



SPINDEX

Annual Report 2020

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BOARD OF DIRECTORS

Mr Tan Choo Pie @ Tan Chang Chai
Chairman

Mr Tan Heok Ting
Managing Director

Mr Chen Chang Rong
Non-Executive Director

Mr Chan Meng Wah Alexander
Lead Independent Director

Mr Peter Tan Boon Heng
Independent Director

AUDIT COMMITTEE

Mr Chan Meng Wah Alexander
Chairman

Mr Peter Tan Boon Heng

Mr Chen Chang Rong

REMUNERATION COMMITTEE

Mr Peter Tan Boon Heng
Chairman

Mr Chan Meng Wah Alexander

Mr Chen Chang Rong

NOMINATING COMMITTEE

Mr Peter Tan Boon Heng
Chairman

Mr Chan Meng Wah Alexander

Mr Chen Chang Rong

REGISTERED OFFICE

8 Boon Lay Way
#03-16, 8@TradeHub 21
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Email: cse@spindex.com.sg
Website: <http://www.spindex.com.sg>

SHARE REGISTRAR

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

COMPANY SECRETARIES

Mr Abdul Jabbar Bin Karam Din

AUDITORS

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

Partner-in-Charge:
Mr Adrian Koh
Date of Appointment:
Since financial year ended
30 June 2018

BANKERS

DBS Bank
Standard Chartered Bank
Malayan Banking Berhad
United Overseas Bank

ABOUT US

Spindex Industries Limited was founded in 1981. Today it is a highly integrated solution provider of precision machined components and assemblies with manufacturing locations in Malaysia, China and Vietnam. The Company serves diverse market sectors consisting of MNCs in imaging and printing, machinery & automotive systems and consumer-related products. Through investments in flexible manufacturing and information technology and an agile organisation, the Company is able to constantly reconfigure its resources to customise its products and services to the individual needs of its customers. Spindex prides itself on its ability to integrate into the supply chain of its worldwide customer base and continuously re-invent itself to be at the forefront of today's global marketplace. It is one of the first machining companies in the region to be certified by ISO 14001, ISO/TS 16949, ISO 9001 and OHSAS 18001. It also has a comprehensive ITE certified in-house training programme and is an approved ITE Training Centre in the ITE Skills Certification in Autonomous Maintenance.

CHAIRMAN'S STATEMENT

DEAR FELLOW SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the annual report of the Group for the financial year ended 30 June 2020.

FY2020 IN REVIEW

FY2020 had been a particularly challenging period for the Group. During the first six months of FY2020, the effects of trade tariffs arising from the trade dispute between China and the United States were keenly felt by the Group through higher costs. Shortly after the start of the second half of the financial year, the COVID-19 outbreak quickly turned into a global pandemic. The combination of the ongoing trade dispute and COVID-19 has resulted in extremely volatile economic situation where the Group operates in.

Despite the challenges in H1 FY2020, the Group managed a modest growth in turnover of 2.9% but with the onset of COVID-19 from January 2020 and the resultant weeks of shutdown of most of our plants in the Group in H2 FY2020 under government restrictions, group turnover fell 4.0% in FY2020. Not unexpectedly, the turnover of Machinery & Automotive Systems and Imaging & Printing sectors declined 3.0% and 11.9% respectively in FY2020 but the business sector classified as "Others" registered a small turnover growth due to a strong first half performance.

The effects of trade tariffs added to our costs and together with the decline in turnover due to the shutdown of our factories, the Group's gross profit fell 7.4% for the year. Although we continued to manage our operating expenses conservatively, the decline in gross profit margin on a lower turnover led to our profit before tax and net profit attributable to shareholders declining 17.6% and 20.5% respectively in FY2020.



“ In response to the challenging business environment, the Group embarks on numerous initiatives to constantly improve our competitive edge. ”

TAN CHOO PIE @ TAN CHANG CHAI
Chairman

CHAIRMAN'S STATEMENT

With lower profitability, the Board has proposed a final cash dividend for FY2020 of 2.80 Singapore cents per ordinary share and the proposed dividend if approved by shareholders at the forthcoming Annual General Meeting to be held on 23 October 2020, will be paid on 18 November 2020. During this period of market uncertainties, I am pleased to highlight that the Group remains in a strong financial position. We closed the last financial year with a cash position of \$51.2 million and about \$0.2 million in borrowings. With our financial strength, we are able to make timely investments in productive assets and joint venture to deliver value to our customers.

IMPROVING OUR COMPETITIVE EDGE

Our constantly evolving and often volatile business environment presents many challenges for the Group. In response, the Group will continue with initiatives that will improve its competitive edge. These initiatives are well supported by our financial strength which provides us with the flexibility to respond quickly to opportunities in the market.

To better serve our customers and grow with them, we maintain an optimal level of plant and machinery utilisation with a programme for timely acquisition of machinery for renewal and capacity expansion. We constantly examine the allocation of our manufacturing resource across the region and make adjustments to meet the needs of our customers. The trade dispute between China and the United States and the COVID-19 pandemic are timely reminders of the importance of maintaining the right balance of resources in China and the region.

In spite of the market challenges in FY2020, we have proceeded with several important investments during the year to improve our competitive position. We have initiated the optimisation of our manufacturing resources in China by building a new plant at Nantong to improve operational and cost efficiencies. The plant expansion in Hanoi, Vietnam on an adjacent plot of land has been recently completed and is operationally ready.

As announced towards the end of FY2020, we entered into a joint venture with Acuger Precision Corporation (APC) to undertake the manufacturing of plastic moulds, plastic products and related assemblies in Vietnam.

This joint venture will allow us to provide a broader range of services to our customers. We will continue to evaluate suitable joint venture opportunities with partners we value in order to broaden our capabilities and serve the needs of our customers.

PROSPECTS

Although countries around the world have gradually reopened their economies, COVID-19 remains a major problem for many countries coping with an elevated number of infections or new outbreaks. Together with the effects of trade tariffs, COVID-19 is expected to remain a drag on the global economy in the current financial year. Business sentiments are likely to remain cautious in FY2021.

An uncertain business environment has contributed to rising volatility and pricing pressures in our orders from customers. The Group will continue to monitor market developments closely and manage the business prudently for long term sustainable growth. With constant improvement in our competitive edge, we are well positioned to serve our existing as well as new customers.

A WORD OF THANKS

On behalf of the Board, I would like to thank the management and staff of Spindex for their commitment and contributions to the Group's performance in a particularly challenging year. I would also like to express my gratitude to my fellow directors for their advice and wise counsel in guiding the Group under difficult conditions. To our many customers, bankers, shareholders, business associates and suppliers, I truly appreciate your continuing support over the years.

TAN CHOO PIE @ TAN CHANG CHAI
Chairman

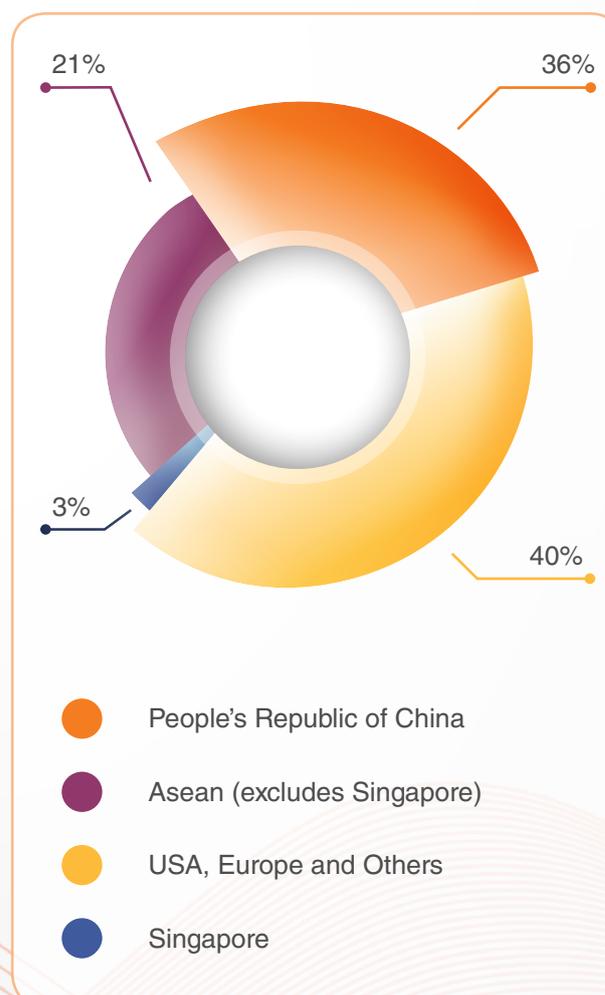
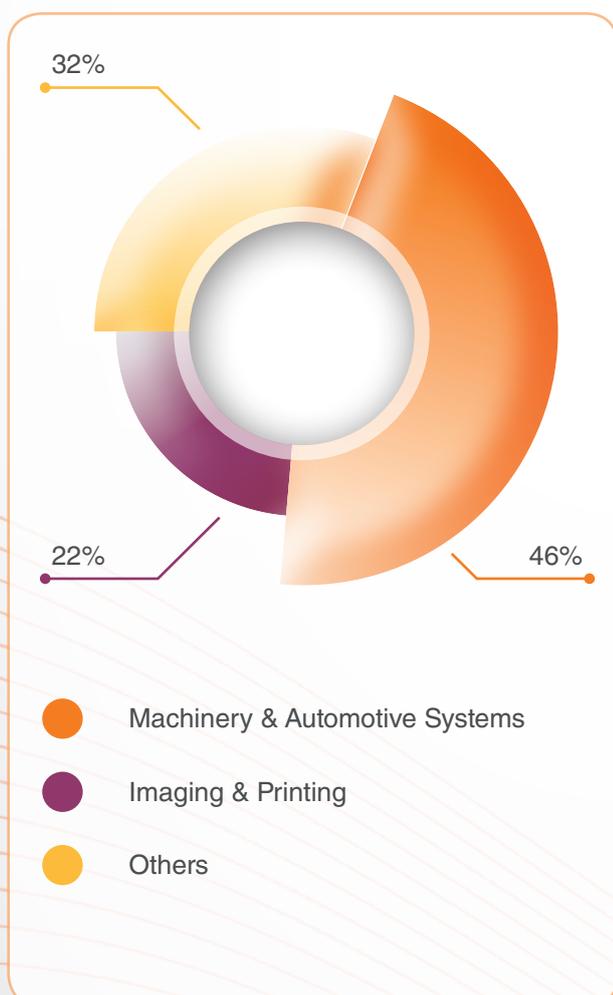
FINANCIAL HIGHLIGHTS

TURNOVER BY BUSINESS SEGMENTS (\$'000)

	FY2020	FY2019
Machinery & Automotive Systems	68,730	70,865
Imaging & Printing	32,423	36,790
Others	48,473	48,157
	149,626	155,812

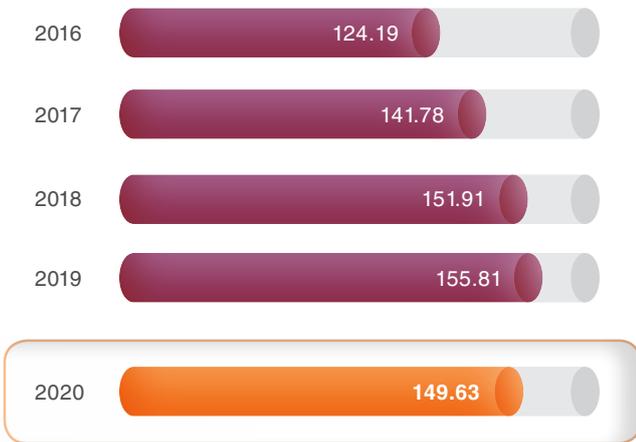
TURNOVER BY GEOGRAPHICAL SEGMENTS (\$'000)

	FY2020	FY2019
People's Republic of China	53,425	54,186
Asean (excludes Singapore)	32,259	34,415
USA, Europe and Others	60,026	63,956
Singapore	3,916	3,255
	149,626	155,812



FINANCIAL HIGHLIGHTS

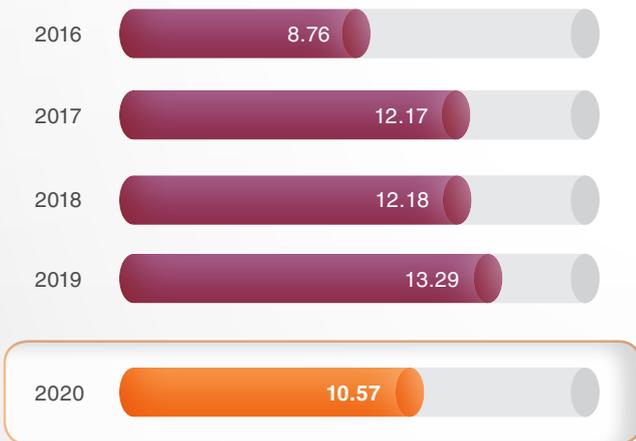
TURNOVER (\$'Million)



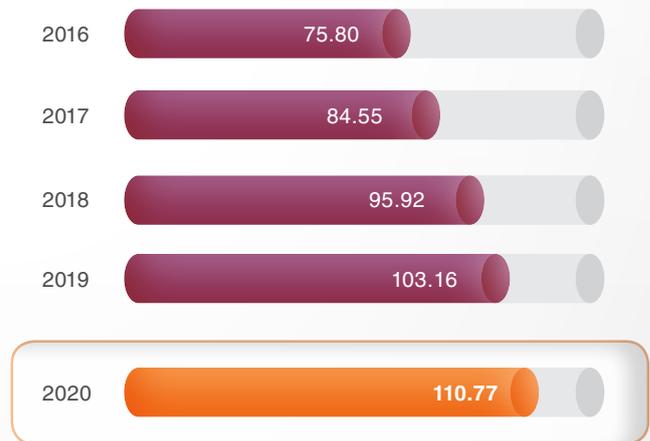
PROFIT BEFORE TAXATION (\$'Million)



EARNINGS PER SHARE (Cents)



NET TANGIBLE ASSETS PER SHARE (Cents)



BOARD OF DIRECTORS



**TAN CHOO PIE
@ TAN CHANG CHAI**
Chairman

Mr Tan Choo Pie @ Tan Chang Chai is a shareholder of the Company and has been the Executive Chairman of the Spindex Group since July 1989. He plays an important role in setting the investment, expansion, diversification and overall strategy of the Group. Mr Tan has over twenty five years of experience and has held positions as senior manager, general manager, managing director and chairman for various companies in the die-casting, electroplating, precision turning, precision machining and various assembly businesses. Mr Tan was also previously Vice-Chairman of Wah Chang International Corporation Pte Ltd and Non-Executive Chairman of MMI Holdings Limited. Mr Tan holds a Bachelor of Chemical Engineering degree.

TAN HEOK TING
Managing Director

Mr Tan Heok Ting was appointed Executive Director in 2010 and appointed as Managing Director on 1st July 2013. He is responsible for the Group's overall management, operations and is also involved in the strategic planning, investment directions of the Group. Mr Tan's work experience prior to Spindex includes precision engineering firms in the business development and senior management positions. Mr Tan holds a Bachelor of Laws Degree and a Bachelor of Commerce degree in Accounting and Finance.

CHEN CHANG RONG
Non-Executive Director

Mr Chen Chang Rong was appointed as Independent Director of the Company since 2005 and as Executive Director in January 2009. He has been re-designated as Non-Executive Director on 12 September 2017. He has extensive working experience in manufacturing industries and has held senior management positions of General Manager and CEO for the past 15 years. He was the Deputy General Manager of BOSCH Power Tools (China) for more than 7 years. He was an Independent Director of a company listed in the Shenzhen Stock Exchange and a consultant to several international companies in China. He is currently a chief of Core group of experts of Ford Asia-Pacific for industrial 4.0 and Ford Q1 since November of 2016. Mr Chen is also a member in a committee of experts to the People's Government for the provinces of Zhejiang and Jiangsu. In addition to his Bachelor degree in Mechanical Engineering from Zhejiang University, he holds a MBA degree from China Central University.

BOARD OF DIRECTORS



**CHAN MENG WAH
ALEXANDER**
Lead Independent Director

Mr Alex Chan Meng Wah joined the Board as Independent Director in September 2010. He brings to the Group extensive years of experience and knowledge. Mr Chan, after six years as Executive Vice-Chairman at Jepsen & Jessen SEA Pte Ltd, is currently serving as a Board Director. He has been an Independent Non-Executive Director of Standard Chartered Bank (Singapore) Ltd since 2013. He previously served as the Managing Director of Hewlett Packard Singapore and South East Asia, Managing Director and CEO of Yeo Hiap Seng Limited, Executive Director of Far East Organisation, and MMI Holdings Limited. He was Chairman of Singapore Sports Council from 2002 till 2010, and Chairman of Sistic Pte Ltd from 2000 till 2016. Mr Chan was a former Nominated Member of Parliament (NMP) in the 10th Singapore Parliament. Mr Chan holds a Bachelor's Degree of Electrical Engineering (First Class Honours) from University of Singapore, and a Master in Business Administration from University of California, Los Angeles.



PETER TAN BOON HENG
Independent Director

Mr Peter Tan Boon Heng joined the Board as Independent Director in September 2017. He has more than 35 years of operating experience in Asia and Silicon Valley, and has built up expertise and business relations in world-class manufacturing and technology companies. He is presently the Managing Partner of JP Asia Capital Partners Pte Ltd, and was previously the President and Managing Director of Flextronics Asia. He held senior management roles across a wide range of technology companies, including National Semiconductor, Molex Singapore, Apple Computer Inc. and JIT Electronics. Today Mr Tan sits on the Board of SMRT Corporation and is also Co-Chairman of the Advanced Remanufacturing and Technology Centre (ARTC). Mr Tan is also a member of the Governing Board for Singapore Centre for 3D Printing, NTU and a member of the Steering Board for SUTD Digital Manufacturing and Design Centre. More recently, he was also appointed as Technical Advisor for the NRF Central Gap Fund. Mr Tan holds a Graduate Diploma in Management Studies from the University of Chicago and an Executive MBA from the Golden Gate University, San Francisco.

SENIOR MANAGEMENT

ANDREW ORR GEOK CHENG

Financial Controller

Mr Orr joined Spindex Industries Limited in June 2011 and is responsible for the Group's Finance, Administration and Human Resource Management. Prior joining to the Group, Mr Orr had more than 10 years of working experiences in auditing and accounting. Mr Orr is a fellow member of the Association of Chartered Certified Accountants (ACCA).

CORPORATE GOVERNANCE

Spindex Industries Limited (the “**Company**”) and its subsidiaries (the “**Group**”) are committed to ensuring and maintaining a high standard of corporate governance within the Company to ensure effective self-regulation practices are in place to enhance corporate performance and accountability.

Throughout the financial year ended 30 June 2020 (“**FY2020**”), the Company has complied with the provisions of the Code of Corporate Governance 2018 (the “**Code**”) issued on 6 August 2018 which forms part of the continuing listing obligations of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual. In describing corporate governance practices, the Company also took guidance from the Code and accompanying Practice Guidance. Good corporate governance establishes and maintains an ethical environment and enhances the interest of all shareholders. The Company has generally adhered to the principles and provisions as set out in the Code.

This report describes the Company’s corporate governance processes and activities that were in place throughout FY2020 as well as the corporate governance framework and practices of the Company with references made to the Code to provide the Company a structure through which the objectives of protection of shareholders’ interest and enhancement of long-term shareholders’ value are met.

The board of directors (the “**Board**” or “**Directors**”) of the Company confirms that, for FY2020, the Company has adhered to the principles and provisions of the Code. In so far as any provision has not been complied with, the reason has been provided.

This report should be read as a whole, instead of being read separately under the different principles and provisions of the Code.

BOARD MATTERS

The Board’s Conduct of Affairs

PRINCIPLE 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board comprises 5 Directors as follows:

Executive

Mr Tan Choo Pie @ Tan Chang Chai (Chairman)
Mr Tan Heok Ting (Managing Director)

Non-Executive

Mr Chen Chang Rong

Independent

Mr Chan Meng Wah Alexander (Lead Independent Director)
Mr Peter Tan Boon Heng

Role of the Board of Directors (“**Board**”)

The primary role of the Board is to lead and control the Company’s operations and affairs and to protect and enhance long-term shareholder’s value. The Board sets the overall strategy for the Group and supervises executive management. The Board supervises the Management and monitors performance of these goals to enhance shareholders’ value. The Board also sets the tone for the Group in respect of ethics, values and desired organisation culture, and ensure proper accountable within the Group. To fulfil this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for Management and monitoring the achievement of these goals.

Directors must avoid situations in which their own personal or business interests directly or indirectly conflict or potentially conflict, with the interest of the Group. Where a Director has a conflict or potential conflict of interest in relation to any matter, he will immediately declare his interest at the meeting of the Directors or send a written notice to the Chairman and/or Company Secretary, setting out the details of his interest and the conflict and recuse himself from any discussions on the matter and abstain from participating in any Board decision.

CORPORATE GOVERNANCE

To assist in the execution of its responsibilities, the Board has established 3 Board Committees, namely, the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”) and the Audit Committee (“**AC**”). These Board Committees operate within clearly defined terms of reference which are reviewed from time to time. The composition of each Board Committee can also be found in the ‘Corporate Information’ section of the Annual Report.

All Directors exercise due diligence and independent judgment and make decisions objectively in the best interest of the Group. This is one of the performance criteria for the peer and self-assessment on effectiveness of the individual Directors. The Directors are provided with briefings and updates on an ongoing basis in areas such as Directors’ duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to objectively and properly discharge their duties and responsibilities as Board members or Board Committee members. The scope of such briefings and updates includes industry trends and developments, governance practices, and changes in regulatory requirements pertaining to the Company’s business.

All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

Board Meetings and Meetings of Board Committees

The Board meets regularly and additional meetings are convened when deemed necessary by the Board. The Board is furnished with detailed information concerning the Group, to enable the Board to fulfil its responsibilities and to be fully cognizant of the actions of the Group’s executive management. All the Directors have unrestricted access to the Company’s records and information. Detailed board papers are prepared for each meeting of the Board and include sufficient information from Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board Meetings. All the Non-Executive and Independent Directors have access to all levels of senior executives in the Group. Frequency of Board Meetings and Committee Meetings held during the financial year are disclosed in this Report.

Matters Requiring Board’s Approval

The Company has adopted internal guidelines setting forth matters that require Board approval. The types of material transactions that require Board approval under such guidelines include the following:

1. Approval of results announcements;
2. Approval of annual reports and accounts;
3. Proposal of final dividends;
4. Convening of shareholders’ meetings;
5. Interested person transactions; and
6. Authorisation of material acquisitions and disposal of assets.

The following table discloses the number of meetings held for the General, Board and Board Committees, and the attendance of all Directors during FY2020:

Name of Directors	AGM		The Board		AC		NC		RC	
	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended	No. of meetings held	No. of meetings attended
Mr Tan Choo Pie @ Tan Chang Chai	1	1	4	4	4	4	1	1	1	1
Mr Tan Heok Ting	1	1	4	4	4	4	1	1	1	1
Mr Chen Chang Rong	1	1	4	4	4	4	1	1	1	1
Mr Chan Meng Wah Alexander	1	1	4	4	4	4	1	1	1	1
Mr Peter Tan Boon Heng	1	1	4	4	4	4	1	1	1	1

CORPORATE GOVERNANCE

Orientation, briefings and training provided for Directors

Formal letters are sent to newly appointed Directors upon their appointment explaining their roles and responsibilities as well as their duties and obligations as Directors. Appropriate trainings are provided for all Directors appointed to the Board as part of their orientation to ensure that they are familiar with the Company's businesses, operations, governance practices and regulatory requirements. Training for first-time Directors are also provided in areas such as accounting, legal and industry-specific knowledge as appropriate.

To ensure that the Company is competent in carrying out its roles and responsibilities, regular and ongoing training is provided for the Directors and to keep pace with new laws, regulations, changing commercial risks and accounting standards, all Directors engages in constant dialogues with the Management and professionals from time to time. The Company has adopted a policy where Directors are encouraged to request for further explanations or informal discussions on any aspects of the Company's operations. The Chairman will make the necessary arrangements for the informal discussions or explanations as requested by the Directors.

In addition, all new and existing Directors are encouraged to attend, at the Company's expense, relevant and useful seminars, inductions, orientations and trainings for their continuing education and skills improvement courses that are conducted by external organisations. These include programmes run by the Singapore Institute of Directors.

The Board is provided with complete and adequate information on a timely basis prior to the Board Meetings and on an on-going basis. The Management circulates copies of the minutes of the meetings of Board and Board Committees to all members of the Board to keep them informed of on-going developments within the Group. Board papers are generally sent to Directors before each meeting and would include financial management reports, reports on performance of the Group against the budget with notes on any significant variances, papers pertaining to matters requiring the Board's decision, updates on key outstanding issues, strategic plans and developments in the Group.

The Board has unrestricted access to the Company Secretary, the external auditor as well as the Senior Management of the Company. The Company Secretary is legally trained, with experience in legal matters and company secretarial practices. Company Secretary or his nominees attends all General, Board and Board Committees' meetings and is responsible for ensuring that Board procedures and all other rules and regulations applicable to the Company are adhered to. The appointment and removal of the Company Secretary are subject to the Board's approval.

The Directors and the Chairman of the respective Committees, whether as a group or individually are able to seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to the approval of the Board.

BOARD COMPOSITION AND GUIDANCE

PRINCIPLE 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Board size and Board composition

The Board comprises 5 Directors, of whom 2 are Executive Directors, 2 are Independent Directors and 1 is a Non-Executive and Non-Independent Director.

Each year, the NC reviews the size and composition of the Board and Board Committees and the skills and core competencies of its members to ensure an appropriate balance of skills, experience and gender. These competencies include accounting and finance, business and management experience, industry knowledge, strategic planning experience, customer-based knowledge, familiarity with regulatory requirements and knowledge of risk management. In the light of such evaluation and in consultation with Management, the NC will then assess if there is any inadequate representation in respect of any of those attributes and if so, determine the role and the desirable competencies for a particular appointment. NC will then assess the suitability of short-listed candidates and then make recommendations to the Board for approval. The Board also considers that its Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

Taking into account the nature and scope of the Group's operations and the number of Board Committees, the Board considers the board size and composition as appropriate. The Board believes that the current size and composition provides sufficient diversity without interfering with efficient decision-making. The Directors' credentials including working experience, academic and professional qualifications are presented at the Board of Directors section of the annual report.

CORPORATE GOVERNANCE

The NC recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new Directors will continue to be selected based on objective criteria set as part of the process for appointment of new Directors and Board succession planning. In FY2020, there was no female Director out of a total of 5 Directors on the Board.

The Company is committed to building a diverse, inclusive and collaborative culture. The Company recognizes and embraces the benefits of diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In reviewing the Board composition and appointments, the Nomination Committee takes into consideration diversity of skills, experience, background, gender, age, ethnicity and other relevant factors although merit remains the key driver.

Independence of Directors

Pursuant to guideline 2.2 of the Code, the Independent Directors should make up majority of the Board where the Chairman is not independent and pursuant to guideline 2.3 of the Code, non-executive directors should make up a majority of the Board. The NC is of the view that there is a strong and independent element on the Board and majority of the Board are non-executive directors, two of whom are independent directors and one is a non-executive director. After taking into account the views of the NC, the Board considers all the independent directors of the Company are independent in character and judgement and that there are no individual or small group of individuals dominate the Board's decision-making process.

Although the Chairman is not independent and the Independent Directors of the Company do not make up majority of the Board, the Board and NC are satisfied that the Board has an appropriate level of independence and diversity to enable it to make decisions in the best interests of the Group. With two Independent and one Non-Executive Independent Directors making up more than half of the Board, it provides an independent element on the Board capable of exercising objective judgment and no individual or group is able to dominate the Board's decision making process. The Group has a majority of three (3) out of five (5) directors on the Board who are Non-Executive Directors and thus, comply with Provision 2.3 of the Code.

The independence of the Directors is reviewed annually by the NC. The NC adopts the Code's definition of what constitutes an independent director in its review and taking into account Rule 210(5)(d) of the SGX Listing Rules (Mainboard) (the "**Mainboard Rules**"). Each Independent Director is required to complete an Independence Confirmation at the time of appointment and annually to declare whether he considered himself independent based on the guideline provided by the Code and Mainboard Rules that independent directors should be independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonable perceived to interfere, with the exercise of the director's independent business judgement in the best interest of the Company.

The NC has ascertained that the independent directors, namely Mr Chan Meng Wah Alexander and Mr Peter Tan Boon Heng do not have any relationship with the Group, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Group, and they are able to exercise objective judgment on corporate affairs independently from Management and its substantial shareholders.

Mr Chan Meng Wah Alexander has served as Independent Director for more than 9 years. The Board has carried out a rigorous review of his independence status. Such review was in accordance with the Code and entailed Mr Chan Meng Wah Alexander's independence in conduct, character and judgements, and confirmation that he has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonable perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company. The Board's view is that Mr Chan Meng Wah Alexander continues to demonstrate the ability to exercise strong independent judgement in his deliberations and to act in the best interests of the Company, and that his length of service has not affected his independence from Management. Mr Chan Meng Wah Alexander continues to express views, debate issues and objectively and constructively challenges the Management. After taking into account all these factors and having weighed the need for Board refreshment against tenure for relative benefit, the NC and the Board have viewed and determined that Mr Chan Meng Wah Alexander continues as an Independent Director, notwithstanding that his service has been for more than 9 years.

Key information regarding the Directors is found on pages 6 to 7. The Board considers that its Directors possess the necessary competencies to lead and govern the Company effectively.

CORPORATE GOVERNANCE

Role of the Non-Executive Directors

The Non-Executive Directors participate actively in the Board Meetings. With their professional expertise, experience and knowledge, they provide constructive advice and guidance for effective discharge by the Board of its principal functions over the Group's strategies, businesses and other affairs. The Non-Executive Directors also constructively challenge and aid the development of directions on strategy as well as review the performance of the Management in achieving agreed goals and objectives. In addition, they also monitor the reporting of the Group's performance.

To facilitate a more effective check on Management, the Non-Executive Directors meet and discuss on the Group's affairs without the presence of the Management where necessary.

CHAIRMAN AND GROUP MANAGING DIRECTOR

PRINCIPLE 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman is the father of the Managing Director. Notwithstanding this, given the separate roles and responsibilities held by them, the Board is of the opinion that their relationship does not affect the independent and effective running of the Board. The Managing Director is responsible for daily management of the Group, whereas the Chairman plays an important role in steering the strategic direction of the Group. In addition, Mr Chan Meng Wah Alexander has been appointed as the Lead Independent Director of the Company and is available to shareholders should they have concerns which cannot be solved through the normal channel of the Chairman or which such contact is inappropriate.

As such, the Board believes that they are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on the collective decision-making without the Chairman being able to exercise considerable concentration of power or influence.

The Chairman ensures that Board Meetings are held when necessary and sets the Board Meeting agenda in consultation with the Managing Director. The Chairman also reviews Board papers before they are presented to the Board and ensures that Board members are provided with complete, adequate and timely information. Management staff members who have prepared the papers or who can provide additional insight into the matters to be discussed are invited to present the paper or attend at the relevant time during Board Meetings.

All the Independent Directors, led by the lead Independent Director, meet at least annually without the presence of other executives and Non-Independent Directors to discuss matters of significance which are then reported to the Chairman accordingly.

BOARD MEMBERSHIP

PRINCIPLE 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Nominating Committee

The NC was formed on 13 February 2003 and now it comprises three members, two of whom are Independent Directors and one is Non-Executive Director. The members are:

Mr Peter Tan Boon Heng	(Chairman)
Mr Chan Meng Wah Alexander	(Member)
Mr Chen Chang Rong	(Member)

The NC is regulated by a set of written Terms of Reference and its key functions include:

1. To review annually the independence of each Director with reference to the criteria set out in the Code.
2. To review all nominations for new appointments and re-appointments of Directors and put forth their recommendations for approval by the Board.

CORPORATE GOVERNANCE

3. To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly, where a Director has multiple Board representations.

Each year, the NC will review and make necessary recommendations to the Board on following matters:

- succession plan for Directors, in particular, the Chairman, Group Managing Director and key management personnel.
- development of a process for evaluating the performance of the Board, its Board Committees and Directors.
- appointment and re-appointment of Directors.
- training and professional development programmes for the Board.

The NC determines on an annual basis whether or not a Director is independent, bearing in mind Rule 210(5) (d) of the Mainboard Rules, 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 this respect, the NC has carried out a review on the independence of each Non-Executive Director based on the respective Directors' self-declaration and their actual performance on the Board and Board Committees and in this respect, the NC is of the view that Mr Chan Meng Wah Alexander and Mr Peter Tan Boon Heng are independent and that, no individual or small group of individuals dominate the Board's decision-making process. The Board, having reviewed the basis of NC's assessment on the independence of the Non-Executive Directors, concurs with the recommendations set forth by NC and is of the view that Mr Chan Meng Wah Alexander and Mr Peter Tan Boon Heng should be deemed independent.

The NC has also reviewed and is satisfied that Mr Chan Meng Wah Alexander and Mr Peter Tan Boon Heng, who sit on multiple boards, have been able to devote adequate time and attention to the affairs of the Company to fulfil their duties as Independent Directors of the Company, in addition to their multiple board appointments.

At present, the Board does not intend to set a maximum number of listed company board representations a Director may hold as it is of the view that different Directors have different abilities and capacity. The effectiveness of a Director should be evaluated by a qualitative assessment of his commitment to the Company, his participation on at various Board and Management meetings, as well as his contributions to the Company's affairs, taking into account his other commitments including his directorships in other listed companies. The NC monitors and assesses annually whether directors who have multiple board representations and other principal commitments are able to give sufficient time and attention to the affairs of the Company and diligently discharge their duties as a director of the Company. The NC takes into account the results of the assessment of the effectiveness of the individual director, his actual conduct on the Board and Board Committees and his attendance record at meetings. The NC considers that the multiple board representations held presently by some Directors do not impede their respective performance in carrying out their duties to the Company and is satisfied that in FY2020, sufficient time and attention is being given to the affairs of the Group by each director.

Key information on the Directors are set out below:

DETAILS	TAN CHOO PIE @ TAN CHANG CHAI	TAN HEOK TING	CHEN CHANG RONG	CHAN MENG WAH ALEXANDER	PETER TAN BOON HENG
Position	Chairman	Managing Director	Non-Executive Director	Lead Independent Director	Independent Director
Date of first appointed as a Director	1-Jul-1989	1-May-2010	1-Aug-2005	24-Sep-2010	12-Sep-2017
Date of last re-election/re-appointment as a Director	26-Oct-2018	25-Oct-2019	25-Oct-2017	26-Oct-2018	25-Oct-2017
Present Directorships or Chairmanships in other listed companies	NIL	NIL	NIL	NIL	NIL
Directorships or Chairmanships held over preceding three years in other listed companies	NIL	NIL	NIL	NIL	NIL

CORPORATE GOVERNANCE

DETAILS	TAN CHOO PIE @ TAN CHANG CHAI	TAN HEOK TING	CHEN CHANG RONG	CHAN MENG WAH ALEXANDER	PETER TAN BOON HENG
Other principal commitments	NIL	NIL	NIL	Standard Chartered Bank (Singapore) Limited Jebsen & Jessen (SEA) Pte Ltd	Advanced Remanufacturing and Technology Centre (ARTC) JP Asia Capital Pte. Ltd. JP Asia Capital Partners Pte Ltd SMRT Corporation Ltd Brydge Global Pte. Ltd. ImpacTech Pte. Ltd. MobilityX Pte. Ltd. Singapore Centre for 3D Printing (SC3DP) SUTD Digital Manufacturing and Design Centre National Research Foundation (NRF) Central Gap Fund MOT/LTA Urban Mobility Grand Challenge Programme Advance Manufacturing & Engineering EXCO (MTI)
Due for re-election/re-appointment at the AGM	N/A	N/A	Retirement by rotation (Article 115)	N/A	Retirement by rotation (Article 115)

Note:

The details of Directors credentials including working experience, academic and professional qualifications, shareholding in the Company and Directorships can be found in the Board of Directors and Directors' Statement sections of the annual report.

New Directors are at present appointed by way of a Board Resolution, after the NC has deliberated and recommended their appointments. These new Directors submit themselves for re-election on by shareholders at the next Annual General Meeting ("AGM"). The Company's Constitution requires one third of the Board to retire by rotation at every AGM. In addition, all Directors (including the Managing Director) submit themselves for re-nomination and re-election at regular intervals and at least once every 3 years. In its search and nomination process for new Directors, the NC has, at its disposal, search companies, personal contacts and recommendations, to cast its net as wide as possible for the right candidates.

In assessing re-appointment of the Directors, the NC evaluates based on several criteria including each Director's qualifications, contributions, performance and independence.

The Company has no alternate Directors on its Board.

The NC had recommended to the Board the re-election of Mr Peter Tan Boon Heng and Mr Chen Chang Rong, who will be retiring pursuant to Article 115 of the Company's Constitution at the forthcoming AGM. The directors retiring by rotation have consented to continue in office.

CORPORATE GOVERNANCE

The additional information on Mr Peter Tan Boon Heng and Mr Chen Chang Rong, being the Directors who have been nominated for re-election, required pursuant to Rule 720(6) of the SGX-ST Listing Manual are in pages 89 to 94 of the Annual Report.

BOARD PERFORMANCE

PRINCIPLE 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The performance criteria for the Board evaluation includes an evaluation of the size and composition of the Board and the Board Committees, the Board's access to information, accountability, Board processes, Board performance in relation to discharging its principal responsibilities, communication with the Management and standards of conduct of the Directors.

The Board has implemented a process carried out by the NC, for assessing the effectiveness of the Board as a whole and its Board Committees, and for assessing the contribution by each individual Director to the effectiveness of the Board on an annual basis. At the end of each year, each Board member is required to complete a Board appraisal form and Director's assessment form and send the forms to the NC Chairman before the NC Meeting. Based on the returns, the NC Chairman will prepare a consolidated report and present the report to the Board at the Board Meeting to be held before the Annual General Meeting. It had concluded a Board performance and Directors' self- assessment evaluations for FY2020.

Based on the assessment forms, the Board has met its performance objectives for FY2020.

An external facilitator to evaluate and assess the Board, its Board Committees and each Director has not been appointed as the Board believes that the quality and objectivity of the current process and evaluations implemented are sufficient and adequate.

The NC decides on how the Board's performance is to be evaluated and proposes objective performance criteria, subject to the Board's approval, which allow for comparison to industry peers and which address how the Directors have enhanced long-term shareholders' value.

The performance criteria adopted for the evaluation process have been consistently applied from year to year, and updated from time to time to account for amendments to the Mainboard Rules and Code of Corporate Governance.

The Chairman would act on the results of the Board performance evaluation, and in consultation with the NC, propose, where appropriate, new members to be appointed to the Board or seek resignation of Directors.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Remuneration Committee ("RC")

The RC comprises three members, two of whom are Independent Directors and one is Non-Executive Director. The members are:

Mr Peter Tan Boon Heng	(Chairman)
Mr Chan Meng Wah Alexander	(Member)
Mr Chen Chang Rong	(Member)

CORPORATE GOVERNANCE

The RC has adopted a set of Terms of Reference which among others, include the following functions :

1. To review and recommend a framework of remuneration for the Chairman, Directors and key management personnel and members of Senior Management. The framework will cover Director's fees, basic salaries, allowances, bonuses and benefits in kind.
2. To review the remuneration packages of each Director, key management personnel and all managerial staff who are related to any of the Executive Directors.
3. To recommend to the Board in consultation with key management personnel, senior management and the Chairman of the Board, any long term incentive scheme.

No Director or Member of the RC is involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in its deliberations.

The RC is able to obtain expert professional advice on remuneration matters as and when necessary. During the year, the RC did not seek expert advice on remuneration of all Directors as it had considered public data which is available for benchmarking and tailored specific remuneration packages to the requirements of the Company for its board and executive compensation. The Board is satisfied that the current process and evaluations implemented are sufficient and adequate.

The RC reviews 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 avoid rewarding poor performance.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The Company has a framework of remuneration to the Board members, staff related to Directors and key management personnel. Under this framework, the total remuneration comprises fixed and variable components. The fixed component comprises basic salary, contractual bonus, statutory employer's contributions to the Central Provident Fund and fixed allowances. In setting the remuneration packages, the Group takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual Directors and key management personnel. Variable component comprises non-contractual bonus and profit sharing that are linked to corporate and individual performance. The remuneration framework for the Board and key management personnel is aligned with the interest of shareholders, other stakeholders and appropriate to attract, retain and motivate them for the long-term success of the Group.

The Group does not have any long-term incentive schemes for Executive Directors and key management personnel.

The RC will review and determine the remuneration packages for the Directors.

The Executive Directors have service agreements. The Service Agreements may be terminated by either the Company or the Executive Directors giving 6 months' written notice of termination to the other party. The RC is tasked to review and make recommendations on the terms of the service contracts.

Non-Executive Directors have no service contracts and are paid Directors' fees. Directors' fees are determined by the Board taking into consideration the remuneration framework adopted by the RC and based broadly on the recommended guidelines from the Singapore Institute of Directors and taking into account factors such as effort and time spent and the increasingly onerous responsibilities of the Directors. Payment of Directors' fees is subject to approval of the shareholders of the Company at each AGM. There are no share-based compensation schemes in place for Non-Executive Directors as the Board believes that the remuneration package is adequate.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE

DISCLOSURE OF REMUNERATION

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

The remuneration of the Directors in the various remuneration bands is as follows:

	2020			2019		
	Executive Directors	Non-Executive Directors	Total	Executive Directors	Non-Executive Directors	Total
\$1,250,000 to \$1,499,999	–	–	–	–	–	–
\$1,000,000 to \$1,249,999	2	–	2	1	–	1
\$750,000 to \$999,999	–	–	–	1	–	1
\$500,000 to \$749,999	–	–	–	–	–	–
\$250,000 to \$499,999	–	–	–	–	–	–
\$0 to \$249,999	–	3	3	–	4	4
	2	3	5	2	4	6

Remuneration of Directors and Key Management Personnel

A breakdown of the total remuneration of the Directors of the Company and the top five management personnel of the Group (who are not Directors or the Managing Director) for the financial year ended 30 June 2020, is set out below:

	Base/Fixed Salary##	AWS/Bonus/Profit Sharing##	Directors' Fees	Total Remuneration
Directors				
<u>\$1,000,000 to \$1,249,999</u>				
Mr Tan Choo Pie @ Tan Chang Chai	48%	52%	–	100%
Mr Tan Heok Ting	42%	58%	–	100%
<u>\$750,000 to \$999,999</u>	–	–	–	–
<u>\$500,000 to \$749,999</u>	–	–	–	–
<u>\$250,000 to \$499,999</u>	–	–	–	–
<u>Below \$250,000</u>				
Mr Chen Chang Rong	–	–	100%*	100%*
Mr Chan Meng Wah Alexander	–	–	100%*	100%*
Mr Peter Tan Boon Heng	–	–	100%*	100%*
Key Management Personnel#				
<u>\$500,000 to \$749,999</u>	–	–	–	–
<u>\$250,000 to \$499,999</u>	–	–	–	–
<u>Below \$250,000</u>				
Mr Andrew Orr Geok Cheng	83%	17%	–	100%

* The above proposed Directors' Fees for Independent/Non-Executive Directors are subject to shareholders' approval at the Company's AGM to be held on 23 October 2020.

There is currently only 1 key management personnel in the Group for the financial year ended 30 June 2020.

The salary and AWS/Bonus/Profit Sharing shown are inclusive of employer portion of CPF contribution.

CORPORATE GOVERNANCE

The Board is of the opinion that the information disclosed in the Annual Report would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice.

In view of the competitive pressure in the industry and talent market as well as confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Company and its Group not to disclose in the Annual Report including the aggregate remuneration paid to the key management personnel and that the disclosure based on the above remuneration bands is appropriate.

Remuneration of Employees who are substantial shareholders of the Company, or are immediate family members of a Director, the Managing Director or a substantial shareholder of the Company

There is no employee who is a substantial shareholder of the Company, or an immediate family member of any Director or the Managing Director or a substantial shareholder of the Company in the Group's employment for the financial year ended 30 June 2020.

The Group has implemented appropriate incentive schemes for the Executive Directors and key management personnel. There are no special termination, retirement and post-employment benefits that may be granted to the Directors and key management personnel. The Executive Directors' and key management personnel's remuneration packages in the Group comprise fixed salary, allowances and bonuses depending on their role and responsibilities in the Group. Yearly bonuses declared are based on financial and operational indicators of their respective subsidiaries and individual indicators, as these reflect most accurately the performance of the Group as a whole. Based on the current financial year, majority of the performance targets have been met.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board is responsible for the governance of risk management and internal controls, ensuring that the Management maintains a sound system of risk management and internal controls to safeguard shareholders' investment and the assets of the Group.

The Company, with the assistance from an external consultant, had established the Enterprise Risk Management Framework on policies, processes and systems pertaining to each of the key risk areas of the Group. On a semi-annual basis, the Group's internal audit function prepares an audit plan taking into consideration risks identified and assessed from the risk management system. This risk-based audit plan is approved by the AC and audits are conducted to assess the adequacy and effectiveness of the Group's system of internal controls in addressing financial, operational, compliance and information technology risks. In addition, material control weaknesses over financial reporting, if any, are highlighted by the external auditors in the course of the statutory audit.

Based on the review of the Group's governing framework, systems, policies and processes in addressing the key risks, the monitoring and review of the Group's overall performance and representation from the Management, the Board is of the view that as at 30 June 2020, the Group's internal controls, including financial, operational, compliance and information technology controls, and risk management systems is adequate and effective.

The Board is responsible for overseeing the Company's risk management, framework and policies. Although there is no separate risk committee, all Board members are collectively responsible and active in this function. The Board regularly convenes to carry out its responsibility of overseeing the Company's risk management framework and policies, with the help of in-house or external resources where necessary.

The Board and the AC, with the assistance of the internal auditors, have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance risks, as well as the Group's information technology controls and risk management systems.

CORPORATE GOVERNANCE

The Company's internal auditors conduct an annual review on the adequacy and effectiveness of the Group's material internal controls, including financial, operational and compliance and information technology controls and risk management systems to ensure the adequacy and effectiveness thereof. This review is conducted by the Company's internal auditors which presented their findings to the AC.

As part of the external audit plan, the external auditors also review certain key accounting controls relating to financial reporting, covering selected financial cycles and highlight material findings, if any, to the AC.

The AC reviews the findings of both the internal and external auditors and the adequacy and effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

The Board has received from the Managing Director and the Financial Controller on a half yearly basis before each half yearly meeting in relation to the announcement on financial statements, that the financial records have been properly maintained and the financial statements are prepared in compliance with the Singapore Financial Reporting Standards (International) and are not false and misleading in any material aspect.

The Board has also received written assurance from the Managing Director and the Financial Controller that:

- (a) The financial records of the Group have been properly maintained and financial statements for the financial year ended 30 June 2020 give a true and fair view of the Group's operations and financial position; and
- (b) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed and actions taken by the Management and on-going reviews and continuing efforts at enhancing controls and processes, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, as well as the Group's information technology controls and risk management systems were adequate and effective as at 30 June 2020.

The Board notes that the system of internal control provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Board and the AC wish to highlight that no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Financial risks relating to the Group are set out in Note 33 to the Financial Statements of this Annual Report.

AUDIT COMMITTEE

PRINCIPLE 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The AC comprises of three members, two of whom are Independent Directors and one is Non-Executive Director. The members are:

Mr Chan Meng Wah Alexander	(Chairman)
Mr Peter Tan Boon Heng	(Member)
Mr Chen Chang Rong	(Member)

The Board is of the opinion that the members of the AC have sufficient expertise and experience to discharge their duties.

The Board considers Mr Chan Meng Wah Alexander, who has extensive and practical experience in both accounting and financial management, well qualified to chair the AC. In addition, the members of the AC collectively have strong accounting and related financial management expertise and experience. They keep abreast of relevant changes to accounting standards and issues which have a direct impact on financial statements.

CORPORATE GOVERNANCE

None of the members of the AC were Partners or Directors of the Company's existing external auditor within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm and none of the members of the AC hold any financial interest in the auditing firm.

The role of the AC is to assist the Board with discharging its responsibilities, maintaining adequate accounting records and developing and maintaining effective internal control systems. In addition to pursuing this goal, the AC will:

1. Recommend to the Board the appointment or re-appointment of the external auditor;
2. Review with external auditor the audit plan, their evaluation of the system of internal controls, monitor Management's response and actions to correct any noted deficiencies;
3. Review the scope and results of the audit and the independence and objectivity of the external auditor;
4. Determine that no unwarranted management restrictions are being placed upon the external auditor;
5. Review of the internal audit program including the scope and results of the internal audit;
6. Review the financial statements with Management and external auditor for submission to the Board; and
7. Review interested person transaction.

The AC has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices, with full access to and co-operation of the Management as well as full discretion to invite any Director or Executive Director to attend its meetings and has been given reasonable resources to enable it to perform its functions properly. Both the internal and external auditors have unrestricted access to the AC.

The internal audit function is currently outsourced to Mazars LLP, which is an international auditing firm. The outsourced internal auditor report directly to the Audit Committee ("AC") and the AC approves the appointment, removal, evaluation and compensation of the internal auditor. The internal auditor have unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

In the opinion of the Board, Mazars LLP, meets the Company's internal audit obligations, which is based on the experience of the firm and engagement partner and the number of qualified professional staff assigned to internal audit projects and has met the standards established by internationally recognised professional bodies including the International Standards for the Professional Practice of Internal Auditing as established by The Institute of Internal Auditors. The AC meets with the internal auditor, without the presence of Management, at least once a year.

The internal auditor submit their annual audit planning for approval by the AC prior to the commencement of the annual audit plan. In FY2020, the scope of the audit primarily covers the including financial, operational, compliance and information technology controls and risk management systems of the Group. The appointed internal auditor is responsible to (i) evaluate the effectiveness of internal controls to ensure that an effective internal control system is in place; (ii) ensure compliance with established policies and procedures and best practices; (iii) identify improvement opportunities; and (iv) develop recommendations for improvement in controls and operational efficiency. For FY2020, the AC has reviewed and is satisfied that the internal audit function is independent, effective and adequately resourced.

In FY2020, Mazars had also performed an Enterprise Risk Assessment exercise for Spindex group of companies to identify existing and potential key risks facing the Group and to develop risk mitigation strategy to manage those risks. The ERM approach adopted by Mazars is aligned with acceptable international framework.

Mazars presents the internal audit findings to the Board periodically. Based on the internal controls established and maintained by the Group, work performed by the internal auditor, and reviews performed by Management, various Board Committees and the Board, the AC and the Board are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 30 June 2020.

However, the Board and the AC noted that all internal controls contain inherent limitations and no system of internal controls and risk management can provide absolute assurance in this regard or absolute assurance against the occurrence of material errors, poor judgement in decision making, human errors, losses, fraud or other irregularities. The Board will continue its risk assessment process, which is an on-going process, with a view to improve the Group's internal controls system.

CORPORATE GOVERNANCE

The AC met twice with the external auditor with the presence of the Company's Management. In the review of the financial statements for the financial year ended 30 June 2020, the AC discussed with Management and the external auditor the accounting principles that were applied and their judgment of items that might affect the financial statements. Based on the review and discussions, the AC is of the view that the financial statements are drawn up in conformity with the Singapore Financial Reporting Standards (International) to provide a true and fair view.

In performing its functions, the AC met twice with the external auditor and internal auditor (without the presence of the Company's Management) and reviewed the overall scope of the external audit, the internal audit and the assistance given by the Management to the auditors. The external auditor and internal auditor have unrestricted access to the AC.

The AC has in place a whistle-blowing framework, which provides an avenue for the staff of the Company to access the AC members and Chairman to raise concerns about improprieties. Contact details of these persons have been made available to all staff and staff are encouraged to either call or email as part of the procedure to raise concerns, if any. The AC reviews the policy and adequacy of the whistle-blowing arrangements by which staff of the Company and its Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. All information received will be treated confidentially and the identity and the interest of all whistle-blowers will be protected. Anonymous disclosures will be accepted and anonymity honoured. All cases reported are objectively and independently investigated, and appropriate remedial measures and follow-up are taken where warranted. All whistle-blowing matters are reviewed annually by the AC. Matters requiring immediate or urgent attention are reported immediately to the AC Chairman. The policy is communicated via internal email and bulletin boards accessible to all staff.

The AC has reviewed the non-audit services provided to the Group by the external auditor and its affiliates, and is of the opinion that the provision of such services does not affect their independence. Details of the fees paid and payable to the auditors in respect of audit and non-audit services are disclosed in Note 6 to the Financial Statements.

The AC, with the concurrence of the Board, had recommended the re-appointment of Ernst & Young LLP as the Company's external auditor at the forthcoming Annual General Meeting.

The Company has complied with Rules 712 and 715, read with Rule 716 of the Listing Manual of SGX-ST in relation to its appointment of external auditor. The Board and AC have reviewed and confirmed the suitability of the appointment of a different auditor for the Group's significant foreign-incorporated subsidiaries and are satisfied that the said appointment would not compromise the standard and effectiveness of the audit of the Group.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

The Company recognises the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Company strongly encourages shareholder participation during AGMs. Shareholders are able to proactively engage with the Board and the Management on the Group's business activities, financial performance and other business related matters and vote for or against the proposed resolutions put forth for their approval. On this, shareholders are informed of the rules, including the voting procedure that govern the General Meetings.

The Constitution of the Company allows shareholders of the Company to appoint one or two proxies to attend and vote on their behalf.

CORPORATE GOVERNANCE

The Board's primary role is to protect and enhance long-term value and returns for the shareholders. In the discharge of its duties to the shareholders, the Board, when presenting annual financial statements and announcements, seeks to provide the shareholders with a detailed analysis, explanation and assessment of the Group's financial position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

The Board aims to provide a balanced and understandable assessment of the Company's and the Group's performance, position and prospects, including interim and other price sensitive public reports, and reports to regulators (if required).

Financial reports and other price sensitive information are disseminated to shareholders through announcements via SGXNET, press releases and Company's website.

The Company's Annual Report in physical copy is sent to all shareholders and soft copy accessible at the Company's and SGX's website.

Management provides the Board members with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time. Such reports keep the Board informed, on a balanced and understandable basis, to enable the Board to make an informed assessment of the Company's and Group's performance, position and prospects.

The Company welcomes the views of shareholders on matters concerning the Company and encourages shareholders' participation at AGMs. Generally, the Chairman of the Board together with the rest of the Directors and the Chairman of the AC, the NC and the RC of the Company will be present at General Meetings to answer questions from shareholders. The external auditor will also be present to assist the Directors in addressing any relevant queries by shareholders.

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. Shareholders are given the opportunity to vote at the General Meetings of shareholders. The Company has been conducting electronic poll voting for all the resolutions passed at the General Meetings of shareholders for greater transparency in the voting process.

Votes cast for, or against, each resolution will be tallied and announced to shareholders immediately at the meeting. The total numbers and percentage of votes cast for or against the resolutions are also announced after the meeting via SGXNet.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company Secretary, with the assistance of his representative, prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and the Management and publishes these on the Company website.

The Company currently does not have a fixed dividend policy. The form, frequency and amount of dividends that the Directors may recommend or declare in respect of any particular financial year or period are subject to various other factors including the level of cash and retained earnings. Any payment of interim dividend or, upon receipt of shareholders' approval at Annual General Meetings, final dividend, will be paid to all shareholders in an equitable and timely manner.

ENGAGEMENT WITH SHAREHOLDERS

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

The Board of Directors is accountable to the shareholders while the Management is accountable to the Board. All announcements, half-year and full year financial results are released to SGX-ST via SGXNET.

CORPORATE GOVERNANCE

The Company is committed to providing its investors with a high level of transparency by engaging in regular, effective and fair communication with shareholders. In addition to comprehensive, accurate and timely disclosure of information that is material or that may influence the price of the Company's shares on SGXNET in compliance with the requirements of the Listing Manual, the Company adopts the practice of regularly communicating major developments in its businesses and operations through the appropriate media.

The Company is committed to use channels such as news releases, annual reports, shareholder circulars, shareholders' meetings, and direct announcements, whenever applicable. In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, a media release or announcement will be released to the public via SGXNET.

The Company has appointed an investor relations firm on a retainer basis, to communicate regularly with the analysts and they monitor the dissemination of material information to the investing community. In addition, through such investor relations firm, the Company also holds meetings, on a quarterly basis, based on interest levels from analysts and shareholders in order to give more opportunities of access to the Company.

Though the Company does not currently have an investor relations policy, it believes in regular, effective and fair communication with members of the investing community. As such, the Company maintains open channels of communication through which shareholders can contact the Company with their questions and give feedback through email or telephone and the Company will respond to such questions in a timely manner. The shareholders are also invited to share feedback with the Board at General Meetings of the Company. All shareholders of the Company receive the Annual Report and notice of AGM. The notice is also advertised in the newspaper. At AGMs, shareholders are given the opportunity to air their views and ask Directors or Management questions regarding the Company. In addition, the external auditor and Chairman of the various Board Committees are present and available to address questions.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

PRINCIPLE 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Board adopts an inclusive approach towards the needs and interest of material stakeholders to ensure that the best interest of the Company is served.

The Company maintains a corporate website at <http://www.spindex.com.sg> to communicate and engage with stakeholders.

The Annual Report sets out the Group's strategy and key areas of focus in managing stakeholder relationships on page 26.

INTERESTED PERSON TRANSACTIONS

All Directors are required to officially disclose their interest in the Company including any Interested Person Transactions ("IPT") with the Company. All Directors practise good governance by updating the Company about changes in their interests in a timely manner. The AC has reviewed the IPT entered into during the financial year by the Company. In accordance with Rule 907 of the Listing Manual of SGX-ST, no disclosure of such transactions is necessary as the aggregate value of all IPTs during the financial year under review were less than S\$100,000.

MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving the interests of each Director or controlling shareholders that subsisted at or entered into since the end of the last financial year.

CORPORATE GOVERNANCE

DEALINGS IN SECURITIES

In relation to dealings in the Company's securities by Directors and officers of the Group, the Company has adopted its own internal code modelled after the provisions of Listing Rule 1207(19) on dealings in securities.

The Company, Directors and officers of the Group are prohibited dealing in the securities of the Company during the period commencing one (1) month as the case may be, before the announcement of the Company's half-year and full-year results, and ending on the date of announcement of the relevant results or when they are in possession of any unpublished price sensitive information on the Group. The Company discourages the trading of the Company's shares for short term gain by both Directors and senior employees.

In view of the process in place, in the opinion of the Directors, the Company has complied with Listing Rule 1207(19) on dealings in securities.

MANAGEMENT OF STAKEHOLDER RELATIONSHIPS

For more than three decades, Spindex has partnered with customers in the imaging and printing, automotive, consumer, and industrial business sectors around the world. Beginning as a one-man, one-machine turning shop, the company has transformed into a one-stop precision engineering solutions firm with a regional footprint and international reach covering the demanding precision applications in the automotive, office automation, power tools, appliances, and consumer lifestyle sectors.

Having established an admirable reputation as a precision engineering solutions provider, the Group is uniquely positioned with the technical know-how that spans diverse industries and a global footprint to facilitate fast time-to-market. Our strategy is to always to closely engage and work with our customers to develop customised solutions.

With our corporate headquarter located in Singapore, our production facilities are strategically located in China, Malaysia and Vietnam and is supported by over 1,700 headcounts and more than 1,000 CNC equipments. We believe we are strategically well place to provide the right size and mix to successfully capture and deliver value to our long-term stakeholders.

Vision

To be a world class and preferred precision parts solutions provider for our customers globally, fostering a sustainable partnership through growth together.

Mission

To provide appropriate solutions to our customers that are competitive in pricing, quality and delivery. Delivering returns to our stakeholders by ensuring service excellence to our customers. To develop a committed team, guided by our core values and passion to achieve our vision.

Core Values

Customer Oriented

Continuous Improvement and Innovation

Accountability

Inclusion

Integrity

Commitment

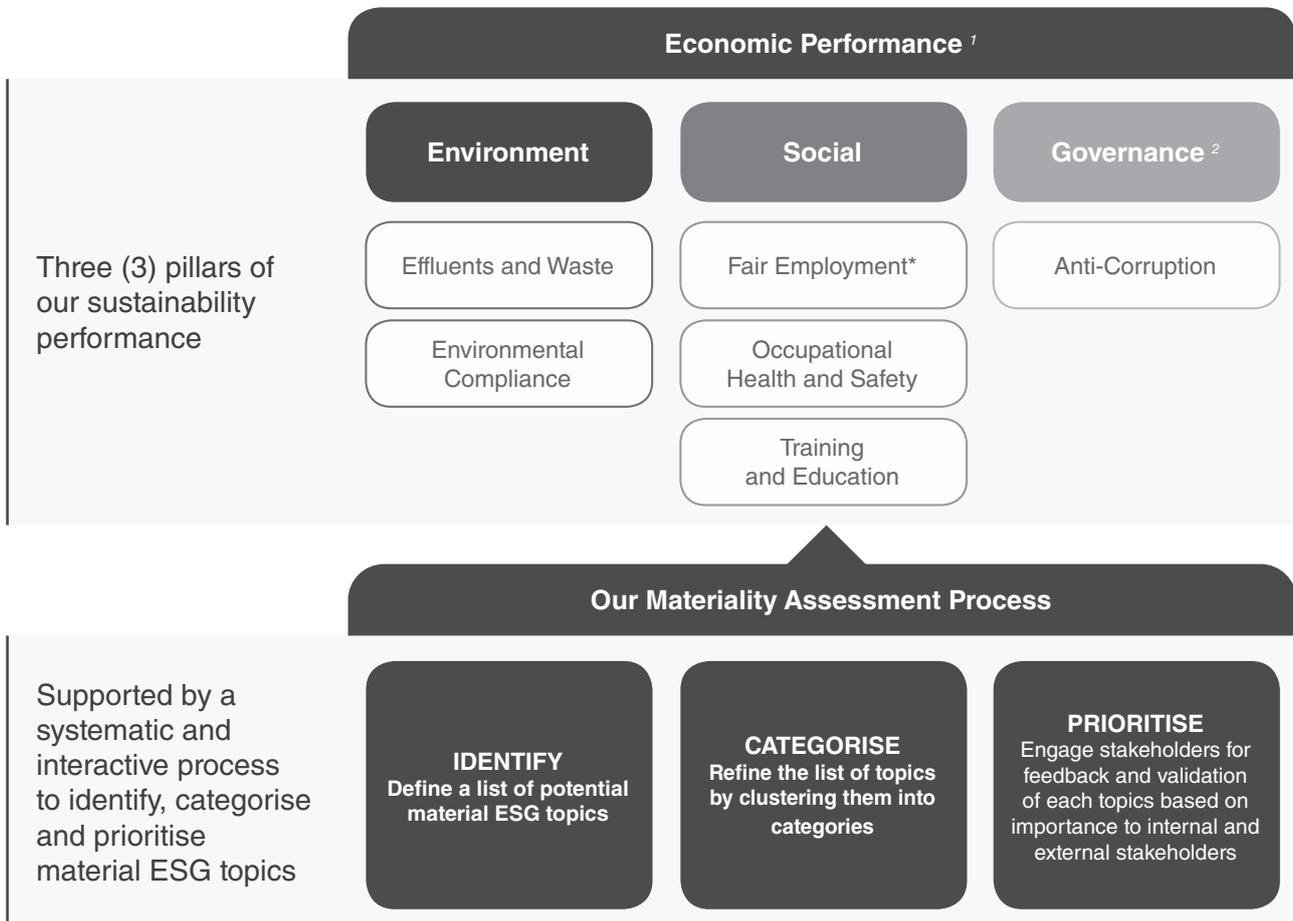
SUSTAINABILITY REPORT

STATEMENT ON SUSTAINABILITY

The Board and Management of Spindex continue to maintain commitment towards transparency in sustainability reporting and considers sustainability issues as part of strategic formulation. We continue to refine our management approach to adapt to the changing business landscape. Since FY2018, where we first embarked on sustainability reporting, the Group continues to undertake an annual materiality review with an independent external consultant to ensure issues disclosed in our sustainability report remain material and relevant.

The review helped us to identify key areas that impact our ability to create value for our stakeholders. In FY2020, from this review, the Group identified Fair Employment practices as a relevant and important topic to monitor and disclose under the Group's sustainability report. This new topic has been incorporated into our sustainability performance management framework (see Exhibit 1) for FY2020.

Exhibit 1. Spindex's Sustainability Performance Management Framework



* New topic

1. Please refer to Financial Statements of Annual Report 2020.
2. Please refer to the Corporate Governance section of Annual Report 2020.

Moving forward, to keep abreast of critical issues, Management will continue to review annually its material ESG focus areas against the changing business environment, stakeholder opinions, and emerging global and local trends.

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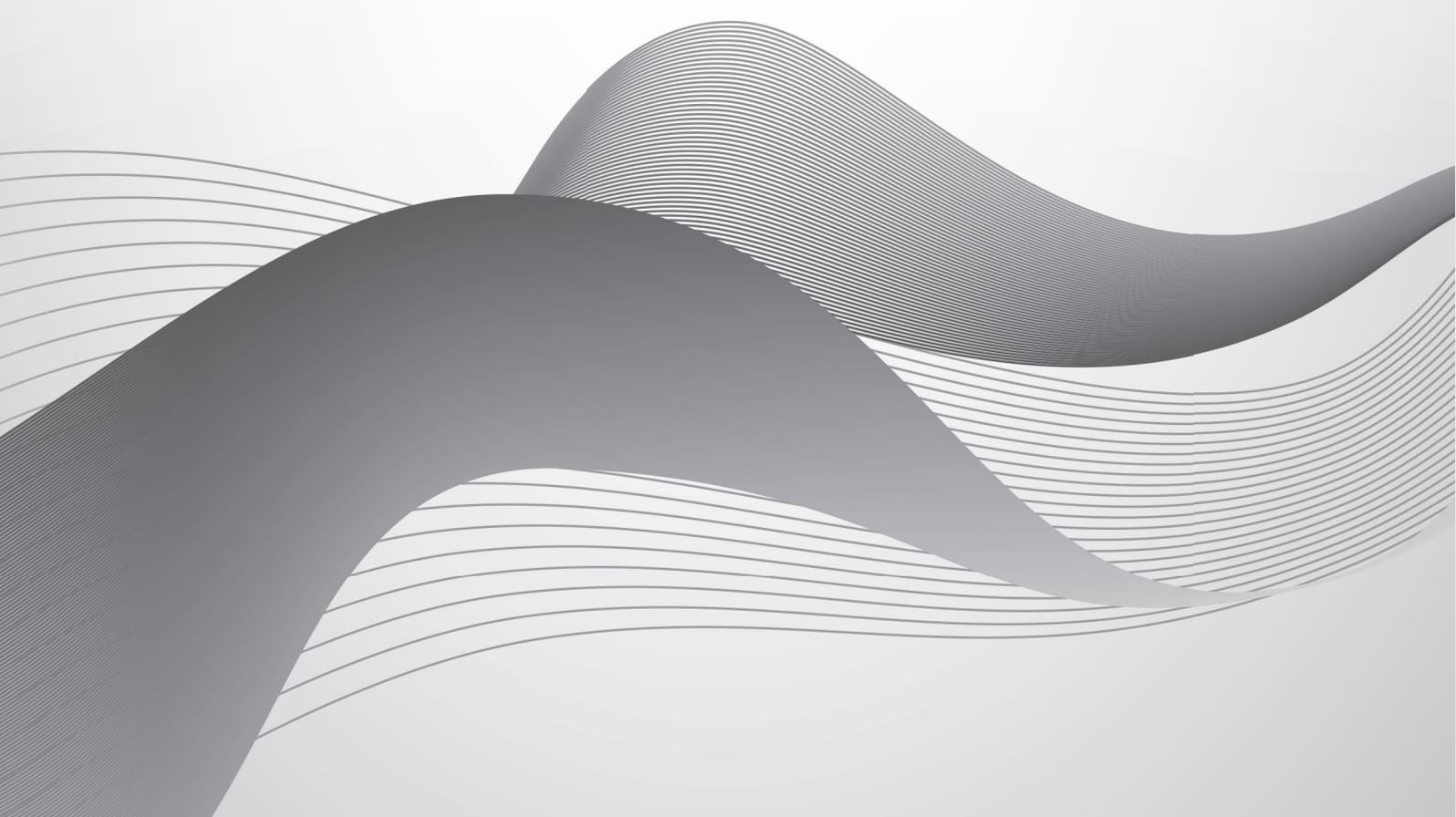
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DIRECTORS' STATEMENT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Spindex Industries Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 June 2020.

Opinion of the directors

In the opinion of the directors,

- (i) the accompanying consolidated statement of comprehensive income, balance sheets, statements of changes in equity and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date, and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Tan Choo Pie @ Tan Chang Chai (Chairman)
Tan Heok Ting (Managing Director)
Chen Chang Rong
Chan Meng Wah Alexander
Peter Tan Boon Heng

Arrangements to enable directors to acquire shares or debentures

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 object is, to enable directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

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

	Direct interest			Deemed interest		
	At 1.7.2019	At 30.6.2020	At 21.7.2020	At 1.7.2019	At 30.6.2020	At 21.7.2020
The Company						
(Ordinary shares)						
Tan Choo Pie @ Tan Chang Chai	–	–	–	86,470,312	86,470,312	86,470,312
Tan Heok Ting	–	–	–	86,470,312	86,470,312	86,470,312

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Mr Tan Choo Pie @ Tan Chang Chai is deemed to be interested in the shares held by the Company in all its subsidiaries.

Except as disclosed in this report, no director who held office at the end of the financial year had an interest in the shares, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or the end of the financial year and on 21 July 2020.

DIRECTORS' STATEMENT

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap. 50 and the Listing Manual of the Singapore Exchange Securities Trading Limited as detailed in the Report on Corporate Governance.

Auditor

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

On behalf of the Board of Directors,

Tan Choo Pie @ Tan Chang Chai
Director

Tan Heok Ting
Director

Singapore
2 October 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2020
To The Members of Spindex Industries Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Spindex Industries Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 June 2020, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

Revenue recognition

The Group derives its revenue from the sale of goods via either direct or consignment sales. During the financial year, the Group recognised revenue of \$149.6 million of which 39% were from consignment sales and the remaining through direct sales. Due to the high volume of transactions of consignment sales and various shipping terms with different customers, there is a risk that revenue could be recorded in the incorrect period. This is especially for sales transactions occurring on and around the year-end. Accordingly, we have identified this to be a key audit matter.

As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of internal controls over the revenue recognition process, including the timing of revenue recognition. We tested the controls over revenue recognition by checking to supporting documents to assess if the related revenue and trade receivables are recorded in the correct accounting period, taking into consideration the shipping terms as well as other terms and conditions in the contracts. Further, trend analysis on monthly revenue and cost of sales was carried out to identify any unusual fluctuations. We performed journal entries testing and analysed the relationships among revenue, trade receivables and cash accounts to establish the existence and completeness assertion of revenue. We tested sales cut-off and reviewed credit notes issued to customers subsequent to the year end to ascertain that revenue was recognised in the correct period. Additionally, we have, on a sample basis, circularised balances with trade debtors. We also considered the adequacy of the disclosures in respect of revenue in Note 4 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2020
To The Members of Spindex Industries Limited

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2020
To The Members of Spindex Industries Limited

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

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

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

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

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

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 has been properly kept in accordance with the provisions of the Act.

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

2 October 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

		Group	
	Note	2020 \$'000	2019 \$'000
Revenue	4	149,626	155,812
Cost of sales		(117,750)	(121,386)
Gross profit		31,876	34,426
Other income	5	2,395	1,733
Distribution and selling expenses		(2,973)	(3,165)
Administrative expenses		(16,068)	(15,000)
Impairment loss on trade receivables	16	(266)	(4)
Profit from operations	6	14,964	17,990
Financial expenses	8	(133)	(2)
Share of loss in joint venture		—*	—
Profit before tax		14,831	17,988
Income tax expense	9	(2,640)	(2,658)
Profit for the year		12,191	15,330
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		402	(3,519)
Total comprehensive income for the year		12,593	11,811
Profit attributable to:			
Owners of the Company		12,191	15,330
Total comprehensive income attributable to:			
Owners of the Company		12,593	11,811
Earnings per share attributable to owners of the Company (cents per share)			
- Basic	10	10.57	13.29
- Diluted	10	10.57	13.29

Note : * figure less than \$1,000

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

BALANCE SHEETS

As at 30 June 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Non-current assets					
Property, plant and equipment	11	56,524	56,603	416	562
Land use rights	12	–	1,861	–	–
Right-of-use assets	25	8,587	–	172	–
Deferred tax assets	24	288	232	–	–
Investment in subsidiaries	13	–	–	17,195	16,483
Investment in joint venture	14	–	–	–*	–
		65,399	58,696	17,783	17,045
Current assets					
Inventories	15	24,286	24,894	1,199	166
Trade receivables	16	21,636	28,278	4,090	5,470
Other receivables and deposits	17	1,190	3,613	137	18
Prepayments		3,390	3,387	17	17
Due from subsidiaries	18	–	–	5,895	3,545
Cash and cash equivalents	19	51,188	42,277	8,100	10,550
		101,690	102,449	19,438	19,766
Current liabilities					
Trade payables	20	14,770	21,225	163	103
Other payables and accruals	21	15,207	15,057	2,618	2,908
Refund liabilities		1,377	1,799	1,018	946
Provision for defects	22	922	779	–	2
Due to subsidiaries	18	–	–	1,207	1,348
Loans and borrowings	23	54	54	54	54
Lease liabilities	25	838	–	99	–
Deferred government grant		133	–	133	–
Provision for tax		162	306	–	–
		33,463	39,220	5,292	5,361
Net current assets		68,227	63,229	14,146	14,405
Non-current liabilities					
Loans and borrowings	23	149	203	149	203
Lease liabilities	25	1,992	–	76	–
Deferred tax liabilities	24	3,508	2,546	7	7
Provision for restoration costs	26	186	171	–	–
		5,835	2,920	232	210
Net assets		127,791	119,005	31,697	31,240
Equity attributable to owners of the Company					
Share capital	27	13,145	13,145	13,145	13,145
Reserves	29	114,646	105,860	18,552	18,095
Total equity		127,791	119,005	31,697	31,240

Note : * figure less than \$1,000

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

Group	Attributable to owners of the Company					Total equity \$'000
	Share capital \$'000	Foreign currency translation reserve \$'000 (Note 29 a)	Reserve fund \$'000 (Note 29 b)	Accumulated profit \$'000	Total reserves \$'000	
At 1 July 2018	13,145	(6,971)	4,968	99,513	97,510	110,655
Net profit for the year	–	–	–	15,330	15,330	15,330
Other comprehensive income for the year	–	(3,519)	–	–	(3,519)	(3,519)
Total comprehensive income for the year	–	(3,519)	–	15,330	11,811	11,811
Appropriation to/(from) reserve fund/ accumulated profit	–	–	588	(588)	–	–
Dividend on ordinary shares (Note 28)	–	–	–	(3,461)	(3,461)	(3,461)
At 30 June 2019 and 1 July 2019	13,145	(10,490)	5,556	110,794	105,860	119,005
Net profit for the year	–	–	–	12,191	12,191	12,191
Other comprehensive income for the year	–	402	–	–	402	402
Total comprehensive income for the year	–	402	–	12,191	12,593	12,593
Appropriation to/(from) reserve fund/ accumulated profit	–	–	617	(617)	–	–
Dividend on ordinary shares (Note 28)	–	–	–	(3,807)	(3,807)	(3,807)
At 30 June 2020	13,145	(10,088)	6,173	118,561	114,646	127,791

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	Attributable to owners of the Company			Total equity \$'000
	Share capital \$'000	Accumulated profit \$'000	Total reserves \$'000	
Company				
At 1 July 2018	13,145	15,371	15,371	28,516
Net profit for the year	–	6,185	6,185	6,185
Total comprehensive income for the year	–	6,185	6,185	6,185
Dividend on ordinary shares (Note 28)	–	(3,461)	(3,461)	(3,461)
At 30 June 2019	13,145	18,095	18,095	31,240
Net profit for the year	–	4,264	4,264	4,264
Total comprehensive income for the year	–	4,264	4,264	4,264
Dividend on ordinary shares (Note 28)	–	(3,807)	(3,807)	(3,807)
At 30 June 2020	13,145	18,552	18,552	31,697

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2020

	Note	Group 2020 \$'000	2019 \$'000
Operating activities			
Profit before tax		14,831	17,988
Adjustments for:			
Impairment loss on trade receivables	6,16	266	4
Depreciation of property, plant and equipment	6,11	9,067	8,753
Depreciation of right-of-use assets	6,25	895	–
Amortisation of land use rights	6,12	–	15
Gain on disposal of property, plant and equipment	5	(18)	(52)
Interest expense	8	133	2
Interest income	5	(332)	(127)
Write-down/ (write back) of inventories	6,15	889	(84)
Provision for defects	6,22	307	491
Write-back of provision for defects	6,22	(167)	(238)
Share of loss in joint venture		–*	–
Unrealised exchange loss/(gain)		243	(1,033)
Operating cash flows before changes in working capital		26,114	25,719
(Increase)/decrease in:			
Inventories		(274)	(900)
Trade receivables		6,375	4,855
Other receivables and deposits		414	89
Prepayments		(633)	(1,313)
Increase/(decrease) in:			
Trade payables		(6,455)	(498)
Other payables and accruals		(272)	(519)
Deferred government grant		133	–
Cash flows from operations		25,402	27,433
Income taxes refund/(paid)		95	(2,706)
Interest paid		(133)	(2)
Interest received		332	127
Net cash flows generated from operating activities		25,696	24,852
Investing activities			
Investment in joint venture	14	–*	–
Purchase of property, plant and equipment	11	(8,877)	(6,589)
Purchase of land use rights		(3,368)	(1,640)
Proceeds from disposal of property, plant and equipment		20	737
Net cash flows used in investing activities		(12,225)	(7,492)
Financing activities			
Dividend paid on ordinary shares	28	(3,807)	(3,461)
Repayment of principal obligations under lease liabilities	23	(854)	–
Repayment of loans and borrowings	23	(54)	(13)
Net cash flows used in financing activities		(4,715)	(3,474)
Net increase in cash and cash equivalents		8,756	13,886
Cash and cash equivalents at beginning of financial year		42,277	29,191
Currency alignment on opening cash balances		155	(800)
Cash and cash equivalents at end of financial year	19	51,188	42,277

Note : * figure less than \$1,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

1. Corporate information

Spindex Industries Limited (the “Company”) is a limited liability company, incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 8 Boon Lay Way #03-16, 8@ TradeHub 21, Singapore 609964.

The principal activities of the Company are to carry on the business as importer, exporter and dealer of mechanical, electrical and electronic parts. The principal activities of the subsidiaries are manufacturing and trading of mechanical, electrical, electronic parts, precision machine parts and other engineering materials.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$’000) except otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 July 2019. Except for the adoption of SFRS(I) 16 *Leases* described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group.

SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT FRS 104 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

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

The Group has lease contracts for land, leasehold buildings and equipments. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. The accounting policy prior to 1 July 2019 is disclosed in Note 2.18.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. The accounting policy beginning on and after 1 July 2019 is disclosed in Note 2.18. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

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

SFRS(I) 16 Leases (cont'd)

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets.

The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- applied the short-term leases exemption to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

On 1 July 2019, the Group recognised lease liabilities of \$2,836,000 for its leases previously classified as operating leases (excluding short-term leases and leases for which underlying assets are of low value) and right-of-use assets of \$4,697,000. The right-of-use assets were recognised based on the amount of lease liabilities, adjusted by \$1,861,000 of prepaid leases that were presented under land use rights in the balance sheet immediately before 1 July 2019.

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

	\$'000
Operating lease commitments as at 30 June 2019	3,240
Less: Commitments relating to short-term leases	(292)
Net operating lease commitments as at 30 June 2019	<u>2,948</u>
Weighted average incremental borrowing rate as at 1 July 2019	4.28%
Discounted operating lease commitments as at 1 July 2019	<u>2,827</u>
Add: Lease payments relating to renewal periods not included in lease commitments as at 30 June 2019	90
Exchange differences	(81)
Lease liabilities as at 1 July 2019	<u>2,836</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 Definition of Material	1 January 2020
Amendments to SFRS(I) 3 Definition of a Business	1 January 2020
Amendments to SFRS(I) 16 Covid-19 Related Rent Concessions	1 June 2020
Amendments to SFRS(I) 1-16 Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

2.4 Basis of consolidation

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

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

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

2.5 Subsidiaries

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

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

2.6 Joint arrangement and joint venture

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement. To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.6 *Joint arrangement and joint venture (cont'd)*

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method from the date on which it becomes a joint venture.

Under the equity method, the investment in joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint venture. The profit or loss reflects the share of results of the operations of the joint venture. Distributions received from joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

When the Group's share of losses in the joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and recognises the amount in profit or loss.

2.7 *Foreign currency*

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.8 *Property, plant and equipment*

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

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Factory building on freehold land	50 years
Leasehold factories	2 – 50 years
Leasehold improvements	2 – 5 years
Plant and machinery	5 – 10 years
Furniture and fittings	6 years
Motor vehicles	6 years
Office equipment	3 – 6 years
Quality control equipment	5 years
Warehouse equipment	5 – 6 years

Assets under construction are not depreciated as these assets are not yet available for use.

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

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

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

2.9 *Impairment of non-financial assets*

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

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

Impairment losses are recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.10 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

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

Subsequent measurement

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

De-recognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.11 *Impairment of financial assets*

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

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

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

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 *Cash and cash equivalents*

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

2.13 *Inventories*

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

- Raw materials – purchase cost, freight and other transportation and incidental costs on a first-in first-out basis; and
- Finished goods and work-in-progress – cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

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

2.14 *Provisions*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.14 Provisions (cont'd)

Provision for defects

Provision for defects are recognised for expected claims on products sold during the last one year. It is based on past experience of the level of returns. The estimate is revised annually.

Provision for restoration costs

Provision for restoration costs arise from the obligation to restore the leased premises the Group occupies to their original condition upon expiry of the leases. Restoration costs are provided at the present value of expected costs to settle the obligation and are recognised as part of the cost of the asset.

The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in estimated future costs are added to or adjusted from the cost of the asset.

2.15 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss under "Other income".

2.16 Borrowing costs

Borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to national pension schemes are recognised as an expense in the period in which the related services are performed.

Singapore

The Company makes contribution to the Central Provident Fund (CPF) Scheme in Singapore, a defined contribution pension scheme. The Company makes monthly contributions based on stipulated contribution rates.

People's Republic of China ("PRC")

The subsidiaries incorporated in the PRC are required to provide certain staff pension benefits to their employees under existing PRC legislation. Pension contributions are provided at rates stipulated by PRC legislation and are contributed to pension funds managed by government agencies, which are paying pensions to the PRC subsidiaries' retired employees.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.17 *Employee benefits (cont'd)*

(a) *Defined contribution plans (cont'd)*

Malaysia

The subsidiary incorporated and operating in Malaysia is required to make contributions to the Employees Provident Fund (EPF), a defined contribution pension scheme. The subsidiary makes monthly contributions based on stipulated contribution rates.

Vietnam

The subsidiary incorporated and operating in Vietnam is required to make contributions to the state pension scheme in Vietnam and is administered solely by the Government's Social Insurance Agency (SIA). The subsidiary makes monthly contributions based on stipulated contribution rates.

(b) *Employee leave entitlement*

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

2.18 **Leases**

Policy applicable beginning 1 July 2019

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

As lessee

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

Right-of-use assets

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

Land use rights	25 – 50 years
Leasehold buildings	2 – 5 years
Equipments	3 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.18 Leases (cont'd)

Policy applicable beginning 1 July 2019 (cont'd)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

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

Short-term leases and leases of low-value assets

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

Policy applicable prior to 1 July 2019

As lessee

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

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

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

2.19 Revenue

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.19 Revenue (cont'd)

(a) Sale of goods

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied. The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated trade discounts, volume and price rebates. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained, and is included in the transaction only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the expected rebates payable to customer where consideration have been received from customers as refund liabilities.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

(b) Interest income

Interest income is recognised using the effective interest method.

2.20 Income taxes

(a) Current tax

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

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

(b) Deferred tax

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

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

- Where the deferred tax liabilities arise 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 the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.20 *Income taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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

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

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

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

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

(c) *Sale tax*

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

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

2.21 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 32, including the factors used to identify the reportable segments and the measurement basis of segment information.

A business segment is a distinguishable component of the Group that is engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

2.22 *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.

3. Significant accounting judgments and estimates

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

Management is of the opinion that there is no significant judgement made in applying accounting policies.

3.1 *Key sources of estimation uncertainty*

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

Provision for expected credit losses of trade receivables

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 33(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

4. Revenue	(a) Disaggregation of revenue	Segments	Imaging and printing		Machinery and automotive systems		Others*		Total Revenue	
			2020	2019	2020	2019	2020	2019	2020	2019
			\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
		Primary geographical markets								
		People's Republic of China	7,146	7,568	45,075	45,421	1,204	1,197	53,425	54,186
		Singapore	104	75	2,835	2,134	977	1,046	3,916	3,255
		ASEAN (excluding Singapore)	25,095	28,902	280	366	6,884	5,147	32,259	34,415
		USA, Europe and others	78	245	20,540	22,944	39,408	40,767	60,026	63,956
			32,423	36,790	68,730	70,865	48,473	48,157	149,626	155,812
		Timing of transfer of goods								
		At a point in time	32,423	36,790	68,730	70,865	48,473	48,157	149,626	155,812

*Others – include domestic appliances, consumer electronics, data storage, telecommunications and others

(b) **Judgement and methods used in estimating revenue**

Management is of the opinion that there is no significant judgement and estimates used in the revenue recognition process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

5. Other income

	Group	
	2020 \$'000	2019 \$'000
Sales of scrap	1,566	1,533
Interest income from fixed deposits	332	127
Gain on disposal of property, plant and equipment	18	52
Government grants	447	10
Others	32	11
	<u>2,395</u>	<u>1,733</u>

6. Profit from operations

This is determined after charging/(crediting) the following:

	Note	Group	
		2020 \$'000	2019 \$'000
Audit fees:			
- Auditor of the Company		97	97
- Other auditors*		88	92
Non-audit fees:			
- Auditor of the Company		12	12
- Other auditors*		39	72
Total audit and non-audit fees		<u>236</u>	<u>273</u>
Depreciation of property, plant and equipment	11	9,067	8,753
Depreciation of right-of-use assets	25	895	–
Amortisation of land use rights	12	–	15
Write-down/ (Write back) of inventories	15	889	(84)
Provision for defects	22	307	491
Write-back of provision for defects	22	(167)	(238)
Foreign exchange gain, net		(793)	(288)
Employee benefits	7	28,872	32,007
Impairment loss on trade receivables	16	266	4
Operating lease expenses		–	878
Expenses relating to short-term leases and low-value assets		<u>385</u>	<u>–</u>

* Relates to the network of member firms of Ernst & Young LLP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

7. Employee benefits

	Group	
	2020	2019
	\$'000	\$'000
Wages, salaries and bonuses	24,463	26,337
Defined contribution plans	2,418	3,378
Other personnel costs	1,991	2,292
	<u>28,872</u>	<u>32,007</u>

8. Financial expenses

	Group	
	2020	2019
	\$'000	\$'000
Interest expense on:		
- bank loans carried at amortised cost	1	-
- obligations under hire purchase arrangement	6	2
- obligations under lease liabilities related to right-of-use assets	126	-
	<u>133</u>	<u>2</u>

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 30 June 2020 and 2019 are:

	Group	
	2020	2019
	\$'000	\$'000
Current income tax		
- current year	1,963	2,248
- over provision in respect of prior years	(244)	(716)
Deferred income tax		
- movement in temporary differences	1,013	1,409
- over provision in respect of prior years	(92)	(283)
Income tax expense recognised in profit or loss	<u>2,640</u>	<u>2,658</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

9. Income tax expense (cont'd)

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 30 June 2020 and 2019 are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Profit before tax	14,831	17,988
Tax at the domestic rates applicable to profits in the countries where the Group operates	2,744	3,453
Tax effect of:		
- expenses not deductible for tax purposes	293	163
- income not subject to tax	(77)	(131)
- over provision in respect of prior years	(336)	(999)
- deferred tax assets not recognised	230	192
- utilisation of deferred tax assets not recognised in prior years	-	(36)
- enhanced deduction	(298)	-
- others	84	16
Income tax expense recognised in profit or loss	2,640	2,658

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

10. Earnings per share (cents)

Basic earnings per share is calculated by dividing the net profit for the financial year of \$12,191,000 (2019: \$15,330,000) attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no share options as at year end.

The following table reflects the information used in the computation of basic and diluted earnings per share for the years ended 30 June:

	Weighted average number of shares	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for basic and diluted earnings per share computation	115,365	115,365

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

11. Property, plant and equipment

Group	Freehold land \$'000	Factory building on freehold land \$'000	Leasehold factories \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Quality control equipment \$'000	Warehouse equipment \$'000	Construction in Progress \$'000	Total \$'000
Cost												
At 1.7.2018	1,034	5,083	6,326	2,108	106,972	826	938	3,021	5,599	4,704	-	136,611
Additions	-	-	-	72	2,805	31	450	668	370	302	2,161	6,859
Disposals	-	-	-	-	(741)	(8)	(321)	(420)	(38)	(180)	-	(1,708)
Exchange difference on translation	(34)	(170)	(232)	(79)	(2,476)	(28)	(10)	(92)	(194)	(117)	(31)	(3,463)
At 30.6.2019	1,000	4,913	6,094	2,101	106,560	821	1,057	3,177	5,737	4,709	2,130	138,299
Additions	-	-	4,643	-	2,692	19	112	62	692	546	111	8,877
Disposals	-	-	-	(585)	(257)	(3)	-	(18)	(51)	-	-	(914)
Reclassification	-	-	-	-	1,080	-	-	3	-	-	(1,083)	-
Exchange difference on translation	(18)	(5)	96	(7)	139	(1)	1	1	(12)	3	25	222
At 30.6.2020	982	4,908	10,833	1,509	110,214	836	1,170	3,225	6,366	5,258	1,183	146,484

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

Group	Freehold land \$'000	Factory building on freehold land \$'000	Leasehold factories \$'000	Leasehold improvements \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Quality control equipment \$'000	Warehouse equipment \$'000	Assets under construction \$'000	Total \$'000
Accumulated depreciation												
At 1.7.2018	-	801	2,799	1,320	62,218	627	473	2,007	2,632	2,856	-	75,733
Charge for the year	-	73	227	89	6,713	59	124	286	727	455	-	8,753
Disposals	-	-	-	-	(352)	(8)	(47)	(420)	(38)	(158)	-	(1,023)
Exchange difference on translation	-	(29)	(107)	(52)	(1,351)	(22)	(10)	(52)	(95)	(49)	-	(1,767)
At 30.6.2019	-	845	2,919	1,357	67,228	656	540	1,821	3,226	3,104	-	81,696
Charge for the year	-	73	219	75	6,903	59	152	318	784	484	-	9,067
Disposals	-	-	-	(585)	(257)	(3)	-	(16)	(51)	-	-	(912)
Exchange difference on translation	-	(4)	27	(4)	97	(1)	1	-	(8)	1	-	109
At 30.6.2020	-	914	3,165	843	73,971	711	693	2,123	3,951	3,589	-	89,960
Net carrying amount												
At 30.6.2020	982	3,994	7,668	666	36,243	125	477	1,102	2,415	1,669	1,183	56,524
At 30.6.2019	1,000	4,068	3,175	744	39,332	165	517	1,356	2,511	1,605	2,130	56,603

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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

Company	Leasehold improvements \$'000	Furniture and fittings \$'000	Motor vehicles \$'000	Office equipment \$'000	Quality control equipment \$'000	Warehouse equipment \$'000	Total \$'000
Cost							
At 1.7.2018	39	70	671	637	94	61	1,572
Additions	–	–	450	2	–	–	452
Disposals	–	–	(321)	–	–	–	(321)
At 30.6.2019	39	70	800	639	94	61	1,703
Additions	–	–	–	11	–	–	11
At 30.6.2020	39	70	800	650	94	61	1,714
Accumulated depreciation							
At 1.7.2018	22	54	230	589	94	44	1,033
Charge for the year	17	3	110	21	–	5	156
Disposals	–	–	(48)	–	–	–	(48)
At 30.6.2019	39	57	292	610	94	49	1,141
Charge for the year	–	4	133	16	–	4	157
At 30.6.2020	39	61	425	626	94	53	1,298
Net carrying amount							
At 30.6.2020	–	9	375	24	–	8	416
At 30.6.2019	–	13	508	29	–	12	562

Assets held under hire purchase arrangement

In the previous financial year, the Company acquired motor vehicle with an aggregate cost of \$450,000 by means of finance leases amounting to \$270,000 and the remaining paid in cash. The cash outflow on acquisition of property, plant and equipment amounted to \$6,589,000 in 2019.

As at 30 June 2019, motor vehicle with carrying amount of \$425,000 were acquired under finance lease arrangement.

Assets under construction

The assets relate to expenditure for plant and machinery and a factory building in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

12. Land use rights

	Group	
	2020 \$'000	2019 \$'000
Cost		
At beginning of financial year	2,059	436
Additions	–	1,640
Exchange differences	–	(17)
Effects of adoption of SFRS(I) 16 (Note 25)	(2,059)	–
At end of financial year	–	2,059
Accumulated amortisation		
At beginning of financial year	198	185
Amortisation for the year	–	15
Exchange differences	–	(2)
Effects of adoption of SFRS(I) 16 (Note 25)	(198)	–
At end of financial year	–	198
Net carrying amount	–	1,861
Amount to be amortised		
Not later than one year	–	79
Later than one year but not later than five years	–	318
Later than five years	–	1,464

The Group has land use rights over two plots of state-owned land in Vietnam, where the Vietnam operations reside. The land use rights are not transferable and have a remaining tenure of 14-24 years (2019: 15-25 years). The tenure of the land use rights give rise to a right-of-use assets that provide the Group the right to use the assets in exchange for a consideration. This was transferred to right-of-use assets as at 1 July 2019 arising from the adoption of SFRS(I) 16.

13. Investment in subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares, at cost	17,195	16,483

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

13. Investment in subsidiaries (cont'd)

The Company had the following subsidiaries as at 30 June:

Name of subsidiary	Principal Activities	Country of incorporation and place of business	Percentage of equity held by the Group		Cost of investment	
			2020 %	2019 %	2020 \$'000	2019 \$'000
Synturn (M) Sdn. Bhd.+	Manufacturing and trading of precision machine parts and other engineering materials	Malaysia	100	100	1,304	1,304
Spindex Precision Engineering (Shanghai) Co., Ltd. ^	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	4,323	4,323
Spindex Precision Engineering (Suzhou) Co., Ltd. ^	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	3,569	3,569
Spindex Industries (Hanoi) Co., Ltd. #	Manufacturing and trading of mechanical, electrical and electronic parts	Vietnam	100	100	2,973	2,973
Spindex Precision Technologies (Nantong) Co., Ltd.	Manufacturing and trading of mechanical, electrical and electronic parts	People's Republic of China	100	100	5,026	4,314
					17,195	16,483

+ Audited by Ernst & Young PLT, Johor Bahru

^ Audited by Ernst & Young Hua Ming LLP, Shenzhen

Audited by Ernst & Young Vietnam Limited, Hanoi

14. Investment in joint venture

The Group acquired 50% (2019: NIL) interest in the ownership and voting rights in a joint venture, Spindex Acuger Precision Pte. Ltd. for a consideration of \$50. This joint venture is incorporated in Singapore and is an investment holding company. The Company jointly controls the venture with another partner under a contractual agreement and requires unanimous consent for all major decisions over the relevant activities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

14. Investment in joint venture (cont'd)

Summarised financial information in respect of Spindex Acuger Precision Pte. Ltd. based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	2020 \$'000
Summarised statement of financial position	
Cash and cash equivalents, representing current and total assets	—*
Due to related company, representing current and total liabilities	13
Net liabilities	(13)
Proportion of the Group's ownership	50%
Group's share of net liabilities	(6)
Carrying amount of investment	—
Summarised statement of profit or loss and other comprehensive income	
Administrative expense	(13)
Loss before tax	(13)
Income tax expense	—
Loss after tax	(13)
Total comprehensive loss	(13)

Note : * figure less than \$1,000

The Group's unrecognised share of loss of the joint venture amounted to S\$6,428 for the year ended 30 June 2020.

15. Inventories

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Balance sheet:				
Finished goods (at cost)	14,751	14,823	1,189	146
Work-in-progress (at cost)	1,658	2,890	4	4
Raw materials (at cost)	6,421	4,771	—	—
Goods-in-transit (at cost)	1,456	2,410	6	16
Inventories at lower of cost and net realisable value	24,286	24,894	1,199	166
Income statement:				
Inventories recognised as an expense in cost of sales	98,894	102,396	16,497	18,235
Inclusive of the following charge:				
- write-down/ (write back) of inventories	889	(84)	(3)	—

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

16. Trade receivables

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables, net	21,119	28,278	3,573	5,470
Unbilled receivables	517	–	517	–
Total trade receivables	21,636	28,278	4,090	5,470
Add:				
Other receivables and deposits (Note 17)	1,190	3,613	137	18
Due from subsidiaries (Note 18)	–	–	5,895	3,545
Cash and cash equivalents (Note 19)	51,188	42,277	8,100	10,550
Less:				
Input tax/VAT	(348)	(590)	(70)	(252)
Tax recoverable	(315)	(2,326)	–	–
Total financial assets carried at amortised cost	73,351	71,252	18,152	19,331

Trade receivables are non-interest bearing and are generally on 45-90 days credit terms. They are recognised at their original amounts which represent their fair values on initial recognition.

Unbilled receivables relate to the Group's unconditional right to consideration as the Group has satisfied its performance obligation upon the transfer of control of certain consigned products but yet to invoice the client at reporting date.

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States Dollar	9,938	13,410	3,418	5,190

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Movement in allowance accounts:				
At beginning of financial year	29	99	7	7
Charge for the year	266	4	23	–
Write off	(22)	(70)	–	–
Exchange difference on translation	2	(4)	–	–
At end of financial year	275	29	30	7

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

17. Other receivables and deposits

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Other receivables	427	147	119	–
Tax recoverable	315	2,326	–	–
Deposits	448	1,140	18	18
	<u>1,190</u>	<u>3,613</u>	<u>137</u>	<u>18</u>

18. Due from/(to) subsidiaries

	Company	
	2020 \$'000	2019 \$'000
Due from subsidiaries		
Trade	–	951
Non-trade	5,895	2,594
	<u>5,895</u>	<u>3,545</u>
Due to subsidiaries		
Trade	1,207	1,348
<u>Trade/Non-trade balances</u>		

These balances are unsecured, interest free and are repayable within the next twelve months.

19. Cash and cash equivalents

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Fixed deposits	525	5,296	525	522
Cash at bank	50,663	36,981	7,575	10,028
Cash and cash equivalents	<u>51,188</u>	<u>42,277</u>	<u>8,100</u>	<u>10,550</u>

Cash at bank earns interest at floating rates based on daily bank deposit rates. The fixed deposits earn interest 0.5% (2019: 0.5% to 4.8%) per annum. The tenure of fixed deposits is 6 months (2019: 1 to 6 months).

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States Dollar	17,923	20,177	3,650	5,504
Renminbi	66	9	–	–
Swiss Franc	240	240	240	240
Vietnamese Dong	977	1,061	–	–
Euro	1,937	339	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

20. Trade payables

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

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States Dollar	1,664	2,348	75	4
Euro	104	368	–	2

21. Other payables and accruals

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Other payables	3,369	4,062	62	78
Accrued operating expenses	4,930	4,205	452	508
Accrued payroll benefits	6,908	6,790	2,104	2,322
Other payables and accruals	15,207	15,057	2,618	2,908
Add:				
Trade payables (Note 20)	14,770	21,225	163	103
Loans and borrowings (Note 23)	203	257	203	257
Due to subsidiaries (Note 18)	–	–	1,207	1,348
Less:				
Unutilised leave accruals	(361)	(316)	(208)	(192)
Total financial liabilities carried at amortised cost	29,819	36,223	3,983	4,424

Other payables are non-interest bearing and are normally settled on 30 – 90 days terms.

22. Provision for defects

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At beginning of financial year	779	549	2	28
Provision for the financial year	307	491	–	2
Write-back of provision	(167)	(238)	(2)	(28)
Exchange difference on translation	3	(23)	–	–
At end of financial year	922	779	–	2

A provision is recognised for expected claims on products sold during the last one year, based on past experience of the level of returns. It is expected that most of these costs will be incurred within one year from the date of the reporting period.

Assumptions used to calculate the provision for defects are based on recent sales levels and current information available on returns based on the past experiences for all products sold.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

23. Loans and borrowings

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current:				
Obligations under hire purchase arrangement	54	54	54	54
Non-current:				
Obligations under hire purchase arrangement	149	203	149	203
Total loans and borrowings	203	257	203	257

Obligations under hire purchase arrangement

The hire purchase obligation is secured by a charge over the motor vehicle (Note 11). The obligation is denominated in SGD and the implicit discount rate is 2.28% per annum.

As at 30 June 2019, the Group and the Company purchased its motor vehicle under hire purchase arrangement. The future minimum lease payments under finance leases and their present values as at 30 June 2019 were as follows:

	2019	
	Minimum lease payments \$'000	Present value of payments \$'000
Not later than one year	60	54
Later than one year but not later than five years	226	203
Total minimum lease payments	286	257
Less: Amounts representing finance charges	(29)	–
Present value of minimum lease payments	257	257

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

	2019 \$'000	Cash flows \$'000	Non-cash changes		2020 \$'000
			Additions \$'000	Foreign exchange \$'000	
Group					
Obligations under hire purchase arrangement	257	(54)	–	–	203
Lease liabilities related to right-of-use assets (Note 25)	2,836	(854)	787	61	2,830
Total liabilities from financing activities	3,093	(908)	787	61	3,033

	2018 \$'000	Cash flows \$'000	Non-cash acquisition	
			\$'000	\$'000
Obligations under hire purchase arrangement	–	(13)	270	257

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

24. Deferred tax

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

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Deferred tax liabilities</i>				
Differences in depreciation for tax purposes	2,242	1,443	813	1,096
Undistributed reserves of overseas subsidiaries	1,266	1,103	163	12
	3,508	2,546		
<i>Deferred tax assets</i>				
Differences in depreciation for tax purposes	(34)	(34)	–	18
Provisions and other taxable temporary differences	(254)	(198)	(55)	–
	(288)	(232)		
Deferred income tax expense			921	1,126

	Company			
	Balance sheet		Income statement	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>Deferred tax liabilities</i>				
Differences in depreciation for tax purposes	7	7	–	–
Net deferred tax liabilities	7	7		
Deferred income tax expense			–	–

As at 30 June 2020, the Group has tax losses and capital allowances of approximately \$18,850,000 (2019: \$17,852,000) that are available for offset against future taxable profits of the companies in which the losses and capital allowances arose. No deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses and capital allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences (2019: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

25. Leases

Group as a lessee

The Group has lease contracts for leasehold buildings and equipments. The Group's obligations under these leases are secured by the lessor's title to the leased assets. The Group is restricted from assigning and subleasing the leased assets.

The Group also has land use rights whereby upfront payment has been made over three plots of state-owned land in Vietnam and China, where the operations reside. The land use rights are not transferable and have a remaining tenure of 14-50 years.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

25. Leases (cont'd)

Group as a lessee (cont'd)

The Group also has certain leases of asset with lease terms of 12 months or less and leases of asset with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets recognised and the movements during the period:

Group	Land use rights \$'000	Leasehold Buildings \$'000	Equipments \$'000	Total \$'000
Cost:				
Effects of adoption of SFRS(I) 16 on 1.7.2019	2,059	2,824	12	4,895
Additions	3,996	787	–	4,783
Exchange difference on translation	74	(64)	–	10
As at 30.6.2020	<u>6,129</u>	<u>3,547</u>	<u>12</u>	<u>9,688</u>
Accumulated depreciation:				
Effects of adoption of SFRS(I) 16 on 1.7.2019	198	–	–	198
Depreciation	183	708	4	895
Exchange difference on translation	6	2	–	8
As at 30.6.2020	<u>387</u>	<u>710</u>	<u>4</u>	<u>1,101</u>
Net carrying amount	<u>5,742</u>	<u>2,837</u>	<u>8</u>	<u>8,587</u>
Company			Leasehold Buildings \$'000	Total \$'000
Cost:				
Effects of adoption of SFRS(I) 16 on 1.7.2019			268	268
As at 30.6.2020			<u>268</u>	<u>268</u>
Accumulated depreciation:				
Effects of adoption of SFRS(I) 16 on 1.7.2019			–	–
Depreciation			96	96
As at 30.6.2020			<u>96</u>	<u>96</u>
Net carrying amount			<u>172</u>	<u>172</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

25. Leases (cont'd)

(b) Carrying amounts of lease liabilities related to right-of-use assets and the movements during the period:

	2020	
	Group \$'000	Company \$'000
Effects of adoption of SFRS(I) 16 on 1.7.2019	2,836	268
Additions	787	–
Accretion of interest	126	6
Payments during the year	(980)	(99)
Translation differences	61	–
As at 30.6.2020	<u>2,830</u>	<u>175</u>
Represented by:		
Current	838	99
Non-current	1,992	76
As at 30.6.2020	<u>2,830</u>	<u>175</u>

The maturity analysis of lease liabilities is discussed in Note 33(c).

(c) **Amounts recognised in profit or loss**

	2020 \$'000
Depreciation of right-of-use assets	895
Interest expense on lease liabilities	126
Lease expense not capitalised in lease liabilities	
- Expenses relating to short-term lease and low-value assets (included in administrative expense)	385
Total amount recognised in profit or loss	<u>1,406</u>

The Group had total cash outflows of leases of \$1,365,000 in 2020.

26. Provision for restoration costs

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At beginning of financial year	171	162	–	–
Increase in the year	15	9	–	–
At end of financial year	<u>186</u>	<u>171</u>	<u>–</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

27. Share capital

	Group and Company	
	2020	2019
	\$'000	\$'000
Issued and fully paid		
At beginning and end of financial year		
– 115,365,000 ordinary shares	13,145	13,145

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 restrictions and have no par value.

28. Dividends

	Group and Company	
	2020	2019
	\$'000	\$'000
Declared and paid during the year		
Final exempt (one-tier) dividend of 3.30 (2019: 3.00) cents per ordinary share in respect of the previous financial year	3,807	3,461
Proposed but not recognised as a liability as at 30 June		
Final exempt (one-tier) dividend of 2.80 (2019: 3.30) cents per ordinary share	3,230	3,807

29. Reserves

(a) **Foreign currency translation reserve**

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

(b) **Reserve fund**

In accordance with the relevant laws and regulations of the People's Republic of China ("PRC"), profits of the subsidiaries, Spindex Precision Engineering (Shanghai) Co., Ltd., and Spindex Precision Engineering (Suzhou) Co., Ltd., are available for distribution in the form of cash dividends to the investors after the subsidiaries have (1) satisfied all tax liabilities; (2) provided for losses in previous years and (3) made appropriations to statutory reserve fund. The subsidiaries have to appropriate at least 10% of its annual profit after tax as determined in accordance with the PRC accounting standards and regulations applicable to the subsidiaries until the statutory reserve fund reaches 50% of its registered capital. Appropriation to the staff bonus and welfare fund is determined at the discretion of the board of directors of the subsidiaries.

The statutory reserve fund is not available for distribution as dividends but it can be used to offset losses or be capitalised as capital.

For the financial year ended 30 June 2020, the board of directors of the subsidiaries resolved to appropriate 10% (2019: 10%) of the net profit as reported in its statutory financial statements for the financial year ended 30 June 2020 to the reserve fund.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

30. Related party transactions

Except for related party information disclosed elsewhere in the financial statements, there were no transactions between the Group and related parties during the year.

Compensation of key management personnel

	Group and Company	
	2020	2019
	\$'000	\$'000
Short-term employee benefits	2,320	2,637
Defined contribution plans	21	24
Directors' fees	215	277
Total compensation paid	<u>2,556</u>	<u>2,938</u>

31. Commitments and contingent liabilities

(a) **Capital expenditure commitments**

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

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Commitments in respect of contracts placed	<u>5,343</u>	<u>2,615</u>	<u>–</u>	<u>–</u>

(b) **Operating lease commitments – as lessee**

The Group and the Company lease office and factory units under non-cancellable operating lease agreements. These leases have varying terms.

As at 30 June 2019, the future minimum lease payments under non-cancellable operating leases contracted for but not recognised as liabilities, are as follows:

	Group	Company
	2019	2019
	\$'000	\$'000
Not later than one year	949	100
Later than one year but not later than five years	2,291	70
	<u>3,240</u>	<u>170</u>

As discussed in Note 2.2, the Group has adopted SFRS(I) 16 on 1 July 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheets as at 30 June 2020, except for short-term and low-value leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

32. Segment information

For management purposes, the Group is organised on a world-wide basis into major product categories based on the industries in which the Group serves, as follows:

- (i) Imaging and printing
- (ii) Machinery and automotive systems
- (iii) Others (domestic appliances, consumer electronics, data storage, telecommunications and others)

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its product categories separately for the purpose of making decisions about resource allocation and performance assessment.

Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs), other operating income, administrative expenses and income taxes are managed on a group basis and are not allocated to the product categories.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

32. Segment information (cont'd)

(a) Business segments

	Imaging and printing		Machinery and automotive systems		Others*		Adjustments and eliminations		Group	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue										
External customers	32,423	36,790	68,730	70,865	48,473	48,157	-	-	149,626	155,812
Inter-segment	681	274	18,956	15,947	1,035	1,226	(20,672)	(17,447)	-	-
Total revenue	33,104	37,064	87,686	86,812	49,508	49,383	(20,672)	(17,447)	149,626	155,812
Segment profit	6,764	8,129	14,339	15,657	10,773	10,640	-	-	31,876	34,426
Distribution and selling expenses	(644)	(747)	(1,366)	(1,439)	(963)	(979)	-	-	(2,973)	(3,165)
Impairment loss on trade receivables	(74)	-	(92)	-	(100)	(4)	-	-	(266)	(4)
Unallocated other income									2,395	1,733
Unallocated expenses									(16,068)	(15,000)
Operating profit									14,964	17,990
Financial expenses									(133)	(2)
Income tax expense									(2,640)	(2,658)
Net profit for the financial year									12,191	15,330
Assets										
Trade receivables	4,715	6,621	12,143	16,767	4,778	4,890	-	-	21,636	28,278
Unallocated assets	-	-	-	-	-	-	-	-	145,453	132,867
Total assets									167,089	161,145
Liabilities										
Provision for defects	200	184	424	354	298	241	-	-	922	779
Unallocated liabilities	-	-	-	-	-	-	-	-	38,376	41,361
Total liabilities									39,298	42,140
Other segment information										
Depreciation of plant and machinery	1,496	1,585	3,171	3,053	2,236	2,075	-	-	6,903	6,713
Unallocated depreciation of other assets	-	-	-	-	-	-	-	-	2,164	2,040
Depreciation expense for the financial year									9,067	8,753

* Others – include domestic appliances, consumer electronics, data storage, telecommunications and others

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

32. Segment information (cont'd)

(b) *Geographical segments*

The Group's geographical segments are based on the location of the Group's customers. Non-current assets and additions to property, plant and equipment and right-of-use assets are based on the location of those assets.

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

	Revenue		Non-current assets		Capital expenditure	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
People's Republic of China	53,425	54,186	20,445	15,741	820	2,942
Singapore	3,916	3,255	588	562	11	452
ASEAN (excludes Singapore)	32,259	34,415	44,366	42,393	8,046	3,465
USA, Europe and others	60,026	63,956	–	–	–	–
	<u>149,626</u>	<u>155,812</u>	<u>65,399</u>	<u>58,696</u>	<u>8,877</u>	<u>6,859</u>

Information about major customers

Individual customers with revenue more than 10% of the Group's total revenue amounted to \$41,688,000 (2019: \$42,543,000) and \$24,791,000 (2019: \$24,801,000), arising from "Machinery and automotive systems" segments and "Others" segments respectively.

33. Financial risk management and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Group Financial Controller. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) *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 Dollars (USD).

The foreign currencies in which these transactions are denominated are mainly USD. Approximately 71% (2019: 68%) of the Group's sales are denominated in foreign currencies while almost 12% (2019: 14%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances at the date of the reporting period have similar exposures.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the date of the reporting period, such foreign currency balances (mainly in USD) amounted to \$21,143,000 (2019: \$21,826,000) and \$3,890,000 (2019: \$5,744,000) for the Group and the Company respectively. The foreign currency balances is described in more detail in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

33. Financial risk management and policies (cont'd)

(a) Foreign currency risk (cont'd)

The Group entered into foreign currency forward exchange contracts in order to limit the Group's exposure to adverse fluctuations in foreign currency exchange rates. It is the Group's policy not to enter into derivative forward foreign exchange contracts for speculative purposes.

As at 30 June 2020, the Group and Company did not hold any financial derivatives. (2019: Nil).

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, People's Republic of China ("PRC") and Vietnam. The Group's net investments in Malaysia, PRC and Vietnam are not hedged as currency positions in RM, RMB and USD are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a 10% (2019: 10%) strengthening or weakening of USD exchange rates against SGD, with all other variables held constant, on the Group's and Company's profit before taxation.

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
USD / SGD - strengthened	3,584	4,231	974	1,450
- weakened	(3,584)	(4,231)	(974)	(1,450)

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

The Group considers "low risk" to be an investment grade credit rating with at least one major rating agency for those investments with credit rating. To assess whether there is a significant increase in credit risk, the company compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- External credit rating

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

33. Financial risk management and policies (cont'd)

(b) Credit risk (cont'd)

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations
- Actual or expected significant changes in the operating results of the counterparty
- Significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of counterparties in the group and changes in the operating results of the counterparty.

Regardless of the analysis above, a significant increase in credit risk is presumed if a counterparty is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant financial difficulty of the counterparty
- A breach of contract, such as a default or past due event
- It is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation

The Group categorises a loan or receivable for potential write-off when a counterparty fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

	Unbilled receivables \$'000	Current \$'000	< 30 days past due \$'000	> 30 days past due \$'000	> 60 days past due \$'000	> 90 days past due \$'000	Total \$'000
30 June 2020							
Gross carrying amount	517	19,184	1,484	241	130	7	21,563
Loss allowance provision	(3)	(249)	(19)	(1)	(1)	(2)	(275)
30 June 2019							
Gross carrying amount	—	24,246	3,165	267	4	35	27,717
Loss allowance provision	—	—	—	—	—	(29)	(29)

Information regarding loss allowance movement of trade receivables are disclosed in Note 16.

During the financial year, the Group wrote-off \$22,000 of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously provided.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

33. Financial risk management and policies (cont'd)

(b) Credit risk (cont'd)

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Exposure to credit risk

At the date of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

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

	Outstanding balance		Percentage of total trade receivables	
	2020 \$'000	2019 \$'000	2020 %	2019 %
By industry:				
Imaging and printing	4,639	6,483	22	23
Machinery and automotive systems	11,949	16,395	56	59
Others	4,700	4,810	22	18
By region:				
Singapore	971	948	5	3
People's Republic of China	12,606	15,872	59	57
ASEAN (excludes Singapore)	4,375	4,194	20	16
USA, Europe and others	3,336	6,674	16	24

At the date of the reporting period, approximately 50% (2019: 37%) of the Group's trade receivables were due from 5 major customers who are multi-industry conglomerates.

Other receivables and amounts due from subsidiaries

The Group/Company has assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate, and concluded that there has been no significant increase in the credit risk since initial recognition of the financial assets. Accordingly, the Group has determined that the ECL on other receivables and amounts due from subsidiaries is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

33. Financial risk management and policies (cont'd)

(c) *Liquidity risk*

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

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the date of the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less \$'000	2 to 5 year \$'000	Total \$'000
2020			
Financial assets			
Trade receivables	21,288	–	21,288
Other receivables and deposits	875	–	875
Cash and cash equivalents	51,188	–	51,188
Total undiscounted financial assets	73,351	–	73,351
Financial liabilities			
Trade payables	14,770	–	14,770
Other payables and accruals	14,846	–	14,846
Loans and borrowings	60	165	225
Lease liabilities	961	2,267	3,228
Total undiscounted financial liabilities	30,637	2,432	33,069
Total net undiscounted financial assets/(liabilities)	42,714	(2,432)	40,282
2019			
Financial assets			
Trade receivables	27,688	–	27,688
Other receivables and deposits	1,287	–	1,287
Cash and cash equivalents	42,277	–	42,277
Total undiscounted financial assets	71,252	–	71,252
Financial liabilities			
Trade payables	21,225	–	21,225
Other payables and accruals	14,741	–	14,741
Loans and borrowings	60	226	286
Total undiscounted financial liabilities	36,026	226	36,252
Total net undiscounted financial assets/(liabilities)	35,226	(226)	35,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

33. Financial risk management and policies (cont'd)

(c) *Liquidity risk (cont'd)*

Company	One year or less \$'000	Over one year \$'000	Total \$'000
2020			
Financial assets			
Trade receivables	4,020	–	4,020
Other receivables and deposits	137	–	137
Due from subsidiaries	5,895	–	5,895
Cash and cash equivalents	8,100	–	8,100
Total undiscounted financial assets	18,152	–	18,152
Financial liabilities			
Trade payables	163	–	163
Other payables and accruals	2,410	–	2,410
Due to subsidiaries	1,207	–	1,207
Loans and borrowings	60	165	225
Lease liabilities	100	78	178
Total undiscounted financial liabilities	3,940	243	4,183
Total net undiscounted financial assets/(liabilities)	14,212	(243)	13,969
2019			
Financial assets			
Trade receivables	5,218	–	5,218
Other receivables and deposits	18	–	18
Due from subsidiaries	3,545	–	3,545
Cash and cash equivalents	10,550	–	10,550
Total undiscounted financial assets	19,331	–	19,331
Financial liabilities			
Trade payables	103	–	103
Other payables and accruals	2,716	–	2,716
Due to subsidiaries	1,348	–	1,348
Loans and borrowings	60	226	286
Total undiscounted financial liabilities	4,227	226	4,453
Total net undiscounted financial assets/(liabilities)	15,104	(226)	14,878

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

34. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

(b) Assets and liabilities measured at fair value

At the end of the reporting period, there are no financial instruments that are carried at fair value.

(c) Assets and liabilities not measured at fair value, for which fair value is disclosed

The fair value of non-current liabilities which are not carried at fair value in the balance sheet is presented in the following table. The fair value is estimated using discounted cash flow analysis using discount rate that reflects the issuer's borrowing rate at the end of the reporting period.

	Note	2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
		\$'000	\$'000	\$'000	\$'000
Obligations under hire purchase arrangement	23	149	132	203	178

(d) Assets and liabilities are measured at fair value and whose carrying amounts are reasonable approximation of fair value

Trade and other receivables and payables, amounts due from/(to) subsidiaries, cash and cash equivalents and loans and borrowings (current).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

35. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a healthy capital structure in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 30 June 2020 and 2019.

As disclosed in Note 29(b), certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the calendar years ended 31 December 2019 and 2018.

36. Events after reporting date

On 6 August 2020, the Company made additional capital injection into the joint venture, Spindex Acuger Precision Pte. Ltd. amounting to USD 625,000. This is to fund the incorporation of the wholly-owned subsidiary in Hanoi, Vietnam. The same amount was also matched by the joint venture partner.

On 1 September 2020, the Board approved through Directors' Resolution the additional capital injection of USD 4.5 million to Spindex Precision Technologies (Nantong) Co., Ltd. for the construction of its factory building.

37. Authorisation of financial statements for issue

The financial statements for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 2 October 2020.

DETAILS OF MAJOR PROPERTIES IN THE GROUP

For the financial year ended 30 June 2020

Major properties of the Group are as follows:

DESCRIPTION	LOCATION	AREA (SQ. METRES)	TENURE OF LEASE	NET BOOK VALUE	
				2020 \$'000	2019 \$'000
Leasehold property	People's Republic of China 475 Fa Sai Road WaiGaoQiao Free Trade Zone Shanghai 200131 China	8,144	50 years	2,232	2,366
	Vietnam Lot No. 7A Noi Bai Industrial Zone Quang Tien Commune Soc Son District Hanoi Vietnam	9,578	30 years	802	860
	Vietnam Lot No. 8A Noi Bai Industrial Zone Quang Tien Commune Soc Son District Hanoi Vietnam	10,575	25 years	4,667	–
Freehold property	Malaysia 6 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	9,470	NA	2,317	2,370
	Malaysia 8 Jalan Istimewa 7 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor Malaysia	8,364	NA	3,292	3,391

STATISTICS OF SHAREHOLDINGS

As at 11 September 2020

Issued and Fully Paid-up Shares	:	115,365,000
Class of Shares	:	Ordinary shares
Voting Rights	:	On show of hands – one vote for each member On poll – one vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	3	0.85	3	0.00
100 - 1,000	61	17.33	43,734	0.04
1,001 - 10,000	169	48.01	927,251	0.80
10,001 - 1,000,000	113	32.10	9,859,800	8.55
1,000,001 AND ABOVE	6	1.71	104,534,212	90.61
TOTAL	352	100.00	115,365,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	86,704,212	75.16
2	DBS NOMINEES (PRIVATE) LIMITED	7,948,900	6.89
3	LOW BOON YONG	3,676,900	3.19
4	PHILLIP SECURITIES PTE LTD	2,462,200	2.13
5	SEE BENG LIAN JANICE	2,282,400	1.98
6	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,459,600	1.27
7	NG KWONG CHONG OR LIU OI FUI IVY	900,000	0.78
8	OCBC SECURITIES PRIVATE LIMITED	815,500	0.71
9	LOW WEI MIN JAMES (LIU WEIMING, JAMES)	745,800	0.65
10	JERRY ONG SER KAI	651,000	0.56
11	ABN AMRO CLEARING BANK N.V.	461,600	0.40
12	CITIBANK NOMINEES SINGAPORE PTE LTD	428,400	0.37
13	LAI KAH SHEN	310,000	0.27
14	SEET CHRISTINA	300,100	0.26
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	285,100	0.25
16	WEE WEI LING	249,500	0.22
17	RAFFLES NOMINEES (PTE.) LIMITED	237,300	0.21
18	TAN DENG LANG	185,700	0.16
19	DEBJANI KHANNA	184,500	0.16
20	GO MEI LIN	172,700	0.15
	TOTAL	110,461,412	95.77

Based on the information available to the Company, approximately 25.05% of the Company's equity securities are held in the hands of the public. This is in compliance with Rule 723 of the Listing manual of the SGX-ST which require at least 10% public float of a listing issuer's equity securities to be held by public.

STATISTICS OF SHAREHOLDINGS

As at 11 September 2020

SUBSTANTIAL SHAREHOLDERS

NAME OF SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES DIRECT INTEREST	NO. OF SHARES DEEMED INTEREST
Hong Wei Holdings Ltd (“Hong Wei”)	86,470,312 ⁽¹⁾	–
Tan Choo Pie @ Tan Chang Chai	–	86,470,312 ⁽²⁾
Tan Ai Wang	–	86,470,312 ⁽³⁾
Tan Heok Ting	–	86,470,312 ⁽⁴⁾

Notes:

- (1) Hong Wei’s interest registered under UOB Kay Hian Pte Ltd.
- (2) Mr Tan Choo Pie @ Tan Chang Chai owns 55% of the issued share capital of Hong Wei, and is deemed to be interested in all of the shares in which Hong Wei has an interest.
- (3) Ms Tan Ai Wang, the spouse of Mr Tan Choo Pie @ Tan Chang Chai, owns 25% of the issued share capital of Hong Wei, and is deemed to be interested in all of the shares in which Hong Wei has an interest.
- (4) Mr Tan Heok Ting owns 20% of the issued share capital of Hong Wei, and is deemed to be interested in all of the shares in which Hong Wei has an interest.

NOTICE OF THE 33RD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of Spindex Industries Limited (the “**Company**”) will be held by way of electronic means on Friday, 23 October 2020 at 2.30 p.m., for the following purposes:

AS ROUTINE BUSINESS:

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements for the financial year ended 30 June 2020, together with the Auditor’s Report thereon.
(Resolution 1)
2. To declare a final dividend of 2.80 cents per ordinary share tax exempt (one-tier) for the financial year ended 30 June 2020 (previous year: final dividend of 3.30 cents per ordinary share tax exempt (one-tier)).
(Resolution 2)
3. To re-elect Mr Chen Chang Rong as a Director under Article 115 of the Company’s Constitution.
[See Explanatory Note (i)]
(Resolution 3)
4. To re-elect Mr Peter Tan Boon Heng as a Director under Article 115 of the Company’s Constitution.
[See Explanatory Note (ii)]
(Resolution 4)
5. To approve the payment of Directors’ fees of S\$215,160 for the financial year ended 30 June 2020 (previous year: S\$276,540).
(Resolution 5)
6. To re-appoint Messrs Ernst & Young LLP as Auditor and to authorise the Directors to fix their remuneration.
(Resolution 6)
7. To transact any other routine 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 modifications:

8. SHARE ISSUE MANDATE

That pursuant to Section 161 of the Companies Act, Chapter 50 (the “**Companies Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

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

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

NOTICE OF THE 33RD ANNUAL GENERAL MEETING

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

provided that:

- (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed ten per cent. (10%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);
- (ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company shall be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of any convertible securities;
- (b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in general meeting, the authority conferred by this 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 the earlier.
- [See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 8 October 2020

NOTICE OF THE 33RD ANNUAL GENERAL MEETING

Explanatory Notes

- (i) **Resolution 3** - is to re-elect Mr Chen Chang Rong as a Director of the Company. Mr Chen Chang Rong will, upon re-election, continue as the Non-Executive Director of the Board and a member of the Audit, Remuneration and Nominating Committees.
- (ii) **Resolution 4** - is to re-elect Mr Peter Tan Boon Heng as a Director of the Company. Mr Peter Tan Boon Heng will, upon re-election, continue as the Independent Director of the Board, Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee.
- (iii) **Resolution 7** - proposed in item 8 above, if passed, is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above), and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to Resolution 7 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company, with a sub-limit of ten per cent. (10%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of Resolution 7, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. The Annual General Meeting of the Company (the “AGM” or the “Meeting”) to be held on Friday, 23 October 2020 at 2:30 p.m. is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **Printed copies of this Notice of AGM and the accompanying proxy form for the Meeting will not be sent to members of the Company.** Instead, this Notice of AGM and the accompanying proxy form for the Meeting will be published on (i) the SGX-ST’s website at the URL <https://www.sgx.com/securities/company-announcements>; and (ii) the Company’s corporate website at the URL <http://www.spindex.com.sg>.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the Meeting, are set out in the Company’s accompanying letter to shareholders dated 8 October 2020 (the “Announcement”), which has been uploaded together with this Notice of AGM on SGXNet on the same day. The Announcement may also be accessed at the Company’s corporate website at the URL <http://www.spindex.com.sg>. For the avoidance of doubt, the Announcement is circulated together with and forms part of this Notice of AGM in respect of the Meeting.

In particular, the Meeting will be held by way of electronic means and a member of the Company will be able to observe the proceedings of the Meeting through a “live” webcast (“LIVE WEBCAST”) via his/her/its smart phones, tablets or computers. In order to do so, a member of the Company who wishes to watch the LIVE WEBCAST must register **by 2.30 p.m. on 20 October 2020 (“Registration Deadline”)** (being not less than seventy-two (72) hours before the time appointed for holding the Meeting), at the URL <http://bit.ly/SpindexAGM2020>. Following authentication of his/her/its status as members of the Company, authenticated members of the Company will receive an email on their authentication status **by 21 October 2020**. Members who do not receive any email by 2.30 p.m. on 21 October 2020, but have registered by the Registration Deadline, should contact the Company at support@rajahtann.com.

Persons who hold the shares of the Company through relevant intermediaries, including Central Provident Fund (“CPF”) Supplementary Retirement Scheme (“SRS”) investors, should contact the relevant intermediary (which would include, in the case of CPF/SRS investors, their respective CPF Agent Banks/SRS Operators) through which they hold such shares of the Company to submit their votes to the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., by post at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or by email at corporate@spindex.com.sg at least seven (7) working days before the AGM (i.e. **by 5.00 p.m. on 13 October 2020**) in order for the necessary arrangements to be made for their participation at the AGM.

3. **Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the Meeting in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. If a member of the Company (whether individual or corporate and including a Relevant Intermediary) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting.** In appointing the Chairman of the Meeting as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary) must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman as proxy for that resolution will be treated as invalid.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.

NOTICE OF THE 33RD ANNUAL GENERAL MEETING

5. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
- (a) if sent by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - (b) if submitted by email, be received by the Company at corporate@spindex.com.sg,

in either case, **by 2.30 p.m. on 21 October 2020** (being not less than forty-eight (48) hours before the time appointed for holding the Meeting or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

A member of the Company who wishes to submit a Proxy Form must first download, complete and sign the Proxy Form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.

CPF/SRS investors who wish to appoint the Chairman of the AGM to act as their proxy should approach their respective CPF Agent Banks/SRS Operators to submit their votes to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., by post at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 or by email at corporate@spindex.com.sg at least seven (7) working days before the AGM (i.e. **by 5.00 p.m. on 13 October 2020**).

6. In the case of members of the Company whose Shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if the member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM (or at any adjournment thereof), as certified by The Central Depository (Pte) Limited to the Company.
7. Members will not be able to ask questions "live" during the broadcast of this AGM. All members may submit questions relating to the business of this AGM no later than 2.30 p.m. on 16 October 2020:
- a. via the pre-registration website at <http://bit.ly/SpindexAGM2020>;
 - b. by post to the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623.

In view of the current Covid-19 situation and the related safe distancing measures which may make it difficult to submit questions by post, members and investors are strongly encouraged to submit their questions via the pre-registration website. The Company will endeavour to answer all substantial and relevant questions prior to, or at, this AGM.

8. All documents (including the Annual Report 2020, the proxy form and this Notice of AGM) or information relating to the business of this AGM have been, or will be, published on SGXNet and/or the Company's website at <http://www.spindex.com.sg/en/Investor.aspx>. **Printed copies of these documents will not be despatched to members.** Members and CPF/SRS investors are advised to check SGXNet and/or the Company's website regularly for updates.
9. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
10. 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.

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF THE 33RD ANNUAL GENERAL MEETING

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General 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 Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General 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.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Director who is seeking re-election at the forthcoming annual general meeting of the Company as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	Chen Chang Rong	Peter Tan Boon Heng
Date of Appointment	01-08-2005	12-09-2017
Date of last re-appointment	25-10-2017	25-10-2017
Age	66	71
Country of principal residence	China	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr Chen for re-appointment as a Non-Executive Director.</p> <p>The Board has concluded that Mr Chen possesses the experience, qualifications, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>	<p>The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experience and suitability of Mr Tan for re-appointment as an Independent Director.</p> <p>The Board has concluded that Mr Tan possesses the experience, qualifications, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>
Whether appointment is executive, and if so, the area of responsibility	No	No
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	AC Member, NC Member, RC Member	AC Member, NC Chairman, RC Chairman
Working experience and occupation(s) during the past 10 years	<p>2004 to 2017 Cisema GmbH Germany – General Manager</p> <p>2006 to 2016 Xinzi Motor Company Limited – Independent Director</p> <p>2009 to 2017 Spindex Industries Limited – Executive Director</p>	<p>2014 to 2019 JP Asia Prime Capital (Pte) Ltd – Director and General Partner</p> <p>2018 to 2020 MobilityX Pte Ltd – Chairman</p> <p>2019 to 2020 EQU8 Link Pte Ltd – Director</p> <p>2008 to Present JP Asia Capital Partners Pte Ltd – Director and Managing Partner</p> <p>2010 to Present SMRT Corporation Ltd – Director</p>

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Chen Chang Rong	Peter Tan Boon Heng
Working experience and occupation(s) during the past 10 years (cont'd)		<p>2012 to Present Advanced Remanufacturing and Technology Centre, A*Star – Co-Chairman</p> <p>2014 to Present Governing Board of Singapore Centre for 3D Printing, NTU – Member</p> <p>2015 to Present Steering Committee for Digital Manufacturing and Design, SUTD – Member</p> <p>2015 to Present Brydge Global Pte Ltd – Director</p> <p>2016 to Present ImpacTech Pte Ltd – Director</p> <p>2019 to Present Advanced Manufacturing and Engineering EXCO, MTI – Member</p>
Shareholding interest in the listed issuer and its subsidiaries	No	No
Any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries)	No	No
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Chen Chang Rong	Peter Tan Boon Heng
<p>Other Principal Commitments* Including Directorships# (for the last 5 years)</p> <p>Present</p>	Nil	<p>Advanced Remanufacturing and Technology Centre (ARTC) – Co-Chairman</p> <p>JP Asia Capital Pte. Ltd. – Director</p> <p>JP Asia Capital Partners Pte Ltd – Director</p> <p>SMRT Corporation Ltd – Director</p> <p>Brydge Global Pte. Ltd. – Director</p> <p>ImpacTech Pte. Ltd. – Director</p> <p>MobilityX Pte. Ltd. – Chairman</p> <p>Singapore Centre for 3D Printing (SC3DP) – Governing Board Member</p> <p>SUTD Digital Manufacturing and Design Centre – Steering Committee Member</p> <p>National Research Foundation (NRF) Central Gap Fund – Technical Advisor</p> <p>MOT/LTA Urban Mobility Grand Challenge Programme – Technical Evaluation Panel</p> <p>Advance Manufacturing & Engineering EXCO (MTI) – EXCO Member</p>
<p>Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.</p>		
<p>(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?</p>	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Chen Chang Rong	Peter Tan Boon Heng
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Chen Chang Rong	Peter Tan Boon Heng
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Chen Chang Rong	Peter Tan Boon Heng
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
<p>Any prior experience as a director of a listed company?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p> <p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).</p>	N.A.	N.A.

SPINDEX INDUSTRIES LIMITED

(Incorporated in the Republic of Singapore)
(Registration No. 198701451M)

PROXY FORM

33RD ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. The Annual General Meeting of the Company to be held on Friday, 23 October 2020 at 2.30 p.m. (and any adjournment thereof) (the "AGM") is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the Notice of AGM and this Proxy Form will not be sent to members. Instead, the Notice of AGM and this Proxy Form will be sent to members by electronic means via publication on the Company's website at <http://www.spindex.com.sg> and the SGXNet.
2. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM, are set out in the accompanying Company's letter to shareholders dated 8 October 2020 (the "Announcement"), which has been uploaded together with the Notice of AGM dated 8 October 2020 on SGXNet on the same day. The Announcement may also be accessed at the Company's corporate website at the URL <http://www.spindex.com.sg>. For the avoidance of doubt, the Announcement is circulated together with and forms part of the Notice of AGM dated 8 October 2020 in respect of the AGM.
3. Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. If a member of the Company (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. CPF/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their CPF/SRS Operators to submit their votes by 5.00 p.m. on 13 October 2020.

By submitting an instrument appointing the Chairman of the AGM as proxy, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 8 October 2020.

Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

I/We, _____ (Name) _____ (NRIC/Passport Number/ Company Regn. No.)

of _____ (Address)

being a member/members of SPINDEX INDUSTRIES LIMITED (the "Company"), hereby appoints the Chairman of the annual general meeting of the Company (the "AGM"), as *my/our proxy to vote for *me/us on *my/our behalf at the AGM to be held by way of electronic means on Friday, 23 October 2020 at 2.30 p.m. and at any adjournment thereof. *I/We direct the Chairman of the AGM, being *my/our proxy, to vote for or against, or abstain from voting on the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as *my/our proxy will be treated as invalid.

All Resolutions put to the vote at the AGM shall be decided by way of poll.

No.	Resolutions	For **	Against **	Abstain **
	ROUTINE BUSINESS			
1.	Adoption of Directors' Report and Audited Financial Statements for the financial year ended 30 June 2020 (Resolution 1)			
2.	Payment of proposed final dividend of 2.80 cents per ordinary share tax exempt (one-tier) (Resolution 2)			
3.	Re-election of Mr Chen Chang Rong as a Director (Resolution 3)			
4.	Re-election of Mr Peter Tan Boon Heng as a Director (Resolution 4)			
5.	Approval of Directors' fees amounting to S\$215,160 (Resolution 5)			
6.	Re-appointment of Messrs Ernst & Young LLP as Auditor (Resolution 6)			
7.	Any other routine business			
	SPECIAL BUSINESS			
8.	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 (Resolution 7)			

** If you wish to exercise all your votes "For" or "Against", or "Abstain" from voting the relevant Resolutions, please mark an "X" in the appropriate box provided. Alternatively, please indicate the number of votes "For" or "Against", or "Abstain" each Resolution in the boxes provided as appropriate. If you mark an "X" in the abstain box for a particular Resolution, you are directing your proxy, who is the Chairman of the AGM, not to vote on that Resolution. In the absence of specific directions, the appointment of the Chairman as your proxy will be treated as invalid.

Dated this _____ day of _____ 2020

Total Number of Shares held in:	
Depository Register	
Register of Members	

Signature(s) of member(s)
Or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. **Due to the current COVID-19 restriction orders in Singapore, a member of the Company will not be able to attend the AGM in person. A member will also not be able to vote online on the resolutions to be tabled for approval at the AGM. This proxy form may be accessed at the Company's website at <http://www.spindex.com.sg> and the SGXNet.** If a member of the Company (whether individual or corporate and including a Relevant Intermediary*) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member of the Company (whether individual or corporate and including a Relevant Intermediary*) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid. The instrument for the appointment of proxy may be accessed at the Company's website at <http://www.spindex.com.sg> or the SGXNet.
3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must:
 - (a) if sent by post, be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - (b) if submitted by email, be received by the Company at corporate@spindex.com.sg,

in either case, **by 2.30 p.m. on 21 October 2020** (being not less than forty-eight (48) hours before the time appointed for holding the AGM or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

A member of the Company who wishes to submit the proxy form must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members of the Company to submit completed proxy forms by post, members of the Company are strongly encouraged to submit completed proxy forms electronically via email.

5. This proxy form must be under the hand of the appointor or of his/her/its attorney duly authorised in writing. (i) Where this proxy form is executed by a corporation, it must be executed either under its common seal (or otherwise in accordance with its constitution) or under the hand of an officer or attorney duly authorised. (ii) Where this proxy form is executed by an attorney on behalf of the appointor, the letter or the power of attorney or a duly certified true copy thereof must be lodged with this proxy form, failing which the instrument of proxy may be treated as invalid.
6. A corporation which is a member of the Company may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
7. This proxy form is not valid for use by an investor who holds shares under the Central Provident Fund ("CPF")/Supplementary Retirement Scheme ("SRS") and shall be ineffective for all intents and purposes if used or purported to be used by him/her. An CPF/SRS Investor who wishes to appoint the Chairman of the AGM as proxy should approach his/her respective CPF Agent Banks/SRS Operators to submit his/her votes at least seven (7) working days before the AGM (i.e. by 5.00 p.m. 13 October 2020).

* A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

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

Personal data privacy:

By submitting this proxy form appointing the Chairman of the AGM as proxy, the member of the Company accepts and agrees to the personal data privacy terms as set out in the Notice of AGM dated 8 October 2020.



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