SUNRIGHT

# SUNRIGHT LIMITED
(Company Reg. No.197800523M)

# ANNUAL REPORT

2014

# CONTENTS

Semiconductors are used in all tech gadgets. These chips are becoming faster and smarter, offering seamless connectivity in this global world. They also play an important role in today's automotive innovations in the areas of comfort, safety controls and infotainment features, etc.

At Sunright, we ensure the reliability and functionality behind many of these new chips designed and manufactured by our customers.

# CHAIRMAN'S STATEMENT

**Sunright has made excellent progress in product innovations and the expansion of our blue chip customer base.**

**Dear Fellow Shareholders**

During financial year 2014, the semiconductor industry was healthy but the capital equipment market remained weak. This created a lethargic sales environment for our products across all business segments.

The sales cycle from the burn-In and test equipment business came slower than expected and this pick-up in demand came late for us, which will follow through in 2015. Contributions from our associated companies were significant and weathered the weaker result from the Equipment business. Nevertheless, the Sunright Group recorded a modest profit after tax of S$0.1 million for FY 2014, compared to a loss of S$1.7 million in the previous financial year.

We made substantial progress in strengthening our product portfolio which will extend our leadership in the market place. Apart from an immediate focus on reducing our manufacturing structure to current market conditions, we have embarked on 3 key initiatives that will set the framework for continuing improvements of our performance.

### #1 Creating Solutions That Customers Want

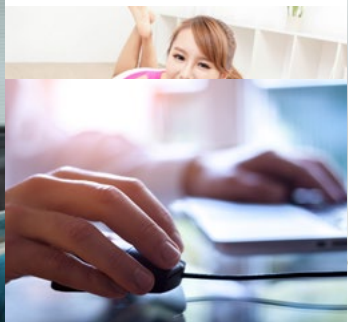
We have invested in new software support in Singapore in order to build our capabilities in designing more complex test performance boards. We established new operations in Malaysia and Philippines, in close proximity to our customers to improve local support and increase our competitiveness in the marketplace for burn-in and test.

### #2 Sharpening Our Strategic Product

We have upgraded the "GEN 5k" electronics of our burn in and test system to enhance device quality and reliability. We also won orders for these enhanced products to serve advanced chips in the latest tech gadgets such as media tablets, smart phones, etc., requiring higher quality and reliability devices.

### #3 Delivering A New Successful Product

In the previous year, we extended our high speed automatic "pick and place" burn-in loader & unloader and developed "g100", the first prototype tray based


handler for testing of Micro Electro Mechanical Systems or MEMS devices. This year, following a successful evaluation, we were awarded our first order, to support a leading semiconductor manufacturer. We are very encouraged by this development and looking forward to their endorsement to use "g100" for their multiple manufacturing sites.

### We Are Focused - Products, Markets and Customers

We are well positioned for growth. We are focused on the semiconductor market. Sunright has made excellent progress in product innovations and the expansion of our blue chip customer base. We have expanded our products and will continue to enhance our range of equipment by creating differentiated values and build on our patented solutions in burn-in and test technologies to serve 6 of the top ten largest semiconductor manufacturers in the world.

### A New Market With Strong Growth Opportunity

The blue chip customer base is an excellent platform to launch our new product, g100. The test handler simulates actions that a device is required to perform such as acceleration etc. at various intervals. The MEMS market is expanding because of the proliferation of consumer gadgets like mobile phones, etc., which is projected to propel revenue from US$14 billion in 2014 to over US$19 billion by 2016.

Our efforts in innovations for our new test handler are not going to stop here. We are already adding features to the "g100" and will be introducing the enhanced test handler as "g32", in preparation for our market launch in January 2015.

### 2015: Seizing the Opportunity

The worldwide semiconductor revenue is expected to increase by 5.8% in 2015 from US$ 338 billion in 2014. Given recent business trends, our customers who are leaders in their respective markets are optimistic of their growth plans.

With any new product, we expect our customers will require time to qualify our equipment and go through a series of critical evaluations, before confirming their orders, as we have experienced with our g100 test handler. In the near term, we are hopeful of making an impact in this new market.

Whilst the outlook of the global economy remains uncertain, the geopolitical threats of terrorism and the spread of Ebola caused dampening effects on the market place, Sunright remains focused on the considerable opportunities ahead of us, to execute our strategies, to grow and maintain our leading position in the market. In the coming months, we will be aggressively launching new products, strengthening our customer base and improving our financials.

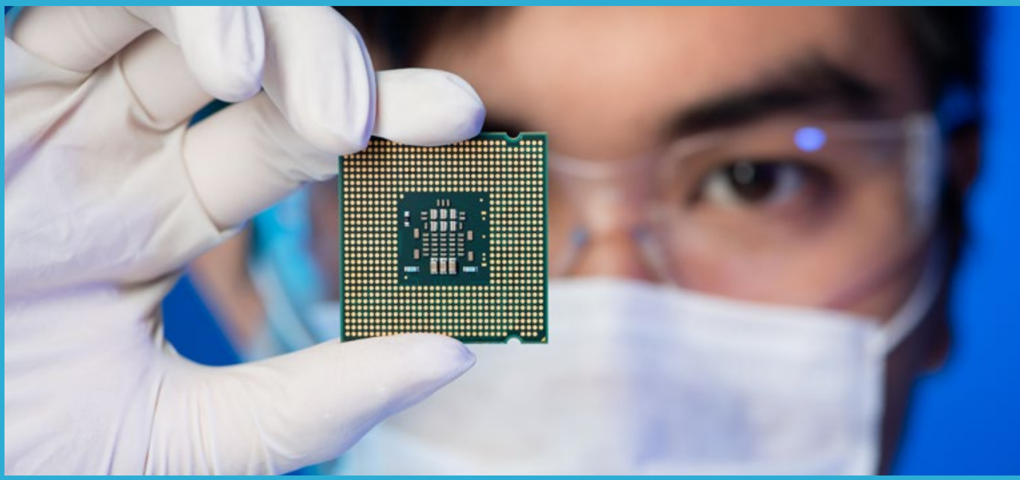
### Dividend

In light of the Group's performance, the Board of Directors is not recommending that a dividend be paid for FY 14. The Board is taking a cautionary step as conservation of cash is necessary to continue with our strategic plans in moving forward.

### Appreciation

We are optimistic about the prospects and on behalf of the Board, we thank our employees, shareholders, customers and suppliers for their continued support.

Mr. Samuel Lim
Executive Chairman & Chief Executive Officer
20th October 2014



# BUSINESS REVIEW

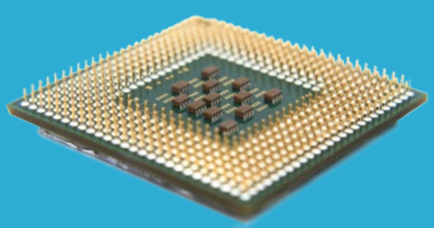
### Equipment & Services

2014 marked a year of significant operational progress despite sluggish sales. We took steps to reorganize our weak operating units to reduce our operational costs by closing services in locations that have lost their strategic values. We disposed equipment which did not offer cost competitiveness. We continued to produce as many numbers of new product designs for wide ranging boards in test and burn-in applications, as compared to the previous year. We believe the logic products will have highly differentiated markets with continuing demands for systems solutions. Our GEN system architecture which is able to perform logic and memory burn in and test, will continue to be relevant and remain a cost effective solution.

We have expanded our high speed "pick and place" product portfolio, Fastrack™, to accommodate a wide range of small and large devices. Our "gravity feed" complements larger devices and this offering gives us complete tube and tray handling capabilities for burn-in of a broad range of chips.

A major highlight for the fiscal year was delivering the first order of g100 and successfully completing a series of qualifications. This was most satisfying and encouraging. Our key focus in the new year is to intensify our international sales marketing efforts and channel more technical resources to strengthen our application support teams.

## Ensuring reliability behind the chips



### Distribution

Sales for existing models of semiconductor wafer and package inspection equipment were slower than usual. We channelled our resources to focus on promotion of newer models and sales have been encouraging. The price competition in the cable market has intensified. We terminated the representation of certain product lines that were less profitable and have focused on prospects that have better market demands. We are working diligently to consolidate our sales operations and streamline our cost structure. These initiatives will improve our competitive edge and give added focus on positioning our products to serve the higher value markets such as the military, instrumentation, etc., to improve our revenues.

# BOARD OF DIRECTORS

## SAMUEL LIM SYN SOO
**Non-Independent Executive Director**

Mr. Samuel Lim is the Executive Chairman and Chief Executive Officer of the Company and was appointed to the Board since its inception, on 9 March 1978. Mr. Lim is also the Executive Chairman and Chief Executive Officer of KESM Industries Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. Mr. Lim sits on the Boards of all the companies in the Sunright Group. By his vision and directions, he led the Company to become the world's largest independent burn-in and testing services provider for the major manufacturers in the semiconductor industry.

Mr. Lim holds a Diploma in Industrial Engineering (Canada) and has more than 42 years of experience in the semiconductor and electronics industry. Prior to the establishing of Sunright Limited, Mr. Lim held senior positions including engineering, manufacturing and marketing in U.S. multinational companies. A local pioneer of the semiconductor industry, Mr. Lim received 3 U.S. patent families in recognition of his inventions in various solutions involving "Burn-in and test". He also sits on the Board of all the companies in KESM Industries Berhad.

Mr. Lim has a direct interest of 67,466,666 shares in the Company.

Mr. Lim was last re-elected as a Director of the Company on 20 November 2013.

## KENNETH TAN TEOH KHOON
**Non-Independent Executive Director**

Mr. Kenneth Tan was appointed to the Board on 12 January 1994. He is responsible for the strategic direction and new business initiatives of some of the Sunright Group companies, contract negotiations, investor relations and oversees the financial management of the Group.

Prior to joining the Company in 1987, he worked in an international accounting firm, a major property group in Singapore and subsequently in a diversified multinational group in the manufacturing and packaging industries.

Mr. Tan has a direct interest of 2,130,000 shares in the Company. He was last re-elected as a Director of the Company on 20 November 2012.

He is also an Executive Director of KESM Industries Berhad and also sits on the Boards of all the companies in the Group as well as several other private limited companies.

Mr. Tan holds a Bachelor of Accountancy degree from the National University of Singapore and is a Fellow Chartered Accountant of Singapore of the Institute of Singapore Chartered Accountants.

# BOARD OF DIRECTORS

## LIM MEE ING
**Non-Independent Non-Executive Director**

Ms. Lim Mee Ing was appointed to the Board on 20 February 1990. She is also a member of the Audit Committee of the Company.

She holds a Diploma from the Institute of Bankers, and has more than 18 years of working experience in the banking profession before her retirement in 1990.

Ms. Lim was employed by the Singapore Branch of Barclays Bank PLC from September 1973 to March 1990 in various senior positions. Prior to her exit, she was responsible for marketing and managing the operations of its global securities and custodian services. She was also a Director of Barclays Bank (S) Nominees Pte Ltd and a member of the Committee on Securities Industry of the Association of Banks in Singapore.

She does not have any shareholding in the Company and its subsidiaries, except she is deemed to have an interest in the shareholding of Mr. Samuel Lim in the Company by virtue of her spousal relationship. Ms. Lim was last re-elected as a director of the Company on 20 November 2012.

Ms. Lim is currently a Non-Executive Director of KESM Industries Berhad and also sits on the Board of a private limited company in China.

## FRANCIS LEE CHOON HUI
**Independent Non-Executive Director**

Mr. Francis Lee joined the Board on 18 January 1994, as an Independent Non-Executive Director. He is also the Chairman of the Audit Committee of the Company.

Mr. Lee qualified as a Barrister-At-Law, and an Advocate & Solicitor, in 1970. He practiced law for over 20 years and was a senior corporate lawyer, whose principal areas of practice were in corporate law, civil litigation and general commercial practice.

In 1992, Mr. Lee retired from legal practice to found Corporate Ventures Group, a consultancy firm for mergers and acquisitions, of which he is the Chairman. He has served as an M&A consultant for substantial private family businesses, as well as for listed companies, for over 20 years. Over the years, he has helped many companies to successful IPOs.

Mr. Lee does not have any shareholding in the Company and its subsidiaries. He was last re-elected as a Director of the Company on 18 November 2011.

He also serves as Vice Chairman and Independent Director of listed GSH Corporation Ltd.

# BOARD OF DIRECTORS

## TIMOTHY BROOKS SMITH

**Independent Non-Executive Director**

Mr. Timothy Brooks Smith joined the Board on 18 January 1994. He is also a member of the Audit Committee of the Company.

Mr. Smith obtained a Bachelor of Science (Electrical & Electronics) in 1965 and then a Master of Science (Electrical Engineering) in 1969 from the Southern Methodist University in the United States of America.

He has over 40 years of experience in the semiconductor industry. He had spent over 21 years at Texas Instruments ("TI") and was credited for the invention of TI's Low Power Schottky Product Line and BiFET OP AMP. His last held position in TI was as a Senior Vice President of the Semiconductor Group, with worldwide profit and loss responsibility for its Memory, MOS Logic and DSP businesses. Reporting to Mr. Smith were TI plants in Singapore, Taiwan, the Philippines and Houston. He managed TI's semiconductor wafer fabrication units in Dallas, Lubbock and Houston; was chairman of its wafer fabrication council; managed the annual capital expenditure budget for multiple wafer fabrication, assembly and test operations and the annual research and development budget for process technology and product development for the businesses under his management. Mr. Smith was the Semiconductor Group representative to the corporate capital subcommittee of the Board of Directors and Chairman of the Wafer Fabrication Council, responsible for the capital roadmap for 27 wafer fabrication units, worldwide. He was also responsible for the included income statement, balance sheet and cash flow of TI's worldwide Memory, MOS Logic and DSP businesses.

Mr. Smith does not have any shareholding in the Company and its subsidiaries. He was last re-appointed as a Director of the Company on 20 November 2013.

Mr. Smith is currently the Chairman and Chief Executive Officer of Avazzia, Inc, a corporation he founded in 2004 to develop, manufacture and sell electronic medical devices.

# CORPORATE STRUCTURE

## SUNRIGHT LIMITED

### Burn-In

- KES Systems & Service (1993) Pte Ltd
- KES Systems & Service (1993) Pte Ltd Philippines Rep Office
- KESM Industries Berhad
- KESP Sdn. Bhd.
- KEST Systems & Service Ltd
- KESU Systems & Service, Inc.*
- KESU Systems & Service, Inc., Korea Branch*
- KES Systems, Inc.
- KES Systems & Service Costa Rica Sociedad Anónima*
- KESM Industries (Tianjin) Co., Ltd
- KES Systems & Service (Shanghai) Co., Ltd
- KES Systems & Service (M) Sdn. Bhd.
- KES Systems & Service Philippines Inc.

### Testing

- KESM Test (M) Sdn. Bhd.
- KESM Industries (Tianjin) Co., Ltd

### Distribution

- Kestronics (S) Pte Ltd
- Kestronics Philippines, Inc.
- Kestronics (M) Sdn. Bhd.
- Kestronics (Thailand) Co., Ltd*

### Investment Holding

- KES (USA) Inc.

### Electronics Manufacturing Services

- KESP Sdn. Bhd.

* Dormant

As at 30 September 2014

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Samuel Lim Syn Soo**
Executive Chairman & CEO

**Kenneth Tan Teoh Khoon**
Executive Director

**Lim Mee Ing**
Non-Executive, Non-Independent Director

**Francis Lee Choon Hui**
Non-Executive, Independent Director

**Timothy Brooks Smith**
Non-Executive, Independent Director

## AUDIT COMMITTEE

**Francis Lee Choon Hui**
**Lim Mee Ing**
**Timothy Brooks Smith**

## COMPANY SECRETARY

**Adeline Lim Kim Swan**

## REGISTERED OFFICE

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Tiong Bahru Industrial Estate
Singapore 169204
Tel : 6272 5842
Fax: 6276 8426

## SHARE REGISTRAR

**Boardroom Corporate & Advisory Services Pte. Ltd.**
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel : 6536 5355
Fax: 6536 1360

## AUDITOR

**Ernst & Young LLP**
One Raffles Quay
North Tower Level 18
Singapore 048583

## AUDIT PARTNER

**Michael Sim Juat Quee**
Partner-in-charge
(with effect from financial year ended 31 July 2013)

# CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") is committed to ensure that good corporate governance practice is observed throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the financial performance of the Group.

When establishing the Company's corporate governance framework, the Board considered the principles and recommended guidelines of the Code of Corporate Governance 2012 ("the Code"), their applicability to the Group's business circumstances and adopts practices that are most suitable and effective, in order to achieve high standard of corporate governance desired.

This Statement describes the Company's corporate governance practices that were in place throughout the financial year ended 31 July 2014 ("Year 2014"). Other than deviations which were explained in this Statement, the Company has generally adhered to the principles and guidelines set out in the Code.

## BOARD MATTERS

### Board's Conduct of Affairs

### Effective Board to lead and control the Company (Principle 1)

There is a strong and objective Board to lead and control the Company. The Board consists of individuals from the private sector, with the right core competencies and diversity of experience to enable them in their collective wisdom to contribute effectively. It is made up of a balanced mix of executive and non-executive, independent and non-independent directors. Each Director is expected to act in good faith and in the interests of the Company.

The key roles of our Board are to :-

- guide the corporate strategy and direction of the Group;
- establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- ensure effective management and leadership of the highest quality and integrity; and
- provide oversight in the proper conduct of the Group's business.

The Board has delegated the day-to-day management and running of the Company to the Management headed by the Chief Executive Officer, Mr Samuel Lim Syn Soo, and the Executive Director, Mr Kenneth Tan Teoh Khoon. The Executive Directors supervise the management of the Group's operations. Together with corporate staff members, they regularly meet with the management personnel of the Group's operations to review each operation's progress in strategic directions, projects and operational performance.

# CORPORATE GOVERNANCE STATEMENT

In addition, to assist the Board in the consideration of the various issues at hand and to facilitate decision-making, a Board committee had been formed, namely the Audit Committee ("AC"). The committee is governed and regulated by its own terms of reference which sets out the scope of its duties and responsibilities, rules and regulations, and procedures governing the manner in which the committee is to operate and how its decisions are to be taken.

The Board meets regularly at least three (3) times a year, and holds additional meetings as warranted by particular circumstances. Board meetings are normally an open and transparent affair. Matters requiring any decision by the Board are diligently deliberated by the Board to ensure the interests of the Company are protected. Consequently, no individual or small group of individuals may dominate the Board's decision-making. If necessary, meetings may be conducted via telephone or videoconference, as permitted by the Company's Articles of Association ("Articles").

The Board is fully aware of and acts on its specifically reserved matters for decision to ensure that the direction of the Group is firmly in its hands. Matters that normally require Board's consideration and approval include annual budget, annual financial statements, review of the Group's financial performance and its internal control systems and authorisation of announcements to be made.

In between Board meetings, important matters are also discussed in person or on the telephone and are put to the Board for its decision by way of circulating resolutions in writing, together with supporting memorandum/papers (where relevant) to enable the directors to make informed decisions.

In Year 2014, the Board met on three (3) occasions. Amongst other Board matters, the Board reviewed the performance of the Group and endorsed the release of the half yearly and full year's financial results, approved the annual financial statements, annual budget, corporate governance statement and Chairman's statement, authorised announcements to be issued, and deliberated on strategic plans and corporate governance practices.

A record of each individual Director's attendance at Board meetings and Board Committee meetings in Year 2014 is set out below:

| | Attendance at Board Meetings | |
|---|---|---|
| **Name of Directors** | **No. of Meetings Held** | **No. of Meetings Attended** |
| Samuel Lim Syn Soo | 3 | 3 |
| Kenneth Tan Teoh Khoon | 3 | 3 |
| Lim Mee Ing | 3 | 3 |
| Francis Lee Choon Hui | 3 | 3 |
| Timothy Brooks Smith | 3 | 3 |

# CORPORATE GOVERNANCE STATEMENT

| Name of Directors | Attendance at Audit Committee Meetings<br>No. of Meetings Held | <br>No. of Meetings Attended |
|---|---|---|
| Francis Lee Choon Hui | 2 | 2 |
| Lim Mee Ing | 2 | 2 |
| Timothy Brooks Smith | 2 | 2 |

From time to time the Directors are kept informed by the Executive Directors, Management, Company Secretary and Auditors via circulated updates or briefings during AC and Board meetings about (i) issues relating to or which may affect the Group's business activities, strategic directions and governance practices; (ii) industry environment and developments affecting the businesses of the Group; (iii) changing commercial risks faced by the Group; (iv) relevant new laws and regulations; and (v) changes to the accounting standards and regulations.

The Board has an open policy for occasional training for all the Board members. Hence, a training budget has been set aside to encourage Directors to attend relevant external conferences, courses, seminars and workshop, which they deem appropriate to attend.

In Year 2014, the Directors :-

- were briefed by the external auditors and Management on the changes in accounting standards and the potential impact such changes might have on the Group's financial statements;
- were updated on the developments and changes to the Code, Companies Act, Cap. 50 ("CA") and listing requirements of the Singapore Exchange Securities Trading Ltd ("SGX-ST") at the Board meetings and via circulation of news releases and publications from the relevant regulatory authorities and professional firms; and
- certain directors attended a workshop on new product development, positioning and strategy deployment.

The current directors have been in office since the Company's listing on the SGX-ST in October 1994 and have been made aware of and are familiar with their duties and obligations. In this regard, the Company does not provide a formal letter to the directors outlining their duties and obligations.

### Board Composition and Guidance (Principle 2)

The Board comprises five (5) members, three (3) of whom are Non-Executive. Two (2) of the Non-Executive Directors are Independent.

With more than one-third (1/3) Independent Directors on the Board, the Company has adhered to Guideline 2.1 of the Code. There has always been active and unrestricted participation by Independent Directors in the decision-making at Board meetings. Accordingly, there is a strong and independent element on the Board to enable the Board to exercise its judgment on corporate affairs objectively and independently, from the Management.

# CORPORATE GOVERNANCE STATEMENT

Guideline 2.2 of the Code recommends that Independent Directors should make up at least half of Board where the Chairman and the CEO is the same person. Whilst the Chairman and Chief Executive Officer ("CEO") is the same person, the Board opines that as there is already a strong independence element and considering the Group's current size and operations, it is not necessary to introduce more independent directors solely to make up at least half of the Board.

The independence of the Directors is monitored and ensured by the Board. The Board reviews the independence of the Board members with reference to the guidelines set out in the Code and, has determined that Messrs Francis Lee Choon Hui and Timothy Brooks Smith to be independent.

The Board considers its current Board size and composition to be appropriate and effective, after taking into account the nature and scope of the Group's operations.

The Board benefits from the wealth and depth of experience each Director possesses, collectively providing core competencies in accounting, business, finance, industry knowledge, law, management and strategic experience.

The Non-Executive Directors offer alternative views of the Group's business and corporate activities. They contribute to the Board's process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide different perspectives to the Group's businesses. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions.

### Chairman and Chief Executive Officer (Principle 3)

Mr Samuel Lim holds the positions of Chairman of the Board and Chief Executive Officer ("CEO") of the Company.

Although the roles are combined, the Board is of the view that there are sufficient Independent Directors on the Board to ensure fair and objective deliberations at Board meetings and who are capable of exercising independent judgements. The Chairman/CEO always abstains from voting on matters, which he is directly or deemed, interested. Moreover the scale of the business does not warrant a meaningful split of these roles.

The Board also views that it is advantageous to vest the roles of both Chairman and CEO on the same person who, in the unique position as co-founder of the Company, is knowledgeable in the business of the Group as it provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

Further, in view of Mr Samuel Lim's performance and objectivity in discharging his responsibilities, the Board fully supports the retention of his role as Executive Chairman and CEO.

As Chairman, he leads the Board, ensures that meetings are held when necessary to enable the Board to perform its duties responsibly and sets the Board agenda. However, Directors are free to request for ad hoc agenda items to be included, through the Company Secretary. Further, the Chairman promotes an open environment for debate, and ensures that Independent Directors are able to speak freely and contribute effectively. In addition, he also ensures that Directors receive accurate, timely and clear information, fosters effective communication with shareholders, encourages constructive relations between the Board and Management, and among Directors, and promotes high standards of corporate governance.

# CORPORATE GOVERNANCE STATEMENT

Guideline 3.3 of the Code recommends that a lead independent director should be appointed where the Chairman and CEO is the same person. The Board is not making such an appointment as it is of the opinion that based on past experiences, it is remote and highly unlikely that shareholders will be unable to relate or resolve their concerns through the normal channel of the Chairman/CEO or Executive Director of the Company, or to communicate with the independent directors if they wished to do so.

**Board Membership (Principle 4)**
**Board Performance (Principle 5)**

The Company did not establish a NC as recommended by the Code as the Board itself can fulfil the role of NC. The size of the Board does not warrant having a sub-committee for the stated purposes. The Board will review the need for a NC and establish one should the need arises.

All the Directors have been in the Board since 1994 and are closely identified with the Group's business and success individually and collectively. The Directors have been able to effectively and capably execute their responsibilities, thus enabling the Group to grow over the years, as well as to navigate through challenging business environments, caused by the poor economic conditions in the U.S. and Europe.

The Board had developed a process to perform evaluation of the performance and effectiveness of the Board as a whole, its board committee and the contribution by the Chairman and individual director to the effectiveness of the Board as well as determined whether the independence of directors are compromised bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 of the Code.

The evaluation was conducted in-house via completion of relevant confidential questionnaires by Directors. The completed questionnaires were collated by the Company Secretary and a consolidated report prepared and presented to the Board. Based on the evaluation carried out, the Board determined that for FY 2014 :-

- the Board and the Audit Committee operate effectively and each Director had contributed to the overall effectiveness of the Board and demonstrated full commitment to their roles;

- Messrs Francis Lee Choon Hui and Timothy Brooks Smith should still be considered as Independent Directors notwithstanding they have sat on the Board beyond the recommended tenure of 9 years. In its rigorous review of their independence, the Board took into account;

- their confirmation that they are (i) free from any relationships as outlined in Guideline 2.3 of the Code; and (ii) able to exercise independent judgment;

- they continue to demonstrate they are independent from management, free from any business or other relationship which could materially affect their exercise of independent judgment and exhibit ability to exercise their views liberally; and

- their continued service on the Board provides the Company with their combined institutional memories and long term perspectives, which are valuable to the Company.

# CORPORATE GOVERNANCE STATEMENT

The Board does not see any reason to set a limit on the number of listed companies board representations which a director may hold, given that time requirements for each vary, and thus should not be prescriptive. The Board also considered, and is of the opinion that the multiple board representations held by Directors of the Company has not impeded their performance in carrying out their duties of the Company as each Director is able to and has been :-

- giving sufficient time and attention to the affairs of Company; and
- adequately carrying out his duties as a Director of the Company.

There is no alternate director on the Board.

The Board recommends the nomination of retiring Directors for re-election at the Annual General Meeting ("AGM") of the Company. Pursuant to the Articles, one-third of the Directors shall retire from office at every AGM and Directors appointed during the course of the year must submit themselves for re-election at the next AGM immediately following their appointment. In addition, Section 153(6) of the CA stipulates that a Director who reaches or is over the age of 70 years old is required to retire and stand for re-appointment at every AGM.

Having considered the effectiveness and contributions of Directors as well as their independence, the Board nominates and recommends the following retiring Directors to stand for re-election/re-appointment at the Company's forthcoming AGM:-

- Mr Francis Lee Choon Hui, Independent Director, who is due for retirement by rotation under the Articles; and
- Mr Timothy Brooks Smith, Independent Director, who is due for retirement pursuant to Section 153(6) of the CA.

At such time that the Board finds it requires new members to improve its working and quality, the Board would find suitable candidates and make appropriate recommendation. When a decision is made to appoint new Directors or increase the Board size, the Board will consider the adoption of a process for selection and appointment of new directors.

The profiles of each Director and other relevant information are set out under "Board of Directors" section of this Annual Report.

## ACCESS TO INFORMATION (PRINCIPLE 6)

The Board has full and unrestricted access to Management and the Company Secretary at all times.

Prior to each Board and AC meeting, every Director is given an agenda and a set of papers containing reports and information relevant to the agenda items to facilitate active participation and informed decision-making. The papers are issued in sufficient time to enable the Directors to obtain further information and explanations, where necessary, so that they are properly briefed before the meetings.

At each meeting, apart from receiving financially oriented information from the Management, the Board is also kept updated on the activities, operations and other performance factors affecting the Group's business and performance. All Directors can and do have the opportunity to call for additional clarification and information to assist them in their decision-making.

# CORPORATE GOVERNANCE STATEMENT

All Directors have direct access to the company secretary. The company secretary is responsible for ensuring that Board procedures are observed. Together with senior management staff, she ensures that the Company follows and complies with applicable requirements, rules and regulations. The company secretary also ensures there is good information flows within the Board and its committees and between senior management and Non-Executive Directors. She attends all meetings of the Board and its committees.

The appointment and the removal of the company secretary is a matter for the Board as a whole.

The Directors are also able to seek independent professional advice at the Company's expense in the furtherance of their duties, if required.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies (Principle 7)
### Level and Mix of Remuneration (Principles 8)

The Board did not establish a Remuneration Committee ("RC") as recommended by the Code. The Board itself fulfils the role of an RC, in respect of the review of the remuneration of Executive Directors, from time to time; and has delegated the review of Senior Managers of the Group, to the Executive Directors. Also, the size of the Board does not warrant having a sub-committee for the stated purposes. The Board will review the need for a RC and establish one should the need arises.

The Board determines and deliberates on the remuneration of Directors during the normal proceedings of the meeting of Directors. Further, a Director shall always abstain from suggesting, voting or recommending his or her individual remuneration.

The remuneration policy of the Company is to pay competitively and adequately. This translates to be remuneration that is attractive but yet non-excessive, that enables the Company to recruit capable Directors, Management and staff.

In its review of and approval of the Directors' remuneration, the Board made reference to comparable companies in similar industry, market practices and the performance of the Group.

Executive Directors do not receive directors' fees. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors. The remuneration of Executive Directors consists of their salaries, bonuses and profit sharing awards conditional upon the Group achieving certain profit before tax targets. Their service contracts do not have fixed appointment period as the Company may terminate by written notice to them. There are also no onerous removal clauses stipulated in their service contracts.

Non-Executive Directors have no service contracts with the Company. They are paid a basic fee and additional fees for serving on Board committee and taking on the responsibilities of committee chairmanship. In determining the quantum of such fees, factors such as the efforts and time spent, and the responsibilities of Directors are taken into account. Such fees are subject to the approval of the shareholders as a lump sum payment at the AGM.

# CORPORATE GOVERNANCE STATEMENT

The Board is of the view that it is currently not necessary to introduce 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 incentive components of remuneration are paid basing on the approved audited financial statements and a long established incentive scheme based on performance.

## DISCLOSURE ON REMUNERATION

### Clear Disclosure of Remuneration (Principle 9)

The breakdown (in percentage terms) of each individual Director's remuneration earned through fee, basic and variable remunerations for Year 2014 is as follows:

| | Fee | Salary | Other Benefits | Total |
|---|---|---|---|---|
| **Below $250,000** | | | | |
| Lim Mee Ing | 100 | – | – | 100 |
| Francis Lee Choon Hui | 100 | – | – | 100 |
| Timothy Brooks Smith | 100 | – | – | 100 |
| **S$500,000 to S$749,999** | | | | |
| Samuel Lim Syn Soo | – | 86 | 14 | 100 |
| Kenneth Tan Teoh Khoon | – | 87 | 13 | 100 |

The remuneration paid to each of the top 5 key executives who are not Directors or the CEO of the Company fall below $250,000 remuneration band. The Company refrains from disclosing the details of the remuneration as it believes that doing so is not in its best interests due to the sensitive and confidential nature of such information.

In Year 2014, no employee was an immediate family member of any Director or the CEO of the Company.

The Company does not have any employee share schemes.

## ACCOUNTABILITY AND AUDIT

### Accountability (Principle 10)

The Board provides a balanced and meaningful assessment of the Company's and of the Group's financial performance, position and prospects through the half year's and full year's results announcements, annual financial statements, the Chairman's statement in the annual report, and in other price sensitive public announcements of material information. The Board is assisted by the AC to oversee the Group's financial reporting processes and the quality of its financial reporting.

# CORPORATE GOVERNANCE STATEMENT

To enable the Board to make such assessment, Management provides to the Board on an ongoing basis concise, adequate and timely information regularly, which include :-

(a) management accounts of the Group's performance, position and prospects on a monthly basis; and

(b) information about the Group's businesses, performance, key achievements and business directions; impact of changes/ development in the economy; financial market; corporate governance; semiconductor industry; market outlook; introduction of new products and services and new provisions or changes in statutory/regulatory requirements affecting the operations of the Group, that were presented at the regular AC/Board meetings.

## Risk Management and Internal Controls (Principle 11)

The Board is assisted by Management and AC for ensuring that business unit management maintains a sound system of risk management and internal controls addressing material financial, operational, compliance and information technology risks to safeguard shareholders' investments and the assets of the Group.

Risk Management Framework

The Group has implemented an Enterprise Risk Management ("ERM") framework and related processes for identifying, evaluating and managing significant risks faced by the Group.

The Board's responsibilities for the governance of risks and controls include :-

- setting the tone and culture for effective risk management and internal control systems;
- ensuring risk management is embedded in all aspects of the Group's daily business and operational activities and processes;
- determining acceptable risk appetite; and
- reviewing the adequacy and effectiveness of risk management and internal control systems to obtain reasonable assurance that risks have been kept within tolerable levels.

Internal Control Framework

The Group has put in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

The Executive Directors and senior management through their day-to-day involvement in the business operations and regular attendance at senior management level meetings, manage and monitor the Group's financial performance, key business indicators, operational effectiveness and efficiency, discuss and resolve significant business issues and ensure compliance with applicable laws, regulations, rules, directives and guidelines. These senior management meetings serve as a two-way platform for the Board, through the Executive Directors, to communicate and address significant matters in relation to the Group's business and financial affairs and provide update on significant changes in the business and the external environment which result in significant risks.

# CORPORATE GOVERNANCE STATEMENT

The Group's internal control procedures also encompass a series of standard operating practice manuals and business process manuals, which serve as guidance for proper measures to be undertaken, and are subject to regular review, enhancement and improvement.

The AC has, with the assistance of Management, reviewed the Group's material controls, including financial, operational and compliance controls, and risk management systems. Based on the various controls established and maintained by the Group, risks assessment performed by Management, the work undertaken by the external auditors as part of their statutory audit, the Board, with the concurrence of the AC, is satisfied that the Group's internal controls and risk management processes are adequate to address material financial, operational and compliance risks, for the nature and size of the Group's operations and businesses.

The Board had received assurances from the Chief Executive Officer and the Executive Director, who are responsible for the financial management of the Group that :-

- the financial records have been properly maintained and the financial statements for the year ended 31 July 2014 gave a true and fair view of the Group's operations and finances; and

- the Group's risk management and internal control systems which addressed the material risks in the Group in its current business environment including financial, operational, compliance and information technology risks, were operating effectively.

## Audit Committee (Principle 12)

The AC comprises three (3) Non-Executive Directors, two (2) of whom including the Chairman, are Independent Directors. A majority of the AC possesses accounting and related financial management expertise and experience. The members of the AC are Messrs Francis Lee Choon Hui, Lim Mee Ing and Timothy Brooks Smith.

The AC has a set of Terms of Reference defining its scope of authority and duties. In the performance of its duties, it has explicit authority to investigate any matter falling within its Terms of Reference, full access to and co-operation from Management and the internal auditors, full discretion to invite anyone to attend its meetings and reasonable resources at its disposal to enable it to discharge its function properly. The external auditors also have unrestricted access to the AC.

The AC performs the functions specified in the Singapore Companies Act, Cap. 50, and the Listing Manual of SGX-ST. Its duties include reviewing the scope of the audit and the independence and objectivity of the external auditors, reviewing the significant financial reporting issues and judgements reported by the external auditors, ensuring the integrity of the financial statements and results announcements of the Group, reviewing the adequacy of the Group's internal controls, reviewing the effectiveness of the Group's internal audit function, reviewing corporate governance practices and making recommendation on the appointment, re-appointment and removal of external auditors.

The Committee met two (2) times in Year 2014. All the other Board members, the Corporate Controller and the Company Secretary were present at all the meetings.

The AC has conducted a review of the aggregate amount of the fees paid to the external auditors for Year 2014, and the breakdown of the fees paid in total for audit and non-audit services, and is satisfied that the value of the non-audit services performed by the external auditors would not prejudice the independence and objectivity of the external auditors. The breakdown of the fees paid in respect of audit and non-audit services provided by the external auditors are disclosed in Note 8 of the audited financial statements included in this Annual Report.

# CORPORATE GOVERNANCE STATEMENT

The Company has complied with Rule 712 of the Listing Manual in relation to its external auditors.

The Company has a Whistle Blower Policy by which employees of the Group may report and raise in good faith and in confidence, any concern about possible improprieties in matters of financial reporting or other matters. The policy serves to facilitate independent investigation of such matters and for appropriate follow-up action.

During Year 2014, the AC :-

a) reviewed with the internal auditors, their audit findings;

b) reviewed with the external auditors, their audit plan, and audit findings;

c) reviewed the audited financial statements and the external auditors' report;

d) reviewed the re-nomination of external auditors;

e) reviewed, discussed and recommended the unaudited half-yearly and annual results of the Company and of the Group to be presented to the Board for approval; and

f) reviewed the level of assistance given by the Group's Management to the auditors.

### Internal Audit (Principle 13)

The Group has all along outsourced its internal audit to an accounting/auditing firm, but is currently in a casual vacancy situation after the last internal auditors completed their work and were not re-appointed.

The AC, with the concurrence of the Board, decided that in view of the adoption of the new ERM framework, which is being applied to the Company and Group in its current financial year, the Group should be able to discharge the need for periodic internal audit.

Nonetheless, the AC and Board may still, from time to time, commission an internal audit, should a need arises in the future.

## SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Shareholder Rights (Principle 14)
### Communication with Shareholders (Principle 15)

The Board recognises the importance of engaging in regular, effective and fair communications with its shareholders. In this regard, it strictly adheres to the disclosure requirements set out in the Listing Manual of the SGX-ST to ensure that material information is made publicly available on a timely and non-selective basis to all shareholders.

In disclosing information to shareholders, the Company aims to provide a balanced and meaningful description. Shareholders are kept informed of all major developments and performance of the Group through timely half year's and full year's results announcements and the various disclosures and announcements made to the SGX-ST via the SGXNET, press releases, annual reports and circulars to shareholders.

# CORPORATE GOVERNANCE STATEMENT

Additionally, the AGM is the principal forum for the Board to have face-to-face dialogue with the shareholders, to gather their views or inputs as well as to address any concerns they may have. As such, the Board always encourages shareholders' active participation at the AGMs by giving them adequate opportunity and time to air their views and pose questions regarding the Group's business activities and performance.

Guideline 14.3 of the Code recommends that companies should allow corporations which provide nominee or custodial services to appoint more than two proxies to attend general meetings. The Company is not implementing such exception for proxy appointment until the law is changed to allow unequal treatment of shareholders holding the same class of shares.

Dividend policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends the Board may recommend or declare, will depend on various factors, including general financial condition, the level of Group's cash and earnings, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

Notwithstanding the above, the Company has clearly communicated to shareholders via the financial results announcement through SGXNet on any declaration of dividend.

Taking into consideration the uncertain global recovery, the Group's cash and earnings levels, results of operations, development plans and capital requirements, the Board, does not recommend any payment of dividend for Year 2014.

## CONDUCT OF SHAREHOLDER MEETINGS (PRINCIPLE 16)

Shareholders are notified to participate in the Company's general meetings through notices in its annual reports or circulars, as well as publication in a local newspaper and announcements made via SGXNet.

If registered shareholders are unable to attend the general meetings, the Articles permits such shareholders to appoint up to two proxies to attend the meetings and vote on their behalf. The Company also allows Central Provident Fund investors to attend general meetings as observers. However, the Company has not provided in its Articles to allow voting in absentia as it is felt that this would not serve the interest of shareholders.

Issues or matters requiring shareholders' approval are tabled at the AGM of the Company in the form of separate and distinct resolutions. This is to enable the shareholders to have full understanding and evaluation of issues or matters involved.

Members of the Board, including the Chairman of the AC, are normally present at general meetings to address shareholders' questions. The external auditors are also present at AGM to assist the Directors in addressing shareholders' queries about the audited financial statements.

Guideline 16.5 of the Code recommends that all resolutions of the general meetings be put to vote by poll. The Company is not implementing poll voting, as the low attendance number and higher cost of doing poll voting outweigh the benefits and interests of the Company and the shareholders.

Subject to the Articles, the Chairman does have the right to demand a poll, as he may deem appropriate. However, to comply with Rule 704(16) of the Listing Manual, the Company will have to adopt poll voting, with effect from its AGM commencing Year 2015.

# CORPORATE GOVERNANCE STATEMENT

## DEALINGS IN SECURITIES OF THE COMPANY

The Company has in place a policy on dealings in the Company's securities by its Directors and relevant officers of the Company and of its subsidiaries. Under the policy, they are prohibited from dealing in the Company's securities during the periods commencing one month before the announcement of the Group's half yearly and annual results and ending on the date of the announcement of such results, or when they are in possession of unpublished price sensitive information of the Group. In addition, the Directors and officers are discouraged from trading in the Company's securities based on short-term considerations and to observe insider trading laws at all times.

## INTERESTED PERSON TRANSACTIONS

In Year 2014, the Company and its subsidiaries did not enter into any transaction that would be regarded as an interested person transaction, pursuant to Chapter 9 of the Listing Manual.

# FINANCIAL STATEMENTS

# DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Sunright Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 July 2014.

## Directors

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

Samuel Lim Syn Soo
Kenneth Tan Teoh Khoon
Lim Mee Ing
Francis Lee Choon Hui
Timothy Brooks Smith

## Arrangements to enable directors to acquire shares and debentures

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

## Directors' interests in shares and debentures

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

| | Direct interest | | Deemed interest | |
|---|---|---|---|---|
| Name of director | At the beginning of the year | At the end of the year | At the beginning of the year | At the end of the year |
| **Ordinary shares of the Company** | | | | |
| Samuel Lim Syn Soo | 67,466,666 | 67,466,666 | – | – |
| Lim Mee Ing | – | – | 67,466,666 | 67,466,666 |
| Kenneth Tan Teoh Khoon | 2,130,000 | 2,130,000 | – | – |

# DIRECTORS' REPORT

### Directors' interests in shares or debentures (cont'd)

By virtue of their interest in Sunright Limited, Mr Samuel Lim Syn Soo and Ms Lim Mee Ing are deemed to have an interest in the shares of the subsidiary companies of Sunright Limited in proportion to its interest in the subsidiary companies as listed in Note 11 to the financial statements.

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

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

### Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

### Audit Committee

An Audit Committee was established on 3 October 1994 by the Board of Directors. The Audit Committee carried out the functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Corporate Governance Statement.

The Audit Committee, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors.

The Committee recommends to the Board of Directors the re-appointment of Ernst & Young LLP as external auditors at the forthcoming annual general meeting of the Company.

# DIRECTORS' REPORT

## Auditor

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

On behalf of the Board of Directors,

Samuel Lim Syn Soo
Director

Kenneth Tan Teoh Khoon
Director

Singapore
26 September 2014

# STATEMENT BY DIRECTORS

We, Samuel Lim Syn Soo and Kenneth Tan Teoh Khoon, being two of the directors of Sunright Limited, do hereby state that, in the opinion of the directors:

(i) the accompanying balance sheets, consolidated statement of profit or loss and other comprehensive income, 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 state of affairs of the Group and of the Company as at 31 July 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Samuel Lim Syn Soo
Director

Kenneth Tan Teoh Khoon
Director

Singapore
26 September 2014

# INDEPENDENT AUDITOR'S REPORT

**For the financial year ended 31 July 2014 to the Members of Sunright Limited**

## Report on the financial statements

We have audited the accompanying consolidated financial statements of Sunright Limited (the "Company") and its subsidiary companies (collectively, the "Group") set out on pages 30 to 99, which comprise the balance sheets of the Group and the Company as at 31 July 2014, the statements of changes in equity of the Group and the Company, and the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditor's responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

# INDEPENDENT AUDITOR'S REPORT

**For the financial year ended 31 July 2014 to the Members of Sunright Limited**

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 July 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

### Report on other legal and regulatory requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
26 September 2014

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**For the financial year ended 31 July 2014**
(In Singapore dollars)

| | Note | 2014<br>$'000 | 2013<br>(Restated)<br>$'000 |
|---|---|---|---|
| **Turnover** | 4 | 91,218 | 98,751 |
| **Revenue** | 4 | 38,789 | 46,638 |
| **Other items of income** | | | |
| Interest income | 5 | 101 | 145 |
| Dividend income | | 15 | 13 |
| Fair value gain on held for trading investment securities | | 114 | 66 |
| Miscellaneous income | 6 | 2,337 | 2,594 |
| **Items of expenses** | | | |
| Raw materials and consumables used | | (23,148) | (27,031) |
| Changes in inventories of finished goods and work-in-progress | | (1,397) | (404) |
| Employee benefits expense | 28 | (13,611) | (15,989) |
| Depreciation of property, plant and equipment | 10 | (1,961) | (2,217) |
| Reversal of impairment loss/(impairment loss) on property, plant and equipment | 10 | 1,265 | (1,515) |
| Operating lease rentals | | (1,231) | (1,424) |
| Finance costs | 7 | (167) | (180) |
| Other operating expenses | | (5,484) | (5,539) |
| Share of results of associates | | 4,388 | 3,085 |
| **Profit/(loss) before taxation** | 8 | 10 | (1,758) |
| Income tax benefit | 23 | 125 | 80 |
| **Profit/(loss) for the year** | | 135 | (1,678) |
| **Other comprehensive income:** | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement (loss)/gains arising from defined benefit plans, net of tax | 26 | (2) | 20 |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Foreign currency translation (loss)/gain | | (1,522) | 255 |
| **Other comprehensive income for the year, net of tax** | | (1,524) | 275 |
| **Total comprehensive income for the year** | | (1,389) | (1,403) |
| **Profit/(loss) attributable to:** | | | |
| Owners of the Company | | 135 | (1,678) |
| **Total comprehensive income attributable to:** | | | |
| Owners of the Company | | (1,389) | (1,403) |
| Earnings/(loss) per share (cents) | 9 | 0.1 | (1.4) |

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

# BALANCE SHEETS

**As at 31 July 2014**
(In Singapore dollars)

| | Note | Group 31.7.2014 $'000 | Group 31.7.2013 (Restated) $'000 | Group 1.8.2012 (Restated) $'000 | Company 31.7.2014 $'000 | Company 31.7.2013 $'000 |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| **Non-current assets** | | | | | | |
| Property, plant and equipment | 10 | 4,391 | 5,824 | 7,518 | 470 | 583 |
| Investment in subsidiaries | 11 | – | – | – | 8,074 | 9,513 |
| Investment in associates | 12 | 59,713 | 57,034 | 53,911 | 5,885 | 5,885 |
| Deferred tax assets | 23 | 806 | 823 | 781 | – | – |
| Loans to subsidiaries | 13 | – | – | – | – | 95 |
| Loan to associates | 14 | 532 | 547 | 549 | 532 | 547 |
| Total non-current assets | | 65,442 | 64,228 | 62,759 | 14,961 | 16,623 |
| **Current assets** | | | | | | |
| Investment securities | 15 | 538 | 424 | 358 | 538 | 424 |
| Inventories | 16 | 5,473 | 6,350 | 6,939 | – | – |
| Prepayments | | 425 | 324 | 484 | 56 | 59 |
| Trade and other receivables | 17 | 8,665 | 12,439 | 15,271 | 4,610 | 4,192 |
| Fixed deposits | 18 | 6,188 | 6,399 | 6,377 | 3,543 | 3,525 |
| Cash and bank balances | 18 | 5,864 | 7,793 | 9,591 | 3,112 | 3,125 |
| Total current assets | | 27,153 | 33,729 | 39,020 | 11,859 | 11,325 |
| **Total assets** | | 92,595 | 97,957 | 101,779 | 26,820 | 27,948 |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Equity** | | | | | | |
| Share capital | 19 | 35,727 | 35,727 | 35,727 | 35,727 | 35,727 |
| Retained earnings/ (accumulated losses) | | 33,841 | 33,708 | 33,968 | (20,514) | (21,315) |
| Other reserves | 20 | 2,182 | 3,704 | 5,093 | 155 | 155 |
| **Total equity attributable to owners of the Company** | | 71,750 | 73,139 | 74,788 | 15,368 | 14,567 |

# BALANCE SHEETS

**As at 31 July 2014**
(In Singapore dollars)

| | Note | Group 31.7.2014 $'000 | Group 31.7.2013 (Restated) $'000 | Group 1.8.2012 (Restated) $'000 | Company 31.7.2014 $'000 | Company 31.7.2013 $'000 |
|---|---|---|---|---|---|---|
| **Non-current liabilities** | | | | | | |
| Loans and borrowings | 21 | 1,416 | 1,008 | 1,223 | 132 | 193 |
| Loans from subsidiaries | 13 | – | – | – | 5,521 | 6,491 |
| Long term payables | 26 | 389 | 480 | 537 | – | – |
| Provisions | 25 | – | 44 | 39 | – | – |
| Deferred income | 22 | 256 | 617 | 1,028 | – | – |
| Deferred tax liabilities | 23 | 4,168 | 4,168 | 4,196 | 2,129 | 2,129 |
| Total non-current liabilities | | 6,229 | 6,317 | 7,023 | 7,782 | 8,813 |
| **Current liabilities** | | | | | | |
| Trade and other payables | 24 | 10,391 | 13,788 | 15,597 | 922 | 1,299 |
| Loans and borrowings | 21 | 3,934 | 4,325 | 3,806 | 2,353 | 2,769 |
| Provisions | 25 | 23 | 38 | 37 | – | – |
| Provision for taxation | | 268 | 350 | 528 | 395 | 500 |
| Total current liabilities | | 14,616 | 18,501 | 19,968 | 3,670 | 4,568 |
| **Total equity and liabilities** | | 92,595 | 97,957 | 101,779 | 26,820 | 27,948 |

*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 31 July 2014**
(In Singapore dollars)

| | Note | Total equity attributable to owners of the Company $'000 | Share capital $'000 | Retained earnings $'000 | Asset revaluation reserve $'000 | Foreign currency translation reserve $'000 | Capital reserve $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| As at 1 August 2012 | | | | | | | |
| - as previously reported | | 75,228 | 35,727 | 34,423 | 1,696 | (7,886) | 11,268 |
| - effect of adopting Revised FRS 19 | 2.2 | (440) | – | (455) | – | 15 | – |
| - as restated | | 74,788 | 35,727 | 33,968 | 1,696 | (7,871) | 11,268 |
| Effects of transition to MFRS by associates (Note 1) | | – | – | 1,696 | (1,696) | – | – |
| Loss for the year | | | | | | | |
| - as previously reported | | (1,699) | – | (1,699) | – | – | – |
| - effect of adopting Revised FRS 19 | | 21 | – | 21 | – | – | – |
| - as restated | | (1,678) | – | (1,678) | – | – | – |
| Other comprehensive income for the year, net of tax | | | | | | | |
| - as previously reported | | 265 | – | – | – | 265 | – |
| - effect of adopting Revised FRS 19 | | 10 | – | 20 | – | (10) | – |
| - as restated | | 275 | – | 20 | – | 255 | – |
| Total comprehensive income for the year | | | | | | | |
| - as previously reported | | (1,434) | – | (3) | (1,696) | 265 | – |
| - effect of adopting Revised FRS 19 | | 31 | – | 41 | – | (10) | – |
| - as restated | | (1,403) | – | 38 | (1,696) | 255 | – |
| Contributions by and distribution to owners | | | | | | | |
| Transfer to capital reserves | | – | – | (52) | – | – | 52 |
| Dividends on ordinary shares | 36 | (246) | – | (246) | – | – | – |
| Total contributions by and distribution to owners | | (246) | – | (298) | – | – | 52 |
| As at 31 July 2013 | | | | | | | |
| - as previously reported | | 73,548 | 35,727 | 34,122 | – | (7,621) | 11,320 |
| - effect of adopting Revised FRS 19 | 2.2 | (409) | – | (414) | – | 5 | – |
| - as restated | | 73,139 | 35,727 | 33,708 | – | (7,616) | 11,320 |

# STATEMENTS OF CHANGES IN EQUITY

**For the financial year ended 31 July 2014**
(In Singapore dollars)

| | Note | Total equity attributable to owners of the Company $'000 | Share capital $'000 | Retained earnings $'000 | Foreign currency translation reserve $'000 | Capital reserve $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| As at 1 August 2013 | | | | | | |
| - as previously reported | | 73,548 | 35,727 | 34,122 | (7,621) | 11,320 |
| - effect of adopting Revised FRS 19 | 2.2 | (409) | – | (414) | 5 | – |
| - as restated | | 73,139 | 35,727 | 33,708 | (7,616) | 11,320 |
| Profit for the year | | 135 | – | 135 | – | – |
| Other comprehensive income for the year, net of tax | | (1,524) | – | (2) | (1,522) | – |
| Total comprehensive income for the year | | (1,389) | – | 133 | (1,522) | – |
| As at 31 July 2014 | | 71,750 | 35,727 | 33,841 | (9,138) | 11,320 |

**Note:**
The associates elected to measure its leasehold land and buildings using the cost model under *MFRS 116 Property, Plant and Equipment* with effect from 1 August 2013 and to regard the revalued amount as at the date of the change, as deemed cost. At the date of transition to MFRS, the asset revaluation reserve was transferred to retained earnings. Consequently, the Group transferred its share of the associates' asset revaluation reserve to retained earnings. The transition has not had a material impact on the Group's consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

*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 31 July 2014**
(In Singapore dollars)

| | Note | Total equity $'000 | Share capital $'000 | Accumulated losses $'000 | Capital reserve $'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| As at 1 August 2012 | | 19,586 | 35,727 | (16,296) | 155 |
| Loss for the year | | (4,773) | – | (4,773) | – |
| Total comprehensive income for the year | | (4,773) | – | (4,773) | – |
| Dividends on ordinary shares | 36 | (246) | – | (246) | – |
| As at 31 July 2013 and 1 August 2013 | | 14,567 | 35,727 | (21,315) | 155 |
| Profit for the year | | 801 | – | 801 | – |
| Total comprehensive income for the year | | 801 | – | 801 | – |
| As at 31 July 2014 | | 15,368 | 35,727 | (20,514) | 155 |

*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 31 July 2014**
(In Singapore dollars)

| | Note | 2014 $'000 | 2013 (Restated) $'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Profit/(loss) before taxation | | 10 | (1,758) |
| Adjustments: | | | |
| Interest income | 5 | (101) | (145) |
| Loss on disposal of property, plant and equipment | 8 | 316 | 3 |
| (Reversal of impairment loss)/impairment loss on property, plant and equipment | 10 | (1,265) | 1,515 |
| Depreciation of property, plant and equipment | 10 | 1,961 | 2,217 |
| Write-down of inventories | 16 | 527 | 408 |
| Impairment loss/(reversal of impairment loss) on trade receivables | 17 | 88 | (81) |
| Net decrease in deferred income | | (361) | (411) |
| Dividend income | | (15) | (13) |
| Net fair value gain on held for trading investment securities | | (114) | (66) |
| Finance costs | 7 | 167 | 180 |
| Share of results of associates | | (4,388) | (3,085) |
| Currency realignment | | (40) | (113) |
| **Operating cash flows before changes in working capital** | | (3,215) | (1,349) |
| Decrease in debtors | | 4,309 | 3,140 |
| Decrease in inventories | | 350 | 181 |
| Decrease in creditors | | (4,411) | (1,882) |
| Decrease/(increase) in current account with associates | | 920 | (23) |
| **Cash flows (used in)/generated from operations** | | (2,047) | 67 |
| Income taxes received/(paid) | | 52 | (171) |
| **Net cash flows used in operating activities** | | (1,995) | (104) |
| **Cash flows from investing activities:** | | | |
| Interest received | | 101 | 145 |
| Dividends received from associates | | 242 | 250 |
| Dividends received from investment securities | | 15 | 13 |
| Purchase of property, plant and equipment | 10 | (635) | (643) |
| Proceeds from disposal of property, plant and equipment | | 776 | 3 |
| **Net cash flows generated/(used in) investing activities** | | 499 | (232) |
| **Cash flows from financing activities:** | | | |
| Interest paid | | (167) | (180) |
| Proceeds from term loans | | 991 | 505 |
| Repayment of term loans | | (532) | (1,102) |
| Repayment of obligations under finance leases | | (794) | (642) |
| Dividends paid | 36 | – | (246) |
| **Net cash flows used in financing activities** | | (502) | (1,665) |
| Net decrease in cash and cash equivalents | | (1,998) | (2,001) |
| Cash and cash equivalents at beginning of year | | 13,702 | 15,703 |
| **Cash and cash equivalents at end of year** | 18 | 11,704 | 13,702 |

*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 31 July 2014**
(In Singapore dollars)

## 1. Corporate information

Sunright Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST). The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The registered office and principal place of business of the Company is located at Block 1093 Lower Delta Road #02-01/08 Tiong Bahru Industrial Estate, Singapore 169204.

## 2. Summary of significant accounting policies

### *2.1 Basis of preparation*

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

The financial statements have been prepared on a historical cost basis except for derivative financial instruments and investment securities which are measured at fair value through profit and loss.

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

### *2.2 Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 August 2013. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company, except as disclosed below.

On 1 August 2013, the Group adopted the Revised FRS 19 Employee Benefits.

For defined benefit plans, the Revised FRS 19 requires all actuarial gains and losses to be recognised in other comprehensive income and unvested past service costs previously recognised over the average vesting period to be recognised immediately in profit or loss when incurred.

Prior to adoption of the Revised FRS 19, the Group recognised actuarial gains and losses as income or expense when the net cumulative unrecognised gains and losses for each individual plan at the end of the previous period exceeded 10% of the higher of the defined benefit obligation and the fair value of the plan assets and recognised unvested past service costs as an expense on a straight-line basis over the average vesting period until the benefits become vested. Upon adoption of the revised FRS 19, the Group changed its accounting policy to recognise all actuarial gains and losses in other comprehensive income and all past service costs in profit or loss in the period they occur.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.2 Changes in accounting policies (cont'd)*

The Revised FRS 19 replaced the interest cost and expected return on plan assets with the concept of net interest on defined benefit liability or asset which is calculated by multiplying the net balance sheet defined liability or asset by the discount rate used to measure the employee benefit obligation, each as at the beginning of the annual period.

The changes in accounting policies have been applied retrospectively. The effects of adoption on the financial statements are as follows:

| | Group | |
|---|---|---|
| | As at 31.7.2013 (Restated) $'000 | As at 1.8.2012 (Restated) $'000 |
| Increase/(decrease) in: | | |
| Balance sheet | | |
| Prepayments | (32) | (24) |
| Retained earnings | (414) | (455) |
| Other reserves | 5 | 15 |
| Long term payables | 377 | 416 |

### *2.3 Standards issued but not yet effective*

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Revised FRS 27 *Separate Financial Statements* | 1 January 2014 |
| Revised FRS 28 *Investments in Associates and Joint Ventures* | 1 January 2014 |
| FRS 110 *Consolidated Financial Statements* | 1 January 2014 |
| FRS 111 *Joint Arrangements* | 1 January 2014 |
| FRS 112 *Disclosure of Interests in Other Entities* | 1 January 2014 |
| Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities* | 1 January 2014 |
| Amendments to FRS 36 *Recoverable Amount Disclosures for Non-financial Assets* | 1 January 2014 |
| Amendments to FRS 39 *Novation of Derivatives and Continuation of Hedge Accounting* | 1 January 2014 |
| Amendments to FRS 110, FRS 111 and FRS 27: *Investment Entities* | 1 January 2014 |
| Amendments to FRS 110, FRS 111, FRS 112, FRS 27 and FRS 28 | 1 January 2014 |
| Amendments to FRS 110, FRS 111 and FRS 112 Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: *Transition Guidance* | 1 January 2014 |
| Amendments to FRS 19 Defined Benefit Plans: *Employee Contributions* | 1 July 2014 |
| Improvements to FRSs | 1 July 2014 |
| INT FRS 121 *Levies* | 1 January 2014 |
| FRS 114 *Regulatory Deferral Accounts* | 1 January 2016 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

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

Except for FRS 110, Revised FRS 27 and FRS 112, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 110, Revised FRS 27 and FRS 112 are described below.

*FRS 110 Consolidated Financial Statements and Revised FRS 27 Separate Financial Statements*

FRS 110 and the revised FRS 27 are effective for financial periods beginning on or after 1 January 2014.

FRS 110 establishes a single control model that applies to all entities (including special purpose entities). The changes introduced by FRS 110 will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by the Group, compared with the requirements that were in FRS 27. Therefore, FRS 110 may change which entities are consolidated within a group.

Upon application of FRS 110, the Group will reassess its investments in accordance with the new definition of control. The Group expects that its investment in associates would meet the conditions for "de facto" control under FRS 110 *Consolidated Financial Statements*. Upon adoption of FRS 110 and on the assumption that the conditions for de facto control continue to be met, the financial statements of the associates will be consolidated with the financial statements of the Company and its subsidiary companies on a line by line basis. The consolidation of the associates' financial statements would change the presentation of the Group's investment in associates on the Balance Sheet of the Group and its share of results on the Group's Statement of Profit or Loss and Other Comprehensive Income respectively, but will not have any effect on the consolidated net assets of the Group or the net profit attributable to the equity holders of the Company.

*FRS 112 Disclosure of Interests in Other Entities*

FRS 112 is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.4 Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are all prepared for the same reporting date as the Company except for KES Systems & Service (Shanghai) Co., Ltd ("KESSH") which has accounting year ending 31 December as required by the laws of its country of incorporation. The consolidated financial statements incorporate KESSH audited financial statements as of 31 December and the unaudited management accounts from 1 January to 31 July. KESSH does not contribute materially to the Group's results. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Group's subsidiaries is shown in Note 11.

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

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the statement of comprehensive income on the date of acquisition.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

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

*(a) Transactions and balances (cont'd)*

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

*(b) Consolidated financial statements*

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 weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

### *2.6 Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss incurred.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.6 Property, plant and equipment (cont'd)*

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

| | | |
|---|---|---|
| Buildings | – | 20 years |
| Renovation | – | 5 years |
| Plant, machinery and test equipment | – | 3 - 8 years |
| Motor vehicles | – | 5 years |
| Office equipment, furniture and fittings | – | 3 - 10 years |
| Computers | – | 3 years |

Work-in-progress assets are not depreciated as they 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.

### *2.7 Impairment of non-financial assets*

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.7 Impairment of non-financial assets (cont'd)*

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

### *2.8 Subsidiaries*

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

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

### *2.9 Associates*

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore it is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.9 Associates (cont'd)*

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

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to align the accounting policies with those of the Group.

In the Company's separate financial statements, investments in associates are accounted for at cost less impairment losses.

### *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.

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

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

*(i) Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets held for trading are investment securities, derivatives or financial assets acquired principally for the purpose of selling or repurchasing it in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.10 Financial instruments (cont'd)*

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

*(ii) Loans and receivables*

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

*Derecognition*

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

*Regular way purchase and sale of a financial asset*

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

#### *(b) Financial liabilities*

*Initial recognition and measurement*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.10 Financial instruments (cont'd)*

#### *(b) Financial liabilities (cont'd)*

*Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

*(i) Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

*(ii) Financial liabilities at amortised cost*

After initial recognition, other financial liabilities 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.

*Derecognition*

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

#### *(c) Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.11 Impairment of financial assets*

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

*Financial assets carried at amortised cost*

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

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

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

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

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

### *2.12 Investment securities*

Investment securities are classified as financial assets at fair value through profit or loss.

### *2.13 Cash and cash equivalents*

Cash and cash equivalents comprise fixed deposits, cash at bank and in hand, and bank overdrafts.

Cash and short term deposits carried in the balance sheet are classified and accounted for as loans and receivables.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.14 Trade and other receivables*

Trade and other receivables, including amounts due from subsidiaries and associates, are classified and accounted for as loans and receivables.

Impairment loss is made for uncollectible amounts when there is objective evidence that the Group will not be able to collect the debt. Bad debts are written off when identified. Further details on the accounting policy for impairment of financial assets are stated in Note 2.11 above.

### *2.15 Inventories*

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

- raw materials – purchase costs on a weighted average basis; and
- finished goods and work-in-progress – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

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.

### *2.16 Loans and borrowings*

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, borrowings 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 as well as through the amortisation process.

Borrowings costs are recognised as expenses in the period in which they are incurred.

### *2.17 Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) where 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.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.17 Provisions (cont'd)*

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

### *2.18 Employee benefits*

*(a) Defined contribution plans*

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

*(b) Employee leave entitlement*

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

*(c) Defined benefit plans*

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- Service costs
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.18 Employee benefits (cont'd)*

*(c) Defined benefit plans (cont'd)*

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

### *2.19 Leases*

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

*(a) Finance lease - as lessee*

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

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

*(b) Operating lease - as lessee*

Leases where the lessor retains substantially all the risks and ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.20 Revenue*

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

*(a) Sale of goods*

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

*(b) Rendering of services*

Revenue is recognised upon the performance of services to the customers, which generally coincides with their acceptance.

*(c) Interest income*

Interest income is recognised using the effective interest method.

*(d) Dividends*

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

*(e) Management fee income*

Management fee income is recognised on an accrual basis upon which corporate services are rendered and earned.

*(f) Rental income*

Rental income is accounted for on a straight-line basis over the lease terms on ongoing leases.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.21 Taxes*

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, 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.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.21 Taxes (cont'd)*

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) *Sales tax*

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.22 Derivative financial instruments*

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the statement of profit or loss and other comprehensive income for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

### *2.23 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 34, including the factors used to identify the reportable segments and the measurement basis of segment information.

### *2.24 Contingencies*

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

 (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

 (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *2.25 Related parties*

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); or
- (vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

## 3. Significant accounting estimates and judgements

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 3. Significant accounting estimates and judgements (cont'd)

### 3.1 *Judgements made in applying accounting policies*

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

*Income taxes*

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

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

The carrying amount of the Group's income tax payables, deferred tax liabilities, deferred tax assets and unrecognised tax benefits at the balance sheet date were $268,000 (2013: $350,000), $4,168,000 (2013: $4,168,000), $806,000 (2013: $823,000) and $43,512,000 (2013: $38,767,000) respectively. The carrying amount of the Company's income tax payables and deferred tax liabilities at the balance sheet date were $395,000 (2013: $500,000) and $2,129,000 (2013: $2,129,000) respectively.

### 3.2 *Key sources of estimation uncertainty*

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

*Impairment of non-financial assets (property, plant and equipment, and investments in subsidiaries and associates)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. If such indicators exist, the recoverable amount (i.e. higher of the fair value less costs to sell and value in use) of the assets is estimated to determine the amount of impairment loss.

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

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 3. Significant accounting estimates and judgements (cont'd)

### *3.2 Key sources of estimation uncertainty (cont'd)*

*Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 17 to the financial statements.

*Defined benefit pension plans*

The cost of defined benefit plans as well as the present value of the pension plans are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include determination of the discount rates, expected rates of return of assets, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to change to these assumptions. All assumptions are reviewed at each reporting date. The net benefit liability as at 31 July 2014 is $389,000 (2013: $480,000), as recognised in "Long term payables" in the balance sheets.

## 4. Turnover

Turnover, which includes the Group's revenue and the Group's proportionate share of the revenue of the associates, is analysed as follows:

| | Group | |
|---|---|---|
| | 2014 $'000 | 2013 $'000 |
| Sales by: | | |
| - Subsidiaries | 38,789 | 46,638 |
| - Associates | 52,429 | 52,113 |
| | 91,218 | 98,751 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 5. Interest income

| | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|
| Interest income from: | | |
| - Bank deposits | 53 | 94 |
| - Loan to an associate | 45 | 47 |
| - Others | 3 | 4 |
| | 101 | 145 |

## 6. Miscellaneous income

| | Note | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|---|
| Management fee income | | 1,843 | 2,074 |
| Amortisation of deferred income | 22 | 494 | 487 |
| Rental income | | – | 33 |
| | | 2,337 | 2,594 |

## 7. Finance costs

| | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|
| Interest expense on: | | |
| - Loans and borrowings | 84 | 122 |
| - Finance charges payable under finance leases | 78 | 58 |
| - Others | 5 | – |
| | 167 | 180 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 8. Profit/(loss) before taxation

The following items have been included in arriving at profit/(loss) before taxation:

| | Note | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|---|
| Repairs and maintenance | | 536 | 676 |
| Utilities | | 646 | 816 |
| Write-down of inventories | 16 | 527 | 408 |
| Impairment loss/(reversal of impairment loss) on trade receivables | 17 | 88 | (81) |
| Exchange loss/(gain), net | | 89 | (18) |
| Loss on disposal of property, plant and equipment | | 316 | 3 |
| Travelling and entertainment | | 570 | 806 |
| Upkeep of motor vehicles | | 291 | 318 |
| Communication | | 239 | 277 |
| Audit fees paid to: | | | |
| - Auditors of the Company | | 193 | 267 |
| - Other auditors | | 90 | 93 |
| Non-audit fees paid to: | | | |
| - Auditors of the Company | | 43 | 81 |
| - Other auditors | | 127 | 133 |
| Other professional fees | | 373 | 251 |
| Net fair value gain on held for trading investment securities | | (114) | (66) |
| Directors' emoluments: | | | |
| - Directors of the Company | | | |
| • Fees | | 125 | 125 |
| • Salaries and bonuses | | 1,276 | 1,367 |
| • CPF and other defined contributions | | 12 | 23 |
| - Directors of subsidiaries | | | |
| • Fees | | 21 | 21 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 9. Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the profit or loss and share data used in the computation of basic earnings/(loss) per share for the years ended 31 July:

| | Group | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| | $'000 | $'000 |
| Profit/(loss) attributable to owners of the Company | 135 | (1,678) |
| | '000 | '000 |
| Weighted average number of ordinary shares for basic earnings/(loss) per share computation | 122,806 | 122,806 |
| | Cents | Cents |
| Earnings/(loss) per share | 0.1 | (1.4) |

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 10. Property, plant and equipment

| | Buildings $'000 | Renovation $'000 | Plant, machinery and test equipment $'000 | Motor vehicles $'000 | Office equipment, furniture and fittings $'000 | Computers $'000 | Work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Cost | | | | | | | | |
| At 1 August 2012 | 7,456 | 2,103 | 13,844 | 1,513 | 1,573 | 3,623 | 308 | 30,420 |
| Currency realignment | 145 | 17 | 373 | 4 | 6 | 3 | 9 | 557 |
| Additions | – | 63 | 1,324 | – | 18 | 553 | – | 1,958 |
| Reclassification | – | – | 317 | – | – | – | (317) | – |
| Disposals | – | (45) | (1,294) | – | (69) | (93) | – | (1,501) |
| At 31 July 2013 and 1 August 2013 | 7,601 | 2,138 | 14,564 | 1,517 | 1,528 | 4,086 | – | 31,434 |
| Currency realignment | (197) | (22) | 56 | (6) | (8) | (9) | – | (186) |
| Additions | – | 89 | 757 | – | 55 | 244 | – | 1,145 |
| Disposals | – | (426) | (3,936) | (384) | (168) | (415) | – | (5,329) |
| At 31 July 2014 | 7,404 | 1,779 | 11,441 | 1,127 | 1,407 | 3,906 | – | 27,064 |
| Accumulated depreciation and impairment loss | | | | | | | | |
| At 1 August 2012 | 5,453 | 1,732 | 10,429 | 985 | 1,253 | 3,050 | – | 22,902 |
| Currency realignment | 86 | 17 | 358 | 3 | 3 | 4 | – | 471 |
| Charge for the year | 373 | 97 | 1,094 | 177 | 59 | 417 | – | 2,217 |
| Impairment loss | – | 59 | 1,442 | – | 13 | 1 | – | 1,515 |
| Disposals | – | (45) | (1,292) | – | (65) | (93) | – | (1,495) |
| At 31 July 2013 and 1 August 2013 | 5,912 | 1,860 | 12,031 | 1,165 | 1,263 | 3,379 | – | 25,610 |
| Currency realignment | (125) | (21) | 56 | (16) | (50) | (7) | – | (163) |
| Charge for the year | 375 | 98 | 871 | 161 | 60 | 396 | – | 1,961 |
| Reversal of impairment loss | – | – | (1,265) | – | – | – | – | (1,265) |
| Disposals | – | (426) | (2,111) | (373) | (145) | (415) | – | (3,470) |
| At 31 July 2014 | 6,162 | 1,511 | 9,582 | 937 | 1,128 | 3,353 | – | 22,673 |
| Net book value | | | | | | | | |
| At 31 July 2014 | 1,242 | 268 | 1,859 | 190 | 279 | 553 | – | 4,391 |
| At 31 July 2013 | 1,689 | 278 | 2,533 | 352 | 265 | 707 | – | 5,824 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

| | Renovation $'000 | Motor vehicles $'000 | Office equipment, furniture and fittings $'000 | Computers $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| Cost | | | | | |
| At 1 August 2012 | 47 | 768 | 127 | 1,303 | 2,245 |
| Additions | – | – | 2 | 49 | 51 |
| At 31 July 2013 and 1 August 2013 | 47 | 768 | 129 | 1,352 | 2,296 |
| Additions | – | – | – | 201 | 201 |
| Disposals | – | – | – | (233) | (233) |
| At 31 July 2014 | 47 | 768 | 129 | 1,320 | 2,264 |
| Accumulated depreciation | | | | | |
| At 1 August 2012 | 18 | 281 | 42 | 1,048 | 1,389 |
| Charge for the year | 7 | 153 | 11 | 153 | 324 |
| At 31 July 2013 and 1 August 2013 | 25 | 434 | 53 | 1,201 | 1,713 |
| Charge for the year | 7 | 154 | 11 | 142 | 314 |
| Disposals | – | – | – | (233) | (233) |
| At 31 July 2014 | 32 | 588 | 64 | 1,110 | 1,794 |
| Net book value | | | | | |
| At 31 July 2014 | 15 | 180 | 65 | 210 | 470 |
| At 31 July 2013 | 22 | 334 | 76 | 151 | 583 |

Net book value of assets held under finance leases:

| | Note | Group 2014 $'000 | Group 2013 $'000 | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|---|---|
| Renovation | | 59 | – | – | – |
| Plant, machinery and test equipment | | 1,010 | 1,234 | – | – |
| Motor vehicles | | 179 | 346 | 179 | 334 |
| Office equipment, furniture and fittings | | 25 | – | – | – |
| Computers | | 437 | 500 | 189 | 103 |
| | 21 | 1,710 | 2,080 | 368 | 437 |

During the year, the Group acquired renovation, plant, machinery and test equipment, office equipment, furniture and fittings, and computers of $510,000 (2013: $1,315,000), while the Company acquired computers of $201,000 (2013: $Nil) by means of finance leases. The cash outflow on acquisition of assets amounted to $635,000 (2013: $643,000) and $Nil (2013: $51,000) for the Group and the Company respectively.

Leased assets are pledged as security for the related finance lease liabilities, as disclosed in Note 21.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 11. Investment in subsidiaries

| | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|
| Unquoted shares, at cost | 53,528 | 23,311 |
| Allowance for impairment | (45,454) | (13,798) |
| | 8,074 | 9,513 |

The subsidiaries at 31 July 2014 are:

| | Name of company (Country of incorporation) | Principal activities (Place of business) | Cost of investment 2014 $'000 | Cost of investment 2013 $'000 | Percentage of equity held by the group 2014 % | Percentage of equity held by the group 2013 % |
|---|---|---|---|---|---|---|
| | *Held by the Company:* | | | | | |
| * | KEST Systems & Service Ltd (Taiwan) | Provision of burn-in services (Taiwan) | 1,970 | 1,970 | 100 | 100 |
| + | KES (USA), Inc. (USA) | Investment holding (USA) | 37,638 | 7,421 | 100 | 100 |
| ✡ | Kestronics (M) Sdn. Bhd. (Malaysia) | Distribution of high-technology electronic equipment and materials (Malaysia) | 1,500 | 1,500 | 100 | 100 |
| ❖ | Kestronics (S) Pte Ltd (Singapore) | Distribution of high-technology electronic equipment and materials (Singapore) | 4,880 | 4,880 | 100 | 100 |
| ❖ | KES Systems & Service (1993) Pte Ltd (Singapore) | Provision of burn-in services and manufacturing of burn-in equipment (Singapore) | 5,700 | 5,700 | 100 | 100 |
| µ | Kestronics Philippines, Inc. (Philippines) | Distribution of high-technology electronic equipment and materials (Philippines) | 309 | 309 | 100 | 100 |
| ❖ ₯ | KES Systems & Service (Shanghai) Co., Ltd (China) | Provision of burn-in services and burn-in support services (China) | 1,439 | 1,439 | 100 | 100 |
| ^ | Kestronics (Thailand) Co., Ltd (Thailand) | Import and distribution of engines and electronic equipment (Thailand) | 92 | 92 | 49# | 49# |
| | | | 53,528 | 23,311 | | |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 11. Investment in subsidiaries (cont'd)

| | Name of company (Country of incorporation) | Principal activities (Place of business) | Cost of investment | | Percentage of equity held by the group | |
|---|---|---|---|---|---|---|
| | | | 2014 $'000 | 2013 $'000 | 2014 % | 2013 % |
| | *Held by subsidiaries:* | | | | | |
| ❖۵ | KES Systems, Inc. (USA) | Research and development in burn-in and test related activities and distribution of electronic equipment (USA) | – | – | 100 | 100 |
| ~۵ | KESU Systems & Service, Inc. (USA) | Provision of burn-in services (USA) | – | – | 100 | 100 |
| + | KES Systems & Service Costa Rica, Sociedad Anonima (Costa Rica) | Provision of burn-in support services (Costa Rica) | – | – | 100 | 100 |
| ✡ | KES Systems & Service (M) Sdn. Bhd. (Malaysia) | Provision of burn-in support and services (Malaysia) | – | – | 100 | 100 |
| + | KES Systems & Service Philippines Inc. (Philippines) | Provision of product development services (Philippines) | – | – | 100 | 100 |
| | | | – | – | | |

❖ Audited by Ernst & Young LLP, Singapore.
✡ Audited by Ernst & Young, Malaysia.
^ Audited by Ernst & Young, Thailand.
~ Audited by Ernst & Young, Korea.
μ Audited by Punongbayan & Araullo, Philippines. SGX Listing Rule 716 is complied with.
* Audited by PricewaterhouseCoopers, Taiwan. SGX Listing Rule 716 is complied with.
+ Not material to the Group and not required to be disclosed under SGX Listing Rule 717.
# This represents the legal interests of the Group in Kestronics (Thailand) Co., Ltd. Kestronics (Thailand) Co., Ltd is considered a subsidiary of Sunright Limited as the Company has effective control over the Board of Directors.
۵ Audited for the purpose of Group consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 11. Investment in subsidiaries (cont'd)

### *Impairment testing of investment in subsidiaries*

During the current financial year, Management performed an impairment assessment for the investment in KES Systems & Service (Shanghai) Co., Ltd as this subsidiary had been persistently making losses and had assessed that the investment should be fully impaired. The impairment loss of $1,439,000 was recognised in profit or loss for the year ended 31 July 2014.

In the previous financial year, an impairment loss of $4,880,000 was recognised to fully impair the investment in Kestronics (S) Pte Ltd as the subsidiary had been making persistent losses.

### *Increase in paid-up capital of the U.S.A. subsidiaries*

On 31 May 2014,

(i) KES (USA) Inc, ("KUSA"), its wholly-owned subsidiary, had increased its paid-up capital from S$7,421,000 to S$37,638,000;

(ii) KES Systems, Inc. ("KESI"), a wholly-owned subsidiary of KUSA, had increased its paid-up capital from S$1,359,000 to S$25,859,000; and

(iii) KESU Systems & Service, Inc. ("KESU"), a wholly-owned subsidiary of KUSA, had increased its paid-up capital from S$316,000 to S$5,394,000.

The capital increases in KUSA, KESI and KESU were satisfied by the advances of S$30,217,000 by the Company to KUSA and S$24,500,000 and S$5,078,000 by KUSA to KESI and KESU, respectively.

These various advances were made over the past years, to finance the capital intensive requirements for the development of the Group's high tech semiconductor products and to support their qualification processes. These advances, as set out above, had now been capitalised in the share capital of the companies, respectively.

Consequently, the related impairment allowance recognised in the past in respect of these advances (Note 13) was transferred to investment in subsidiaries.

Subsequent to the above capital increases, KUSA continues to remain a 100% subsidiary of the Company whilst KESI and KESU continue to be a 100% owned subsidiary of KUSA.

The transaction did not have any significant effect on the net tangible assets and earnings per share of the Company for the financial year ended 31 July 2014.

### *Establishment of a subsidiary*

On 4 June 2014, the Group's subsidiary company, KES Systems & Service (1993) Pte Ltd had established a wholly-owned subsidiary company in the Philippines, KES Systems & Service Philippines Inc. ("KESPHP"). The authorised share capital of KESPHP is PHP10,000,000 and its issued share capital consists of 25,000 ordinary share of PHP100 each.

The establishment of KESPHP did not have any significant effect on the balance sheets, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 11. Investment in subsidiaries (cont'd)

### *Acquisition of a subsidiary*

On 2 May 2013 (the "Acquisition Date"), the Group's subsidiary company, KES Systems & Service (1993) Pte Ltd acquired 100% equity interest in a private limited company in Malaysia, Virgin Galaxy Sdn Bhd ("VGSB") at a cash consideration of RM2,600. The principal activity of VGSB is to conduct manufacturing of burn-in equipment. VGSB was incorporated on 26 March 2013 and only commenced operations after Acquisition Date. The authorised share capital of VGSB is RM100,000 and its issued share capital consists of 2 ordinary shares of RM1.00 each.

Subsequent to Acquisition Date, the name of VGSB has been changed to KES Systems & Service (M) Sdn. Bhd..

The acquisition does not have any significant effect on the balance sheets, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows.

## 12. Investment in associates

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | $'000 | $'000 | $'000 | $'000 |
| Quoted shares, at cost | 5,578 | 5,578 | 5,578 | 5,578 |
| Unquoted shares, at cost | 307 | 307 | 307 | 307 |
| Goodwill on consolidation written off | (509) | (509) | – | – |
| | 5,376 | 5,376 | 5,885 | 5,885 |
| Share of post-acquisition reserves:- | | | | |
| Share of profits, net of dividends | 62,021 | 57,875 | – | – |
| Foreign currency translation reserve | 959 | 903 | – | – |
| Capital reserve | 286 | 286 | – | – |
| Currency realignment | (8,929) | (7,406) | – | – |
| | 54,337 | 51,658 | – | – |
| | 59,713 | 57,034 | 5,885 | 5,885 |
| Fair value of investment in associates for which there is published price quotation | 24,358 | 15,025 | 24,358 | 15,025 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 12. Investment in associates (cont'd)

The associates at 31 July 2014 are:

| | Name of company (Country of incorporation) | Principal activities (Place of business) | Cost of investment 2014 $'000 | Cost of investment 2013 $'000 | Percentage of equity held by the group 2014 % | Percentage of equity held by the group 2013 % |
|---|---|---|---|---|---|---|
| | *Held by the Company:* | | | | | |
| ✡ | KESM Industries Berhad (Malaysia) | Provision of semiconductor burn-in services (Malaysia) | 5,578 | 5,578 | 48 | 48 |
| ✡@ | KESM Test (M) Sdn. Bhd. (Malaysia) | Provision of semiconductor testing services (Malaysia) | 307 | 307 | 66 | 66 |
| | *Held by associates:* | | | | | |
| ✡ | KESP Sdn. Bhd. (Malaysia) | Provision of semiconductor burn-in services and electronic manufacturing services (Malaysia) | – | – | 48 | 48 |
| ✡∆ | KESM Industries (Tianjin) Co., Ltd. (China) | Provision of semiconductor burn-in and testing services (China) | – | – | 48 | 48 |
| | | | 5,885 | 5,885 | | |

✡ Audited by Ernst & Young, Malaysia.

∆ Audited for the purpose of Group consolidation.

@ Sunright Limited holds a direct interest of 35% (2013: 35%). The remaining interest is indirectly held by an associate.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 12. Investment in associates (cont'd)

The summarised financial information of the associates, not adjusted for the proportion of ownership interest held by the Group are as follows:

| | 2014<br>$'000 | 2013<br>$'000 |
|---|---|---|
| ***Assets and liabilities*** | | |
| Total assets | 149,847 | 145,760 |
| Total liabilities | (40,801) | (39,707) |
| ***Results*** | | |
| Revenue | 98,516 | 99,092 |
| Profit for the year | 6,328 | 3,778 |

## 13. Loans to/(from) subsidiaries

| | Company | |
|---|---|---|
| | 2014<br>$'000 | 2013<br>$'000 |
| Loans to subsidiaries | 6,422 | 54,436 |
| Less: Allowance for impairment | (6,422) | (54,341) |
| | – | 95 |
| Loans from subsidiaries | (5,521) | (6,491) |
| Movement in allowance account is as follows: | | |
| Balance at beginning of year | 54,341 | 52,439 |
| Transferred to investment in subsidiaries (Note 11) | (30,217) | – |
| Charged to profit or loss | 239 | 1,898 |
| Write-off against allowance | (17,938) | – |
| Currency realignment | (3) | 4 |
| Balance at end of year | 6,422 | 54,341 |

Loans to subsidiaries bear interest rates ranging from 2.00% to 2.85% (2013: 2.00% to 5.75%) per annum, are unsecured and not likely to be repaid in the foreseeable future.

The net carrying amounts of loans to subsidiaries are denominated in United States Dollar.

Loans from subsidiaries bear interest rates at 5.75% (2013: 5.75%) per annum, are unsecured and are not expected to be repaid in the next 12 months.

During the year, an impairment loss of $239,000 (2013: $1,898,000) was recognised in the profit or loss of the Company subsequent to a debt recovery assessment performed on loans to subsidiaries as at 31 July 2014.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 14. Loan to associates

Loan to associates is unsecured, bear interest rate of 8.5% (2013: 8.5%) per annum and is not expected to be repaid in the next 12 months.

The loan is expected to be settled in cash.

The carrying amounts of loans to associates are denominated in Malaysian Ringgit.

## 15. Investment securities

| | Note | Group and Company 2014 $'000 | Group and Company 2013 $'000 |
|---|---|---|---|
| ***Held for trading investments*** | | | |
| - Quoted equity investments | 27(b) | 538 | 424 |

## 16. Inventories

| | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|
| ***Balance sheet*** | | |
| Raw materials | 1,225 | 872 |
| Work-in-progress | 2,000 | 2,063 |
| Finished goods | 2,248 | 3,415 |
| Total inventories (at cost or net realisable value) | 5,473 | 6,350 |

During the financial year, the Group wrote down $527,000 (2013: $408,000) of inventories which were recognised in "Other operating expenses" line item in the profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 17. Trade and other receivables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Trade and other receivables: | | | | | |
| - Trade receivables | | 7,251 | 11,608 | – | – |
| - Sundry deposits | | 476 | 392 | – | – |
| - Sundry receivables | | 1,076 | 475 | 42 | 43 |
| - Derivatives | 27(b) | –* | – | – | – |
| - Amounts due from subsidiaries, trade | | – | – | 4,945 | 4,488 |
| - Amounts due from subsidiaries, non-trade | | – | – | 1,752 | 2,167 |
| - Amounts due from associates, trade | | 472 | 547 | 212 | 432 |
| - Amounts due from associates, non-trade | | 55 | 23 | 46 | 18 |
| | | 9,330 | 13,045 | 6,997 | 7,148 |
| Allowance for impairment: | | | | | |
| - Trade receivables | | (665) | (606) | – | – |
| - Amounts due from subsidiaries, trade | | – | – | (2,204) | (2,121) |
| - Amounts due from subsidiaries, non-trade | | – | – | (183) | (835) |
| | | 8,665 | 12,439 | 4,610 | 4,192 |
| Add: Cash and short-term deposits | 18 | 12,052 | 14,192 | 6,655 | 6,650 |
| Add: Loans to subsidiaries | 13 | – | – | – | 95 |
| Add: Loan to associates | 14 | 532 | 547 | 532 | 547 |
| Less: Derivatives | 27(b) | –* | – | – | – |
| Total loans and receivables | | 21,249 | 27,178 | 11,797 | 11,484 |

* Less than $1,000.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *Trade receivables*

Trade receivables, including amounts due from related companies, are non-interest bearing and are generally on 15 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Not past due and not impaired | 5,943 | 9,226 | 427 | 892 |
| Past due but not impaired | 1,115 | 2,323 | 2,526 | 1,907 |
| | 7,058 | 11,549 | 2,953 | 2,799 |
| Individually assessed | | | | |
| Impaired receivable (gross) | 665 | 606 | 2,204 | 2,121 |
| Less: Allowance for doubtful debts | (665) | (606) | (2,204) | (2,121) |
| | – | – | – | – |
| Trade receivables, net | 7,058 | 11,549 | 2,953 | 2,799 |

### *Receivables that are past due but not impaired*

Trade receivables, including amounts due from related companies, which are past due but not impaired are unsecured and the analysis of their aging at the end of the reporting period is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Less than 90 days | 925 | 1,799 | 414 | 420 |
| 91 - 180 days | 138 | 348 | 363 | 314 |
| > 180 days | 52 | 176 | 1,749 | 1,173 |
| | 1,115 | 2,323 | 2,526 | 1,907 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 17. Trade and other receivables (cont'd)

### *Receivables that are impaired*

The Group's and Company's trade receivables, including amounts due from related companies, that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014<br>$'000 | 2013<br>$'000 | 2014<br>$'000 | 2013<br>$'000 |
| At beginning of the year | 606 | 672 | 2,121 | 2,030 |
| Charge/(credited) to profit or loss | 88 | (81) | 83 | 91 |
| Currency realignment | (29) | 15 | – | – |
| At end of the year | 665 | 606 | 2,204 | 2,121 |

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

During the year, an impairment loss of $88,000 (2013: reversal of impairment loss of $81,000) was recognised in profit or loss, subsequent to a debt recovery assessment performed on trade receivables as at 31 July 2014.

### *Related party receivables*

Amounts due from subsidiaries and associates are unsecured, non-interest bearing, repayable on demand and are to be repaid in cash.

An impairment loss of $83,000 (2013: $91,000) was recognised in the Company's profit or loss subsequent to a debt recovery assessment performed on amounts due from subsidiaries as at 31 July 2014.

The carrying amounts of total current trade and other receivables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014<br>$'000 | 2013<br>$'000 | 2014<br>$'000 | 2013<br>$'000 |
| Singapore Dollar | 1,355 | 939 | 4,610 | 3,406 |
| United States Dollar | 5,388 | 8,825 | – | 786 |
| Malaysian Ringgit | 877 | 1,617 | – | – |
| Taiwan Dollar | 526 | 684 | – | – |
| Korean Won | 85 | 171 | – | – |
| Others | 434 | 203 | – | – |
| | 8,665 | 12,439 | 4,610 | 4,192 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 18. Cash and cash equivalents

| | Note | Group 2014 $'000 | Group 2013 $'000 | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|---|---|
| Cash and bank balances | | 5,864 | 7,793 | 3,112 | 3,125 |
| Fixed deposits | | 6,188 | 6,399 | 3,543 | 3,525 |
| Cash and short-term deposits | | 12,052 | 14,192 | 6,655 | 6,650 |
| Bank overdrafts | 21 | (348) | (490) | – | – |
| Cash and cash equivalents | | 11,704 | 13,702 | 6,655 | 6,650 |

Cash and short-term deposits are denominated in the following currencies:

| | Group 2014 $'000 | Group 2013 $'000 | Company 2014 $'000 | Company 2013 $'000 |
|---|---|---|---|---|
| Singapore Dollar | 6,585 | 6,787 | 6,533 | 6,481 |
| United States Dollar | 1,602 | 3,786 | 122 | 169 |
| Malaysian Ringgit | 306 | 1,228 | – | – |
| Peso | 418 | 414 | – | – |
| Korean Won | 1,133 | 315 | – | – |
| Taiwan Dollar | 1,884 | 1,277 | – | – |
| Others | 124 | 385 | – | – |
| | 12,052 | 14,192 | 6,655 | 6,650 |

Cash at banks earns interest at a weighted average interest rate of 0.04% (2013: 0.05%) per annum. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average interest rate of short-term deposits is 0.84% (2013: 1.47%) per annum.

## 19. Share capital

| | Group and Company 2014 No. of shares '000 | Group and Company 2014 $'000 | Group and Company 2013 No. of shares '000 | Group and Company 2013 $'000 |
|---|---|---|---|---|
| Issued and fully paid ordinary shares: | | | | |
| Balance at beginning and end of year | 122,806 | 35,727 | 122,806 | 35,727 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, and have no par value.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 20. Other reserves

### *(a) Foreign currency translation reserve*

The foreign currency translation reserve represents 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. It also includes the cumulative exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

### *(b) Capital reserve*

Capital reserve includes a legal reserve set up by the subsidiary incorporated in Taiwan. The regulation in Taiwan requires the subsidiary to set aside a legal reserve of 10% of its annual net income (less losses of prior years, if any) before it declares any part of such net profits as dividends and/or bonuses until the accumulated reserve equals the total paid up share capital.

## 21. Loans and borrowings

| | Effective interest rate (per annum) | Maturities | Group | | Company | |
|---|---|---|---|---|---|---|
| | | | 2014 | 2013 | 2014 | 2013 |
| | % | | $'000 | $'000 | $'000 | $'000 |
| Current: | | | | | | |
| Obligations under finance leases | | | | | | |
| - Secured | 4.0 – 7.0 | 2014-2015 | 776 | 741 | 196 | 208 |
| Bank loans | 2.0 – 2.9 | 2014-2015 | 2,810 | 3,094 | 2,157 | 2,561 |
| Bank overdrafts | On demand | 2014-2015 | 348 | 490 | – | – |
| | | | 3,934 | 4,325 | 2,353 | 2,769 |
| Non-current: | | | | | | |
| Obligations under finance leases | | | | | | |
| - Secured | 4.0 – 7.0 | 2016-2017 | 647 | 966 | 132 | 151 |
| Bank loans | 2.0 | 2019 | 769 | 42 | – | 42 |
| | | | 1,416 | 1,008 | 132 | 193 |
| Total | | | 5,350 | 5,333 | 2,485 | 2,962 |

Included in loans and borrowings are secured liabilities of $2,383,000 (2013: $1,957,000) and $328,000 (2013: $543,000) for the Group and the Company respectively.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 21. Loans and borrowings (cont'd)

### *Obligations under finance leases - secured*

Obligations under finance leases of $1,423,000 (2013: $1,707,000) and $328,000 (2013: $359,000) for the Group and the Company respectively are secured by a charge over the leased assets (Note 10).

The Group and the Company have finance leases for certain assets (Note 10). These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group and the Company by entering into these leases. Renewals are at the option of the specific entities that hold the lease. The average discount rate implicit in the leases is 5.7% (2013: 4.6%) per annum.

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

| | Minimum lease payments 2014 $'000 | Present value of payments 2014 $'000 | Minimum lease payments 2013 $'000 | Present value of payments 2013 $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| Not later than one year | 776 | 830 | 812 | 741 |
| Later than one year but not later than five years | 647 | 668 | 1,007 | 966 |
| Total minimum lease payments | 1,423 | 1,498 | 1,819 | 1,707 |
| Less: Amounts representing finance charges | – | (75) | (112) | – |
| Present value of minimum lease payments | 1,423 | 1,423 | 1,707 | 1,707 |
| **Company** | | | | |
| Not later than one year | 208 | 196 | 222 | 208 |
| Later than one year but not later than five years | 137 | 132 | 155 | 151 |
| Total minimum lease payments | 345 | 328 | 377 | 359 |
| Less: Amounts representing finance charges | (17) | – | (18) | – |
| Present value of minimum lease payments | 328 | 328 | 359 | 359 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 21. Loans and borrowings (cont'd)

### *Bank loans*

Bank loans of $960,000 (2013: $250,000) for the Group, and $Nil (2013: $184,000) for the Company respectively are secured on the following assets of the companies within the Group with net book values of:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Buildings | 884 | 1,049 | – | – |

The carrying amounts of total loans and borrowings are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Singapore Dollar | 3,055 | 3,917 | 1,612 | 2,079 |
| United States Dollar | 1,335 | 1,350 | 873 | 883 |
| Others | 960 | 66 | – | – |
| | 5,350 | 5,333 | 2,485 | 2,962 |

## 22. Deferred income

Deferred income represents unrealised profits on transactions made to associates, which have been eliminated to the extent of the Group's equity interests from the Group's profit in accordance with Financial Reporting Standard 28 Investments in Associates. This amount will be recognised in the profit or loss of the Group when realised.

The movement of deferred income is as follows:

| | | Group | |
|---|---|---|---|
| | Note | 2014 $'000 | 2013 $'000 |
| At beginning of the year | | 617 | 1,028 |
| Additions during the year | | 133 | 76 |
| Released to profit or loss | 6 | (494) | (487) |
| At end of the year | | 256 | 617 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 23. Income tax

### *(a) Major components of income tax benefit*

The major components of income tax benefit for the years ended 31 July 2014 and 2013 are:

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| ***Statement of profit or loss and other comprehensive income*** | | |
| *Current income tax* | | |
| Current income taxation | 30 | 78 |
| Over provision in respect of previous years | (168) | (86) |
| | (138) | (8) |
| *Deferred tax* | | |
| Origination and reversal of temporary differences | – | 34 |
| Under provision in respect of previous years | 13 | – |
| Tax incentives | – | (106) |
| | 13 | (72) |
| Income tax benefit recognised in the statement of profit or loss and other comprehensive income | (125) | (80) |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 23. Income tax (cont'd)

### *(b) Relationship between tax benefit and accounting profit/(loss)*

The reconciliation between tax benefit and the product of accounting profit/(loss) before taxation multiplied by the applicable corporate tax rate for the years ended 31 July 2014 and 2013 is as follows:

| | Group | |
|---|---|---|
| | **2014 $'000** | **2013 $'000** |
| Profit/(loss) before taxation | 10 | (1,758) |
| Less: Share of results of associates | (4,388) | (3,085) |
| Adjusted loss before tax | (4,378) | (4,843) |
| Tax calculated at statutory tax rate of 17% (2013: 17%) | (744) | (823) |
| Adjustments: | | |
| Non-deductible expenses | 465 | 1,130 |
| Income not subject to taxation | (399) | (900) |
| Effect of different tax rates on foreign income | (451) | (472) |
| Effect of partial tax exemption | – | (4) |
| Tax incentives | (5) | (106) |
| Benefits from previously unrecognised deferred tax assets | (124) | – |
| Deferred tax assets not recognised | 1,294 | 1,191 |
| (Over)/under provision in respect of previous years | | |
| - Current income tax | (168) | (86) |
| - Deferred tax | 13 | – |
| Others | (6) | (10) |
| Income tax benefit recognised in the statement of profit or loss and other comprehensive income | (125) | (80) |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 23. Income tax (cont'd)

### *(c) Deferred tax*

Deferred tax as at 31 July relates to the following:

| | Group balance sheet | | Group statement of profit or loss and other comprehensive income | | Company balance sheet | |
|---|---|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| *Deferred tax liabilities* | | | | | | |
| Differences in depreciation for tax purposes | – | – | – | (28) | – | – |
| Unremitted offshore interest income | 4,168 | 4,168 | – | – | 2,129 | 2,129 |
| | 4,168 | 4,168 | – | (28) | 2,129 | 2,129 |
| *Deferred tax assets* | | | | | | |
| Differences in depreciation for tax purposes | (207) | (206) | – | 10 | – | – |
| Provisions | (219) | (225) | – | (65) | – | – |
| Tax incentives | (380) | (380) | – | – | – | – |
| Other deductible temporary differences | – | (12) | 13 | 11 | – | – |
| | (806) | (823) | 13 | (44) | – | – |
| Deferred tax benefit recognised in the statement of profit or loss and other comprehensive income | | | 13 | (72) | | |

### *Unrecognised tax benefits*

At the end of the reporting period, the Group has tax losses, unutilised capital allowances and other temporary differences of approximately $35,151,000 (2013: $31,134,000), $6,438,000 (2013: $4,523,000) and $1,923,000 (2013: $3,110,000) respectively that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 24. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Trade and other payables: | | | | | |
| - Trade payables | | 6,007 | 9,861 | – | – |
| - Accrued operating expenses | | 2,766 | 3,222 | 872 | 1,246 |
| - Sundry payables | | 693 | 592 | 36 | 36 |
| - Derivatives | 27(b) | – | 50 | – | – |
| - Amounts due to subsidiaries, non-trade | | – | – | 13 | 17 |
| - Amounts due to associates, trade | | 921 | 62 | 1 | – |
| - Amounts due to associates, non-trade | | 4 | 1 | – | – |
| | | 10,391 | 13,788 | 922 | 1,299 |
| Add: Loans and borrowings | 21 | 5,350 | 5,333 | 2,485 | 2,962 |
| Add: Loans from subsidiaries | 13 | – | – | 5,521 | 6,491 |
| Less: Derivatives | 27(b) | – | (50) | – | – |
| Total financial liabilities carried at amortised cost | | 15,741 | 19,071 | 8,928 | 10,752 |

### *Trade payables and sundry payables*

These amounts are non-interest bearing and are normally settled on 15 to 180 days' terms.

### *Related parties payables*

Amounts due to subsidiaries and associates are non-interest bearing and repayable on demand.

All related parties payables are unsecured and are to be settled in cash.

The carrying amounts of total trade and other payables are denominated in the following currencies:

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Singapore Dollar | 5,190 | 6,242 | 891 | 1,291 |
| United States Dollar | 3,868 | 6,224 | 31 | 8 |
| Others | 1,333 | 1,322 | – | – |
| | 10,391 | 13,788 | 922 | 1,299 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 25. Provisions

| | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|
| Current: | | |
| Provision for maintenance warranties | 23 | 38 |
| Non-current: | | |
| Others | – | 44 |
| | 23 | 82 |

***Maintenance warranties***

A provision is recognised for expected warranty claims on products sold during the last one year, based on past experience of the level of repairs and returns. It is expected that most of these costs will be incurred after one year from the end of the reporting period and will have been incurred within one year of the end of the reporting period. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the one-year warranty period for all products sold.

During the financial year, management concluded, based on the earlier mentioned statistics and warranty claims experience that the provision exceeded the amount necessary to cover warranty claims on products sold since 2011. Accordingly, $38,000 (2013: $37,000) of the warranty provision has been reversed.

| | Group 2014 $'000 | Group 2013 $'000 |
|---|---|---|
| At 1 August | 38 | 37 |
| Provided during the year | 30 | 170 |
| Utilised | (7) | (132) |
| Unutilised amounts reversed | (38) | (37) |
| At 31 July | 23 | 38 |

## 26. Long term payables

| | Group 2014 $'000 | Group 2013 (Restated) $'000 | Group 2012 (Restated) $'000 |
|---|---|---|---|
| Defined benefit obligations | 389 | 480 | 537 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 26. Long term payables (cont'd)

### *Defined benefit plans*

The Group operates two defined benefit plans, both of which are non-contributory plans covering all regular full-time employees. One provides a funded pension of 3% of total salary each month, while the other is unfunded but accrues the estimated cost of post-employment benefits, actuarially determined.

The amount included in the consolidated balance sheet arising from the Group's obligations in respect of its defined benefit plans is as follows:

| | Group | | |
|---|---|---|---|
| | 2014<br>$'000 | 2013<br>(Restated)<br>$'000 | 2012<br>(Restated)<br>$'000 |
| Present value of defined benefit obligations | (1,501) | (1,490) | (1,593) |
| Fair value of plan assets | 1,111 | 1,009 | 1,053 |
| Currency realignment | 1 | 1 | 3 |
| Net defined benefit liabilities | (389) | (480) | (537) |

Changes in present value of the defined benefit obligations are as follows:

| | Group | |
|---|---|---|
| | 2014<br>$'000 | 2013<br>(Restated)<br>$'000 |
| Balance at beginning of year | (1,490) | (1,593) |
| Benefits paid | – | 112 |
| Current service costs | (13) | (14) |
| Interest costs | (25) | (27) |
| Remeasurement gains/(losses) on defined benefit plans | | |
| Actuarial gains/(losses) arising from: | | |
| - Changes in financial assumptions | 33 | – |
| - Experience adjustments | (44) | 28 |
| Currency realignment | 38 | 4 |
| Balance at end of year | (1,501) | (1,490) |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 26. Long term payables (cont'd)

Changes in fair value of plan assets are as follows:

| | Group | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| | $'000 | $'000 |
| Balance at beginning of year | 1,009 | 1,053 |
| Contributions by the employer | 105 | 32 |
| Benefits paid | – | (112) |
| Return on plan assets | 24 | 13 |
| Currency realignment | (27) | 23 |
| Balance at end of year | 1,111 | 1,009 |

The plan assets are represented by cash and cash equivalents.

The components of amounts recognised in profit and loss and in other comprehensive income in respect of the defined benefit plans are as follows:

Reported in profit or loss

| | Group | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| | $'000 | $'000 |
| Current service costs | (13) | (14) |
| Interest costs | (25) | (27) |
| Return on plan assets | 15 | 21 |
| | (23) | (20) |

These amounts are recognised in "Employee benefits expense" line item in the profit or loss.

Reported in other comprehensive income

| | Group | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| | $'000 | $'000 |
| Return on plan assets | 9 | (8) |
| Actuarial gain/(loss) arising from: | | |
| - Changes in financial assumptions | 33 | – |
| - Experience adjustments | (44) | 28 |
| | (2) | 20 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 26. Long term payables (cont'd)

The cost of defined benefit plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the obligations for the defined benefit plans are shown below:

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| Discount rates | 1.75% - 5.15% | 1.50% - 3.99% |
| Expected rate of future salary increases | 2.00% - 5.00% | 2.00% - 5.00% |

Assumptions regarding future mortality experience are based on published statistics and mortality tables. These assumptions were developed by management with the assistance of independent actuaries. Discount rates are determined close to the end of each reporting period by reference to the interest rates of government bonds with terms to maturity approximating to the terms of the post-employment benefit obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming if all other assumptions were held constant:

| | | Group | |
|---|---|---|---|
| | Increase/ (decrease) | 2014 $'000 | 2013 $'000 |
| Discount rates | 0.25% | (47) | (36) |
| | (0.25%) | 50 | 38 |
| Expected rate of future salary increases | 0.25% | 49 | 37 |
| | (0.25%) | (46) | (36) |

The Group expects to contribute $104,000 (2013: $107,000) to the defined benefit pension plans in financial year 2015.

The duration of the defined benefit obligation at the end of the reporting period is 10-19 years (2013: 11-20 years).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 27. Commitments

### *(a) Operating lease commitments – As lessee*

These leases have an average tenure of between 1 and 5 years with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

Future minimum lease payments payable under non-cancellable operating leases as at 31 July are as follows:

| | Group | |
|---|---|---|
| | 2014<br>$'000 | 2013<br>$'000 |
| Not later than one year | 791 | 962 |
| Later than one year but not later than five years | 2,207 | 526 |
| More than five years | – | 51 |
| | 2,998 | 1,539 |

### *(b) Financial instruments*

Derivative and other financial instruments included in the balance sheets at 31 July are as follows:

| | | Group | | | |
|---|---|---|---|---|---|
| | | 2014 | | 2013 | |
| | Note | Assets<br>$'000 | Liabilities<br>$'000 | Assets<br>$'000 | Liabilities<br>$'000 |
| Forward currency contracts | 17, 24 | –* | – | – | (50) |
| Add: Investment securities | 15 | 538 | – | 424 | – |
| Total financial assets/(liabilities) at fair value through profit or loss | | 538 | – | 424 | (50) |

As at 31 July 2014, the Group held two (2013: seven) forward currency contracts, with total outstanding notional amounts of $749,000 (2013: $2,621,000). The outstanding forward contracts mature in 1 to 2 months (2013: 3 to 4 months).

The Group does not apply hedge accounting.

* Less than $1,000.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 28. Employee benefits expense

| | Group | |
|---|---|---|
| | 2014 | 2013 (Restated) |
| | $'000 | $'000 |
| Employee benefits expense (including executive directors): | | |
| Salaries and bonuses | 10,902 | 12,734 |
| CPF and other defined contributions | 694 | 1,048 |
| Pension costs | 23 | 20 |
| Other benefits | 1,992 | 2,187 |
| | 13,611 | 15,989 |

## 29. Related party disclosures

### (a) Sale and purchase of goods and services

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

| | Sale of goods $'000 | Management fees received $'000 | Interest income $'000 | Other expenses $'000 | Purchase of goods $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2014** | | | | | |
| Associates | 961 | 1,843 | 45 | (417) | (13) |
| **2013** | | | | | |
| Associates | 515 | 2,074 | 47 | (129) | – |

### (b) Compensation of key management personnel

| | Group | |
|---|---|---|
| | 2014 | 2013 |
| | $'000 | $'000 |
| Salaries and bonuses | 1,276 | 1,367 |
| CPF and other defined contributions | 12 | 23 |
| Total compensation paid to key management personnel | 1,288 | 1,390 |
| Comprise amounts paid to: | | |
| - Directors of the Company | 1,288 | 1,390 |

The remuneration of key management personnel are determined by the Board of Directors having regard to the performance of individuals and market trends.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 30. Contingent liabilities

### *Guarantee*

The Company has provided corporate guarantees to financial institutions for loans and finance leases amounting to $2,050,000 (2013: $2,135,000) taken by its subsidiaries.

## 31. Fair value of financial instruments

### *A. Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

| | Note | Quoted prices in active markets for identical instruments (Level 1) $'000 | Significant observable inputs other than quoted prices (Level 2) $'000 | Significant unobservable inputs (Level 3) $'000 | Total $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2014** | | | | | |
| **Recurring fair value measurements** | | | | | |
| ***Financial assets*** | | | | | |
| Held for trading investments | | | | | |
| - Investment securities (quoted) | 15 | 538 | – | – | 538 |
| Derivatives | | | | | |
| - Forward currency contracts | 27(b) | – | –* | – | – |
| At 31 July 2014 | | 538 | – | – | 538 |
| **2013** | | | | | |
| **Recurring fair value measurements** | | | | | |
| ***Financial assets*** | | | | | |
| Held for trading investments | | | | | |
| - Investment securities (quoted) | 15 | 424 | – | – | 424 |
| At 31 July 2013 | | 424 | – | – | 424 |
| ***Financial liabilities*** | | | | | |
| Derivatives | | | | | |
| - Forward currency contracts | 27(b) | – | (50) | – | (50) |
| At 31 July 2013 | | – | (50) | – | (50) |

* Less than $1,000.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 31. Fair value of financial instruments (cont'd)

### *A. Fair value of financial instruments that are carried at fair value (cont'd)*

*Fair value hierarchy*

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

There have been no transfers between Level 1 and Level 2 fair value measurements during the financial years ended 2014 and 2013.

*Determination of fair value*

*Investment securities (Note 15):* Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

*Derivatives (Note 27(b)):* Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates as well as forward rate curves.

### *B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

*Trade and other receivables (Note 17), trade and other payables (Note 24), cash and cash equivalents (Note 18), loans and borrowings (Note 21) and non-current loans to/(from) subsidiaries (Note 13)*

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 instruments that are priced to market interest rates on or near the end of the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 31. Fair value of financial instruments (cont'd)

### *C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

| | | Group and Company | | | |
|---|---|---|---|---|---|
| | Note | Carrying amount 2014 $'000 | Fair value 2014 $'000 | Carrying amount 2013 $'000 | Fair value 2013 $'000 |
| ***Financial assets*** | | | | | |
| Loan to associates (non-current) | 14 | 532 | * | 547 | * |

* Fair value information has not been disclosed for the Company's loans to associates because fair values cannot be measured reliably. These loans are not expected to be repaid in the foreseeable future, and it is not possible to estimate the timing of future cash flows.

## 32. Financial risk management objectives and policies

The Group's overall risk management programme seeks to minimise potential adverse effects on financial performance of the Group that these risks may pose.

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Board of directors reviews and agrees policies and procedures for the management of these risks. 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 trading in derivatives for speculative purposes shall be undertaken.

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

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

### *(a) 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, loans to subsidiaries and associates. For other financial assets (including investment securities, cash and cash equivalents and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades 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, accounts receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

*Exposure to credit risk*

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

- the carrying amount of each class of financial assets recognised in the balance sheets, including derivatives with positive fair values; and

- a nominal amount of $897,000 (2013: $904,000) relating to corporate guarantees provided by the Company to the banks on the subsidiaries' bank loans.

*Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables, including amounts due from associates on an on-going basis. The credit risk concentration profile of the Group's trade receivables, net of allowance, at the end of the reporting period is as follows:

| | 2014 | | 2013 | |
|---|---|---|---|---|
| | $'000 | % of total | $'000 | % of total |
| **Group** | | | | |
| ***By country*** | | | | |
| Singapore | 878 | 12 | 2,839 | 25 |
| Malaysia | 2,868 | 41 | 3,830 | 33 |
| China | 1,037 | 15 | 955 | 8 |
| Other Asian countries | 906 | 13 | 1,133 | 10 |
| United States | 853 | 12 | 1,986 | 17 |
| Others | 516 | 7 | 806 | 7 |
| | 7,058 | 100 | 11,549 | 100 |
| ***By industry sectors*** | | | | |
| Burn-in, testing and electronic manufacturing services | 5,878 | 83 | 9,865 | 85 |
| Distribution | 1,180 | 17 | 1,684 | 15 |
| | 7,058 | 100 | 11,549 | 100 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 32. Financial risk management objectives and policies (cont'd)

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

*Credit risk concentration profile (cont'd)*

At the end of the reporting period, approximately:

- 68% (2013: 78%) of the Group's trade receivables were due from 5 major customers who are in the semiconductor industry; and

- 6% (2013: 5%) of the Group's trade and other receivables were due from related parties while almost all of the Company's receivables were balances with related parties.

*Financial assets that are neither past due nor impaired*

Trade and other receivables, as well as loans to subsidiaries and associates that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities and derivatives are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

*Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

### *(b) 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 manages liquidity risk by maintaining sufficient cash to meet normal operating commitments.

The Group assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 32. Financial risk management objectives and policies (cont'd)

### *(b) Liquidity risk (cont'd)*

***Analysis of financial instruments by remaining contractual maturities***

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

| | Total<br>$'000 | Within 1 year<br>$'000 | Within 1 to 5 years<br>$'000 | More than 5 years<br>$'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2014** | | | | |
| ***Financial assets*** | | | | |
| Investment securities | 538 | 538 | – | – |
| Trade and other receivables | 8,665 | 8,665 | – | – |
| Cash and short term deposits | 12,052 | 12,052 | – | – |
| Loan to associates | 758 | – | – | 758 |
| Total undiscounted financial assets | 22,013 | 21,255 | – | 758 |
| ***Financial liabilities*** | | | | |
| Trade and other payables | (10,391) | (10,391) | – | – |
| Loans and borrowings | (5,487) | (4,020) | (1,467) | – |
| Total undiscounted financial liabilities | (15,878) | (14,411) | (1,467) | – |
| Total net undiscounted financial assets/(liabilities) | 6,135 | 6,844 | (1,467) | 758 |
| **2013** | | | | |
| ***Financial assets*** | | | | |
| Investment securities | 424 | 424 | – | – |
| Trade and other receivables | 12,439 | 12,439 | – | – |
| Cash and short term deposits | 14,192 | 14,192 | – | – |
| Loan to associates | 779 | – | – | 779 |
| Total undiscounted financial assets | 27,834 | 27,055 | – | 779 |
| ***Financial liabilities*** | | | | |
| Trade and other payables | (13,788) | (13,788) | – | – |
| Loans and borrowings | (5,470) | (4,420) | (1,050) | – |
| Total undiscounted financial liabilities | (19,258) | (18,208) | (1,050) | – |
| Total net undiscounted financial assets/(liabilities) | 8,576 | 8,847 | (1,050) | 779 |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
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## 32. Financial risk management objectives and policies (cont'd)

### (b) *Liquidity risk (cont'd)*

| | Total<br>$'000 | Within 1 year<br>$'000 | Within 1 to 5 years<br>$'000 | More than 5 years<br>$'000 |
|---|---|---|---|---|
| **Company** | | | | |
| **2014** | | | | |
| ***Financial assets*** | | | | |
| Investment securities | 538 | 538 | – | – |
| Trade and other receivables | 4,610 | 4,610 | – | – |
| Cash and short term deposits | 6,655 | 6,655 | – | – |
| Loan to associates | 758 | – | – | 758 |
| Total undiscounted financial assets | 12,561 | 11,803 | – | 758 |
| ***Financial liabilities*** | | | | |
| Trade and other payables | (922) | (922) | – | – |
| Loans and borrowings | (2,514) | (2,377) | (137) | – |
| Loans from subsidiaries | (5,740) | – | (5,740) | – |
| Total undiscounted financial liabilities | (9,176) | (3,299) | (5,877) | – |
| Total net undiscounted financial assets/(liabilities) | 3,385 | 8,504 | (5,877) | 758 |
| **2013** | | | | |
| ***Financial assets*** | | | | |
| Investment securities | 424 | 424 | – | – |
| Trade and other receivables | 4,192 | 4,192 | – | – |
| Cash and short term deposits | 6,650 | 6,650 | – | – |
| Loans to subsidiaries | 122 | – | – | 122 |
| Loan to associates | 779 | – | – | 779 |
| Total undiscounted financial assets | 12,167 | 11,266 | – | 901 |
| ***Financial liabilities*** | | | | |
| Trade and other payables | (1,299) | (1,299) | – | – |
| Loans and borrowings | (3,002) | (2,804) | (198) | – |
| Loans from subsidiaries | (7,777) | – | – | (7,777) |
| Total undiscounted financial liabilities | (12,078) | (4,103) | (198) | (7,777) |
| Total net undiscounted financial assets/(liabilities) | 89 | 7,163 | (198) | (6,876) |

The contractual expiry of the Company's financial guarantee matures within 1 year. This is based on the earliest period in which the financial guarantee contracts could be called. The maximum amount of the financial guarantee contracts are disclosed in Note 30.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

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

### *(c) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risks arises primarily from their loans and borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

Surplus funds are placed with reputable licensed banks.

*Sensitivity analysis for interest rate risk*

At the end of the reporting period, if interest rates had been 100 (2013: 100) basis points higher/lower with all other variables held constant, the Group's and Company's profit net of tax would have been $28,000 (2013: $28,000) and $20,000 (2013: $26,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

### *(d) Foreign currency risk*

The foreign exchange risk of the Group arises from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. The foreign currency exposure is mainly United States dollars (USD).

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies (Note 18) for working capital purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, namely Malaysia, United States, China, Taiwan, Philippines, Korea and Costa Rica.

*Sensitivity analysis for foreign currency risk*

The following table demonstrates the increase/(decrease) in the Group's and the Company's profit net of tax to a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant.

| | Group | | Company | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| USD - strengthened 1% (2013: 1%) | +15 | +41 | +1 | +1 |
| USD - weakened 1% (2013: 1%) | -15 | -41 | -1 | -1 |

# NOTES TO THE FINANCIAL STATEMENTS

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

### *(e) Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group and Company are exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore, and are classified as held for trading. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk by mainly investing in companies operating in Singapore which are publicly traded.

At the end of the reporting period, if the share price of the quoted equity instruments had been 5% (2013: 5%) higher/lower with all other variables held constant, the Group's profit net of tax would have been $22,000 (2013: $17,000) higher/lower, arising as a result of higher/lower fair value gain on held for trading investment securities.

## 33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder 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 31 July 2014 and 31 July 2013.

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

| | Group | |
|---|---|---|
| | 2014<br>$'000 | 2013<br>(Restated)<br>$'000 |
| Total loans and borrowings (total debt) | 5,350 | 5,333 |
| Less: Cash and deposits | (12,052) | (14,192) |
| Net cash | (6,702) | (8,859) |
| Total equity attributable to owners of the Company | 71,750 | 73,139 |

At the reporting date, the Group's cash and deposits exceed its loans and borrowings. Therefore, gearing ratio is not meaningful to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 34. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has the following reportable business segments:

(a) Burn-in, testing and electronic manufacturing services segment is in the business of manufacturing burn-in equipment, assembly of electronic and electrical components, provision of burn-in services and research and development of burn-in and test related activities. This reportable segment has been formed by aggregating the burn-in and test related activities and assembly activities, which are regarded by management to exhibit similar economic characteristics;

(b) Distribution segment is in the business of trading in and distribution of high-technology electronic products; and

(c) Others segment involves Group-level corporate services, treasury functions and investments in marketable securities, and consolidation adjustments which are not directly attributable to particular business segment above.

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are at terms agreed between the related parties, in a manner similar to transactions with third parties.

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 34. Segment information (cont'd)

| | Burn-in, testing and electronic manufacturing services $'000 | Distribution $'000 | Others $'000 | Eliminations $'000 | Consolidated $'000 |
|---|---|---|---|---|---|
| **2014** | | | | | |
| ***Revenue*** | | | | | |
| External customers | 32,050 | 6,739 | – | – | 38,789 |
| Inter-segment | 1,198 | 55 | – | (1,253) | – |
| Total revenue | 33,248 | 6,794 | – | (1,253) | 38,789 |
| ***Results*** | | | | | |
| Segment profit/(loss) | (3,495) | (1,208) | 338 | 53 | (4,312) |
| Interest income | | | | | 101 |
| Finance cost | | | | | (167) |
| Share of results of associates | 4,388 | – | – | – | 4,388 |
| Profit before taxation | | | | | 10 |
| Income tax benefit | | | | | 125 |
| Profit for the year | | | | | 135 |
| ***Other information*** | | | | | |
| Depreciation | 1,606 | 74 | 314 | (33) | 1,961 |
| Investment in associates | 59,713 | – | – | – | 59,713 |
| Additions to property, plant and equipment | 914 | 30 | 201 | – | 1,145 |
| **2013 (Restated)** | | | | | |
| ***Revenue*** | | | | | |
| External customers | 38,221 | 8,417 | – | – | 46,638 |
| Inter-segment | 1,723 | 49 | – | (1,772) | – |
| Total revenue | 39,944 | 8,466 | – | (1,772) | 46,638 |
| ***Results*** | | | | | |
| Segment profit/(loss) | (3,664) | (1,238) | 213 | (119) | (4,808) |
| Interest income | | | | | 145 |
| Finance cost | | | | | (180) |
| Share of results of associates | 3,085 | – | – | – | 3,085 |
| Loss before taxation | | | | | (1,758) |
| Income tax benefit | | | | | 80 |
| Loss for the year | | | | | (1,678) |

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 34. Segment information (cont'd)

| | Burn-in, testing and electronic manufacturing services $'000 | Distribution $'000 | Others $'000 | Eliminations $'000 | Consolidated $'000 |
|---|---|---|---|---|---|
| **2013 (Restated)** | | | | | |
| ***Other information*** | | | | | |
| Depreciation | 1,857 | 80 | 324 | (44) | 2,217 |
| Investment in associates | 57,034 | – | – | – | 57,034 |
| Additions to property, plant and equipment | 1,857 | 50 | 51 | – | 1,958 |

*Geographical information*

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

| | Revenue | | Non-current assets * | |
|---|---|---|---|---|
| | 2014 $'000 | 2013 $'000 | 2014 $'000 | 2013 $'000 |
| Singapore | 3,537 | 4,443 | 62,759 | 60,682 |
| Malaysia | 15,200 | 18,516 | 75 | 79 |
| China | 4,335 | 5,826 | 53 | 54 |
| Other Asian countries** | 5,829 | 4,909 | 1,749 | 2,589 |
| United States | 6,808 | 9,697 | – | – |
| Others | 3,080 | 3,247 | – | 1 |
| | 38,789 | 46,638 | 64,636 | 63,405 |

* Non-current assets consist of property, plant and equipment, investment in associates and loan to associates.

** Classified under "Other Asian countries" are Taiwan, Hong Kong, Korea, Philippines, Thailand, Japan, Indonesia and Vietnam.

Information about major customers

The Group's customer base includes 2 (2013: 2) customers from burn-in, testing and electronic manufacturing services segment, with whom transactions have exceeded 10% of the Group's revenue. In the financial year 2014, revenue generated from these customers amounted to approximately $23 million (2013: $28 million).

# NOTES TO THE FINANCIAL STATEMENTS

**For the financial year ended 31 July 2014**
(In Singapore dollars)

## 35. Properties

The Group's properties are as follows:

| Location | Description | Tenure |
|---|---|---|
| No. 8 Hsin Ann Road SBIP, Hsin-Chu<br>Taiwan, Republic of China | Factory and office | Freehold |
| No. 6, Block B, Lot 756 Jalan Subang 3<br>Off Persiaran Subang<br>47610 Subang Jaya Selangor, Malaysia | Office | Freehold |
| Unit 17-L Burgundy Corporate Tower<br>Sen. Gil J. Puyat Avenue<br>Makati City, Philippines | Office | Freehold |

## 36. Dividends

| | Group and Company | |
|---|---|---|
| | 2014<br>$'000 | 2013<br>$'000 |
| Declared and paid during the year: | | |
| Dividends on ordinary shares | | |
| First and final tax exempt (one-tier) dividend of nil cents (2013: 0.2 cents) per share | – | 246 |

## 37. Authorisation of financial statements for issue

The financial statements for the year ended 31 July 2014 were approved in accordance with a resolution of the directors on 26 September 2014.

# SHAREHOLDERS' INFORMATION

**As at 30 September 2014**

Class of shares : Ordinary share
Voting rights : 1 vote per ordinary share

## ANALYSIS BY SIZE OF HOLDINGS

| Size of Shareholdings | Number of shareholders | % | Number of Shares | % |
|---|---|---|---|---|
| 1 – 999 | 8 | 0.21 | 3.046 | 0.00 |
| 1,000 – 10,000 | 3,313 | 88.14 | 10,773,200 | 8.77 |
| 10,001 – 1,000,000 | 430 | 11.44 | 24,538,688 | 19.98 |
| 1,000,001 and above | 8 | 0.21 | 87,491,066 | 71.25 |
| **Total** | **3,759** | **100.00** | **122,806,000** | **100.00** |

## SUBSTANTIAL SHAREHOLDER *(as recorded in the Register of Substantial Shareholders)*

| Name of Shareholder | Number of Shares | % |
|---|---|---|
| Samuel Lim Syn Soo | 67,466,666 | 54.94 |

## TWENTY LARGEST SHAREHOLDERS

| | Name of Shareholders | Number of Shares | % |
|---|---|---|---|
| 1. | Samuel Lim Syn Soo | 67,466,666 | 54.94 |
| 2. | United Overseas Bank Nominees (Private) Limited | 5,407,000 | 4.40 |
| 3. | Ang Ah Beng | 3,943,000 | 3.21 |
| 4. | DBS Nominees (Private) Limited | 3,833,000 | 3.12 |
| 5. | OCBC Nominees Singapore Private Limited | 2,157,400 | 1.76 |
| 6. | Kenneth Tan Teoh Khoon | 2,130,000 | 1.73 |
| 7. | Raffles Nominees (Pte) Limited | 1,454,000 | 1.18 |
| 8. | Goh Kok Wee | 1,100,000 | 0.90 |
| 9. | Low Wai Ming | 898,000 | 0.73 |
| 10. | Lew Wing Kit | 746,000 | 0.61 |
| 11. | Wee Joo Eng Theresa Mrs Theresa Yeo | 705,000 | 0.57 |
| 12. | Tan Chin Wah | 696,000 | 0.57 |
| 13. | Philip Securities Pte Ltd | 663,000 | 0.54 |
| 14. | Tay Lang Cheng | 652,000 | 0.53 |
| 15. | Wirtz Jochen | 594,000 | 0.48 |
| 16. | Chan Siew Kit@Chan Siew Kit Philip | 527,000 | 0.43 |
| 17. | Rajbhushan Buddhiraju or Anshu Kumar | 527,000 | 0.43 |
| 18. | Citibank Nominees Singapore Pte Ltd | 501,000 | 0.41 |
| 19. | Maybank Kim Eng Securities Pte. Ltd. | 435,000 | 0.35 |
| 20. | Wong Han Meng | 410,000 | 0.33 |
| | **Total** | **94,845,066** | **77.22** |

# SHAREHOLDER'S INFORMATION

**As at 30 September 2014**

## DIRECTORS' INTEREST AS AT 21 AUGUST 2014

| | Number of Shares Held | |
|---|---|---|
| **Name of Directors** | **Direct** | **Deemed** |
| Samuel Lim Syn Soo | 67,466,666 | - |
| Kenneth Tan Teoh Khoon | 2,130,000 | - |
| Lim Mee Ing | - | 67,466,666 * |
| Francis Lee Choon Hui | - | - |
| Timothy Brooks Smith | - | - |

* By virtue of her being the spouse of Mr. Samuel Lim Syn Soo.

## FREE FLOAT

As at 30 September 2014, approximately 43.3% of the issued share capital of the Company were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 36th Annual General Meeting of the Company will be held at Lounge 1883, Level 1, Singapore Recreation Club, B Connaught Drive. Singapore 179682 on Thursday, 20 November 2014 at 9:30 a.m. for the following purposes: -

## As Ordinary Business

| | | |
|---|---|---|
| 1. | To receive and adopt the Directors' Report and Audited Financial Statements for the financial year ended 31 July 2014 and the Auditors' Report thereon. | Resolution 1 |
| 2. | To re-elect Mr Francis Lee Choon Hui, who is retiring by rotation pursuant to Article 87 of the Company's Articles of Association, as Director of the Company. | Resolution 2 |
| | **Note:** Mr Francis Lee Choon Hui, an independent director, when re-elected, will remain as Chairman of the Audit Committee. | |
| 3. | To re-appoint Mr Timothy Brooks Smith, retiring pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. | Resolution 3 |
| | **Note:** Mr Timothy Brooks Smith, an independent director, when re-appointed, will remain as a member of the Audit Committee. | |
| 4. | To approve the payment of Directors' fees of S$125,000 (2013 : S$125,000). | Resolution 4 |
| 5. | To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. | Resolution 5 |
| 6. | To transact any other business which may be properly transacted at an Annual General Meeting. | |

By Order of the Board

ADELINE LIM KIM SWAN
Company Secretary
29 October 2014

## Notes:

A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his/her behalf. Such proxy(ies) need not be a member of the Company.

The instrument appointing proxy(ies) must be deposited at the Registered Office of the Company at Block 1093 Lower Delta Road #02-01/08, Tiong Bahru Industrial Estate, Singapore 169204, not less than 48 hours before the time set for holding the 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 proxy(ies) 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.

*** IMPORTANT**
**For investors who have used their CPF monies to buy Sunright Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.**

**This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.**

**CPF investors who wish to attend the Annual General Meeting as observers must submit their requests through their respective CPF Approved Nominees so that their CPF Approved Nominees may register, within the time frame specified, with the Company. Any voting instructions must also be submitted to their CPF Approved Nominees within the time frame specified to enable them to vote on their behalf. (Please refer to Note No. 11 on the reverse side of this form on the required details.)**

**PERSONAL DATA PRIVACY**
**By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 29 October 2014.**

# PROXY FORM

**SUNRIGHT LIMITED** (Co. Reg. No.197800523M)
(Incorporated in the Republic of Singapore)

I/We ____________________________________________________(Full Name in Block Letters)

NRIC/Passport No.:_____________________________of_____________________________________

_____________________________________________________________________________(Address)

being a member/members of Sunright Limited, hereby appoint

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf, and if necessary, to demand a poll, at the 36th Annual General Meeting of the Company to be held at Lounge 1883, Level 1, Singapore Recreation Club, B Connaught Drive. Singapore 179682 on Thursday, 20 November 2014 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarized below, my/our proxy/proxies may vote or abstain from voting at his/her discretion.

| | | To be used on a show of hands | | To be used in the event of a poll | |
|---|---|---|---|---|---|
| **NO.** | **RESOLUTIONS** | **For*** | **Against*** | **No. of Votes For**** | **No. of Votes Against**** |
| | **ORDINARY BUSINESS: -** | | | | |
| 1. | Adoption of Directors' Report, Audited Financial Statements and Auditors' Report | | | | |
| 2. | Re-election of Mr Francis Lee Choon Hui as Director | | | | |
| 3. | Re-appointment of Mr Timothy Brooks Smith as Director | | | | |
| 4. | Approval of Directors' fees | | | | |
| 5. | Re-appointment of Auditor | | | | |

* *Please indicate your vote "For" or "Against" with an "X" within the box provided.*
** *If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ___________ day ___________________ 2014

| Total Number of Shares Held | |
|---|---|

_____________________________________
Signature(s)/Common Seal of Member(s)

*IMPORTANT: PLEASE READ NOTES OVERLEAF*

**Notes :**

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

2. Where a member appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion or number is specified, the first named proxy shall be deemed as representing 100% of the shareholding and the second proxy shall be deemed as an alternate to the first named.

3. A member should insert the total number of shares held. If the member has shares entered against his/her name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), he/she should insert that number of shares. If the member has shares registered in his/her name in the Register of Members of the Company, he/she should insert that number of shares. If the member has shares entered against his/her name in the Depository Register and registered in his/her name in the Register of Members, he/she should insert the aggregate number of shares. If no number is inserted, the instrument appointing proxy(ies) will be deemed to relate to all shares held by the member.

4. The instrument appointing proxy(ies) must be deposited at the Company's registered office at Block 1093 Lower Delta Road #02-01/08, Tiong Bahru Industrial Estate, Singapore 169204 not less than 48 hours before the time set for the Meeting.

5. The instrument appointing proxy(ies) must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing proxy(ies) is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing proxy(ies) is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorised by resolution of its directors or other governing body appoints such person as it thinks fit to act as its representative at the Meeting.

8. In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons be present at the Meeting, the person whose name stands first on the Register of Members or (as the case may be) in the Depository Register shall alone be entitled to vote.

9. Any alteration made to the instrument of proxy should be initialled by the person who signs it.

10. The Company shall be entitled to reject an instrument of proxy, 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 on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument of proxy if a member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by the Central Depository (Pte) Limited to the Company.

11. CPF Approved Nominees acting on the request of the CPF investors who wish to attend the Annual General Meeting as observers are requested to submit in writing, a list with details of the CPF investors' names, NRIC/Passport numbers, addresses and number of shares held. The list, signed by an authorised signatory of the CPF Approved Nominee, should reach the Company's registered office at Block 1093 Lower Delta Road #02-01/08, Tiong Bahru Industrial Estate, Singapore 169204 not less than 48 hours before the time set for the Meeting.

SUNRIGHT

**SUNRIGHT LIMITED**
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