SUNRIGHT

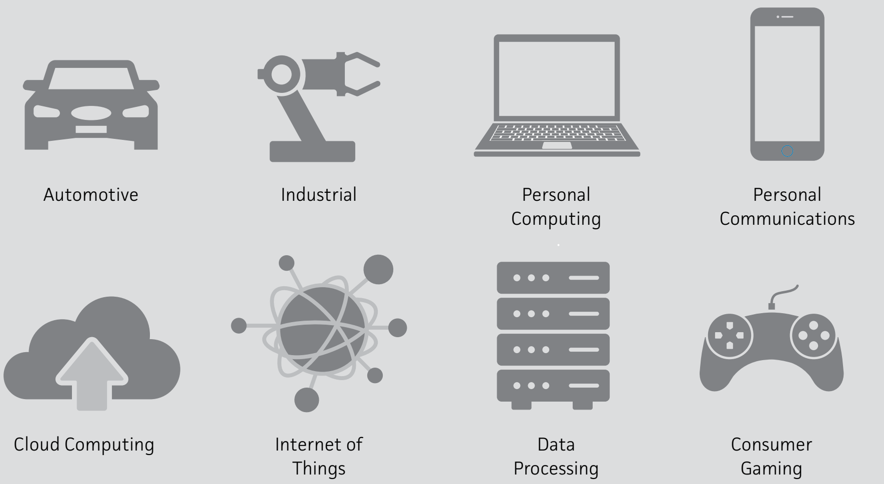
SUNRIGHT LIMITED

(Company Reg. No. 197800523M)

2016 ANNUAL REPORT

CONTENTS

THE WORLD’S LARGEST INDEPENDENT ‘BURN-IN AND TEST’ SERVICE PROVIDER



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

WE WILL CONTINUE TO SHARPEN OUR FOCUS, AND BUILD ON OUR CAPABILITIES TO STRENGTHEN THE TWO MARKETS WHICH WILL BE THE GROWTH ENGINES FOR SUNRIGHT.

S$129million

Revenue
(2015: S$137 million)

S$1.4million

Net Profit
(2015: S$3.1 million)

DEAR SHAREHOLDERS,

In 2016, we continued our transformation plan to position Sunright for profitable growth, with focus on the automotive, and the hyper-scale data centre market segments. Our aggressive investments on new product innovations with our proprietary technologies will enable us to drive top-line growth in the coming years, and maintain our lead as the world's largest independent "burn-in and test service" company, strengthening the support we provide to 7 of the 10 largest semiconductor manufacturers in the world.

Sunright achieved revenue of S$129 million and a net profit of S$1.4 million. This result was accomplished in a subdued industry performance; and despite the adverse impact from a sharp decline of the Malaysian Ringgit.

Our core business in "burn-in and test" remains strong. Volumes for our services increased significantly with the continuing good performance of the KESM Group, an associate company of Sunright. Even though we experienced a slowdown in capital spending by our customers on our existing range of equipment, they are pushing us to expedite the enhanced features to our new innovative products.

2016: STRENGTHENING OUR POSITION

In positioning Sunright for sustainable growth, we have successfully accomplished several key actions to enhance competitiveness and increase profitability. We closed two manufacturing service sites and downsized our distribution activities, reducing our headcount by 35 percent.

The transformation of Sunright that began three years ago has substantially completed in 2016. These changes are establishing Sunright to be stronger, more competitive, and creating value to our shareholders.

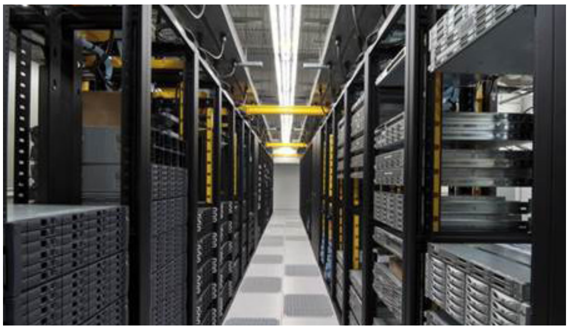
THE TWO TARGETED GROWTH MARKETS

We have been steering Sunright to the two fast growing market segments in our industry - data centres and cars. Data centres are expanding because more smartphones, tablets and mobile devices are connected to networks and cloud computing for information gathering and analyses. Cars are now being made to communicate with other cars and connected with traffic signals to reduce accidents and congestions. These developments are creating significant business and technical challenges for chip manufacturers.

The chip price-performance requirements for these products are driving semiconductor companies to integrate several technologies such as microcontroller, memory, processors onto a single silicon chip to form systems-on-chip "SOC".

GROWING APPLICATIONS IN SOC TECHNOLOGY

The global SOC market is estimated to grow at 10.5% compounded annual growth rate "CAGR" from 2015 to 2021. This estimated growth from US$35 billion to US$72 billion represents nearly one third of the



present semiconductor industry revenues today! Our KX5, a new generation system is designed to address the growing SOC market. The KX5 replicates the very successful system architecture of GEN5 and GEN*POWER*, which were developed twenty years ago. This similar system architecture has been re-modelled with new features added to enhance performance and to ensure the functionality and reliability of testing devices.

This third generation model, which is part of a new class of burn-in and test systems, is the first of a new series of systems being developed, and is now at Beta testing or pre-production evaluation by our customer. It is taking a longer period than we anticipated. We now expect customer acceptance by the end of the first half of FY 2017.

SOCs are already increasingly used in cars and Internet of Things "IOT" devices. More than half of the one billion devices we "burn in and test'' a year, are in SOC. A key factor contributing to the SOC market growth is the reducing cost per function of integrated circuits or "IC". This shift to SOC technology favours Sunright.

2017: SEIZING THE OPPORTUNITIES

Our products are lined up. We remain focused on growing our traditional markets with Fastrack auto loaders and unloaders, g32 MEMS test handlers and interface products. We are excited to see the growing opportunities that our KX series of burn in and test systems will bring. We will continue to sharpen our focus, and build on our capabilities to strengthen the two markets which will be the growth engines for Sunright.

DIVIDEND

As expressed in the Corporate Governance Statement, the Board of Directors has recommended a final tax exempt dividend of 0.2 cent per ordinary share, for shareholders' approval at our Annual General Meeting on 18 November 2016.

APPRECIATION

I want to thank our global team of highly talented employees, loyal customers, supportive shareholders and suppliers for your support. Let's look forward to new opportunities of growth for Sunright in 2017 and beyond.

Mr. Samuel Lim
Executive Chairman & Chief Executive Officer
4 October 2016

g32 – Test handler for MEMS

KX5 – Burn-In & Test System

EQUIPMENT & SERVICES

The capital equipment market was slow caused by an anaemic semiconductor industry. Excess inventory, weak demand for personal computers, tablets and mobile products have driven semiconductor manufacturers to be conservative in increasing their production and delayed equipment purchase which affected our Equipment business.

We remained focused on the sales of Fastrack product family of pick and place auto loaders and unloaders which we received continuing strong demand. We added features such as laser scanner to confirm device co-planarity following the insertion of devices to the sockets. We also completed the design of a simpler version of tube based auto loaders and unloaders. Orders were confirmed and delivered.

During this period, our g32 which offers cost savings and performance advantages did not pick up at the level of sales we were expecting. Increasingly, customers' requests for added features would further delay our marketing efforts. We decided to re-position the product to address the expanding commercial market instead of automotive for MEMS sensors.

Our KX5 system attracted high interest. Many new features requested by the customers were incorporated to the initial product which took significant amount of our time. Nevertheless, they were successfully implemented and the system is near the end of pre-production qualification. Once the product is accepted, we will aggressively promote sales. This system has a high number of signal channels and offers a high capacity at lower cost per device than competitive systems in the market today. It is configured for low power devices, optimised for burn-in and test of microcontrollers suitably designed for SOC devices.

DISTRIBUTION

We were deeply affected by the continued sharp decline of the Malaysian Ringgit. The higher expenses in material costs grew sharply and placed us in a disadvantageous position. We repositioned our market and scaled back our operation in Malaysia.

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 44 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.

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 2015.

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-appointed as a Director of the Company on 20 November 2015.

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

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 2015.

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

As at 30 September 2016

SUNRIGHT LIMITED

Burn-In

- KES Systems & Service (1993) Pte Ltd
- KES Systems & Service (1993) Pte Ltd Philippines Rep Office
- KESM Industries Berhad
- KESP Sdn. Bhd.
- KEST Systems & Service Ltd
- KES Systems, Inc.
- KESM Industries (Tianjin) Co., Ltd
- KES Systems & Service (Shanghai) Co., Ltd
- KES Systems & Service (M) Sdn. Bhd.
- KES Systems & Service Philippines Inc.

Testing

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

Distribution

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

Investment Holding

- KESM Industries Berhad

Electronics Manufacturing Services

- KESP Sdn. Bhd.

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 : (65) 6536 5355
Fax: (65) 6536 1360

REGISTERED OFFICE

Blk 1093
Lower Delta Road
#02-01/08
Singapore 169204
Tel : (65) 6272 5842
Fax: (65) 6276 8426

PLACE OF INCORPORATION

Singapore

COMPANY REGISTRATION NO.

197800523M

DATE OF INCORPORATION

9 March 1978

WEBSITE

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)

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 2016 ("FY2016"). 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 Khoon. The Executive Directors supervise the management of the Group's operations. Together with corporate staff members, they regularly meet with the management personnel of the Group's operations to review each operation's progress in strategic directions, projects and operational performance.

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 Constitution.

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, risk management 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 FY2016, 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 restructuring of the US group.

A record of each individual Director's attendance at Board meetings and Board Committee meetings in FY2016 is set out below:

Name of Directors	Attendance at Board Meetings No. of Meetings Held	Attendance at Board Meetings 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	4

Name of Directors	Attendance at Audit Committee Meetings No. of Meetings Held	Attendance at Audit Committee Meetings 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 Directors. 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 FY2016, 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 Singapore 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 introduction of new innovative products, technology roadmap, marketing plans, and new upcoming listing requirements, governance obligations and audit requirements. The Directors also have the opportunity to converse with the senior management staff to gather further information and broadly assess the Group's management resources and leadership.

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) Directors, three (3) of whom are Non-Executive. Two (2) of the Non-Executive Directors are Independent.

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

Guideline 2.2 of the Code recommends that Independent Directors should make up at least half of the Board where the Chairman and the Chief Executive Officer ("CEO") is the same person. Whilst the Chairman and 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 Directors 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 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 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 businesses of the Group. The combined role provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

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

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

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 on 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.

Annual evaluations on 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 determination whether the independence of Directors are compromised bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 of the Code, are conducted annually.

The evaluations were 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 evaluations carried out, the Board determined that for FY2016:-

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

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

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

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

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

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 Constitution, 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.

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:-

- Messrs Kenneth Tan and Samuel Lim Syn Soo, who are due for retirement by rotation under the Constitution; and

- Mr Francis Lee Choon Hui and Mr Timothy Brooks Smith, Independent Directors who were re-appointed at the last AGM pursuant to Section 153(6) of the CA to hold office until the forthcoming AGM. Section 153(6) had been repealed on 3 January 2016, thereby removing the 70-year age limit for directors of public companies. They will seek re-appointment in order to continue in office. Upon their re-appointments, they will be subject to retirement by rotation at subsequent AGMs.

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.

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 (Principle 8)

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

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

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

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

Executive Directors do not receive directors' fees 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.

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 FY2016 is as follows:

	Fee	Salary	Other Benefits	Total
Non-Executive Directors				
Below $250,000				
Lim Mee Ing	100	–	–	100
Francis Lee Choon Hui	100	–	–	100
Timothy Brooks Smith	100	–	–	100
Executive Directors/Key Management Staff				
S$750,000 to S$999,000				
Samuel Lim Syn Soo	–	98	2	100
S$500,000 to S$749,999				
Kenneth Tan Teoh Khoon	–	98	2	100

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. The Company has only two (2) key management staff, being its Executive Directors.

In FY2016, 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.

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.

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 CEO 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 2016 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 CA, 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's 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.

- 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 with such recommendation as the AC considered appropriate.

- reviewed interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

The Committee met two (2) times in FY2016. All the other Board members, the Corporate Controller and the company secretary were present at all the meetings.

During FY2016, the AC :-

a) reviewed the ERM progress report;

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;

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

g) approved the appointment of internal auditors and their audit plan.

The AC has conducted a review of the aggregate amount of the fees paid to the external auditors for FY2016, and the breakdown of the fees paid in total for audit and non-audit services. The AC is satisfied that the value of the non-audit services performed by the external auditors, Ernst & Young LLP, would not prejudice their independence and objectivity. The breakdown of the fees paid in respect of audit and non-audit services provided by the external auditors are disclosed in Note 7 of the audited financial statements included in this Annual Report.

The AC, having assessed the external auditors' approach to audit quality and transparency, concluded that they 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 auditors. 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.

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 financial year ended 31 July 2015.

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)

During FY2016, the Company appointed an accounting/auditing firm to fill the casual vacancy for internal audit.

The internal auditors report directly and independently to the AC, with the Corporate Controller being the administrative coordinator.

Being an outsourced function, the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience to perform the internal audit work.

The internal auditors adopt a risk-based approach and prepare the audit strategy and plan based on the risk profiles of the business units of the Group. The internal audit plan is presented to the AC for approval.

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.

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 Constitution permit such shareholders to appoint up to two proxies to attend the meetings and vote on their behalf. With the amendments to the CA which took effect on 3 January 2016, relevant intermediaries such as the Central Provident Fund and custodian banks are entitled to appoint more than two proxies to attend, speak and vote at the meeting. Shareholders who hold shares through these relevant intermediaries will be allowed to attend, speak and vote at the forthcoming AGM subject to being appointed a proxy by their respective relevant intermediaries. In line with the amendments to the CA, the Company's Constitution will also be amended, subject to shareholders' approval, to reflect the same. However, the Company has not provided in its Constitution 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 AGM to assist the Directors in addressing shareholders' queries about the audited financial statements.

In support of equitable and greater transparency in voting process, the Company has been conducting poll voting system since its general meeting held in May 2015.

Poll voting enables shareholders present in person or represented by proxy or corporate representative to vote on a one-share, one vote basis. Independent scrutineers were also appointed to scrutinise the voting process as well as to verify and tabulate the votes for each resolution.

The results of all votes cast for and against in respect of each resolution were announced at the general meetings and through the SGX-NET after the meetings.

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 FY2016, the Company and its subsidiaries did not enter into any transaction that would be regarded as an interested person transaction, pursuant to Chapter 9 of the Listing Manual.

FINANCIAL STATEMENTS

DIRECTORS' 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 2016.

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*.

OPINIONS OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet 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 2016 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.

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

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, or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

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 at the end of the financial year.

OPTIONS

The Company does not have an employee share option plan.

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

AUDITORS

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

On behalf of the Board of Directors,

Samuel Lim Syn Soo Director	Kenneth Tan Teoh Khoon Director

Singapore
24 September 2016

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2016

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Sunright Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 26 to 84, which comprise the balance sheets of the Group and the Company as at 31 July 2016, 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 cash flow statement 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 2016 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
24 September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2016
(In Singapore dollars)

	Note	2016 $'000	2015 $'000
Revenue	4	129,422	136,995
Other items of income			
Interest income	5	1,108	1,056
Dividend income		64	82
Gain on disposal of held for trading investment securities		–	263
Items of expenses			
Fair value loss on held for trading investment securities		(8)	(1,057)
Raw materials and consumables used		(29,899)	(30,107)
Changes in inventories of finished goods and work-in-progress		(132)	(1,044)
Employee benefits expense	24	(45,771)	(48,571)
Depreciation of property, plant and equipment	9	(19,777)	(23,050)
Operating lease rentals		(1,867)	(1,969)
Finance costs	6	(1,152)	(1,488)
Other operating expenses		(22,943)	(23,483)
Profit before tax	7	9,045	7,627
Income tax expense	19	(2,249)	(1,034)
Profit for the year		6,796	6,593
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Remeasurement loss arising from defined benefit plans, net of tax		(106)	(25)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation loss		(5,792)	(6,255)
Other comprehensive income for the financial year, net of tax		(5,898)	(6,280)
Total comprehensive income for the financial year		898	313
Profit attributable to:			
Owners of the Company		1,387	3,145
Non-controlling interests		5,409	3,448
		6,796	6,593
Total comprehensive income attributable to:			
Owners of the Company		(1,408)	(293)
Non-controlling interests		2,306	606
		898	313
Earnings per share (cents)	8	1.1	2.6

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

BALANCE SHEETS

As at 31 July 2016
(In Singapore dollars)

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	9	59,145	68,285	358	349
Investment in subsidiaries	10	–	–	11,843	11,843
Deferred tax assets	19	432	2,285	–	–
Loans to subsidiaries	11	–	–	–	–
Total non-current assets		59,577	70,570	12,201	12,192
Current assets					
Investment securities	12	1,971	2,071	573	623
Inventories	13	5,021	6,784	–	–
Prepayments		994	663	63	61
Tax recoverables		–	103	–	–
Trade and other receivables	14	30,238	31,524	3,627	4,219
Cash and short-term deposits	15	66,690	64,294	21,185	24,183
Total current assets		104,914	105,439	25,448	29,086
Total assets		164,491	176,009	37,649	41,278
EQUITY AND LIABILITIES					
Equity					
Share capital	16	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)		37,267	36,599	(4,672)	(6,018)
Other reserves	17	(2,650)	(83)	155	155
Total equity attributable to owners of the Company		70,344	72,243	31,210	29,864
Non-controlling interests		49,175	47,426	–	–
Total equity		119,519	119,669	31,210	29,864

BALANCE SHEETS

As at 31 July 2016
(In Singapore dollars)

		Group		Company	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Non-current liabilities					
Loans and borrowings	18	4,002	12,771	23	112
Loans from subsidiaries	11	–	–	101	5,025
Long term payables	22	190	312	–	–
Deferred tax liabilities	19	4,170	4,882	2,129	2,129
Total non-current liabilities		8,362	17,965	2,253	7,266
Current liabilities					
Trade and other payables	20	23,309	20,070	1,803	1,650
Loans and borrowings	18	13,144	18,018	2,316	2,376
Provisions	21	24	26	–	–
Income tax payable		133	261	67	122
Total current liabilities		36,610	38,375	4,186	4,148
Total equity and liabilities		164,491	176,009	37,649	41,278

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 2016
(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	Other reserves, total $'000	Non-controlling interests $'000
Group										
As at 1 August 2014		120,115	71,750	35,727	33,205	(9,138)	11,320	636	2,818	48,365
Profit for the financial year		6,593	3,145	–	3,145	–	–	–	–	3,448
Other comprehensive income for the financial year, net of tax		(6,280)	(3,438)	–	(25)	(3,413)	–	–	(3,413)	(2,842)
Total comprehensive income for the financial year		313	(293)	–	3,120	(3,413)	–	–	(3,413)	606
Transfer to statutory reserve fund		–	–	–	(102)	–	–	102	102	–
Issuance of bonus shares by subsidiaries		–	–	–	(410)	–	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 and 1 August 2015		119,669	72,243	35,727	36,599	(12,551)	11,730	738	(83)	47,426
Profit for the financial year		6,796	1,387	–	1,387	–	–	–	–	5,409
Other comprehensive income for the financial year, net of tax		(5,898)	(2,795)	–	(106)	(2,689)	–	–	(2,689)	(3,103)
Total comprehensive income for the financial year		898	(1,408)	–	1,281	(2,689)	–	–	(2,689)	2,306
Transfer to statutory reserve fund		–	–	–	(122)	–	–	122	122	–
Dividends on ordinary shares (Note 31)		(491)	(491)	–	(491)	–	–	–	–	–
Dividends paid to non-controlling interests		(557)	–	–	–	–	–	–	–	(557)
As at 31 July 2016		119,519	70,344	35,727	37,267	(15,240)	11,730	860	(2,650)	49,175

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 2016
(In Singapore dollars)

	Total equity $'000	Share capital $'000	Accumulated losses $'000	Capital reserve $'000
Company				
As at 1 August 2014	15,368	35,727	(20,514)	155
Profit for the financial year	14,496	–	14,496	–
Total comprehensive income for the financial year	14,496	–	14,496	–
As at 31 July 2015 and 1 August 2015	29,864	35,727	(6,018)	155
Profit for the financial year	1,837	–	1,837	–
Total comprehensive income for the financial year	1,837	–	1,837	–
Dividends on ordinary shares (Note 31)	(491)	–	(491)	–
As at 31 July 2016	31,210	35,727	(4,672)	155

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 July 2016
(In Singapore dollars)

	Note	2016 $'000	2015 $'000
Cash flows from operating activities:			
Profit before tax		9,045	7,627
Adjustments for:			
Interest income	5	(1,108)	(1,056)
Net gain on disposal of property, plant and equipment	7	(286)	(812)
Depreciation of property, plant and equipment	9	19,777	23,050
Property, plant and equipment written off		14	5
Write-down of inventories	13	1,236	992
(Reversal of impairment)/impairment loss on trade receivables	14	(344)	287
Dividend income		(64)	(82)
Net fair value loss on held for trading investment securities		8	1,057
Net gain on disposal of held for trading investment securities		–	(263)
Finance costs	6	1,152	1,488
Currency realignment		(3,217)	(5,548)
Operating cash flows before changes in working capital		26,213	26,745
Decrease in debtors		1,299	1,011
Decrease in inventories		527	2,185
Increase/(decrease) in creditors		175	(1,390)
Cash flows generated from operations		28,214	28,551
Income taxes paid		(1,190)	(1,062)
Net cash flows generated from operating activities		27,024	27,489
Cash flows from investing activities:			
Interest received		1,108	1,056
Short-term deposits with maturity more than 3 months		(10,479)	(5,000)
Dividends received from held for trading investment securities		64	82
Purchase of property, plant and equipment		(10,249)	(28,778)
Proceeds from disposal of property, plant and equipment		292	1,471
Proceeds from disposal of held for trading investment securities		–	482
Net cash flows used in investing activities		(19,264)	(30,687)
Cash flows from financing activities:			
Interest paid		(1,152)	(1,488)
Proceeds from term loans		1,025	16,588
Repayment of term loans		(13,636)	(16,104)
Repayment of obligations under finance leases		(1,032)	(1,464)
Dividends paid on ordinary shares		(491)	–
Dividends paid to non-controlling interests		(557)	(503)
Premium paid for acquisition of non-controlling interests		–	(256)
Net cash flows used in financing activities		(15,843)	(3,227)
Net decrease in cash and cash equivalents		(8,083)	(6,425)
Cash and cash equivalents at beginning of financial year		58,657	65,082
Cash and cash equivalents at end of financial year	15	50,574	58,657

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

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 10 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, 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 as disclosed in the accounting policies below.

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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

Except for FRS 115 and FRS 109, the directors expect that the adoption of the 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.

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

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Company to make changes to its current systems and processes.

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are all prepared for the same reporting date as the Company except for KES Systems & Service (Shanghai) Co., Ltd ("KESSH") which has accounting year ending 31 December as required by the laws of its country of incorporation. The consolidated financial statements incorporate KESSH audited financial statements as of 31 December and the unaudited management accounts from 1 January to 31 July. KESSH does not contribute materially to the Group's results. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Group's subsidiaries is shown in Note 10.

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

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

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

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

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

A change in the ownership of a subsidiary without a loss of control, is accounted for as an equity transaction.

The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The resulting difference is recognised directly in equity and attributed to owners of the Company.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interests and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

(b) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

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

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

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.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. 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.

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.

(b) Foreign operations

For consolidation purposes, 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.

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

2.7 Property, plant and equipment (cont'd)

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

Buildings	–	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 and computers	–	3 - 10 years

Capital work-in-progress assets are not depreciated as they are not yet available for use.

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

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

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

2.8 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 groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

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

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 involvement 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. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

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.

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 loans and borrowings, 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.

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.

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

2.11 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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 cash at bank and on hand, and deposits with bank, that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value, with a maturity of three months or less. These also include bank overdrafts that form an integral part of the Company's cash management. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

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.

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

2.15 Inventories (cont'd)

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.

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commence when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for its intended use or sale. All other borrowings costs are recognised as expenses in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

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.

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

2.18 Employee benefits (cont'd)

(c) Defined benefit plans

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

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

Defined benefit costs comprise the following:

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

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

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

(a) Finance lease - as lessee

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

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

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

2.19 Leases (cont'd)

(b) Operating lease - as lessee

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

(c) Operating lease - as lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.20.

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.

2.21 Taxes

(a) Current income tax

Current income tax assets and liabilities 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.

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

2.21 Taxes (cont'd)

(a) Current income tax (cont'd)

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.

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.

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

2.21 Taxes (cont'd)

(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.

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 Share capital and share issuance expenses

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

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.

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 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 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

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 consequently accounted for as a subsidiary company.

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.

(a) *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.

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

3.2 Key sources of estimation uncertainty (cont'd)

(a) Deferred tax assets (cont'd)

The carrying amount of the Group's income tax payables, tax recoverables, deferred tax liabilities, deferred tax assets and unrecognised tax benefits at the balance sheet date were $133,000 (2015: $261,000), $nil (2015: $103,000), $4,170,000 (2015: $4,882,000), $432,000 (2015: $2,285,000) and $87,067,000 (2015: $89,530,000) respectively. The carrying amount of the Company's income tax payables and deferred tax liabilities at the balance sheet date were $67,000 (2015: $122,000) and $2,129,000 (2015: $2,129,000) respectively.

(b) 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.

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.

(c) Useful lives of plant, machinery and test equipment

The cost of plant, machinery and test equipment is depreciated on a straight-line basis over the assets estimated economic useful lives. Management estimates the useful lives of these plant, machinery and test equipment to be within 1.5 to 5 years. These are common life expectancies applied in the semiconductor industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the reporting date is disclosed in Note 9.

(d) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 14 to the financial statements.

(e) 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 2016 is $190,000 (2015: $312,000), as recognised in "Long term payables" in the balance sheets.

4. REVENUE

	Group	
	2016 $'000	2015 $'000
Sale of goods	42,901	46,940
Rendering of services	86,521	90,055
	129,422	136,995

5. INTEREST INCOME

	Group	
	2016 $'000	2015 $'000
Interest income from:		
- Bank deposits	1,108	1,035
- Others	–	21
	1,108	1,056

6. FINANCE COSTS

	Group	
	2016 $'000	2015 $'000
Interest expense on:		
- Bank loans	1,082	1,377
- Obligations under finance leases	68	106
- Others	2	5
	1,152	1,488

7. PROFIT BEFORE TAX

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

	Note	Group 2016 $'000	Group 2015 $'000
Repairs and maintenance		6,194	6,002
Utilities		9,528	10,098
Write-down of inventories	13	1,236	992
(Reversal of impairment)/impairment loss on trade receivables	14	(344)	287
Exchange loss/(gain), net		810	(1,223)
Net gain on disposal of property, plant and equipment		(286)	(812)
Travelling and entertainment		882	856
Audit fees paid to:			
- Auditors of the Company		169	218
- Other auditors		199	223
Non-audit fees paid to:			
- Auditors of the Company		62	104
- Other auditors		80	126
Other professional fees		750	669
Directors' emoluments:			
- Directors of the Company			
• Fees		164	164
• Salaries and bonuses		1,604	1,533
• CPF and other defined contributions		19	16
- Directors of subsidiaries			
• Fees		422	289
• Salaries and bonuses		390	429

8. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit, net of tax, 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 and share data used in the computation of basic earnings per share for the financial years ended 31 July:

	Group	
	2016 $'000	2015 $'000
Profit attributable to owners of the Company	1,387	3,145
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	122,806	122,806
	Cents	Cents
Basic earnings per share	1.1	2.6

The Group has no potential ordinary shares in issue at the reporting date and therefore diluted earnings per share has not been presented.

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.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings $'000	Leasehold land $'000	Renovation $'000	Plant, machinery and test equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings and computers $'000	Capital work-in-progress $'000	Total $'000
Cost								
At 1 August 2014	15,813	2,401	9,919	225,912	1,752	9,207	2,437	267,441
Exchange differences	(262)	(189)	518	(10,184)	(30)	(132)	(36)	(10,315)
Additions	–	–	75	25,282	–	287	4,593	30,237
Disposals	(380)	–	(288)	(12,301)	(203)	(432)	(429)	(14,033)
At 31 July 2015 and 1 August 2015	15,171	2,212	10,224	228,709	1,519	8,930	6,565	273,330
Exchange differences	(819)	(139)	(126)	(11,609)	(45)	(242)	(5,185)	(18,165)
Additions	–	–	289	10,035	349	384	3,700	14,757
Disposals	–	–	(169)	(11,075)	(115)	(936)	–	(12,295)
Reclassification	–	–	13	2,764	–	–	(2,777)	–
At 31 July 2016	14,352	2,073	10,231	218,824	1,708	8,136	2,303	257,627
Accumulated depreciation and impairment loss								
At 1 August 2014	12,011	493	6,413	175,791	1,414	7,542	–	203,664
Exchange differences	(211)	(42)	299	(8,216)	(29)	(132)	–	(8,331)
Charge for the year	926	51	1,269	19,840	222	742	–	23,050
Disposals	(372)	–	(271)	(12,064)	(203)	(428)	–	(13,338)
At 31 July 2015 and 1 August 2015	12,354	502	7,710	175,351	1,404	7,724	–	205,045
Exchange differences	(550)	(32)	(571)	(12,616)	(40)	(256)	–	(14,065)
Charge for the year	1,073	39	1,022	16,943	104	596	–	19,777
Disposals	–	–	(168)	(11,066)	(115)	(926)	–	(12,275)
At 31 July 2016	12,877	509	7,993	168,612	1,353	7,138	–	198,482
Net book value								
At 31 July 2016	1,475	1,564	2,238	50,212	355	998	2,303	59,145
At 31 July 2015	2,817	1,710	2,514	53,358	115	1,206	6,565	68,285

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Renovation $'000	Motor vehicles $'000	Office equipment, furniture and fittings and computers $'000	Total $'000
Cost				
At 1 August 2014	47	768	1,449	2,264
Additions	–	–	175	175
Disposals	–	–	(1)	(1)
At 31 July 2015 and 1 August 2015	47	768	1,623	2,438
Additions	–	134	60	194
At 31 July 2016	47	902	1,683	2,632
Accumulated depreciation				
At 1 August 2014	32	588	1,174	1,794
Charge for the year	7	154	135	296
Disposals	–	–	(1)	(1)
At 31 July 2015 and 1 August 2015	39	742	1,308	2,089
Charge for the year	8	26	151	185
At 31 July 2016	47	768	1,459	2,274
Net book value				
At 31 July 2016	–	134	224	358
At 31 July 2015	8	26	315	349

(a) Assets under finance leases

Net book value of assets held under finance leases:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Renovation	31	45	–	–
Plant, machinery and test equipment	1,096	1,178	–	–
Motor vehicles	81	69	–	26
Office equipment, furniture and fittings and computers	185	336	104	215
	1,393	1,628	104	241

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(b) *Assets acquisition*

During the year, the Group acquired plant, machinery and test equipment, and computers of $1,682,000 (2015: $173,000), while the Company acquired computers of $nil (2015: $131,000) by means of finance leases. The cash outflow on acquisition of assets amounted to $10,249,000 (2015: $28,778,000) and $194,000 (2015: $44,000) for the Group and the Company respectively.

Leased assets are pledged as security for the related finance lease liabilities, as disclosed in Note 18.

10. INVESTMENT IN SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Unquoted shares, at cost	59,016	59,106
Allowance for impairment	(47,173)	(47,263)
	11,843	11,843

(a) *Composition of the Group*

The Group has the following investment in subsidiaries:

	Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2016 %	Proportion of ownership interest 2015 %
	Held by the Company:			
*	KEST Systems & Service Ltd (Taiwan)	Provision of burn-in services (Taiwan)	100	100
+	KES (USA), Inc. (USA)	Investment holding (USA)	–@	100
✡	Kestronics (M) Sdn. Bhd. (Malaysia)	Distribution of high-technology electronic equipment and materials (Malaysia)	100	100
❖	Kestronics (S) Pte Ltd (Singapore)	Distribution of high-technology electronic equipment and materials (Singapore)	100	100
❖	KES Systems & Service (1993) Pte Ltd (Singapore)	Provision of burn-in services and manufacturing of burn-in equipment (Singapore)	100	100
µ	Kestronics Philippines, Inc. (Philippines)	Distribution of high-technology electronic equipment and materials (Philippines)	100	100
+	KES Systems & Service (Shanghai) Co., Ltd (China)	Provision of burn-in services and burn-in support services (China)	100	100

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Composition of the Group (cont'd)*

	Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2016 %	2015 %
	Held by the Company:			
❖ᐞ	KES Systems, Inc. (USA)	Research and development in burn-in and test related activities and distribution of electronic equipment (USA)	100@	100
+	Kestronics (Thailand) Co., Ltd (Thailand)	Import and distribution of engines and electronic equipment (Thailand)	–^	49#
✡	KESM Industries Berhad (Malaysia)	Provision of semiconductor burn-in services (Malaysia)	48##	48##
	Held by subsidiaries:			
+	KESU Systems & Service, Inc. (USA)	Provision of burn-in services (USA)	–@	100
✡	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)	48	48
✡	KESP Sdn. Bhd. (Malaysia)	Provision of semiconductor burn-in services and electronic manufacturing services (Malaysia)	48	48
✡ᐞ	KESM Industries (Tianjin) Co., Ltd. (China)	Provision of semiconductor burn-in and testing services (China)	48	48

❖ Audited by Ernst & Young LLP, Singapore.
✡ Audited by member firms of EY Global in the respective countries.
^ Liquidated during the financial year (see Note 10 (d)).
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 was considered a subsidiary of Sunright Limited as the Company had 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.
@ KES Systems, Inc. remains as the surviving merged entity after its merger with KES (USA), Inc. and KESU Systems & Service, Inc. Further details are disclosed in Note 10 (e) and (f).
ᐞ Audited for the purpose of Group consolidation.

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

The Group has the following subsidiary that has 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
31.7.2016:					
KESM Industries Berhad	Malaysia	52%	5,409	49,175	557
31.7.2015:					
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 31.7.2016 $'000	As at 31.7.2015 $'000
Total assets	124,261	130,758
Total liabilities	28,411	37,850
Net assets	95,850	92,908
Summarised statement of comprehensive income		
Revenue	95,578	99,381
Profit for the year	10,263	7,923
Other comprehensive income	(403)	2,500
Total comprehensive income for the financial year	9,860	10,423

10. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Summarised statement of cash flows

	KESM Industries Berhad and its subsidiaries	
	As at 31.7.2016 $'000	As at 31.7.2015 $'000
Net cash generated from operating activities	29,498	27,628
Net cash used in investing activities	(10,023)	(26,775)
Net cash used in financing activities	(13,156)	(18,132)
Net increase/(decrease) in cash and cash equivalents	6,319	(17,279)
Effects of foreign exchange rate changes	(2,130)	1,069
Cash and bank balances at beginning of year	33,503	49,713
Cash and bank balances at end of year	37,692	33,503

(d) Increase in registered capital of a subsidiary and subsequent impairment of investment in subsidiaries

On 26 August 2015, the Company subscribed for 1.8 million additional new ordinary shares of Kestronics (Thailand) Co. Ltd ("KTTH") of Baht 18 million. On 16 October 2015, KTTH was dissolved and was subsequently liquidated on 29 July 2016.

This was part of the Group's review of its distribution group structure. Accordingly, the additional investment in KTTH of $704,000 was written off during the financial year.

(e) Voluntary liquidation of branch affair of a subsidiary

KESU Systems & Service, Inc. ("KESU") had voluntarily liquidated its Korea Branch office on 20 June 2016. Following the liquidation, the Company undertook a further review of its USA group structure. Please refer to Note 10(f) for further details.

(f) Mergers of wholly-owned subsidiaries

On 18 July 2016, KESU merged with its holding company, KES (USA), Inc. ("KUSA"), with KUSA continuing as the surviving merged entity.

On 20 July 2016, KUSA merged with its wholly-owned subsidiary, KES Systems, Inc. ("KESI") with KESI continuing as the surviving merged entity.

The above mergers were carried out subsequent to the Group's review of its USA group structure. Following the merger, the Company has a direct interest in 100% of the total issued and paid-up share capital of KESI.

11. LOANS TO/(FROM) SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Loans to subsidiaries	769	6,630
Less: Allowance for impairment	(769)	(6,630)
	–	–
Loans from subsidiaries	(101)	(5,025)
Movement in allowance account:		
Balance at beginning of the financial year	6,630	6,422
(Reversal)/charged to profit or loss	(614)	172
Written-off	(5,252)	–
Exchange differences	5	36
Balance at end of the financial year	769	6,630

The loans to subsidiaries bear interest rate of 4.35% (2015: 5.75%) per annum, are unsecured and not likely to be repaid in the next 12 months.

Loans from subsidiaries bear interest rate at 4.35% (2015: 5.75%) per annum, are unsecured and are not expected to be repaid in the next 12 months.

During the year, a reversal of impairment loss of $614,000 (2015: impairment loss of $172,000) 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 2016.

12. INVESTMENT SECURITIES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Held for trading investments:				
- Quoted equity investments	1,971	2,071	573	623

13. INVENTORIES

	Group	
	2016 $'000	2015 $'000
Balance sheets:		
Raw materials	1,371	2,196
Consumables	1,019	1,302
Work-in-progress	2,063	1,852
Finished goods	568	1,434
Total inventories (at cost or net realisable value)	5,021	6,784

During the financial year, the Group wrote down $1,236,000 (2015: $992,000) of inventories which were recognised in "Other operating expenses" line item in the profit or loss.

14. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade and other receivables:					
- Trade receivables		28,350	33,583	–	–
- Sundry deposits		660	735	–	–
- Sundry receivables		1,351	953	153	144
- Amounts due from subsidiaries, trade		–	–	4,541	5,557
- Amounts due from subsidiaries, non-trade		–	–	2,144	2,380
		30,361	35,271	6,838	8,081
Allowance for impairment:					
- Trade receivables		(123)	(3,747)	–	–
- Amounts due from subsidiaries, trade		–	–	(2,361)	(2,486)
- Amounts due from subsidiaries, non-trade		–	–	(850)	(1,376)
		30,238	31,524	3,627	4,219
Add: Cash and short-term deposits	15	66,690	64,294	21,185	24,183
Total loans and receivables		96,928	95,818	24,812	28,402

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(a) *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.

(b) *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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Less than 90 days	1,566	3,692	415	450
91 - 180 days	13	42	450	105
> 180 days	65	51	24	1,501
	1,644	3,785	889	2,056

(c) *Receivables that are impaired*

The Group's and Company's trade and non-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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables – nominal amounts	123	3,747	3,211	3,862
Less: Allowance for doubtful debts	(123)	(3,747)	(3,211)	(3,862)
	–	–	–	–
At beginning of the financial year	3,747	3,463	3,862	2,387
(Reversal of impairment)/charge to profit or loss	(344)	287	(651)	1,475
Written off	(3,071)	(303)	–	–
Exchange difference	(209)	300	–	–
At end of the financial year	123	3,747	3,211	3,862

Trade and non-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, reversal of impairment loss of $344,000 (2015: impairment loss of $287,000) and $651,000 (2015: impairment loss of $1,475,000) were recognised in profit or loss by the Group and the Company respectively, subsequent to a debt recovery assessment performed on trade and non-trade receivables as at 31 July 2016.

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(d) Related party receivables

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

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore Dollar	791	815	2,329	3,258
United States Dollar	6,493	7,765	985	961
Malaysian Ringgit	15,036	15,199	313	–
Chinese Yuan	6,095	6,146	–	–
Others	1,823	1,599	–	–
	30,238	31,524	3,627	4,219

15. CASH AND SHORT-TERM DEPOSITS

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash and bank balances		18,719	18,279	5,885	4,870
Bank deposits		47,971	46,015	15,300	19,313
Cash and short-term deposits		66,690	64,294	21,185	24,183
Less: Bank deposits with maturity more than three months		(16,116)	(5,637)	(15,300)	(5,000)
Cash and cash equivalents		50,574	58,657	5,885	19,183

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore Dollar	24,448	24,316	21,040	24,044
United States Dollar	5,186	5,501	145	139
Malaysian Ringgit	31,609	26,825	–	–
Chinese Yuan	4,129	4,381	–	–
Others	1,318	3,271	–	–
	66,690	64,294	21,185	24,183

15. CASH AND SHORT-TERM DEPOSITS (CONT'D)

Cash at banks earns interest at a weighted average interest rate of 0.11% (2015: 0.12%) per annum. Short-term deposits, other than those with maturity more than three 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 2.31% (2015: 2.01%) per annum.

Cash and bank balances of $3,996,000 (2015: $4,386,000) 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.

16. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
Balance at beginning and end of the financial 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.

17. 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.

(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.

18. LOANS AND BORROWINGS

	Effective interest rate (per annum) %	Maturities	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Current						
Obligations under finance leases	5.6 – 6.6	2017	765	790	88	131
Bank loans	2.9 – 4.8	2016	12,379	17,228	2,228	2,245
			13,144	18,018	2,316	2,376
Non-current						
Obligations under finance leases	5.3 – 6.6	2018 – 2019	862	202	23	112
Bank loans	1.7 – 5.1	2017 – 2019	3,140	12,569	–	–
			4,002	12,771	23	112
Total			17,146	30,789	2,339	2,488

(a) Obligations under finance leases - secured

The Group and the Company have finance leases for certain assets (Note 9). Obligations under finance leases of $1,627,000 (2015: $992,000) and $111,000 (2015: $243,000) 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 5.4% (2015: 6.5%) per annum.

(b) Bank loans

Bank loans of $781,000 (2015: $1,140,000) for the Group are secured on the following assets of the companies within the Group with net book values of:

	Group 2016 $'000	Group 2015 $'000
Buildings	487	793

18. LOANS AND BORROWINGS (CONT'D)

(b) Bank loans (cont'd)

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

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore Dollar	1,788	2,042	1,394	1,527
United States Dollar	1,417	2,402	945	961
Malaysian Ringgit	13,160	25,205	–	–
Others	781	1,140	–	–
	17,146	30,789	2,339	2,488

19. INCOME TAX

(a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 July 2016 and 2015 are:

	Group	
	2016 $'000	2015 $'000
Statement of profit or loss and other comprehensive income		
Current income tax:		
- Current income tax	1,228	1,257
- Over provision in respect of previous years	(61)	(291)
	1,167	966
Deferred tax:		
- Origination and reversal of temporary differences	1,093	8
- (Over)/under provision in respect of previous years	(11)	60
	1,082	68
Income tax expense recognised in the statement of profit or loss and other comprehensive income	2,249	1,034

19. 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 financial years ended 31 July 2016 and 2015 is as follows:

	Group	
	2016 $'000	2015 $'000
Profit before tax	9,045	7,627
Tax calculated at statutory tax rate of 17% (2015: 17%)	1,538	1,297
Adjustments:		
Non-deductible expenses	2,328	1,406
Income not subject to tax	(3,181)	(772)
Effect of different tax rates on foreign income	2,217	739
Tax incentives	–	(3)
Benefits from previously unrecognised deferred tax assets	(2,880)	(2,431)
Deferred tax assets not recognised	2,299	1,038
(Over)/under provision in respect of previous years		
- Current income tax	(61)	(291)
- Deferred tax	(11)	60
Others	–	(9)
Income tax expense recognised in the statement of profit or loss and other comprehensive income	2,249	1,034

19. 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax liabilities:						
Unremitted offshore interest income	4,170	4,168	–	–	2,129	2,129
Others	–	714	(670)	(148)	–	–
	4,170	4,882	(670)	(148)	2,129	2,129
Deferred tax assets:						
Differences in depreciation for tax purposes	2,088	1,998	231	713	–	–
Provisions	50	(74)	122	143	–	–
Tax incentives	(42)	(380)	338	–	–	–
Unutilised tax losses	–	–	–	183	–	–
Unutilised reinvestment allowance	(2,082)	(3,162)	882	(622)	–	–
Other deductible temporary differences	(446)	(667)	179	(201)	–	–
	(432)	(2,285)	1,752	216	–	–
Deferred tax benefit recognised in the statement of profit or loss and other comprehensive income			1,082	68		

Unrecognised tax benefits

At the end of the reporting period, the Group has unutilised tax losses, capital allowances, and reinvestment allowances, and other temporary differences of approximately $42,485,000 (2015: $39,394,000), $6,229,000 (2015: $5,331,000), $10,645,000 (2015: $13,579,000) and $27,708,000 (2015: $31,226,000) 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.

Tax consequences of proposed dividends

There are no income tax consequences (2015: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

20. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade and other payables:					
- Trade payables		6,785	7,294	–	–
- Accrued operating expenses		7,585	7,310	1,495	1,552
- Sundry payables		8,937	5,440	91	86
- Derivatives	23(d)	2	26	–	–
- Amounts due to subsidiaries, non-trade		–	–	217	12
		23,309	20,070	1,803	1,650
Add: Loans and borrowings	18	17,146	30,789	2,339	2,488
Add: Loans from subsidiaries	11	–	–	101	5,025
Less: Derivatives	23(d)	(2)	(26)	–	–
Total financial liabilities carried at amortised cost		40,453	50,833	4,243	9,163

(a) Trade payables and sundry payables

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

(b) 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore Dollar	5,215	5,160	1,750	1,602
United States Dollar	6,508	4,880	53	48
Malaysian Ringgit	8,594	6,298	–	–
Chinese Yuan	2,405	1,785	–	–
Others	587	1,947	–	–
	23,309	20,070	1,803	1,650

21. PROVISIONS

	Group	
	2016 $'000	2015 $'000
Current:		
Provision for maintenance warranties	24	26

22. LONG TERM PAYABLES

	Group	
	2016 $'000	2015 $'000
Defined benefit obligations	190	312

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	
	2016 $'000	2015 $'000
Present value of defined benefit obligations	(1,607)	(1,606)
Fair value of plan assets	1,417	1,294
Net defined benefit liabilities	(190)	(312)

22. LONG TERM PAYABLES (CONT'D)

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

	Group	
	2016 $'000	2015 $'000
Balance at beginning of the financial year	(1,606)	(1,501)
Benefits paid	84	64
Current service costs	(33)	(10)
Interest costs	(27)	(30)
Remeasurement (loss)/gain on defined benefit plans		
Actuarial (loss)/gain arising from:		
- changes in financial assumptions	(66)	(43)
- experience adjustments	(33)	8
Currency realignment	74	(94)
Balance at end of the financial year	(1,607)	(1,606)

Changes in fair value of plan assets are as follows:

	Group	
	2016 $'000	2015 $'000
Balance at beginning of the financial year	1,294	1,112
Contributions by the employer	170	146
Benefits paid	–	(64)
Return on plan assets	12	30
Currency realignment	(59)	70
Balance at end of the financial year	1,417	1,294

The plan assets are represented by cash and cash equivalents.

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

22. 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

	Group	
	2016 $'000	2015 $'000
Current service costs	(33)	(10)
Interest costs	(27)	(30)
Return on plan assets	19	20
	(41)	(20)

Reported in other comprehensive income

	Group	
	2016 $'000	2015 $'000
Return on plan assets	(7)	10
Actuarial (loss)/gain arising from:		
- Changes in financial assumptions	(66)	(43)
- Experience adjustments	(33)	8
	(106)	(25)

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

	Group	
	2016	2015
Discount rates	0.75% to 3.96%	1.50% to 4.51%
Expected rate of future salary increases	2.00% to 3.00%	2.00% 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.

22. 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:

		Group	
	Increase/ (decrease)	2016 $'000	2015 $'000
Discount rates	0.25%	(30)	(33)
	(0.25%)	31	34
Expected rate of future salary increases	0.25%	31	34
	(0.25%)	(30)	(33)

The Group expects to contribute $125,000 (2015: $178,000) to the defined benefit pension plans in financial year 2017.

The duration of the defined benefit obligation at the end of the reporting period is 8 to 15.9 years (2015: 9 to 15.5 years).

23. COMMITMENTS

(a) Capital commitments

Capital expenditure as at the reporting date is as follows:

	Group	
	2016 $'000	2015 $'000
Property, plant and equipment		
- Authorised and contracted for	3,381	1,173

(b) Operating lease commitments – As lessee

The Group has entered into commercial leases on property leases and office equipment.

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.

23. COMMITMENTS (CONT'D)

(b) *Operating lease commitments – As lessee (cont'd)*

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

	Group	
	2016 $'000	2015 $'000
Not later than one year	681	804
Later than one year but not later than five years	1,215	1,580
	1,896	2,384

(c) *Financial lease commitments*

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

	Minimum lease payments 2016 $'000	Present value of payments 2016 $'000	Minimum lease payments 2015 $'000	Present value of payments 2015 $'000
Group				
Not later than one year	827	765	833	790
Later than one year but not later than five years	937	862	209	202
Total minimum lease payments	1,764	1,627	1,042	992
Less: Amounts representing finance charges	(137)	–	(50)	–
Present value of minimum lease payments	1,627	1,627	992	992
Company				
Not later than one year	92	88	140	131
Later than one year but not later than five years	23	23	116	112
Total minimum lease payments	115	111	256	243
Less: Amounts representing finance charges	(4)	–	(13)	–
Present value of minimum lease payments	111	111	243	243

23. COMMITMENTS (CONT'D)

(d) Financial instruments

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

	Note	Group Assets 2016 $'000	Liabilities 2016 $'000	Assets 2015 $'000	Liabilities 2015 $'000
Forward currency contracts	20	–	(2)	–	(26)
Add: Investment securities	12	1,971	–	2,071	–
Total financial assets/(liabilities) at fair value through profit or loss		1,971	(2)	2,071	(26)

As at 31 July 2016, the Group held five (2015: four) forward currency contracts, with total outstanding notional amounts of $1,622,000 (2015: $1,626,000). The outstanding forward contracts mature in 1 to 2 months (2015: 1 to 3 months).

The Group does not apply hedge accounting.

24. EMPLOYEE BENEFITS EXPENSE

	Group 2016 $'000	2015 $'000
Employee benefits expense (including directors):		
Salaries and bonuses	37,966	40,942
CPF and other defined contributions	1,608	1,579
Pension costs	41	20
Other benefits	6,156	6,030
	45,771	48,571

25. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Group	
	2016 $'000	2015 $'000
Salaries and bonuses	2,358	2,147
CPF and other defined contributions	19	16
Total compensation paid to key management personnel	2,377	2,163

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

26. CONTINGENT LIABILITIES

Guarantee

The Company has provided corporate guarantees to financial institutions for loans and finance leases amounting to $866,000 (2015: $1,020,000) taken by its subsidiaries.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) 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 2016 and 2015.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial instruments measured at fair value

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

	Note	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Group					
2016					
Recurring fair value measurements					
Financial assets/(liabilities)					
Held for trading investments:					
- Investment securities (quoted)	12	1,971	–	–	1,971
Derivatives:					
- Forward currency contracts	23(d)	–	(2)	–	(2)
At 31 July 2016		1,971	(2)	–	1,969
Group					
2015					
Recurring fair value measurements					
Financial assets/(liabilities)					
Held for trading investments:					
- Investment securities (quoted)	12	2,071	–	–	2,071
Derivatives:					
- Forward currency contracts	23(d)	–	(26)	–	(26)
At 31 July 2015		2,071	(26)	–	2,045

Determination of fair value

Investment securities (Note 12) – Level 1 fair value measurement: Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

Derivatives (Note 23(d)) – Level 2 fair value measurement: 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.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(c) *Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Trade and other receivables (Note 14), trade and other payables (Note 20), cash and cash equivalents (Note 15), loans and borrowings (Note 18) and non-current loans to/(from) subsidiaries (Note 11)

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.

(d) *Financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

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

		Group			
	Note	Carrying amount 2016 $'000	Fair value 2016 $'000	Carrying amount 2015 $'000	Fair value 2015 $'000
Financial liabilities					
Obligations under finance leases (non-current)	18	862	874	202	211

		Company			
	Note	Carrying amount 2016 $'000	Fair value 2016 $'000	Carrying amount 2015 $'000	Fair value 2015 $'000
Financial liabilities					
Obligations under finance leases (non-current)	18	23	23	112	112

28. 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.

(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 short-term 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 $866,000 (2015: $1,020,000) relating to corporate guarantees provided by the Company to the financial institutions for the subsidiaries' bank loans and finance leases.

28. 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 on-going basis. The credit risk concentration profile of the Group's trade receivables, net of allowance, at the end of the reporting period is as follows:

	2016		2015	
	$'000	% of total	$'000	% of total
Group				
By country:				
Singapore	113	–	1,073	3
Malaysia	17,762	63	16,314	55
China	6,655	24	7,426	25
Other Asian countries	1,556	6	1,420	5
United States	1,034	4	2,105	7
Others	1,107	3	1,498	5
	28,227	100	29,836	100
By industry sectors:				
Burn-in, testing and electronic manufacturing services	28,169	100	29,148	98
Distribution	58	–	688	2
	28,227	100	29,836	100

At the end of the reporting period, approximately:

- 76% (2015: 75%) of the Group's trade receivables were due from 5 major customers who are in the semiconductor industry; and

- 96% (2015: 97%) 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 short-term 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 14.

28. 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's cash and short-term deposits, operating cash flows, availability of banking facilities and debt maturity profile are actively managed to ensure adequate working capital requirements and that repayment and funding needs are met. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

Analysis of financial instruments by remaining contractual maturities

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

	Total $'000	1 year or less $'000	1 to 5 years $'000
Group			
2016			
Financial assets			
Investment securities	1,971	1,971	–
Trade and other receivables	30,238	30,238	–
Cash and short-term deposits	66,690	66,690	–
Total undiscounted financial assets	98,899	98,899	–
Financial liabilities			
Trade and other payables	(23,309)	(23,309)	–
Loans and borrowings	(17,824)	(13,694)	(4,130)
Total undiscounted financial liabilities	(41,133)	(37,003)	(4,130)
Total net undiscounted financial assets/(liabilities)	57,766	61,896	(4,130)

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

(b) Liquidity risk (cont'd)

	Total $'000	1 year or less $'000	1 to 5 years $'000
Group			
2015			
Financial assets			
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	–
Financial liabilities			
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)
Company			
2016			
Financial assets			
Investment securities	573	573	–
Trade and other receivables	3,627	3,627	–
Cash and short-term deposits	21,185	21,185	–
Total undiscounted financial assets	25,385	25,385	–
Financial liabilities			
Trade and other payables	(1,803)	(1,803)	–
Loans and borrowings	(2,355)	(2,332)	(23)
Loans from subsidiaries	(106)	–	(106)
Total undiscounted financial liabilities	(4,264)	(4,135)	(129)
Total net undiscounted financial assets/(liabilities)	21,121	21,250	(129)

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

(b) Liquidity risk (cont'd)

	Total $'000	1 year or less $'000	1 to 5 years $'000
Company			
2015			
Financial assets			
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	–
Financial liabilities			
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)

The contractual expiry of the Company's financial guarantee matures between 1 and 3 years. 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 26.

(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 (2015: 100) basis points higher/lower with all other variables held constant, the Group's and Company's profit before tax would have been $227,000 (2015: $303,000) and $22,000 (2015: $22,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

28. 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 15) 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. The Group's net investments in foreign operations are not hedged as these currency positions are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the increase/(decrease) in the Group's and the Company's profit before 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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
USD/SGD - strengthened 1% (2015: 1%)	21	11	–	–
USD/SGD - weakened 1% (2015: 1%)	(21)	(11)	–	–
USD/MYR - strengthened 1% (2015: 1%)	28	29	–	–
USD/MYR - weakened 1% (2015: 1%)	(28)	(29)	–	–
USD/CNY - strengthened 1% (2015: 1%)	(17)	(25)	–	–
USD/CNY - weakened 1% (2015: 1%)	17	25	–	–

(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 the 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 Bursa Malaysia Securities Berhad in Malaysia, 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 and Malaysia which are publicly traded.

Sensitivity for equity price risk

At the end of the reporting period, if the share price of the quoted equity instruments had been 5% (2015: 5%) higher/lower with all other variables held constant, the Group's profit before tax would have been $99,000 (2015: $104,000) higher/lower, arising as a result of higher/lower fair value gain on held for trading investment securities.

29. 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.

As disclosed in Note 17, a subsidiary of the Group is required by the Foreign Enterprise Law of the People's Republic of China ("PRC") to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 July 2016 and 31 July 2015.

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 2016 and 31 July 2015.

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital includes equity attributable to owners of the Company less statutory reserve fund.

	Group	
	2016 $'000	2015 $'000
Total loans and borrowings (total debt)	17,146	30,789
Less: Cash and deposits	(66,690)	(64,294)
Net cash	(49,544)	(33,505)
Total equity attributable to owners of the Company	70,344	72,243
Less: Statutory reserve fund	(860)	(738)
	69,484	71,505

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

30. 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.

30. SEGMENT INFORMATION (CONT'D)

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.

	Burn-in, testing and electronic manufacturing services $'000	Distribution $'000	Others $'000	Eliminations $'000	Consolidated $'000
2016					
Revenue:					
External customers	128,256	1,166	–	–	129,422
Intra-segment	2,540	28	–	(2,568)	–
Total revenue	130,796	1,194	–	(2,568)	129,422
Results:					
Segment profit/(loss)	9,878	(1,018)	131	98	9,089
Interest income					1,108
Finance costs					(1,152)
Profit before taxation					9,045
Income tax expense					(2,249)
Profit for the financial year					6,796
Other information:					
Depreciation	19,799	38	185	(245)	19,777
Additions to property, plant and equipment	14,460	–	194	103	14,757

30. SEGMENT INFORMATION (CONT'D)

	Burn-in, testing and electronic manufacturing services $'000	Distribution $'000	Others $'000	Eliminations $'000	Consolidated $'000
2015					
Revenue:					
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
Results:					
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 financial year					6,593
Other information:					
Depreciation	23,335	70	296	(651)	23,050
Additions to property, plant and equipment	30,058	8	175	(4)	30,237

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 *	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Singapore	2,550	5,820	1,107	1,489
Malaysia	80,208	78,380	48,604	56,679
China	24,391	28,419	8,115	8,133
Other Asian countries**	6,448	6,438	1,313	1,976
United States	7,554	10,618	6	8
Others	8,271	7,320	–	–
	129,422	136,995	59,145	68,285

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

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

Information about major customers

The Group's customer base includes 3 (2015: 3) 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 2016, revenue generated from these customers amounted to approximately $88 million (2015: $90 million).

31. DIVIDENDS

	Company	
	2016 $'000	2015 $'000
Recognised during the financial year:		
– Ordinary tax exempt (one-tier) dividend at 0.2 cent per share for 2015 (2014: Nil)	246	–
– Special tax exempt (one-tier) dividend at 0.2 cent per share for 2015 (2014: Nil)	245	–
	491	–
Proposed but not recognised as a liability as at 31 July:		
– Ordinary tax exempt (one-tier) dividend at 0.2 cent for 2016 (2015: 0.4 cent) per share	246	491

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 July 2016 were approved in accordance with a resolution of the directors on 24 September 2016.

SHAREHOLDERS' INFORMATION

As At 30 September 2016

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	3	0.09	51	0.00
100 – 1,000	1,225	34.62	1,215,957	0.99
1,001 – 10,000	1,902	53.76	8,722,500	7.10
10,001 – 1,000,000	399	11.28	21,399,526	17.43
1,000,001 and above	9	0.25	91,467,966	74.48
Total	**3,538**	**100.00**	**122,806,000**	**100.00**

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.	Ang Ah Beng	5,294,200	4.31
3.	United Overseas Bank Nominees (Private) Limited	5,022,000	4.09
4.	DBS Nominees (Private) Limited	4,371,800	3.56
5.	Phillip Securities Pte Ltd	2,516,000	2.05
6.	Tan Teoh Khoon	2,130,000	1.73
7.	OCBC Nominees Singapore Private Limited	2,013,400	1.64
8.	Raffles Nominees (Pte) Limited	1,462,900	1.19
9.	Citibank Nominees Singapore Pte Ltd	1,191,000	0.97
10.	Maybank Kim Eng Securities Pte. Ltd.	970,500	0.79
11.	Tan Chin Wah	756,000	0.62
12.	Goh Guan Siong (Wu YuanXiang)	704,400	0.57
13.	Tay Lang Cheng	652,000	0.53
14.	Wirtz Jochen	594,000	0.48
15.	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
16.	Wee Joo Eng Theresa Mrs Theresa Yeo	442,300	0.36
17.	Lew Wing Kit	441,800	0.36
18.	OCBC Securities Private Limited	438,100	0.36
19.	Wong Han Meng	410,000	0.33
20.	Ong Sze Wang (Wang SiYuan)	400,300	0.33
	Total	**97,804,366**	**79.64**

DIRECTORS' INTEREST AS AT 21 AUGUST 2016

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

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

FREE FLOAT

As at 30 September 2016, 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 38th Annual General Meeting of the Company will be held at Meeting Room 311, Level 3, Suntec International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 18 November 2016 at 9:30 a.m. for the following purposes: -

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 July 2016 and the Auditors' Report thereon. — Resolution 1

2. To declare a tax-exempt one-tier final dividend of 0.2 Singapore cent per ordinary share for the financial year ended 31 July 2016. — Resolution 2

3. To re-elect the following directors retiring by rotation under Article 87 of the Company's Constitution and who, being eligible, offer themselves for re-election as a Director of the Company:

   (a) Kenneth Tan Teoh Khoon — Resolution 3

   (b) Samuel Lim Syn Soo — Resolution 4

4. To re-appoint the following directors who were previously re-appointed to hold office until the 38th Annual General Meeting of the Company pursuant to then Section 153(6) of the Singapore Companies Act, Chapter 50:

   (a) Mr Francis Lee Choon Hui *(Independent Director & Chairman of the Audit Committee)* [See Explanatory Note (ii)] — Resolution 5

   (b) Mr Timothy Brooks Smith *(Independent Director & a member of the Audit Committee)* [See Explanatory Note (ii)] — Resolution 6

   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 (2015: S$164,000). — Resolution 7

6. To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. — Resolution 8

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without amendments, the following resolution as a Special Resolution:

7. "THAT the Constitution of the Company be amended in the manner as set out in the Appendix to the Notice of Annual General Meeting dated 26 October 2016." [See Explanatory Note (iii)] — Resolution 9

By Order of the Board

Adeline Lim Kim Swan
Company Secretary
26 October 2016

EXPLANATORY NOTE

(i) Resolutions 3 to 4 – Detailed information on these directors can be found in the Board of Directors section and Corporate Governance Statement in the Annual Report 2016. 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) Resolutions 5 to 6, if respectively passed, will re-appoint the Directors mentioned in the respective resolutions as Directors of the Company, from the date of the meeting onwards without limitation in tenure save for prevailing applicable laws, listing rules and/or regulations, including the Company's Constitution. This is consequent upon the repeal of Section 153 of the Singapore Companies Act.

(iii) Resolution 9 is to amend the Constitution to incorporate, among other things, the wide-ranging changes to the Singapore Companies Act, Chapter 50, introduced pursuant to the Companies (Amendment) Act 2014, which took effect in two (2) phases on 1 July 2015 and 3 January 2016 respectively. The Constitution will also be amended for consistency with the prevailing listing rules of the SGX-ST in compliance with Rule 730(2) of the Listing Manual of the SGX-ST, and to address other relevant regulatory changes. The Company is also taking the opportunity to streamline, rationalise and refine the language used in and to amend certain other provisions. Resolution 9 will be proposed as a Special Resolution. Please refer to the Appendix to the Notice of Annual General Meeting dated 26 October 2016 for more details.

PROXIES:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of 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.

   (b) A member who is relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at Block 1093 Lower Delta Road #02-01/08, Singapore 169204 not less than 48 hours before the time appointed for 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.

BOOKS CLOSURE AND DIVIDEND PAYMENT DATES

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 2016 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 2016 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 2016 will be entitled for the proposed final dividend.

The final dividend, if approved by shareholders at the Annual General Meeting, will be paid on 2 December 2016.

By Order of the Board

Adeline Lim Kim Swan
Company Secretary
26 October 2016

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

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Singapore Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For CPF/SRS investors who have used their CPF/SRS monies to buy shares in Sunright Limited (the "Company"), this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 26 October 2016.

I / We ______________________________ (Full Name in Block Letters)

NRIC/Passport/Company Registration No. ______________________ of ______________________

______________________________ (Address)

being a member/members of Sunright Limited, hereby appoint

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

and/or (delete as appropriate)

Name	NRIC/Passport Number	Proportion of Shareholdings (see Note 2(a))	
		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 38th Annual General Meeting of the Company to be held at Meeting Room 311, Level 3, Suntec International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 18 November 2016 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.	Resolutions	No. of Votes For*	No. of Votes Against*
	Ordinary Business		
1.	To receive and adopt the Directors' Statement, Audited Financial Statements and Auditor's Report		
2.	Declaration of final dividend		
3.	Re-election of Mr Kenneth Tan Teoh Khoon as Director		
4.	Re-election of Mr Samuel Lim Syn Soo as Director		
5.	Re-appointment of Mr Francis Lee Choon Hui as Director		
6.	Re-appointment of Mr Timothy Brooks Smith as Director		
7.	Approval of Directors' fees		
8.	Re-appointment of Auditor		
	Special Business		
9.	Approval of amendments to the Constitution		

* *Voting will be conducted by poll. 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.*

Total Number of Shares Held (see Note 3)	

Dated this ____________ day of ____________ 2016

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

IMPORTANT: PLEASE READ THE FOLLOWING NOTES.

NOTES:

1. If you have ordinary shares in the Company entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of ordinary shares. If you have ordinary shares in the Company registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of ordinary shares. If you have ordinary shares entered against your name in the Depository Register and ordinary shares registered in your name in the Register of Members, you should insert the aggregate number of ordinary shares. If no number is inserted, this form of proxy shall be deemed to relate to all the ordinary shares held by you.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of 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.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at Block 1093 Lower Delta Road #02-01/08, Singapore 169204 not less than 48 hours before the time appointed for the Annual General Meeting.

5. Completion and return of an instrument appointing a proxy or proxies shall not preclude a member from attending, speaking and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy or proxies, to the Annual General Meeting.

6. The instrument appointing a proxy or proxies must be signed under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.

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

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

9. 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.

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

GENERAL:

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

SUNRIGHT LIMITED
(COMPANY REG. NO. 197800523M)
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#02-01/08
Singapore 169204
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