,130**	1,260
Work-in-progress	**1,121**	947
Stocks-in-transit	**–**	56
	4,107	3,905

Raw materials, consumables and changes in finished goods and work-in-progress included as cost of sales during the year amounted to $27,227,000 (2013: $31,799,000).

Inventories are stated at net realisable value after deducting inventories write-down of $59,000 (2013: $256,000) (Note 6) and reversal of inventories write-down of $22,000 (2013: $14,000) (Note 6) during the year.

17. TRADE RECEIVABLES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
External parties	**8,149**	9,542	**–**	1
Subsidiaries	**–**	–	**176**	161
	8,149	9,542	**176**	162
Less: allowance for doubtful receivables				
– external parties	**(892)**	(913)	**–**	–
	7,257	8,629	**176**	162

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

17. TRADE RECEIVABLES (CONTINUED)

Movements in allowance for doubtful receivables are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Balance at beginning of the financial year	**913**	16	**–**	–
Amount written off against allowance	**(129)**	–	**–**	–
Allowance made for the financial year (Note 6)	**112**	901	**–**	–
Allowance written back (Note 6)	**–**	(2)	**–**	–
Exchange differences	**(4)**	(2)	**–**	–
Balance at end of the financial year	**892**	913	**–**	–

18. OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deposits	**376**	455	**1**	–
Interest receivables	**3**	3	**2**	3
Prepayments	**203**	168	**16**	9
Tax recoverables	**179**	229	**–**	–
Sundry debtors	**322**	256	**117**	–
	1,083	1,111	**136**	12
Less: allowance for doubtful receivables	**(40)**	–	**–**	–
	1,043	1,111	**136**	12

Movements in allowance for doubtful receivables are as follows:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Balance at beginning of the financial year	**–**	–	**–**	–
Allowance made for the financial year (Note 6)	**39**	–	**–**	–
Exchange differences	**1**	–	**–**	–
Balance at end of the financial year	**40**	–	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Bank and cash balances	**4,007**	6,368	**1,028**	1,373
Fixed deposits	**1,814**	1,830	**1,237**	1,233
	5,821	8,198	**2,265**	2,606

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

	Group	
	2014	2013
	$'000	$'000
Bank and cash balances	**4,007**	6,368
Fixed deposits	**1,814**	1,830
	5,821	8,198
Fixed deposits pledged	**(1,646)**	(1,795)
	4,175	6,403

Group

Fixed deposits amounting to $1,646,000 (2013: $1,795,000) 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 0.25% to 2.45% (2013: 0.25% to 2.45%) per annum and mature within 12 months (2013: 12 months).

Company

Fixed deposits amounting to $1,085,000 (2013: $1,233,000) 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 0.25% to 0.7% (2013: 0.25% to 0.7%) per annum and matures within 12 months (2013: 12 months).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

20. ASSETS CLASSIFIED AS HELD FOR SALE

During the previous financial year, the Board of Directors of the Company resolved to dispose the 60% equity interest held by a subsidiary in CFM ProEnergies LLC ("CFMPE"). The assets and liabilities attributable to CFMPE have been classified as assets classified as held for sale and were presented separately in the consolidated balance sheet of the Group. Loss amounting to $471,000 has been recognised in profit or loss on the classification of these assets and liabilities as held for sale in the previous financial year as the net carrying amount of the relevant assets and liabilities are expected to exceed the proceeds of disposal.

During the current financial year, the management has made several attempts to get in contact with the joint venture partner to withdraw from this investment 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 for the financial year ended 30 June 2014 from their joint venture partner. In addition, the Company 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 current financial year. 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 during the financial year. The reclassification has no significant impact to the results of the Group for the financial year ended 30 June 2014.

The analysis of the assets classified as held-for-sale and the associated liabilities as at the previous balance sheet date were as follows:

	Group
	2013
	$'000
Property, plant and equipment	417
Inventories	376
Receivables	93
Other assets	36
	922
Less: Loss recognised on remeasurement to fair value less cost to sell (Note 6)	(471)
Assets classified as held for sale	451
Trade and other payables, and other liabilities associated with assets classified as held for sale	(305)
Net assets of subsidiary held for sale	146

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

21. FINANCE LEASE LIABILITIES

	Group			
	Minimum lease payments 2014 $'000	**Present value of payments 2014 $'000**	Minimum lease payments 2013 $'000	Present value of payments 2013 $'000
Not later than one year	**198**	**178**	246	221
Later than one year but not later than five years	**259**	**241**	321	295
Total minimum lease payments	**457**	**419**	567	516
Less: finance charges	**(38)**	**–**	(51)	–
Present value of minimum lease payments	**419**	**419**	516	516

	Group	
	2014 $'000	2013 $'000
Representing finance lease liabilities:		
Current	**178**	221
Non-current	**241**	295
	419	516

The net carrying amounts of plant and equipment acquired under finance lease arrangements are disclosed in Note 10(a). The interest rates range from 2.70% to 6.23% (2013: 3.18% to 4.86%) per annum.

22. BORROWINGS

		Group		Company	
		2014 $'000	2013 $'000	**2014 $'000**	2013 $'000
Current					
Secured					
Bank loan I	(a)	**2,741**	–	**–**	–
Bank loan II	(b)	**179**	173	**–**	–
Bank loan III	(c)	**500**	500	**–**	–
Bankers' acceptances	(d)	**218**	40	**–**	–
		3,638	713	**–**	–
Non-current					
Secured					
Bank loan II	(b)	**149**	317	**–**	–
Total		**149**	1,030	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

22. BORROWINGS (CONTINUED)

Details of the borrowings are as follows:

(a) Bank loan I bears interest at 3.25% per annum. This construction loan will be converted into a mortgage loan upon completion of the construction of the leasehold building and the terms of the mortgage loan are subject to negotiation with the lender.

The construction loan is secured by:

(i) Fixed and floating charge on all present and future property at No. 4 Ang Mo Kio Avenue 12, #05-01 CFM Building, Singapore 569498, including assets, liabilities and goodwill of the subsidiary;
(ii) Undertakings in connection with the operations of the leasehold Property as approved by Housing Development Board; and
(iii) Corporate guarantee by the Company.

(b) Bank loan II bears interest at 1.79% (2013: 1.83%) per annum and is repayable in 60 monthly instalments commencing May 2011. It is secured by pledges on the property, plant and equipment of a subsidiary with a net carrying amount of $513,000 (2013: $496,000).

(c) Bank loan III bears interest at 1.70% to 1.90% (2013: 1.70% to 1.80%) 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 2015. It is secured by fixed deposit of $512,000 (2013: $511,000) of the Company.

(d) Bankers' acceptances bear interest at 3.40% to 3.53% (2013: 3.40% to 3.53%) 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 $350,000 (2013: $362,000) and a corporate guarantee by the Company. The bankers' acceptances mature by October 2014 (2013: July 2013).

23. 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	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Balance at beginning of the financial year	**637**	641	**91**	91
Credit to profit or loss	**(48)**	(18)	**–**	–
Others	**8**	14	**–**	–
Balance at end of the financial year	**597**	637	**91**	91

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

23. DEFERRED TAX LIABILITIES (CONTINUED)

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Deferred tax liabilities				
Excess of tax written down value over net carrying amount of property, plant and equipment	**580**	607	**–**	–
Other temporary differences	**17**	30	**91**	91
	597	637	**91**	91

24. TRADE PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Trade creditors	**3,634**	5,428	**–**	–
Advance payments	**11**	334	**–**	–
Advance billings	**253**	379	**–**	–
	3,898	6,141	**–**	–

25. OTHER PAYABLES

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Sundry creditors	**2,430**	456	**3**	3
Accrued operating expenses	**1,928**	2,221	**478**	551
Amounts due to directors	**74**	75	**–**	–
Accrual for directors' fee	**70**	69	**70**	69
	4,502	2,821	**551**	623

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

26. AMOUNTS DUE TO SUBSIDIARIES

Company

At the previous balance sheet date, the amounts due to subsidiaries were non-trade in nature, unsecured, expected to be repaid within 12 months from the balance sheet date and interest-free. The amounts have been fully repaid or waived upon the disposal of a subsidiary.

27. SHARE CAPITAL

	Group and Company	
	2014	2013
	$'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.

28. ACCUMULATED LOSSES

Group

Included in accumulated losses of the Group is an amount of $318,000 (2013: $308,000) 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 year ended 30 June 2014 and 2013 as the legal reserve fund is at least 10% of the registered share capital of the subsidiary.

	Company	
	2014	2013
	$'000	$'000
Accumulated losses		
Balance at beginning of the financial year	**(7,632)**	(3,379)
Profit/(loss) for the year	**643**	(3,493)
Dividend paid on ordinary shares (Note 29)	**–**	(760)
Balance at end of the financial year	**(6,989)**	(7,632)

NOTES TO THE FINANCIAL STATEMENTS

29. DIVIDEND

	Group and Company	
	2014	2013
	$'000	$'000
One-tier tax exempt final dividend of Nil (2013: 0.70) cent per ordinary share in respect of financial year ended 30 June 2013 (2013: 30 June 2012)	**–**	760

30. COMMITMENTS

(a) Capital commitments

Capital commitments not provided for in the financial statements:

	Group	
	2014	2013
	$'000	$'000
Capital commitments in respect of property, plant and equipment	**1,471**	8,192

(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 leases payments for the remaining terms of one year or more are as follows:

	Group	
	2014	2013
	$'000	$'000
Not later than one year	**531**	468
Later than one year but not later than five years	**380**	833
	911	1,301

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

30. COMMITMENTS (CONTINUED)

(b) Operating lease commitment (Continued)

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	
	2014	2013
	$'000	$'000
Not later than one year	**124**	36
Later than one year but not later than five years	**381**	15
	505	51

The leases have varying terms and renewal rights.

(c) Other commitment – Company

As at 30 June 2014, the Company has provided continuing financial support of $5,976,000 (2013: $805,000) to certain subsidiaries in net current liability position.

31. CONTINGENT LIABILITIES

(a) Guarantees

	Company	
	2014	2013
	$'000	$'000
Corporate guarantees provided by the Company to financial institutions for banking facilities granted to subsidiaries	**4,871**	3,262
Amount utilised by the subsidiaries	**617**	281

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 2014 and 30 June 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

31. CONTINGENT LIABILITIES (CONTINUED)

(b) Legal claim

Group

Further to the note disclosed last year regarding an ex-parte injunction (the "Injunction") that has been granted by the High Court of Malaya on 30 June 2013 and served on Hantong Metal Component (Penang) Sdn. Bhd. ("HMCPSB"), a wholly-owned subsidiary of the Company on 2 July 2013, there has not been any material update to date.

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.

32. 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	
	2014	2013
	$'000	$'000
Rental expenses to a company in which a director of the Company has significant interest	**–**	48

(b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	Group	
	2014	2013
	$'000	$'000
Salaries and bonus	**1,031**	917
Directors' fees	**70**	71
Contributions to defined contribution plan	**46**	65
Other short-term benefits	**38**	44
	1,185	1,097

Included in the above are remuneration paid to the directors of the Company totalling $814,000 (2013: $988,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. 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 three 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

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

	Metal Stamping		Tooling		Components and parts		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment revenue								
– Sales to external customers	**29,670**	31,059	**3,133**	5,996	**1,954**	5,783	**34,757**	42,838
Segment result	**2,292**	(518)	**(131)**	(604)	**97**	244	**2,258**	(878)
Unallocated expenses							**(1,415)**	(1,485)
Finance costs							**(62)**	(81)
Profit/(loss) before tax							**781**	(2,444)
Tax expense							**(381)**	(851)
Profit/(loss) after tax							**400**	(3,295)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. SEGMENT INFORMATION (CONTINUED)

	Metal Stamping		Tooling		Components and parts		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Group assets and liabilities								
Segment assets	**27,393**	23,789	**843**	1,053	**779**	1,770	**29,015**	26,612
Unallocated assets	**–**	–	**–**	–	**–**	–	**2,590**	3,104
Total assets	**27,393**	23,789	**843**	1,053	**779**	1,770	**31,605**	29,716
Segment liabilities	**6,843**	6,552	**830**	1,172	**177**	911	**7,850**	8,635
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**5,472**	2,876
Total liabilities	**6,843**	6,552	**830**	1,172	**177**	911	**13,322**	11,511
Other segment information								
Capital expenditure	**7,450**	487	**1**	180	**–**	–	**7,451**	667
Depreciation of property, plant and equipment	**1,146**	1,913	**19**	27	**–**	–	**1,165**	1,940
Depreciation of investment property	**7**	7	**1**	1	**–**	–	**8**	8
Loss recognised on remeasurement to fair value less costs to sell	**–**	471	**–**	–	**–**	–	**–**	471
Impairment loss on property, plant and equipment	**–**	1,030	**–**	–	**–**	–	**–**	1,030
Property, plant and equipment written off	**17**	228	**–**	–	**–**	–	**17**	228

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. SEGMENT INFORMATION (CONTINUED)

Segment results

Performance of each segment is evaluated based on segment profit which is measured differently from the net profit/(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 entity’s country of domicile.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

33. SEGMENT INFORMATION (CONTINUED)

Geographical information

	Singapore		Malaysia		Indonesia		Slovak Republic		Others*		Eliminations		Group	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Sales to external customers	**4,435**	8,634	**16,115**	20,915	**1,794**	1,997	**9,804**	9,595	**2,609**	1,697	**–**	–	**34,757**	42,838
Non-current assets	**6,599**	187	**3,871**	3,844	**73**	137	**2,648**	2,893	**186**	120	**–**	–	**13,377**	7,181
Other geographical information:														
Capital expenditure	**6,568**	80	**810**	571	**–**	–	**7**	16	**66**	–	**–**	–	**7,457**	667

* Others comprise The People's Republic of China ("PRC") (2013: PRC and Thailand).

Revenue of approximately $5,959,000 (2013: $12,708,000) are derived from one (2013: two) external customer with revenue more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The financial instruments as at balance sheet date are:

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Financial assets				
Loans and receivables	**13,779**	17,775	**6,846**	6,308
Financial liabilities				
At amortised costs	**12,285**	9,579	**526**	1,882

(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 $4,871,000 (2013: $3,262,000) relating to corporate guarantees provided by the Company to financial institutions for banking facilities extended to subsidiaries as disclosed in Note 31(a).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Credit risk (Continued)

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
By geographical areas				
Singapore	**1,520**	2,328	**1,999**	305
Malaysia	**3,199**	3,923	**1,361**	1,601
Indonesia	**117**	114	**–**	284
Slovak Republic	**1,247**	1,474	**–**	322
Others	**1,174**	1,024	**1,101**	1,187
	7,257	8,863	**4,461**	3,699
By types of debtors				
Subsidiaries	**–**	–	**4,461**	3,698
Non-related parties				
– Multi-national companies	**5,829**	5,925	**–**	–
– Other companies	**1,350**	2,892	**–**	1
– Individuals	**78**	46	**–**	–
	7,257	8,863	**4,461**	3,699

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

	Group		Company	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Neither past due nor impaired	**4,169**	5,634	**1,720**	778
Past due but not impaired	**3,088**	3,229	**2,741**	2,921
Past due and impaired	**892**	913	**906**	682
Gross amounts	**8,149**	9,776	**5,367**	4,381
Less: allowance for doubtful receivables	**(892)**	(913)	**(906)**	(682)
	7,257	8,863	**4,461**	3,699

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Credit risk (Continued)

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

Investment and trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents 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**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Past due 0-3 months	**2,812**	3,002	**420**	–
Past due 3-6 months	**113**	192	**36**	–
Past due over 6 months	**163**	35	**2,285**	2,921
	3,088	3,229	**2,741**	2,921

(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) $892,000 (2013: $913,000) for its trade receivables (Note 17); and

(ii) $40,000 (2013: Nil) for its other receivables (Note 18).

The Company has provided for impairment of $906,000 (2013: $682,000) for its amounts due from subsidiaries at the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

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 2014, there were no such arrangements, interest rate swap contracts or other derivative instruments that were outstanding.

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**	
	2014	2013	**2014**	2013
	$'000	$'000	**$'000**	$'000
Within one year-fixed rates				
Loans to subsidiaries	**–**	–	**–**	614
Borrowings	**(2,741)**	–	**–**	–
Finance lease liabilities	**(178)**	(221)	**–**	–
Within one year-floating rates				
Borrowings	**(897)**	(713)	**–**	–
More than one year-fixed rates				
Loans to subsidiaries	**–**	–	**–**	49
Finance lease liabilities	**(241)**	(295)	**–**	–
More than one year-floating rates				
Borrowings	**(149)**	(317)	**–**	–

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Interest rate risk (Continued)

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 (2013: 100) basis point with all other variables being held constant, would not have a significant impact on the Group's and the Company's profit/(loss) 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.

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

	SGD $'000	USD $'000	INR $'000	Total $'000
At 30 June 2014				
Financial assets				
Trade and other receivables	8	2,034	51	2,093
Cash and cash equivalents	12	264	3	279
	20	2,298	54	2,372
Financial liabilities				
Trade and other payables	17	941	–	958
Net financial assets/denominated in foreign currencies	**3**	**1,357**	**54**	**1,414**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Foreign currency risk (Continued)

	SGD $'000	USD $'000	HKD $'000	THB $'000	INR $'000	Total $'000
At 30 June 2013						
Financial assets						
Trade and other receivables	34	2,107	–	156	52	2,349
Cash and cash equivalents	13	1,224	–	–	–	1,237
	47	3,331	–	156	52	3,586
Financial liabilities						
Trade and other payables	31	1,287	382	–	87	1,787
Net financial assets/ (liabilities) denominated in foreign currencies	16	2,044	(382)	156	(35)	1,799

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

	EUR $'000	MYR $'000	THB $'000	USD $'000	Total $'000
At 30 June 2014					
Financial assets					
Trade and other receivables	–	–	–	106	106
Cash and cash equivalents	–	–	–	5	5
Amounts due from subsidiaries	–	–	–	2,165	2,165
	–	–	–	2,276	2,276
Net financial assets denominated in foreign currencies	**–**	**–**	**–**	**2,276**	**2,276**
At 30 June 2013					
Financial assets					
Trade and other receivables	–	–	–	106	106
Cash and cash equivalents	–	2	–	5	7
Amounts due from subsidiaries	322	400	–	1,089	1,811
	322	402	–	1,200	1,924
Financial liabilities					
Loan from a subsidiary	–	–	1,212	–	1,212
Net financial assets/(liabilities) denominated in foreign currencies	322	402	(1,212)	1,200	712

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Foreign currency risk (Continued)

Sensitivity analysis on foreign currency risk

The following table demonstrates the sensitivity to a 10% change in USD, HKD, EUR and MYR against the respective Group entities' functional currencies at balance sheet date, with all other variables held constant, of the Group's profit/(loss) after tax and the Company's profit/(loss) 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 profit/(loss) after tax is not significant.

	Group	
	2014	2013
	Increase/ (decrease) in profit after tax	Increase/ (decrease) in loss after tax
	$'000	$'000
USD		
– strengthen	**113**	(170)
– weaken	**(113)**	170
HKD		
– strengthen	**–**	(32)
– weaken	**–**	32

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Foreign currency risk (Continued)

Sensitivity analysis on foreign currency risk (Continued)

	Company	
	2014	2013
	Increase/ (decrease) in profit after tax	Increase/ (decrease) in loss after tax
	$'000	$'000
EUR		
– strengthen	**–**	(27)
– weaken	**–**	27
MYR		
– strengthen	**–**	(33)
– weaken	**–**	33
THB		
– strengthen	**–**	101
– weaken	**–**	(101)
USD		
– strengthen	**189**	(100)
– weaken	**(189)**	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

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.

	2014			2013		
	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
Group						
Trade payables	**3,634**	**–**	**3,634**	5,428	–	5,428
Other payables	**4,445**	**–**	**4,445**	2,604	–	2,604
Borrowings	**3,895**	**151**	**4,046**	728	324	1,052
Finance lease liabilities	**198**	**259**	**457**	246	321	567
	12,172	**410**	**12,582**	9,006	645	9,651
Company						
Other payables	**551**	**–**	**551**	613	–	613
Amounts due to subsidiaries	**–**	**–**	**–**	1,269	–	1,269
	551	**–**	**551**	1,882	–	1,882

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

34. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (Continued)

Liquidity and cash flow risk (Continued)

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.

	2014			2013		
	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	617	–	617	281	–	281

35. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL 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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

35. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

(b) Assets and liabilities not carried at fair value but which fair values are disclosed

		Fair value measurement at balance sheet date		
	Carrying amount $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000
2014				
Group				
Investment property	318	–	–	502

The basis of determining fair values for disclosure at balance sheet date is disclosed in Note 11.

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

The carrying amounts of investment, trade and other receivables, current amounts due from subsidiaries, cash and cash equivalents, trade and other payables, amounts due to subsidiaries, short-term loans and 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 amount due from subsidiaries, long-term loans and 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.

36. 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 2014 and 2013.

As disclosed in Note 28, 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 2014 and 2013.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2014

36. CAPITAL MANAGEMENT (CONTINUED)

The Group monitors capital using gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as loans and 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	
	2014	2013
	$'000	$'000
Net debt	**6,785**	2,310
Equity	**17,964**	17,735
Total capital	**24,749**	20,045
Gearing ratio	**27%**	12%

37. 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 2014 were authorised for issue in accordance with a resolution of the directors dated 3 October 2014.

STATISTICS OF SHAREHOLDINGS

AS AT 12 SEPTEMBER 2014

Issued and fully Paid-up Capital	:	S$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 (on show of hand)	:	One vote per member
Voting Rights (on a poll)	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 999	3	0.62	1,067	0.00
1,000 – 10,000	245	50.83	1,053,000	0.97
10,001 – 1,000,000	227	47.10	17,988,163	16.58
1,000,001 AND ABOVE	7	1.45	89,476,765	82.45
TOTAL	**482**	**100.00**	**108,518,995**	**100.00**

Substantial Shareholders

As shown in the Register 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

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

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)	4,888,000	4.50
4	TAN YEOK MENG	4,676,830	4.31
5	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,445,000	3.17
6	CHAN TIN JOR	2,151,000	1.98
7	LIM HOE KOK	1,128,000	1.04
8	LEE YAN KIT	771,000	0.71
9	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	737,000	0.68
10	TEE AH KAW	652,000	0.60
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	652,000	0.60
12	ONG HWEE JOO SHEENA	470,000	0.43
13	JEANETTE KOH CHEW TEE	425,000	0.39
14	UOB KAY HIAN PTE LTD	413,000	0.38
15	PHYLLIS TEH SIOK KHIM	400,000	0.37
16	DMG & PARTNERS SECURITIES PTE LTD	395,000	0.36
17	GAN SENG KUEI	328,000	0.30
18	PHANG CHENG KWANG @ MOK CHEN KUAN	300,000	0.28
19	PHUAY YONG HEN	300,000	0.28
20	LUO FENG	289,000	0.27
	TOTAL	**95,608,765**	**88.10**

PUBLIC FLOAT

Based on the information available to the Company as at 12 September 2014, approximately 32.56% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalist.

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

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

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of CFM Holdings Limited (the "Company") will be held at East Asia Institute of Management at 9 Ah Hood Road, Singapore 329975, on Friday, 31 October 2014 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts for the financial year ended 30 June 2014 together with the Independent Auditors' Report thereon.
(Resolution 1)

2. To re-elect the following Directors of the Company retiring pursuant to Articles 115 and 119 of the Articles of Association of the Company, and who have, being eligible, offered themselves for re-election as Directors:

Mdm Janet Lim Fong Li	(Retiring under Article 115)	**(Resolution 2)**
Mr Peter Lai Hock Meng	(Retiring under Article 115)	**(Resolution 3)**
Mr Ong Wei Jin	(Retiring under Article 119)	**(Resolution 4)**

[See Explanatory Note (i)]

3. To approve the payment of Directors' fees of S$69,650 for the financial year ended 30 June 2014. (2013: S$70,883)
(Resolution 5)

4. To re-appoint Messrs Baker Tilly TFW LLP as the Company's Auditors and to authorise the Directors to fix their remuneration.
(Resolution 6)

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

(a) (i) issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

(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 Ordinary 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 Ordinary Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Ordinary 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 Ordinary 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 Ordinary 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 Ordinary 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 Ordinary 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 Articles of Association, for the time being, of the Company; and

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

(4) unless revoked or varied by the Company in a general meeting, the authority conferred by this Ordinary Resolution 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 7)**

By Order of the Board

Yoo Loo Ping,
Company Secretary
Singapore,

9 October 2014

Explanatory Notes:

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

Mr Peter Lai Hock Meng, upon re-election as a Director of the Company, will remain as the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees, and the Board of Directors (save for Mr Peter Lai Hock Meng) considers him independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

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

(ii) The Ordinary Resolution 7, 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, hundred per cent (100%) of the issued shares (excluding treasury shares) in the capital of the Company, of which up to fifty per cent (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.

NOTICE OF THE FOURTEENTH ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint one or two proxies to attend in his/her stead. A proxy need not be a member of the Company.

2. A member of the Company which is a corporation is entitled to appoint its authorised representatives or proxies to vote on its behalf.

3. The instrument appointing a proxy 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 Annual General Meeting.

4. 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.

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 this notice.

   The contact person for the Sponsor is Mr Liau H.K.
   Telephone number: 6221 0271

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

IMPORTANT:
1. For investors who have used their CPF monies to buy CFM Holdings Limited's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting (the "Meeting") as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM
(Please see notes overleaf before completing this Form)

*I/We, ______________________________ (name) ______________ (NRIC)

of ____ (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 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 9 Ah Hood Road, Singapore 329975, on 31 October 2014 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Financial Statements for the year ended 30 June 2014 together with the Independent Auditors' Report thereon		
2	Re-election of Mdm Janet Lim Fong Li as a Director		
3	Re-election of Mr Peter Lai Hock Meng as a Director		
4	Re-election of Mr Ong Wei Jin as a Director		
5	Approval of Directors' fees amounting to S$69,650 for the financial year ended 30 June 2014		
6	Re-appointment of Baker Tilly TFW LLP as the Company's Auditors		
7	Authority to issue new shares		

Dated this ________ day of ______________ 2014

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 130A of the Companies Act, Chapter 50 of Singapore), 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 (1) or two (2) 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 (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. 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.

5. 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.

6. 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, failing which this instrument appointing a proxy shall be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with 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 name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 9 October 2014.

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