



ANNUAL REPORT

2015

SUNRIGHT LIMITED (Company Reg. No. 197800523M)



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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.

—○ THE WORLD'S LARGEST  
INDEPENDENT 'BURN-IN AND  
TEST' SERVICE PROVIDER



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# CHAIRMAN'S STATEMENT



Sunright is focused on its strategic plan to pursue product development and innovations to broaden the Group's equipment portfolio.

## Dear Fellow Shareholders

FY 2015 was a major turning point in our history. We sold our direct shareholding of the "test service" business to KESM Industries Bhd, for approximately S\$17 million, inclusive of an interim dividend of S\$4 million. Sunright is focused on its strategic plan to pursue product development and innovations to broaden the Group's equipment portfolio. We are the world's largest independent "burn-in and test service" provider. Our next challenge is to create innovative integrated winning solutions with our proprietary technologies to excel and lead in the "test and burn-in equipment" market. New cars and data processing have growing needs for new applications requiring absolute reliability of chips. The timing is perfect to strengthen our equipment portfolio and expand our customer base beyond 7 of the 10 largest semiconductor manufacturers in the world.

The worldwide semiconductor industry is expecting a modest growth of 2.2 percent to reach \$348 billion in 2015. This reflects a reduced growth forecast than anticipated at the start of the previous year. Nevertheless, Sunright delivered better results in FY 2015. Annual revenue was recorded at S\$137 million, comparable to the previous year. Net earnings improved to S\$3.1 million from S\$0.1 million last year.

## DRIVING SUNRIGHT

### "2 Great Markets"

We are driven by growth in two major markets - automotive and data centers for power semiconductor applications. These markets have the largest needs and volumes for burn-in. Sunright's greatest strength today, is our strong positioning in these two largest growth market segments in our industry. Our close collaborations with leaders in these market segments bring new opportunities. Many of their key product requirements are in the pipeline of our development programs.

### "2 New Products"

During the year, we focused on driving innovations. Our g32, an enhanced MEMS inertial test handler is capable of handling tiny sensors such as accelerometers and gyrometers which do not require carriers thereby reducing test handling steps. Despite a slow beginning, the product was

finally launched in third quarter and we have received an order! Demands for car sensors used in advanced driver assistance systems “ADAS” and infotainment systems are growing fast, and this is our target market.

Integrating our core system architecture to create different models has proven to be our strength. GEN5 and GEN<sup>POWER</sup>, which were designed to test and burn-in complex logic and memory devices such as "SOC" and "DSP" have been repackaged to a new product, KX5. This versatile system is designed to test and burn-in microcontrollers for a wide spectrum of devices for communication and consumer electronics. We are pleased with the good market reception of KX5. As we closed the year, we were encouraged to receive our first order.

#### *"2 Technologies"*

The semiconductor industry does not pause to rest. It is constantly innovating and changing. We have invested and maintained our 2 core technologies "testing and burn-in" and “automated handling”. We own 4 patent families. Our development and engineering team in Phoenix, Arizona has been an important infrastructure. They lead in our innovation providing the basic framework for our Group in the pursuit of new technologies and new upgrades.

### **ACCELERATING SUNRIGHT**

The PC market has always been an integral part of Sunright’s business. Although this segment may have reached maturity stage, data centers are now deploying cloud computing. There is expanding need for storage, big data analytics, search and other high performance applications. These functions require advanced computing and high level graphic chips which would need testing and burn-in. New chips are bringing new exciting opportunities for Sunright.

We are proud to have achieved much this year, in delivering our results, in preparing new products and making launches in the market. We know it is not time to celebrate yet because this is just the beginning.

In 2016, we are looking forward to accelerate our growth in bringing more innovations and to be the first to market our new products. We will be expanding our equipment sales and adding beyond our 2 technologies to introduce new products at a faster pace.

Whether you are a shareholder for many years or a recent one, I would like to express our gratitude for your support. Your trust is fundamental and will enable Sunright to achieve our ambitious development plan, with renewed energy and enthusiasm.

### **DIVIDEND**

The Board of Directors has recommended a final tax exempt dividend of 0.4 cents per ordinary share, consisting of an ordinary dividend of 0.2 cents per share, and a special dividend of 0.2 cents per share as a gesture of additional return to shareholders arising from the Company’s realization of its direct interest in the “test service” business. The proposed dividends are subject to shareholders’ approval at our Annual General Meeting on 20<sup>th</sup> November 2015.

### **APPRECIATION**

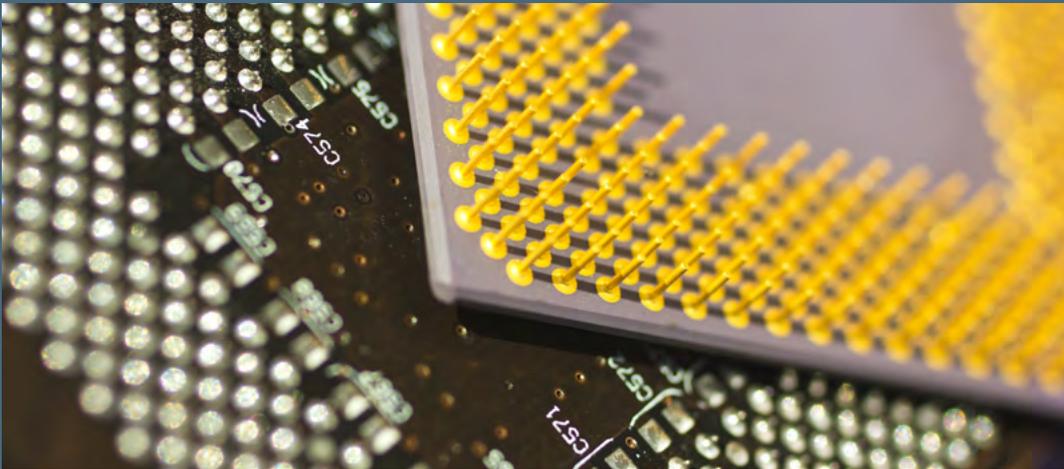
Our employees provide the building blocks to the foundation of our success. Thank you for your invaluable support and loyalty. Let's continue our journey into another exciting phase.

**Mr Samuel Lim**

Executive Chairman & Chief Executive Officer

8<sup>th</sup> October 2015

# BUSINESS REVIEW



## Equipment & Services

2015 was a good start for our product innovations. The investments in the developments of KX5 test and burn-in system and g32, MEMS inertial test handlers, have resulted in initial orders at the start of our respective market launches. Our products are receiving good market acceptance. These innovations are targeted at the automotive market.

MEMS inertial sensing technology has been expanding from car tire pressure to light sensors and motion sensors. Many more new applications are to be expected. These will provide good opportunities for further enhancing of our g32.

We have been investing on growing our talent pool to design and produce differentiating products. We will continue to strengthen our team to deliver capabilities and innovations that our customers want from us.

## Distribution

The market for cables and connectors was lacklustre. We experienced stiff competition for certain product lines. We made good progress shifting our focus from “wholesale” to “OEM”. However, this change in our business model momentarily weakened our sales. We were adversely affected by currency exposure which also lowered our margins.

Kestronics has been consolidating its operations to improve cost. This continues to be our priority as we move into the new year.

# 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 43 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 20 November 2014.

He also serves as Vice Chairman and Lead 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 2014.

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



\* Dormant

As at 30 September 2015

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Mr Samuel Lim Syn Soo**  
Executive Chairman & CEO  
**Mr Kenneth Tan Teoh Khoon**  
Executive Director  
**Ms Lim Mee Ing**  
Non-Executive, Non-Independent Director  
**Mr Francis Lee Choon Hui**  
Non-Executive, Independent Director  
**Mr Timothy Brooks Smith**  
Non-Executive, Independent Director

## AUDIT COMMITTEE

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

## COMPANY SECRETARY

**Ms Adeline Lim Kim Swan**

## SHARE REGISTRAR

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

## REGISTERED OFFICE

Block 1093 Lower Delta Road  
#02-01/08  
Tiong Bahru Industrial Estate  
Singapore 169204  
Tel : 6272 5842  
Fax: 6276 8426

## PLACE OF INCORPORATION

Singapore

## COMPANY REGISTRATION NO.

197800523M

## DATE OF INCORPORATION

9 March 1978

## WEBSITE

[www.sunright.com](http://www.sunright.com)

## STOCK EXCHANGE LISTING

Listed on 20 October 1994 on  
SGX Main Board

## STOCK NAME

Sunright

## STOCK CODE

S71

## AUDITORS

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

## AUDIT PARTNER

**Mr Philip Ng Weng Kwai**  
(Date of appointment: since financial  
year ended 31 July 2015)

# 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 the high standards of corporate governance desired.

This Statement describes the Company’s corporate governance practices that were in place throughout the financial year ended 31 July 2015 (“Year 2015”). 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 and gender 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 Khoo. 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 AC 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 corporate governance practices, 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 2015, the Board met on four (4) occasions. Amongst other Board matters, the Board reviewed the performance of the Group and endorsed the release of the half year and full year 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, corporate governance practices, compliance with listing requirements and the disposal of its direct equity interest in its testing business.

A record of each individual Director’s attendance at Board meetings and Board Committee meetings in Year 2015 is set out below:

Name of Directors	Attendance at Board Meetings	
	No. of Meetings Held	No. of Meetings Attended
Samuel Lim Syn Soo	4	4
Kenneth Tan Teoh Khoon	4	4
Lim Mee Ing	4	4
Francis Lee Choon Hui	4	4
Timothy Brooks Smith	4	3

# CORPORATE GOVERNANCE STATEMENT

Name of Directors	Attendance at Audit Committee Meetings	
	No. of Meetings Held	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 2015, 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 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
- attended in-house conference whereby they were briefed on the latest market and industry developments and trends, business and strategic plans of the Group, the progress of the new innovative products development, technology roadmap and the marketing plans.

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.

# CORPORATE GOVERNANCE STATEMENT

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 judgement on corporate affairs objectively and independently, from the Management.

Guideline 2.2 of the Code recommends that Independent Directors should make up at least half of the 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 experiences.

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.

# CORPORATE GOVERNANCE STATEMENT

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.

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 Nominating Committee ("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.

The Board has implemented a process to evaluate 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. The Board then discussed to agree on future action plans.

Based on the evaluation carried out, the Board determined that for Year 2015:-

- 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;

## CORPORATE GOVERNANCE STATEMENT

- 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.

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 re-nomination and re-appointment of retiring Directors 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:-

- Ms Lim Mee Ing, Non-Independent Non-Executive Director, who is due for retirement by rotation under the Articles; and
- Mr Francis Lee Choon Hui and Mr Timothy Brooks Smith, Independent Directors who are 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 the "Board of Directors" section of this Annual Report.

# CORPORATE GOVERNANCE STATEMENT

## 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.

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.

# CORPORATE GOVERNANCE STATEMENT

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 from the Company. 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.

Arising from the Group's adoption of the new accounting standard FRS110 *Consolidated Financial Statements*, the Board appointed an external consultant, HayGroup, to review certain aspect of the Executive Directors' remuneration packages. HayGroup and its Director, Mr Kelvin Goh do not have any connection with the Group or any of its directors which could affect their independence and objectivity. The Board has taken the HayGroup's report into consideration.

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.

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 2015 is as follows:

	Fee	Salary	Other Benefits	Total
<b>Below \$250,000</b>				
Lim Mee Ing	100	-	-	100
Francis Lee Choon Hui	100	-	-	100
Timothy Brooks Smith	100	-	-	100

# CORPORATE GOVERNANCE STATEMENT

	Fee	Salary	Other Benefits	Total
<b>S\$750,000 to S\$999,000</b>				
Samuel Lim Syn Soo	-	97	3	100
<b>S\$500,000 to S\$749,999</b>				
Kenneth Tan Teoh Khoon	-	98	2	100

The remuneration paid to each of the top (five) 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 of its Directors and top five (5) key executives as it believes that doing so is not in its best interests due to the sensitive and confidential nature of such information.

In Year 2015, 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 and full year 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.

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.

# CORPORATE GOVERNANCE STATEMENT

## **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.

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.

# CORPORATE GOVERNANCE STATEMENT

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 2015 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 Section 201B(5) of the Singapore Companies Act, Cap. 50, the Listing Manual of SGX-ST and the Code. Its duties include the following:

- reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors.
- reviewed the half-yearly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors.
- reviewed effectiveness of the Group's and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by Management and/or the internal auditor.
- met with the internal and external auditors and Management in separate sessions to discuss any matters that these groups believe should be discussed privately with the AC.

## CORPORATE GOVERNANCE STATEMENT

- reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators.
- reviewed the cost effectiveness and independence and objectivity of the external auditor.
- reviewed the nature and extent of non-audit services provided by the external auditor.
- recommended to the board of directors the internal auditor and external auditor to be nominated, reviewed the compensation of the internal auditor and external auditor.
- reported actions and minutes of the AC to the board of directors with such recommendation as the AC considered appropriate.
- reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The Committee met two (2) times in Year 2015. All the other Board members, the Corporate Controller and the Company Secretary were present at all the meetings.

During Year 2015, the AC :-

- a) reviewed the Enterprise Risk Management and the outsourcing of internal audit function;
- 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 Group and of the Company to be presented to the Board for approval; and
- f) reviewed the level of assistance given by the Group's Management to the auditors.

The AC has conducted a review of the aggregate amount of the fees paid to the external auditors for Year 2015, 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, Ernst & Young LLP, 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 6 of the audited financial statements included in this Annual Report.

The AC, having assessed the auditor's approach to audit quality and transparency, concluded that the auditor demonstrated appropriate qualifications and expertise and that the audit process was effective. Therefore, the AC recommended to the Board that Ernst & Young LLP be re-appointed as the external auditor. The Board accepted this recommendation and has proposed a resolution (set out in the Notice of AGM) to shareholders for the re-appointment of Ernst & Young LLP. Accordingly, the Company has complied with Rule 712 of the Listing Manual in relation to its external auditors.

# CORPORATE GOVERNANCE STATEMENT

Pursuant to the requirement in the SGX-ST's Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Ernst & Young LLP's audit partner for the Company took over from the previous audit partner with effect from 1 August 2014.

In compliance with Rule 716 of the SGX-ST's Listing Manual, the AC and the Board had satisfied themselves that the appointment of different auditing firms for the Company's subsidiaries would not compromise the standard and effectiveness of the audit of the Company.

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.

## **Internal Audit (Principle 13)**

The Group has all along outsourced its internal audit to an accounting/auditing firm. Since the last financial year, the AC, with the concurrence of the Board, decided that with the implementation of the ERM by the Group and Company, the Group should be able to better discharge the need for periodic internal audit.

Nonetheless, the AC and Board had undertaken a review in Year 2015 and intend to fill the casual vacancy by an outsourced internal audit firm in light that ERM reporting process has been satisfactorily implemented.

## **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 and full year results announcements and the various disclosures and announcements made to the SGX-ST via the SGXNET, press releases, annual reports and circulars to shareholders.

Additionally, the shareholders' meetings are 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 such meetings 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.

# CORPORATE GOVERNANCE STATEMENT

## 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.

## **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 permit 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 general meetings 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 Annual General Meeting ("AGM") to assist the Directors in addressing shareholders' queries about the audited financial statements.

The Company has adopted poll voting since its general meeting held in May 2015.

## **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 2015, 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

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# DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Sunright Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 July 2015.

For the purpose of the disclosures in this statement as required by the Singapore Companies Act, Chapter 50, KESM Industries Berhad ("KESMI") and its subsidiaries are not considered as subsidiaries of the Company and have therefore been treated as associates of the Group by virtue of the Company's shareholding of 48.41% in KESMI.

However, in other sections within the financial statements, for the purpose of the disclosures as required by the Singapore Financial Reporting Standards, KESMI and its subsidiaries are considered to be subsidiaries of the Group, following the Group's adoption of FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*.

## 1. DIRECTORS

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

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

## 2. OPINIONS OF THE DIRECTORS

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 July 2015 and the financial performance, changes in equity and cash flows of the Group and 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.

## 3. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

# DIRECTORS' STATEMENT

## 4. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and share options of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<b>Ordinary shares of the Company</b>				
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	-	-

By virtue of their interests in Sunright Limited, Mr Samuel Lim Syn Soo and Ms Lim Mee Ing are deemed to have an interest in the shares of the subsidiaries of Sunright Limited (which excludes KESM Industries Berhad and its subsidiaries which, as explained in paragraphs two and three of this statement, are treated as associates for the purpose of this disclosure) in the proportion to its interest in the subsidiaries.

Except as disclosed in this statement, 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 of the financial year, or date of appointment if later, or at the end of the financial year.

## 5. OPTIONS

The Company does not have an employee share option plan.

## 6. AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, the Code of Corporate Governance 2012 and the Singapore Exchange Securities Trading Limited Listing Manual. These functions include a review of the financial statements of the Group and of the Company for the financial year and the independent auditor's report thereon, a review of the nature and extent of the non-audit services provided by the firm acting as the auditor and nomination for appointment of auditor. Full details of the nature and extent of the functions performed by the AC are disclosed in the Corporate Governance Statement.



## DIRECTORS' STATEMENT

### 7. AUDITORS

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

On behalf of the Board of Directors,

Samuel Lim Syn Soo  
Director

Kenneth Tan Teoh Khoon  
Director

Singapore  
26 September 2015

# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2015 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 subsidiaries (collectively, the "Group") set out on pages 30 to 101, which comprise the balance sheets of the Group and the Company as at 31 July 2015, 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 financial statements and to maintain accountability of assets.

### *Auditor's responsibility*

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

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

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



# INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2015 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 financial position of the Group and of the Company as at 31 July 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore  
26 September 2015

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2015

(In Singapore dollars)

	Note	2015 \$'000	2014 (Restated) \$'000
<b>Revenue</b>		136,995	137,252
<b>Other items of income</b>			
Interest income	4	1,056	1,273
Dividend income		82	83
Fair value gain on held for trading investment securities		-	178
Gain on disposal of held for trading investment securities		263	127
<b>Items of expenses</b>			
Fair value loss on held for trading investment securities		(1,057)	-
Raw materials and consumables used		(30,107)	(34,962)
Changes in inventories of finished goods and work-in-progress		(1,044)	(1,828)
Employee benefits expense	23	(48,571)	(46,700)
Depreciation of property, plant and equipment	8	(23,050)	(21,766)
Reversal of impairment loss on property, plant and equipment	8	-	1,265
Operating lease rentals		(1,969)	(2,149)
Finance costs	5	(1,488)	(993)
Other operating expenses		(23,483)	(28,120)
<b>Profit before taxation</b>	6	7,627	3,660
Income tax expense	18	(1,034)	(1,217)
<b>Profit for the year</b>		6,593	2,443
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss</b>			
Remeasurement loss arising from defined benefit plans, net of tax	21	(25)	(2)
<b>Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation loss		(6,255)	(2,858)
<b>Other comprehensive income for the year, net of tax</b>		(6,280)	(2,860)
<b>Total comprehensive income for the year</b>		313	(417)
<b>Profit attributable to:</b>			
Owners of the Company		3,145	135
Non-controlling interests		3,448	2,308
<b>Total comprehensive income attributable to:</b>		6,593	2,443
Owners of the Company		(293)	(1,389)
Non-controlling interests		606	972
		313	(417)
Earnings per share (cents)	7	2.6	0.1

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

# BALANCE SHEETS

As at 31 July 2015

(In Singapore dollars)

	Note	Group			Company	
		31.7.2015	31.7.2014 (Restated)	1.8.2013 (Restated)	31.7.2015	31.7.2014 (Restated)
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	8	68,285	63,777	57,914	349	470
Investment in subsidiaries	9	-	-	-	11,843	13,959
Deferred tax assets	18	2,285	2,645	2,861	-	-
Loans to subsidiaries	10	-	-	-	-	532
<b>Total non-current assets</b>		<b>70,570</b>	<b>66,422</b>	<b>60,775</b>	<b>12,192</b>	<b>14,961</b>
<b>Current assets</b>						
Investment securities	11	2,071	3,505	3,624	623	538
Inventories	12	6,784	9,961	12,742	-	-
Prepayments		663	920	904	61	56
Tax recoverable		103	129	246	-	-
Trade and other receivables	13	31,524	32,565	35,539	4,219	4,610
Fixed deposits	14	46,015	51,715	53,229	19,313	3,543
Cash and bank balances	14	18,279	14,314	16,459	4,870	3,112
<b>Total current assets</b>		<b>105,439</b>	<b>113,109</b>	<b>122,743</b>	<b>29,086</b>	<b>11,859</b>
<b>Total assets</b>		<b>176,009</b>	<b>179,531</b>	<b>183,518</b>	<b>41,278</b>	<b>26,820</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Equity</b>						
Share capital	15	35,727	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)		36,599	33,205	33,238	(6,018)	(20,514)
Other reserves	16	(83)	2,818	4,174	155	155
<b>Total equity attributable to owners of the Company</b>		<b>72,243</b>	<b>71,750</b>	<b>73,139</b>	<b>29,864</b>	<b>15,368</b>
Non-controlling interests		47,426	48,365	47,651	-	-
<b>Total equity</b>		<b>119,669</b>	<b>120,115</b>	<b>120,790</b>	<b>29,864</b>	<b>15,368</b>

# BALANCE SHEETS

As at 31 July 2015

(In Singapore dollars)

	Note	Group			Company	
		31.7.2015	31.7.2014	1.8.2013	31.7.2015	31.7.2014
			(Restated)	(Restated)		(Restated)
		\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non-current liabilities</b>						
Loans and borrowings	17	12,771	15,126	15,431	112	132
Loans from subsidiaries	10	-	-	-	5,025	5,521
Long term payables	21	312	389	480	-	-
Provisions	20	-	-	44	-	-
Deferred tax liabilities	18	4,882	5,096	5,269	2,129	2,129
Total non-current liabilities		17,965	20,611	21,224	7,266	7,782
<b>Current liabilities</b>						
Trade and other payables	19	20,070	20,075	24,671	1,650	922
Loans and borrowings	17	18,018	18,319	16,264	2,376	2,353
Provisions	20	26	23	38	-	-
Provision for taxation		261	388	531	122	395
Total current liabilities		38,375	38,805	41,504	4,148	3,670
<b>Total equity and liabilities</b>		<b>176,009</b>	<b>179,531</b>	<b>183,518</b>	<b>41,278</b>	<b>26,820</b>

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 2015

(In Singapore dollars)

Note	Equity, total \$'000	Total equity attributable to owners of the Company \$'000	Share capital \$'000	Retained earnings \$'000	Foreign currency translation reserve \$'000	Capital reserve \$'000	Statutory reserve fund \$'000	Non-controlling interests \$'000
<b>Group</b>								
As at 1 August 2013								
- as previously reported	73,139	73,139	35,727	33,708	(7,616)	11,320	-	-
- effect of adopting FRS110	47,651	-	-	(470)	-	-	470	47,651
- as restated	120,790	73,139	35,727	33,238	(7,616)	11,320	470	47,651
Profit for the year								
- as previously reported	135	135	-	135	-	-	-	-
- effect of adopting FRS110	2,308	-	-	-	-	-	-	2,308
- as restated	2,443	135	-	135	-	-	-	2,308
Other comprehensive income for the year, net of tax								
- as previously reported	(1,524)	(1,524)	-	(2)	(1,522)	-	-	-
- effect of adopting FRS110	(1,336)	-	-	-	-	-	-	(1,336)
- as restated	(2,860)	(1,524)	-	(2)	(1,522)	-	-	(1,336)
Total comprehensive income for the year								
- as previously reported	(1,389)	(1,389)	-	133	(1,522)	-	-	-
- effect of adopting FRS110	972	-	-	-	-	-	-	972
- as restated	(417)	(1,389)	-	133	(1,522)	-	-	972
Transfer to statutory reserve fund	-	-	-	(166)	-	-	166	-
Dividend paid to non-controlling interests	(258)	-	-	-	-	-	-	(258)
As at 31 July 2014 and 1 August 2014	120,115	71,750	35,727	33,205	(9,138)	11,320	636	48,365
Profit for the year								
	6,593	3,145	-	3,145	-	-	-	3,448
Other comprehensive income for the year, net of tax								
	(6,280)	(3,438)	-	(25)	(3,413)	-	-	(2,842)
Total comprehensive income for the year								
	313	(293)	-	3,120	(3,413)	-	-	606
Transfer to statutory reserve fund	-	-	-	(102)	-	-	102	-
Issuance of bonus shares by subsidiaries	-	-	-	(410)	-	410	-	-
Dividends paid to non-controlling interests	(503)	-	-	-	-	-	-	(503)
Premium paid by subsidiary for acquisition of non-controlling interests	(256)	786	-	786	-	-	-	(1,042)
As at 31 July 2015	119,669	72,243	35,727	36,599	(12,551)	11,730	738	47,426

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 2015

(In Singapore dollars)

	Total equity \$'000	Share capital \$'000	Accumulated losses \$'000	Capital reserve \$'000
<b>Company</b>				
As at 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 and 1 August 2014	15,368	35,727	(20,514)	155
Profit for the year	14,496	-	14,496	-
Total comprehensive income for the year	14,496	-	14,496	-
As at 31 July 2015	29,864	35,727	(6,018)	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 2015

(In Singapore dollars)

	Note	2015	2014 (Restated)
		\$'000	\$'000
<b>Cash flows from operating activities:</b>			
Profit before taxation		7,627	3,660
Adjustments:			
Interest income	4	(1,056)	(1,273)
(Gain)/loss on disposal of property, plant and equipment	6	(812)	454
Reversal of impairment loss on property, plant and equipment	8	-	(1,265)
Depreciation of property, plant and equipment	8	23,050	21,766
Property, plant and equipment written off	8	5	36
Write-down of inventories	12	992	635
Impairment loss on trade receivables	13	287	69
Dividend income		(82)	(83)
Net fair value loss/(gain) on held for trading investment securities		1,057	(178)
Gain on disposal of held for trading investment securities		(263)	(127)
Finance costs	5	1,488	993
Currency realignment		(5,548)	(2,018)
<b>Operating cash flows before changes in working capital</b>		<b>26,745</b>	<b>22,669</b>
Decrease in debtors		1,011	3,656
Decrease in inventories		2,185	2,146
Decrease in creditors		(1,390)	(5,967)
<b>Cash flows generated from operations</b>		<b>28,551</b>	<b>22,504</b>
Income taxes paid		(1,062)	(1,225)
<b>Net cash flows generated from operating activities</b>		<b>27,489</b>	<b>21,279</b>
<b>Cash flows from investing activities:</b>			
Interest received		1,056	1,273
Short-term deposits with maturity more than 3 months		(5,000)	(599)
Dividends received from held for trading investment securities		82	83
Purchase of property, plant and equipment	8	(28,778)	(27,764)
Proceeds from disposal of property, plant and equipment		1,471	646
Proceeds from disposal of held for trading investment securities		482	334
<b>Net cash flows used in investing activities</b>		<b>(30,687)</b>	<b>(26,027)</b>
<b>Cash flows from financing activities:</b>			
Interest paid		(1,488)	(993)
Proceeds from term loans		16,588	14,943
Repayment of term loans		(16,104)	(11,512)
Repayment of obligations under finance leases		(1,464)	(1,548)
Dividends paid to non-controlling interests		(503)	(258)
Premium paid for acquisition of non-controlling interests		(256)	-
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(3,227)</b>	<b>632</b>
Net decrease in cash and cash equivalents		(6,425)	(4,116)
Cash and cash equivalents at beginning of year		65,082	69,198
<b>Cash and cash equivalents at end of year</b>	14	<b>58,657</b>	<b>65,082</b>

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 2015

(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 9 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 or 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 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company except as discussed below.

#### FRS 110 Consolidated Financial Statements

Upon application of FRS 110, the Group concluded that it has *de facto* control over KESM Industries Berhad, which was previously accounted for as an associated company.

In assessing whether the Group has control over an investee where the Group holds less than a majority of voting rights, the Group considers factors such as the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders as well as any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities of the investee, including the voting patterns at the investee's previous shareholders' meetings.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The Group acquired 48% of ownership interest in KESM Industries Berhad ("KESMI") in 1995 and there was no change in the Group's ownership in KESMI since then. The remaining 52% of the ordinary shares of KESMI are owned by thousands of shareholders, which 5 shareholders hold 1 - 6% (collectively less than 20%) of the voting rights and the rest of the shareholders hold not more than 1% of the voting rights individually.

The change in accounting policy has been applied retrospectively in accordance with the transitional positions in FRS 110. The assets, liabilities and non-controlling interests in KESMI are measured as if KESMI had been consolidated from the date when the Group obtained control in 1995, by applying the requirements of FRS 103 *Business Combination* (issued 2004). The effects of adoption of the financial statements are as follows:

	<b>Group</b>	<b>Company</b>
	<b>As at 31.7.2014</b>	<b>As at 1.8.2013</b>
	<b>(Restated)</b>	<b>(Restated)</b>
	<b>\$'000</b>	<b>\$'000</b>
	<b>As at 31.7.2014</b>	<b>As at 31.7.2014</b>
	<b>(Restated)</b>	<b>(Restated)</b>
	<b>\$'000</b>	<b>\$'000</b>
Increase/(decrease) in net assets:		
<b>Consolidated balance sheet</b>		
Property, plant and equipment	59,386	52,090
Investment in subsidiaries	-	-
Investment in associates	(59,713)	(57,034)
Deferred tax assets	1,839	2,038
Loans to subsidiaries	-	-
Loans to associates	(532)	(547)
Investment securities	2,967	3,200
Inventories	4,488	6,392
Prepayments	495	580
Tax recoverable	129	246
Trade and other receivables	23,900	23,100
Fixed deposits	45,527	46,830
Cash and short-term deposits	8,450	8,666
Trade and other payables	(9,684)	(10,883)
Provision for taxation	(120)	(181)
Loans and borrowings	(28,095)	(26,362)
Deferred income	256	617
Deferred tax liabilities	(928)	(1,101)
Impact on net assets	48,365	47,651
Increase/(decrease) in equity:		
Retained earnings	(636)	(470)
Other reserves	636	470
Non-controlling interests	48,365	47,651
Impact on equity	48,365	47,651

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

	Group As at 31.7.2014 (Restated) \$'000
Increase/(decrease) in total comprehensive income:	
<b>Consolidated statement of profit or loss</b>	
Revenue	98,463
Interest income	1,172
Dividend income	68
Fair value gain on held for trading investment securities	64
Gain on disposal of held for trading investment securities	127
Miscellaneous income	(2,337)
Raw materials and consumables used	(11,814)
Changes in inventories of finished goods and work-in-progress	(431)
Employee benefits expense	(33,089)
Depreciation of property, plant and equipment	(19,805)
Operating lease rentals	(918)
Finance costs	(826)
Other operating expenses	(22,636)
Share of results of associates	(4,388)
Income tax expense	(1,342)
Profit for the year	<u>2,308</u>
Profit attributable to:	
Owners of the Company	-
Non-controlling interests	<u>2,308</u>
<b>Other comprehensive income</b>	
Foreign currency translation loss	<u>(1,336)</u>
Other comprehensive income for the year, net of tax	<u>(1,336)</u>
Total comprehensive income for the year	<u>972</u>
Total comprehensive income for the year attributable to:	
Owners of the Company	-
Non-controlling interests	<u>972</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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
FRS 114 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 16 and FRS 38: <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 16 and FRS 41: <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to FRS 27: <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 111: <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to FRS 110 and FRS 28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Improvements to FRSs (November 2014)	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018

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

#### FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that applies to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgements and estimates. The management is currently assessing the impact of FRS 115 and plan to adopt the standard on 1 January 2017.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

#### FRS 109 Financial Instruments

FRS 109 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in FRS 39. The approach in FRS 109 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. FRS 109 enables companies to reflect their risk management activities better in their financial statements, and, in turn, help investors to understand the effect of those activities on future cash flows. FRS 109 is principle-based, and will more closely align hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

### 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 ("KESSE") which has accounting year ending 31 December as required by the laws of its country of incorporation. The consolidated financial statements incorporate KESSE audited financial statements as of 31 December and the unaudited management accounts from 1 January to 31 July. KESSE 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 9.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Total comprehensive income within a subsidiary is attributed to the non-controlling interests even if it results in a deficit balance.

### 2.6 *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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.6 Foreign currency (cont'd)

#### (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.

### 2.7 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.

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 as incurred.

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

Buildings	- 9 - 20 years
Leasehold land	- 60 - 99 years
Renovation	- 5 years
Plant, machinery and test equipment	- 1.5 - 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 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.

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.

### 2.9 Subsidiaries

A subsidiary is an entity over which the Group has all the following:

- (i) power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Financial instruments

#### (a) Financial assets

##### *Initial recognition and measurement*

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

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.

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.10 Financial instruments (cont'd)

#### (b) Financial liabilities

##### *Initial recognition and measurement*

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

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

##### *Subsequent measurement*

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 expires. 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(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 on 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 2015

(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 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;
- consumables – purchase costs on a first-in first-out 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

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. Companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). 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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.18 Employee benefits (cont'd)

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

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.

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.

#### *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 Leases (cont'd)

#### *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.

### 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.

#### (a) *Sale of goods*

Revenue is recognised upon the transfer of significant risks 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) *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 2015

(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, 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, 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 2015

(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.

#### (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.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.22 *Derivative financial instruments (cont'd)*

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 *Government grant*

Government grant is recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an income, the grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in "Other operating expenses" line item in profit or loss.

### 2.24 *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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.25 *Contingencies*

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) the amount of the obligation cannot be measured with sufficient reliability.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.25 Contingencies (cont'd)

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

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

### 2.26 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 2015

(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:

#### *De facto control over investee*

In assessing whether the Group has control over an investee where the Group holds less than a majority of voting rights, the Group considers factors such as the size of the Group's holding of voting rights relative to the size and dispersion of holdings of other vote holders as well as any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities of the investee, including the voting patterns at the investee's previous shareholders' meetings.

The Group concluded that it has *de facto* control over KESM Industries Berhad, which was previously accounted for as an associated company. Further details are disclosed in Note 2.2 to the financial statements.

#### *Deferred tax assets*

Deferred tax assets are recognised for unutilised capital allowances and unutilised reinvestment allowances to the extent that it is probable that taxable profit will be available against which the unutilised capital allowances and reinvestment allowances can be utilised. Significant management judgement 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 \$261,000 (2014: \$388,000), \$4,882,000 (2014: \$5,096,000), \$2,285,000 (2014: \$2,645,000) and \$92,060,000 (2014: \$93,396,000) respectively. The carrying amount of the Company's income tax payables and deferred tax liabilities at the balance sheet date were \$122,000 (2014: \$395,000) and \$2,129,000 (2014: \$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)*

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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

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

#### *Impairment of non-financial assets (property, plant and equipment, and investments in subsidiaries) (cont'd)*

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.

#### *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 13 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 2015 is \$312,000 (2014: \$389,000), as recognised in "Long term payables" in the balance sheets.

## 4. INTEREST INCOME

	Group	
	2015	2014
		(Restated)
	\$'000	\$'000
Interest income from:		
- Bank deposits	1,035	1,253
- Others	21	20
	<u>1,056</u>	<u>1,273</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 5. FINANCE COSTS

	Group	
	2015	2014 (Restated)
	\$'000	\$'000
Interest expense on:		
- Loans and borrowings	1,377	843
- Finance charges payable under finance leases	106	144
- Others	5	6
	1,488	993

## 6. PROFIT BEFORE TAXATION

The following items have been included in arriving at profit before taxation:

		Group	
	Note	2015	2014 (Restated)
		\$'000	\$'000
Repairs and maintenance		6,002	6,308
Utilities		10,098	10,442
Write-down of inventories	12	992	635
Impairment loss on trade receivables	13	287	69
Exchange (gain)/loss, net		(1,223)	221
(Gain)/loss on disposal of property, plant and equipment		(812)	454
Travelling and entertainment		856	880
Upkeep of motor vehicles		258	337
Communication		385	438
Audit fees paid to:			
- Auditors of the Company		218	193
- Other auditors		223	212
Non-audit fees paid to:			
- Auditors of the Company		104	43
- Other auditors		392	198
Other professional fees		403	616
Directors' emoluments:			
- Directors of the Company			
• Fees		164	125
• Salaries and bonuses		1,533	1,276
• CPF and other defined contributions		16	12
- Directors of subsidiaries			
• Fees		289	142
• Salaries and bonuses		429	407
		429	407

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 7. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit 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 per share for the years ended 31 July:

	Group	
	2015	2014
	\$'000	\$'000
Profit attributable to owners of the Company	3,145	135
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	122,806	122,806
	Cents	Cents
Earnings per share	2.6	0.1

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 2015

(In Singapore dollars)

## 8. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Leasehold land	Renovation	Plant, machinery and test equipment	Motor vehicles	Office equipment, furniture and fittings	Computers	Work-in-progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Cost</u>									
At 1 August 2013, as restated	16,256	2,471	8,251	222,813	2,161	2,566	6,723	2,601	263,842
Currency realignment	(443)	(70)	(149)	(6,699)	(25)	(31)	(80)	(50)	(7,547)
Additions	-	-	137	24,587	-	68	471	4,256	29,519
Disposals	-	-	(467)	(16,868)	(384)	(198)	(456)	-	(18,373)
Reclassification	-	-	2,147	2,079	-	144	-	(4,370)	-
At 31 July 2014 and 1 August 2014, as restated	15,813	2,401	9,919	225,912	1,752	2,549	6,658	2,437	267,441
Currency realignment	(262)	(189)	518	(10,184)	(30)	(98)	(34)	(36)	(10,315)
Additions	-	-	75	25,282	-	63	224	4,593	30,237
Disposals	(380)	-	(288)	(12,301)	(203)	(151)	(281)	(429)	(14,033)
At 31 July 2015	15,171	2,212	10,224	228,709	1,519	2,363	6,567	6,565	273,330
<u>Accumulated depreciation and impairment loss</u>									
At 1 August 2013, as restated	11,298	453	6,083	179,125	1,578	1,832	5,559	-	205,928
Currency realignment	(229)	(12)	(119)	(5,832)	(17)	(19)	(67)	-	(6,295)
Charge for the year	942	52	914	18,774	226	131	727	-	21,766
Reversal of impairment loss	-	-	-	(1,265)	-	-	-	-	(1,265)
Disposals	-	-	(465)	(15,011)	(373)	(165)	(456)	-	(16,470)
At 31 July 2014 and 1 August 2014	12,011	493	6,413	175,791	1,414	1,779	5,763	-	203,664
Currency realignment	(211)	(42)	299	(8,216)	(29)	(16)	(116)	-	(8,331)
Charge for the year	926	51	1,269	19,840	222	131	611	-	23,050
Disposals	(372)	-	(271)	(12,064)	(203)	(147)	(281)	-	(13,338)
At 31 July 2015	12,354	502	7,710	175,351	1,404	1,747	5,977	-	205,045
<u>Net book value</u>									
At 31 July 2015	2,817	1,710	2,514	53,358	115	616	590	6,565	68,285
At 31 July 2014	3,802	1,908	3,506	50,121	338	770	895	2,437	63,777

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Renovation \$'000	Motor vehicles \$'000	Office equipment, furniture and fittings \$'000	Computers \$'000	Total \$'000
<u>Cost</u>					
At 1 August 2013	47	768	129	1,352	2,296
Additions	-	-	-	201	201
Disposals	-	-	-	(233)	(233)
At 31 July 2014 and 1 August 2014	47	768	129	1,320	2,264
Additions	-	-	1	174	175
Disposals	-	-	(1)	-	(1)
At 31 July 2015	47	768	129	1,494	2,438
<u>Accumulated depreciation</u>					
At 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 and 1 August 2014	32	588	64	1,110	1,794
Charge for the year	7	154	11	124	296
Disposals	-	-	(1)	-	(1)
At 31 July 2015	39	742	74	1,234	2,089
<u>Net book value</u>					
At 31 July 2015	8	26	55	260	349
At 31 July 2014	15	180	65	210	470

Net book value of assets held under finance leases:

Note	Group		Company	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
	45	59	-	-
	1,178	2,278	-	-
	69	306	26	179
	22	25	-	-
	314	437	215	189
17	1,628	3,105	241	368

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 8. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

During the year, the Group acquired renovation, plant, machinery and test equipment, office equipment, furniture and fittings, and computers of \$173,000 (2014: \$536,000), while the Company acquired computers of \$131,000 (2014: \$201,000) by means of finance leases. The cash outflow on acquisition of assets amounted to \$28,778,000 (2014: \$27,764,000) and \$44,000 (2014: \$Nil) for the Group and the Company respectively.

Leased assets are pledged as security for the related finance lease liabilities, as disclosed in Note 17.

## 9. INVESTMENT IN SUBSIDIARIES

	Company	
	2015	2014 (Restated)
	\$'000	\$'000
Unquoted shares, at cost	59,106	59,413
Allowance for impairment	(47,263)	(45,454)
	11,843	13,959

### a. Composition of the Group

The subsidiaries at 31 July 2015 are:

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investment		Percentage of equity held by the Group	
			2015 \$'000	2014 \$'000	2015 %	2014 %
	<i>Held by the Company:</i>					
*	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	37,638	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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

### a. Composition of the Group (cont'd)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investment		Percentage of equity held by the Group	
			2015	2014	2015	2014
			\$'000	\$'000	%	%
<i>Held by the Company (cont'd):</i>						
❖	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#
☆	KESM Industries Berhad (Malaysia)	Provision of semiconductor burn-in services (Malaysia)	5,578	5,578	48##	48##
			59,106	59,106		
<i>Held by subsidiaries:</i>						
❖Δ	KES Systems, Inc. (USA)	Research and development in burn-in and test related activities and distribution of electronic equipment (USA)	-	-	100	100
+	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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

### a. Composition of the Group (cont'd)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost of investment		Percentage of equity held by the Group	
			2015 \$'000	2014 \$'000	2015 %	2014 %
<i>Held by subsidiaries (cont'd):</i>						
✧	KES Systems & Service (M) Sdn. Bhd. (Malaysia)	Provision of burn-in support services (Malaysia)	-	-	100	100
μ	KES Systems & Service Philippines Inc. (Philippines)	Provision of product development services (Philippines)	-	-	100	100
✧	KESM Test (M) Sdn. Bhd. (Malaysia)	Provision of semiconductor testing services (Malaysia)	-	307	48	66@
✧	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
			-	307		

❖ Audited by Ernst & Young LLP, Singapore.

✧ Audited by Ernst & Young, Malaysia.

^ Audited by Ernst & Young, Thailand.

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.

## This represents the legal interests of the Group. According to the Singapore Financial Reporting Standards (see Note 2), Sunright Limited has *de facto* control over the company.

@ Sunright Limited held a direct interest of 35%. The remaining interest was directly held by KESM Industries Berhad. Further details are disclosed in Note 9(f) to the financial statements.

♢ Audited for the purpose of Group consolidation.

♣ KES Systems & Service Costa Rica, Sociedad Anonima was liquidated during the year (Note 9(e)).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

### b. Interest in subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiary that have NCI that are material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000	Dividends paid to NCI \$'000
<b>31.7.2015:</b>					
KESM Industries Berhad	Malaysia	52%	3,448	47,426	503

### c. Summarised financial information about subsidiaries with material NCI

#### Summarised balance sheets

	KESM Industries Berhad and its subsidiaries	
	As at 31.7.2015 \$'000	As at 31.7.2014 \$'000
Total assets	130,758	149,847
Total liabilities	37,850	40,802
Net assets	92,908	109,045

#### Summarised statement of comprehensive income

Revenue	99,381	98,516
Profit for the year	7,923	6,328
Other comprehensive income	2,500	170
Total comprehensive income for the year	10,423	6,498

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

### c. Summarised financial information about subsidiaries with material NCI (cont'd)

#### Summarised statement of cash flows

	<b>KESM Industries Berhad and its subsidiaries</b>	
	<b>As at 31.7.2015 \$'000</b>	<b>As at 31.7.2014 \$'000</b>
Net cash generated from operating activities	27,628	25,444
Net cash used in investing activities	(26,775)	(26,998)
Net cash (used in)/generated from financing activities	(18,132)	1,718
Net (decrease)/increase in cash and cash equivalents	(17,279)	164
Effects of foreign exchange rate changes	1,069	(110)
Cash and bank balances at beginning of year	49,713	53,923
Cash and bank balances at end of year	33,503	53,977

### d. Impairment testing of investment in subsidiaries

During the financial year, management performed an impairment assessment for the investments in Kestronics Philippines, Inc. and Kestronics (M) Sdn. Bhd. as the distribution business had been making losses, these investments were consequently impaired. The impairment loss of \$1,809,000 was recognised in profit or loss for the year ended 31 July 2015.

In the previous financial year, an impairment loss of \$1,439,000 was recognised to fully impair the investment in KES Systems & Service (Shanghai) Co., Ltd as the subsidiary had been making losses.

### e. Voluntary liquidation of a subsidiary

On 31 July 2015, KES Systems & Service (1993) Pte Ltd, a wholly-owned subsidiary of the Company, had voluntarily liquidated its wholly-owned dormant subsidiary in Costa Rica, named KES Systems & Service Costa Rica Sociedad Anonima. This exercise is part of the Company's periodic review to ascertain the cost effectiveness of maintaining dormant companies.

### f. Disposal of a subsidiary

On 13 May 2015, the Company completed the disposal of approximately 35% of the issued and paid-up share capital of KESM Test (M) Sdn Bhd ("KESM Test") to KESM Industries Berhad ("KESMI").

Following the completion, the Company ceases to have a direct interest in KESM Test, and KESMI in turn has a direct interest in 100% of the total issued and paid-up share capital of KESM Test. The Company nonetheless continues to have an indirect interest in KESM Test through its 48% shareholding interest in KESMI.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 9. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

In the previous financial year, the capital increases in KES (USA) Inc. ("KUSA"), KES Systems, Inc. ("KESI") and KESU Systems & Service Inc. ("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 advances had been capitalised in the share capital of these companies, and the related impairment allowances recognised in the past in respect of these advances (Note 10) were transferred to investment in subsidiaries.

### h. Establishment of a subsidiary

In the previous financial year, 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.

## 10. LOANS TO/(FROM) SUBSIDIARIES

	Company	
	2015	2014
		(Restated)
	\$'000	\$'000
Loans to subsidiaries	6,630	6,954
Less: Allowance for impairment	(6,630)	(6,422)
	-	532
Loans from subsidiaries	(5,025)	(5,521)
Movement in allowance account is as follows:		
Balance at beginning of year	6,422	54,341
Transferred to investment in subsidiaries (Note 9)	-	(30,217)
Charged to profit or loss	172	239
Write-off against allowance	-	(17,938)
Exchange difference	36	(3)
Balance at end of year	6,630	6,422

An unsecured loan to a subsidiary which bore interest rate of 8.5% per annum was fully settled during the year. The loan was denominated in Malaysian Ringgit.

The remaining loans to subsidiaries bear interest rates ranging from 2.85% to 2.90% (2014: ranging from 2.00% to 2.85%) per annum, are unsecured and not likely to be repaid in the foreseeable future. The carrying amounts of these loans to subsidiaries are denominated in United States Dollar.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 10. LOANS TO/(FROM) SUBSIDIARIES (CONT'D)

Loans from subsidiaries bear interest rates at 5.75% (2014: 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 \$172,000 (2014: \$239,000) 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 2015.

## 11. INVESTMENT SECURITIES

	Group		Company	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
<b>Held for trading investments:</b>				
- Quoted equity investments	2,071	3,505	623	538

## 12. INVENTORIES

	Group	
	2015	2014 (Restated)
	\$'000	\$'000
<b>Balance sheet:</b>		
Raw materials	2,196	3,754
Consumables	1,302	1,413
Work-in-progress	1,852	2,158
Finished goods	1,434	2,636
Total inventories (at cost or net realisable value)	6,784	9,961

During the financial year, the Group wrote down \$992,000 (2014: \$635,000) 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 2015

(In Singapore dollars)

## 13. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2015	2014 (Restated)	2015	2014 (Restated)
		\$'000	\$'000	\$'000	\$'000
Trade and other receivables:					
- Trade receivables		33,583	33,584	-	-
- Sundry deposits		735	963	-	-
- Sundry receivables		953	1,481	144	42
- Derivatives	22(c)	-	-*	-	-
- Amounts due from subsidiaries, trade		-	-	5,557	5,157
- Amounts due from subsidiaries, non-trade		-	-	2,380	1,798
		35,271	36,028	8,081	6,997
Allowance for impairment:					
- Trade receivables		(3,747)	(3,463)	-	-
- Amounts due from subsidiaries, trade		-	-	(2,486)	(2,204)
- Amounts due from subsidiaries, non-trade		-	-	(1,376)	(183)
		31,524	32,565	4,219	4,610
Add: Cash and short-term deposits	14	64,294	66,029	24,183	6,655
Add: Loans to subsidiaries	10	-	-	-	532
Less: Derivatives	22(c)	-	-*	-	-
Total loans and receivables		95,818	98,594	28,402	11,797

\* Less than \$1,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 13. TRADE AND OTHER RECEIVABLES (CONT'D)

### Trade receivables

Trade receivables, including amounts due from subsidiaries, 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	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	26,051	26,826	1,015	427
Past due but not impaired	3,785	3,295	2,056	2,526
	29,836	30,121	3,071	2,953
Individually assessed				
Impaired receivable (gross)	3,747	3,463	2,486	2,204
Less: Allowance for doubtful debts	(3,747)	(3,463)	(2,486)	(2,204)
	-	-	-	-
Trade receivables, net	29,836	30,121	3,071	2,953

### Receivables that are past due but not impaired

Trade receivables, including amounts due from subsidiaries, 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	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
Less than 90 days	3,692	3,058	450	414
91 - 180 days	42	186	105	363
> 180 days	51	51	1,501	1,749
	3,785	3,295	2,056	2,526

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 13. TRADE AND OTHER RECEIVABLES (CONT'D)

### *Receivables that are impaired*

The Group's and Company's trade receivables, including amounts due from subsidiaries, 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	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
At beginning of the year	3,463	3,456	2,204	2,121
Charge to profit or loss	287	69	282	83
Written off	(303)	-	-	-
Exchange difference	300	(62)	-	-
At end of the year	3,747	3,463	2,486	2,204

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 \$287,000 (2014: \$69,000) was recognised in profit or loss, subsequent to a debt recovery assessment performed on trade receivables as at 31 July 2015.

### *Related party receivables*

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

An impairment loss of \$282,000 (2014: \$83,000) 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 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 13. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group		Company	
	2015	2014	2015	2014
	(Restated)			
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	815	1,054	3,258	3,737
United States Dollar	7,765	7,735	961	873
Malaysian Ringgit	15,199	15,576	-	-
Chinese Yuan	6,146	7,417	-	-
Others	1,599	783	-	-
	31,524	32,565	4,219	4,610

## 14. CASH AND CASH EQUIVALENTS

	Note	Group		Company	
		2015	2014	2015	2014
		(Restated)			
		\$'000	\$'000	\$'000	\$'000
Cash and bank balances		18,279	14,314	4,870	3,112
Fixed deposits		46,015	51,715	19,313	3,543
Cash and short-term deposits		64,294	66,029	24,183	6,655
Less: Fixed deposits with maturity more than 3 months		(5,637)	(599)	(5,000)	-
Bank overdrafts	17	-	(348)	-	-
Cash and cash equivalents		58,657	65,082	19,183	6,655

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

	Group		Company	
	2015	2014	2015	2014
	(Restated)			
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	24,316	6,585	24,044	6,533
United States Dollar	5,501	3,737	139	122
Malaysian Ringgit	26,825	48,120	-	-
Chinese Yuan	4,381	4,118	-	-
Others	3,271	3,469	-	-
	64,294	66,029	24,183	6,655

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 14. CASH AND CASH EQUIVALENTS (CONT'D)

Cash at banks earns interest at a weighted average interest rate of 0.12% (2014: 0.04%) per annum. Short-term deposits, other than those with maturity more than 3 months, 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 2.01% (2014: 2.39%) per annum.

Cash and bank balances of \$4,386,000 (2014: \$4,129,000) held in People's Republic of China are subject to local exchange control restrictions. These regulations place restriction on the amount of currency being exported other than through dividends and trade-related transactions.

## 15. SHARE CAPITAL

	Group and Company			
	2015		2014	
	No. of shares '000	\$'000	No. of shares '000	\$'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.

## 16. 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.

Capital reserve also accounted for the flow-through effects of investee company's accounting for capital reserves.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 16. OTHER RESERVES (CONT'D)

### (c) Statutory reserve fund

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

## 17. LOANS AND BORROWINGS

	Effective interest rate (per annum)	Maturities	Group		Company	
			2015	2014	2015	2014
			(Restated)			
%		\$'000	\$'000	\$'000	\$'000	
<b>Current</b>						
Secured:						
Obligations under finance						
leases	4.0 – 6.6	2015-2016	790	1,495	131	196
Bank loans	2.0 – 5.1	2015-2016	17,228	16,476	2,245	2,157
Bank overdrafts	4.9	On demand	-	348	-	-
			18,018	18,319	2,376	2,353
<b>Non-current</b>						
Secured:						
Obligations under finance						
leases	5.3 – 6.6	2016-2017	202	863	112	132
Bank loans	2.0 – 5.1	2018-2019	12,569	14,263	-	-
			12,771	15,126	112	132
Total			30,789	33,445	2,488	2,485

### Obligations under finance leases - secured

The Group and the Company have finance leases for certain assets (Note 8). Obligations under finance leases of \$992,000 (2014: \$2,358,000) and \$243,000 (2014: \$328,000) for the Group and the Company respectively are secured by a charge over the leased assets.

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 6.5% (2014: 5.7%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 17. LOANS AND BORROWINGS (CONT'D)

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

	Minimum lease payments 2015 \$'000	Present value of payments 2015 \$'000	Minimum lease payments 2014 (Restated) \$'000	Present value of payments 2014 (Restated) \$'000
<b>Group</b>				
Not later than one year	833	790	1,598	1,495
Later than one year but not later than five years	209	202	903	863
Total minimum lease payments	1,042	992	2,501	2,358
Less: Amounts representing finance charges	(50)	-	(143)	-
Present value of minimum lease payments	992	992	2,358	2,358
<b>Company</b>				
Not later than one year	140	131	208	196
Later than one year but not later than five years	116	112	137	132
Total minimum lease payments	256	243	345	328
Less: Amounts representing finance charges	(13)	-	(17)	-
Present value of minimum lease payments	243	243	328	328

### Bank loans

Bank loans of \$1,140,000 (2014: \$960,000) for the Group are secured on the following assets of the companies within the Group with net book values of:

	Group	
	2015 \$'000	2014 \$'000
Buildings	793	884

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 17. LOANS AND BORROWINGS (CONT'D)

### *Bank loans (cont'd)*

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

	Group		Company	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	2,042	3,055	1,527	1,612
United States Dollar	2,402	7,476	961	873
Malaysian Ringgit	25,205	21,954	-	-
Others	1,140	960	-	-
	30,789	33,445	2,488	2,485

## 18. INCOME TAX

### (a) Major components of income tax expense

The major components of income tax expense for the years ended 31 July 2015 and 2014 are:

	Group	
	2015	2014 (Restated)
	\$'000	\$'000
Statement of profit or loss and other comprehensive income		
<i>Current income tax</i>		
Current income taxation	1,257	1,310
Over provision in respect of previous years	(291)	(106)
	966	1,204
<i>Deferred tax</i>		
Origination and reversal of temporary differences	8	(195)
Under provision in respect of previous years	60	208
	68	13
Income tax expense recognised in the statement of profit or loss and other comprehensive income	1,034	1,217

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 18. INCOME TAX (CONT'D)

### (b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit before taxation multiplied by the applicable corporate tax rate for the years ended 31 July 2015 and 2014 is as follows:

	Group	
	2015	2014
		(Restated)
	\$'000	\$'000
Profit before taxation	7,627	3,660
Tax calculated at statutory tax rate of 17% (2014: 17%)	1,297	622
Adjustments:		
Non-deductible expenses	1,406	633
Income not subject to taxation	(772)	(448)
Effect of different tax rates on foreign income	739	163
Tax incentives	(3)	(5)
Benefits from previously unrecognised deferred tax assets	(2,431)	(1,973)
Deferred tax assets not recognised	1,038	2,129
(Over)/under provision in respect of previous years		
- Current income tax	(291)	(106)
- Deferred tax	60	208
Others	(9)	(6)
Income tax benefit recognised in the statement of profit or loss and other comprehensive income	1,034	1,217

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 18. 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	
	2015	2014	2015	2014	2015	2014
	(Restated)		(Restated)			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<i>Deferred tax liabilities</i>						
Unremitted offshore interest income	4,168	4,168	-	-	2,129	2,129
Others	714	928	(148)	(135)	-	-
	<u>4,882</u>	<u>5,096</u>	<u>(148)</u>	<u>(135)</u>	<u>2,129</u>	<u>2,129</u>
<i>Deferred tax assets</i>						
Differences in depreciation for tax purposes	1,998	1,457	713	1,529	-	-
Provisions	(74)	(219)	143	-	-	-
Tax incentives	(380)	(380)	-	-	-	-
Unutilised tax losses	-	(187)	183	14	-	-
Unutilised reinvestment allowance	(3,162)	(2,796)	(622)	(1,500)	-	-
Other deductible temporary differences	(667)	(520)	(201)	105	-	-
	<u>(2,285)</u>	<u>(2,645)</u>	<u>216</u>	<u>148</u>	<u>-</u>	<u>-</u>
Deferred tax benefit recognised in the statement of profit or loss and other comprehensive income			<u>68</u>	<u>13</u>		

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 18. INCOME TAX (CONT'D)

### *Unrecognised tax benefits*

At the end of the reporting period, the Group has tax losses, unutilised capital allowances, unutilised reinvestment allowances and other temporary differences of approximately \$36,634,000 (2014: \$36,287,000), \$4,080,000 (2014: \$6,438,000), \$15,708,000 (2014: \$24,858,000) and \$35,638,000 (2014: \$25,813,000) 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.

## 19. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2015	2014	2015	2014
			(Restated)		
		\$'000	\$'000	\$'000	\$'000
Trade and other payables:					
- Trade payables		7,294	8,164	-	-
- Accrued operating expenses		5,552	5,729	1,552	872
- Sundry payables		7,198	6,182	86	36
- Derivatives	22(c)	26	-	-	-
- Amounts due to subsidiaries, non-trade		-	-	12	13
- Amounts due to subsidiaries, trade		-	-	-	1
		20,070	20,075	1,650	922
Add: Loans and borrowings	17	30,789	33,445	2,488	2,485
Add: Loans from subsidiaries	10	-	-	5,025	5,521
Less: Derivatives	22(c)	(26)	-	-	-
Total financial liabilities carried at amortised cost		50,833	53,520	9,163	8,928

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 19. TRADE AND OTHER PAYABLES (CONT'D)

### *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 are unsecured, non-interest bearing and repayable on demand.

The Company has given a letter of financial support to certain subsidiaries in order that the going concern assumption is appropriate for the preparation of the financial statements of these subsidiaries.

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

	Group		Company	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	5,160	4,815	1,602	892
United States Dollar	4,880	5,008	48	30
Malaysian Ringgit	6,298	6,858	-	-
Chinese Yuan	1,785	2,401	-	-
Others	1,947	993	-	-
	20,070	20,075	1,650	922

## 20. PROVISIONS

	Group	
	2015	2014
	\$'000	\$'000
<i>Current:</i>		
Provision for maintenance warranties	26	23

### *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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 20. PROVISIONS (CONT'D)

### *Maintenance warranties (cont'd)*

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, \$23,000 (2014: \$38,000) of the warranty provision has been reversed.

	Group	
	2015	2014
	\$'000	\$'000
At 1 August	23	38
Provided during the year	26	30
Utilised	-	(7)
Unutilised amounts reversed	(23)	(38)
At 31 July	26	23

## 21. LONG TERM PAYABLES

	Group	
	2015	2014
	\$'000	\$'000
Defined benefit obligations	312	389

### *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	
	2015	2014
	\$'000	\$'000
Present value of defined benefit obligations	(1,606)	(1,501)
Fair value of plan assets	1,294	1,112
Net defined benefit liabilities	(312)	(389)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 21. LONG TERM PAYABLES (CONT'D)

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

	Group	
	2015	2014
	\$'000	\$'000
Balance at beginning of year	(1,501)	(1,490)
Benefits paid	64	-
Current service costs	(10)	(13)
Interest costs	(30)	(25)
Remeasurement gains/(losses) on defined benefit plans		
Actuarial gains/(losses) arising from		
- changes in financial assumptions	(43)	33
- experience adjustments	8	(44)
Currency realignment	(94)	38
Balance at end of year	(1,606)	(1,501)

Changes in fair value of plan assets are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Balance at beginning of year	1,112	1,009
Contributions by the employer	146	105
Benefits paid	(64)	-
Return on plan assets	30	24
Currency realignment	70	(26)
Balance at end of year	1,294	1,112

The plan assets are represented by cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 21. LONG TERM PAYABLES (CONT'D)

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

### Reported in profit or loss

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Current service costs	(10)	(13)
Interest costs	(30)	(25)
Return on plan assets	20	15
	(20)	(23)

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

### Reported in other comprehensive income

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Return on plan assets	10	9
Actuarial gain/(loss) arising from		
– Changes in financial assumptions	(43)	33
– Experience adjustments	8	(44)
	(25)	(2)

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:

	<b>Group</b>	
	<b>2015</b>	<b>2014</b>
Discount rates	1.50%	1.75%
	to 2.00%	to 5.15%
Expected rate of future salary increases	4.51%	2.00%
	to 5.00%	to 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 21. LONG TERM PAYABLES (CONT'D)

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:

	Increase/ (decrease)	Group	
		2015 \$'000	2014 \$'000
Discount rates	0.25%	(33)	(47)
	(0.25%)	34	50
Expected rate of future salary increases	0.25%	34	49
	(0.25%)	(33)	(46)

The Group expects to contribute \$178,000 (2014: \$104,000) to the defined benefit pension plans in financial year 2016.

The duration of the defined benefit obligation at the end of the reporting period is 9 – 15.5 years (2014: 10 – 19 years).

## 22. COMMITMENTS

### (a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2015 \$'000	2014 (Restated) \$'000
<u>Property, plant and equipment</u>		
- Authorised and contracted for	1,173	23,345

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 22. COMMITMENTS (CONT'D)

### (b) 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	
	2015	2014
		(Restated)
	\$'000	\$'000
Not later than one year	804	1,093
Later than one year but not later than five years	1,580	2,245
	2,384	3,338

### (c) Financial instruments

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

		Group			
	Note	2015		2014	
		Assets	Liabilities	Assets	Liabilities
				(Restated)	
		\$'000	\$'000	\$'000	\$'000
Forward currency contracts	13, 19	–	(26)	–*	–
Add: Investment securities	11	2,071	–	3,505	–
Total financial assets/(liabilities) at fair value through profit or loss		2,071	(26)	3,505	–

As at 31 July 2015, the Group held four (2014: two) forward currency contracts, with total outstanding notional amounts of \$1,626,000 (2014: \$749,000). The outstanding forward contracts mature in 1 to 3 months (2014: 1 to 2 months).

The Group does not apply hedge accounting.

\* Less than \$1,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 23. EMPLOYEE BENEFITS EXPENSE

	Group	
	2015	2014
		(Restated)
	\$'000	\$'000
Employee benefits expense (including executive directors):		
Salaries and bonuses	40,942	39,520
CPF and other defined contributions	1,579	1,731
Pension costs	20	23
Other benefits	6,030	5,426
	<u>48,571</u>	<u>46,700</u>

## 24. RELATED PARTY DISCLOSURES

### *Compensation of key management personnel*

	Group	
	2015	2014
	\$'000	\$'000
Salaries and bonuses	2,147	1,746
CPF and other defined contributions	16	12
Total compensation paid to key management personnel	<u>2,163</u>	<u>1,758</u>

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

## 25. CONTINGENT LIABILITIES

### *Guarantee*

The Company has provided corporate guarantees to financial institutions for loans and finance leases amounting to \$1,020,000 (2014: \$2,050,000) taken by its subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 26. 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
<b>Group</b>					
<b>2015</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets/(liabilities):</b>					
Held for trading investments					
- Investment securities (quoted)	11	2,071	-	-	2,071
Derivatives					
- Forward currency contracts	22(c)	(26)	-	-	(26)
At 31 July 2015		2,045	-	-	2,045
<b>2014 (Restated)</b>					
<b>Recurring fair value measurements</b>					
<b>Financial assets:</b>					
Held for trading investments					
- Investment securities (quoted)	11	3,505	-	-	3,505
Derivatives					
- Forward currency contracts	22(c)	-	-*	-	-
At 31 July 2014		3,505	-	-	3,505

\* Less than \$1,000.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 26. 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 2015 and 2014.

#### *Determination of fair value*

*Investment securities (Note 11):* Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

*Derivatives (Note 22(c)):* 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 13), trade and other payables (Note 19), cash and cash equivalents (Note 14), loans and borrowings (Note 17) and non-current loans to/(from) subsidiaries (Note 10)*

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 2015

(In Singapore dollars)

## 26. 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:

	Note	Company			
		Carrying amount 2015 \$'000	Fair value 2015 \$'000	Carrying amount 2014 (Restated) \$'000	Fair value 2014 (Restated) \$'000
<b>Financial assets:</b>					
Loan to subsidiary (non-current)	10	-	-	532	*

\* Fair value information has not been disclosed for the Company's loan to subsidiary 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.

## 27. 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 are 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.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades 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;
- a nominal amount of \$1,020,000 (2014: \$2,050,000) relating to corporate guarantees provided by the Company to the financial institutions for the subsidiaries' bank loans and finance leases.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

#### *Credit risk concentration profile*

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing 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:

	2015		2014 (Restated)	
	\$'000	% of total	\$'000	% of total
<b>Group</b>				
<b>By country:</b>				
Singapore	1,073	3	878	3
Malaysia	16,314	55	17,703	59
China	7,426	25	7,450	25
Other Asian countries	1,420	5	906	3
United States	2,105	7	1,254	4
Others	1,498	5	1,930	6
	<u>29,836</u>	<u>100</u>	<u>30,121</u>	<u>100</u>
<b>By industry sectors:</b>				
Burn-in, testing and electronic manufacturing services	29,148	98	28,941	96
Distribution	688	2	1,180	4
	<u>29,836</u>	<u>100</u>	<u>30,121</u>	<u>100</u>

At the end of the reporting period, approximately:

- 75% (2014: 84%) of the Group's trade receivables were due from 5 major customers who are in the semiconductor industry; and
- 97% (2014: 99%) of the Company's receivables were balances with related parties.

#### *Financial assets that are neither past due nor impaired*

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and fixed deposits, 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 13.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (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.

### *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.

	<b>Total</b>	<b>Within</b>	<b>Within</b>
	<b>\$'000</b>	<b>1 year</b>	<b>2 to 5 years</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>			
<b>2015</b>			
<b>Financial assets</b>			
Investment securities	2,071	2,071	-
Trade and other receivables	31,524	31,524	-
Cash and short-term deposits	64,294	64,294	-
Total undiscounted financial assets	97,889	97,889	-
<b>Financial liabilities</b>			
Trade and other payables	(20,070)	(20,070)	-
Loans and borrowings	(32,209)	(19,029)	(13,180)
Total undiscounted financial liabilities	(52,279)	(39,099)	(13,180)
Total net undiscounted financial assets/(liabilities)	45,610	58,790	(13,180)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

	Total \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000
<b>Group</b>			
<b>2014 (Restated)</b>			
<b>Financial assets</b>			
Investment securities	3,505	3,505	-
Trade and other receivables	32,565	32,565	-
Cash and short-term deposits	66,029	66,029	-
Total undiscounted financial assets	102,099	102,099	-
<b>Financial liabilities</b>			
Trade and other payables	(20,075)	(20,075)	-
Loans and borrowings	(35,128)	(19,393)	(15,735)
Total undiscounted financial liabilities	(55,203)	(39,468)	(15,735)
Total net undiscounted financial assets/(liabilities)	46,896	62,631	(15,735)
	<b>Total \$'000</b>	<b>Within 1 year \$'000</b>	<b>Within 1 to 5 years \$'000</b>
			<b>More than 5 years \$'000</b>
<b>Company</b>			
<b>2015</b>			
<b>Financial assets</b>			
Investment securities	623	623	-
Trade and other receivables	4,219	4,219	-
Cash and short-term deposits	24,183	24,183	-
Total undiscounted financial assets	29,025	29,025	-
<b>Financial liabilities</b>			
Trade and other payables	(1,650)	(1,650)	-
Loans and borrowings	(2,511)	(2,395)	(116)
Loans from subsidiaries	(5,212)	-	(5,212)
Total undiscounted financial liabilities	(9,373)	(4,045)	(5,328)
Total net undiscounted financial assets/ (liabilities)	19,652	24,980	(5,328)

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

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

	Total \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	More than 5 years \$'000
<b>Company</b>				
<b>2014 (Restated)</b>				
<b>Financial assets</b>				
Investment securities	538	538	-	-
Trade and other receivables	4,610	4,610	-	-
Cash and short-term deposits	6,655	6,655	-	-
Loans to subsidiaries	758	-	-	758
Total undiscounted financial assets	12,561	11,803	-	758
<b>Financial liabilities</b>				
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

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 25.

### (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 (2014: 100) basis points higher/lower with all other variables held constant, the Group's and Company's profit net of tax would have been \$251,000 (2014: \$243,000) and \$18,000 (2014: \$20,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

### (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 14) 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, Thailand and Korea.

#### *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 rate against SGD, Malaysian Ringgit ("MYR") and Chinese Yuan ("CNY") with all other variables held constant:

	Group		Company	
	2015	2014 (Restated)	2015	2014
	\$'000	\$'000	\$'000	\$'000
USD/SGD				
- strengthened 1% (2014: 1%)	+11	-8	-	+1
USD/SGD				
- weakened 1% (2014: 1%)	-11	+8	-	-1
USD/MYR				
- strengthened 1% (2014: 1%)	+29	-20	-	-
USD/MYR				
- weakened 1% (2014: 1%)	-29	+20	-	-
USD/CNY				
- strengthened 1% (2014: 1%)	-25	-52	-	-
USD/CNY				
- weakened 1% (2014: 1%)	+25	+52	-	-

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 27. 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% (2014: 5%) higher/lower with all other variables held constant, the Group's profit net of tax would have been \$86,000 (2014: \$145,000) higher/lower, arising as a result of higher/lower fair value gain on held for trading investment securities.

## 28. 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 2015 and 31 July 2014.

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

	Group	
	2015	2014
		(Restated)
	\$'000	\$'000
Total loans and borrowings (total debt)	30,789	33,445
Less: Cash and deposits	(64,294)	(66,029)
Net cash	(33,505)	(32,584)
Total equity attributable to owners of the Company	72,243	71,750

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

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(In Singapore dollars)

## 29. 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.
- (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 2015

(In Singapore dollars)

## 29. SEGMENT INFORMATION (CONT'D)

	Burn-in, testing and electronic manufacturing services \$'000	Distribution \$'000	Others \$'000	Eliminations \$'000	Consolidated \$'000
<b>2015</b>					
<b>Revenue:</b>					
External customers	132,474	4,521	-	-	136,995
Intra-segment	2,094	40	-	(2,134)	-
Total revenue	134,568	4,561	-	(2,134)	136,995
<b>Results:</b>					
Segment profit/(loss)	9,027	(876)	(138)	46	8,059
Interest income					1,056
Finance costs					(1,488)
Profit before taxation					7,627
Income tax expense					(1,034)
Profit for the year					6,593
<b>Other information</b>					
Depreciation	23,335	70	296	(651)	23,050
Additions to property, plant and equipment	30,058	8	175	(4)	30,237
<b>2014 (Restated)</b>					
<b>Revenue:</b>					
External customers	130,513	6,739	-	-	137,252
Intra-segment	1,251	55	-	(1,306)	-
Total revenue	131,764	6,794	-	(1,306)	137,252
<b>Results:</b>					
Segment profit/(loss)	4,206	(1,220)	338	56	3,380
Interest income					1,273
Finance costs					(993)
Profit before taxation					3,660
Income tax expense					(1,217)
Profit for the year					2,443
<b>Other information</b>					
Depreciation	22,412	74	314	(1,034)	21,766
Additions to property, plant and equipment	29,512	30	201	(224)	29,519

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 29. SEGMENT INFORMATION (CONT'D)

### *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 *	
	2015	2014 (Restated)	2015	2014 (Restated)
	\$'000	\$'000	\$'000	\$'000
Singapore	5,820	3,537	1,489	2,514
Malaysia	78,380	79,373	56,679	49,125
China	28,419	26,895	8,133	10,389
Other Asian countries**	6,438	6,456	1,976	1,749
United States	10,618	11,912	8	-
Others	7,320	9,079	-	-
	136,995	137,252	68,285	63,777

\* Non-current assets consist of property, plant and equipment.

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

### Information about major customers

The Group's customer base includes 2 (2014: 1) 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 2015, revenue generated from these customers amounted to approximately \$90 million (2014: \$75 million).

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 30. PROPERTIES

The Group's properties are as follows:

Location	Description	Tenure
No. 8 Hsin Ann Road SBIP, Hsin-Chu Taiwan, Republic of China	Factory and office	Freehold
Unit 17-L Burgundy Corporate Tower Sen. Gil J. Puyat Avenue Makati City, Philippines	Office	Freehold
Lot 4, SS8/4, Sungei Way Free Industrial Zone, 47300 Petaling Jaya Selangor Darul Ehsan, Malaysia	Factory	Leasehold
Plot 253, Jalan Kampung Jawa, Bayan Lepas FIZ (Phase 3) 11900 Pulau Pinang, Malaysia	Factory and office	Leasehold
42-17-19 Desa Green Penang	3-bedroom apartment/employees' hostel	Freehold
15-4-7 Kota Nibong Penang	3-bedroom apartment/employees' hostel	Freehold
15-7-4 Kota Nibong Penang	3-bedroom apartment/employees' hostel	Freehold
Block 16-3A-3 Taman Seri Nibong Penang	3-bedroom apartment/employees' hostel	Freehold
Block 18-9-11 Taman Seri Nibong Penang	3-bedroom apartment/employees' hostel	Freehold
33-11-12 Taman Perkaka Penang	3-bedroom apartment/employees' hostel	Freehold
Block 16-1-3 Taman Seri Nibong Penang	3-bedroom apartment/employees' hostel	Freehold
Block 18-6-5 Taman Seri Nibong Penang	3-bedroom apartment/employees' hostel	Freehold

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## 31. DIVIDENDS

	Company	
	2015	2014 (Restated)
	\$'000	\$'000
Proposed but not recognised as a liability as at 31 July:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Ordinary tax exempt (one-tier) dividend at 0.2 cents (2014: Nil) per share	246	-
- Special tax exempt (one-tier) dividend at 0.2 cents (2014: Nil) per share	246	-
	<u>492</u>	<u>-</u>

## 32. MATERIAL LITIGATION

The Company's *de facto* subsidiary's investee, KESP Sdn Bhd ("KESP") had on 8 May 2013 received a Demand for Arbitration from the International Centre for Dispute Resolution, a division of the American Arbitration Association ("AAA"). The Demand relates to an arbitration commenced by one of the KESP's customers for a dispute arising out of a contract dated 21 November 2008 between the customer and KESP for the supply of utility products. The customer alleged that it received defective products from KESP and is entitled to claim USD5,000,000. KESP adamantly denies the allegations and intends to vigorously defend itself at arbitration and to pursue its own rights, including counterclaiming against the customer for non-payment of amounts owed under the contract of at least USD2,100,000.

On 26 September 2013, the customer had filed a voluntary petition for liquidation under Chapter 7 in the U.S. Bankruptcy Court in Dallas, Texas. The AAA then agreed with the Company's solicitor that the arbitration will be stayed until bankruptcy court trustee ("Trustee") for the customer determines whether to pursue the arbitration.

The solicitor has been advised by the Counsel for the Trustee that the Trustee is in the process of completing and closing the bankruptcy case and there are no funds available to pay to the general unsecured creditors, which includes KESP. No further actions have taken place with respect to either the customer's alleged claims against KESP or KESP alleged claim against the customer.

As at the reporting date, no adjustment was made to the financial statements as there was no material impact on the earnings and net assets of the Group for the financial year ended 31 July 2015.

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2015

(In Singapore dollars)

## **33. EVENTS OCCURRING AFTER REPORTING DATE**

On 12 August 2015, the shareholders of Kestronics (Thailand) Co., Ltd approved the increase of its registered capital by S\$704,000 (Baht 18 million), through the issuance of 1.8 million new ordinary shares with a par value of Baht 10 each. Kestronics (Thailand) Co., Ltd registered the increase of its capital with the Ministry of Commerce on 26 August 2015.

On 23 September 2015, the Board of Directors of Kestronics (Thailand) Co., Ltd proposed the dissolution of Kestronics (Thailand) Co., Ltd and the appointment of a liquidator. An extraordinary general meeting will be held to seek the approval from Kestronics (Thailand) Co., Ltd's shareholders.

## **34. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE**

The financial statements for the year ended 31 July 2015 were approved in accordance with a resolution of the directors on 26 September 2015.

# SHAREHOLDERS' INFORMATION

As at 30 September 2015

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

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of shareholders	%	Number of Shares	%
1 - 99	2	0.06	47	0.00
100 - 1,000	1,238	34.29	1,232,457	1.00
1,001 - 10,000	1,963	54.38	9,037,242	7.36
10,001 - 1,000,000	399	11.05	20,954,788	17.06
1,000,001 and above	8	0.22	91,581,466	74.58
<b>TOTAL</b>	<b>3,610</b>	<b>100.00</b>	<b>122,806,000</b>	<b>100.00</b>

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

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

## TOP 20 SHAREHOLDERS

No.	Name	Number of Shares	%
1	Samuel Lim Syn Soo	67,466,666	54.94
2	United Overseas Bank Nominees (Private) Limited	5,297,900	4.31
3	Ang Ah Beng	5,031,200	4.10
4	DBS Nominees (Private) Limited	4,161,400	3.39
5	UOB Kay Hian Private Limited	3,304,900	2.69
6	OCBC Nominees Singapore Private Limited	2,155,300	1.76
7	Tan Teoh Khoon	2,130,000	1.73
8	Raffles Nominees (Pte) Limited	2,034,100	1.66
9	Phillip Securities Pte Ltd	726,700	0.59
10	Wee Joo Eng Theresa Mrs Theresa Yeo	705,000	0.57
11	Tan Chin Wah	696,000	0.57
12	Tay Lang Cheng	652,000	0.53
13	OCBC Securities Private Limited	617,700	0.50
14	Wirtz Jochen	594,000	0.48
15	Chan Siew Kit @ Chan Siew Kit Philip	527,000	0.43
16	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
17	Maybank Kim Eng Securities Pte. Ltd.	445,100	0.36
18	Wong Han Meng	410,000	0.33
19	Choon Poh s/o Sreekaran @Wilfred s/o Sreekaran	306,000	0.25
20	Ong Sze Wang (Wang Siyuan)	300,000	0.24
	<b>TOTAL</b>	<b>98,087,966</b>	<b>79.86</b>

# SHAREHOLDERS' INFORMATION

As at 30 September 2015

## DIRECTORS' INTEREST AS AT 21 AUGUST 2015

Name of Directors	Number of Shares Held	
	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 2015, approximately 43.3% of the issued ordinary shares of the Company were held by 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 37<sup>th</sup> 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 2015 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 2015 and the Auditors' Report thereon. Resolution 1
2. To declare a tax-exempt one-tier final dividend of 0.4 Singapore cents per ordinary share for the financial year ended 31 July 2015. Resolution 2
3. To re-elect Ms Lim Mee Ing, who will be retiring by rotation under Article 87 of the Company's Articles of Association and who, being eligible, offers herself for re-election as a Director of the Company. Resolution 3

**Note:** If re-elected, Ms Lim Mee Ing, a Non-independent Director, will remain as a member of the Audit Committee.

4. To re-appoint the following directors retiring under Section 153(6) of the Singapore Companies Act, Chapter 50, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:
  - (a) Mr Francis Lee Choon Hui (*Independent Director & Chairman of the Audit Committee*) Resolution 4  
[See Explanatory Note (ii)]
  - (b) Mr Timothy Brooks Smith (*Independent Director & a member of the Audit Committee*) Resolution 5  
[See Explanatory Note (ii)]

**Note:** If re-appointed, Mr Francis Lee Choon Hui and Mr Timothy Brooks Smith will remain as Chairman and a member of the Audit Committee respectively.

5. To approve the payment of Directors' fees of S\$164,000 (2014 : S\$125,000). Resolution 6
6. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. Resolution 7
7. To transact any other business as may properly be transacted at an Annual General Meeting.

By Order of the Board

**Adeline Lim Kim Swan**  
Company Secretary  
29 October 2015

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Note

- (i) Resolutions 3 to 5 – Detailed information on these directors can be found in the Board of Directors section and Corporate Governance Statement in the Annual Report 2015. Save for Ms Lim Mee Ing, there are no relationships (including immediate family relationship) between each of the directors and the other directors, the Company or its 10% shareholders.
- (ii) The effect of Resolutions 4 to 5 above, are to re-appoint the directors who are over 70 years of age and if passed, they will hold office until the next Annual General Meeting. Such re-appointment of their directorship will no longer be subject to shareholders' approval under Section 153(6) of the Singapore Companies Act, Chapter 50 as repealed when the Companies (Amendment) Act 2014 comes into force. The directors will then be subject to retirement by rotation under the Company's Articles of Association.

## Notes:

- (1) The Chairman of the Annual General Meeting will be exercising his right under Article 64(a) of the Articles of Association of the Company to demand a poll in respect of each of the resolutions to be put to the vote of members at the Annual General Meeting and at any adjournment thereof. Accordingly, each resolution at the Annual General Meeting will be voted on by way of a poll.
- (2) 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.
- (3) 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 appointed for holding the Annual General Meeting.

## Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) 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 or service providers) 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 or service providers), 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 or service providers) 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.

## NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

Subject to the approval of the shareholders for the final dividend being obtained at the Annual General Meeting, the Register of Members and the Transfer Books of the Company will be closed from 5.00 p.m. on 25 November 2015 for the purpose of determining shareholders' entitlements to the proposed final dividend.

Duly completed registrable transfers of the ordinary shares in the capital of the Company received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at 50 Raffles Place #32-01, Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 25 November 2015 will be registered before entitlements to the proposed final dividend are determined.

Shareholders whose Securities Account with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 25 November 2015 will be entitled for the proposed final dividend.

The final dividend, if approved by shareholders at the Annual General Meeting, will be paid on 4 December 2015.

By Order of the Board

**Adeline Lim Kim Swan**  
Company Secretary  
29 October 2015



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

**IMPORTANT  
CPF AND SRS INVESTORS**

- For investors who have used their CPF monies or SRS monies to buy ("Investors") Sunright Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees/SRS Agent Bank and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- Investors who wish to attend the Annual General Meeting as observers must submit their requests through their respective CPF Approved Nominees/SRS Agent Bank so that their CPF Approved Nominees/SRS Agent Bank may register, within the time frame specified, with the Company and they must bring along their CPF Statement/SRS Account Statement (as applicable) for verification at the Annual General Meeting. Any voting instructions must also be submitted to their CPF Approved Nominees/SRS Agent Bank within the time frame specified to enable them to vote on their behalf (see Note 11 on the reverse side of this Proxy Form.)

**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.

**ANNUAL GENERAL MEETING  
PROXY FORM**

I / We \_\_\_\_\_ (Full Name in Block Letters)

NRIC/Passport/ Company No. \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ (Address)

being a member/members of Sunright Limited, hereby appoint

Name	NRIC / Passport Number	Proportion of Shareholdings (see Note 2)	
		Number of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC / Passport Number	Proportion of Shareholdings (see Note 2)	
		Number of Shares	%
Address			

or failing either or both of the persons referred to above, the Chairman of the Annual General Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 37<sup>th</sup> Annual General Meeting of the Company to be held at Lounge 1883, Level 1, Singapore Recreation Club, B Connaught Drive, Singapore 179682 on Friday, 20 November 2015 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.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
1.	To receive and adopt the Directors' Report, Audited Financial Statements and Auditors' Report		
2.	Declaration of final dividend.		
3.	Re-election of Ms Lim Mee Ing as Director		
4.	Re-appointment of Mr Francis Lee Choon Hui as Director		
5.	Re-appointment of Mr Timothy Brooks Smith as Director		
6.	Approval of Directors' fees		
7.	Re-appointment of Auditor		

\* If you wish to exercise all your votes "For" or "Against", please indicate with an "X" or a "√" within the box provided. Alternatively, please indicate the number of votes in the relevant boxes.

Dated this \_\_\_\_\_ day \_\_\_\_\_ 2015

Total Number of Shares Held (see Note 3) \_\_\_\_\_

\_\_\_\_\_  
Signature(s)/Common Seal of Member(s)

**IMPORTANT: PLEASE READ NOTES OVERLEAF**



## NOTES

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
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 ordinary shares held. If the member has ordinary shares entered against his/her name in the Depository Register (as defined in Section 130A of the Singapore Companies Act, Cap. 50 of Singapore), he/she should insert that number of ordinary shares. If the member has ordinary shares registered in his/her name in the Register of Members of the Company, he/she should insert that number of ordinary shares. If the member has ordinary 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 ordinary shares. If no number is inserted, this Proxy Form will be deemed to relate to all ordinary shares held by the member.
4. The Proxy Form must be lodged with 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 Annual General Meeting.
5. The Proxy Form must be signed under the hand of the appointor or by his/her attorney duly authorised in writing. Where the Proxy Form 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 the Proxy Form 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 Proxy Form, failing which the Proxy Form may be treated as invalid.
7. A corporation which is a member may, in accordance with Section 179 of the Singapore 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 Annual General 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 Annual General Meeting, the person whose name stands first on the Register of Members or in the Depository Register (as the case may be) shall alone be entitled to vote.
9. Any alteration made to the Proxy Form should be initialled by the appointor who signs it.
10. The Company shall be entitled to reject the Proxy Form, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of ordinary shares entered in the Depository Register, the Company may reject any Proxy Form lodged if the member, being the appointor, is not shown to have ordinary shares entered against his/her name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.
11. CPF Approved Nominees/SRS Agent Bank acting on the request of the CPF/SRS investors who wish to attend the Annual General Meeting as observers are requested to submit in writing, a list with details of the CPF/SRS investors' names, NRIC/Passport numbers, addresses and number of ordinary shares held. The list, signed by an authorised signatory of the CPF Approved Nominee/SRS Agent Bank, 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 appointed for holding the Annual General Meeting.



ANNUAL REPORT

2015



**SUNRIGHT**

**SUNRIGHT LIMITED**

(Company Reg. No.197800523M)

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