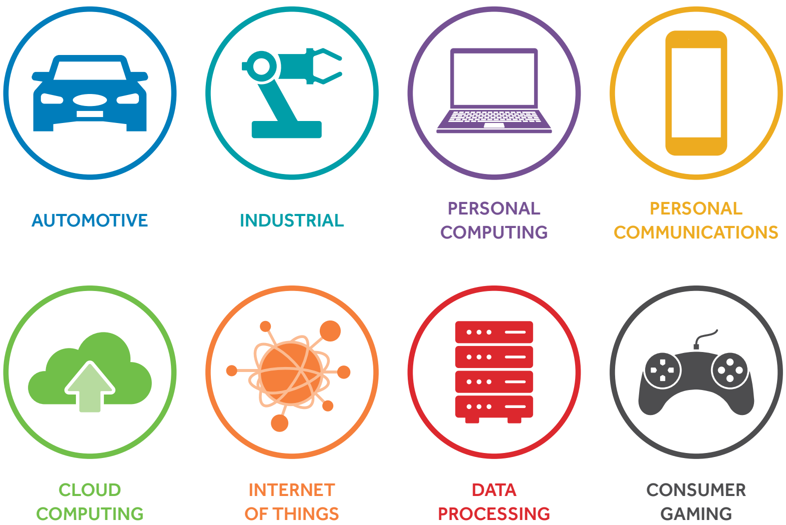
SUNRIGHT

ANNUAL REPORT

SUNRIGHT LIMITED (Company Reg. No. 197800523M)

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.

CONTENTS

We remain committed to steering Sunright in delivering innovative products and solutions.

S$**148**million

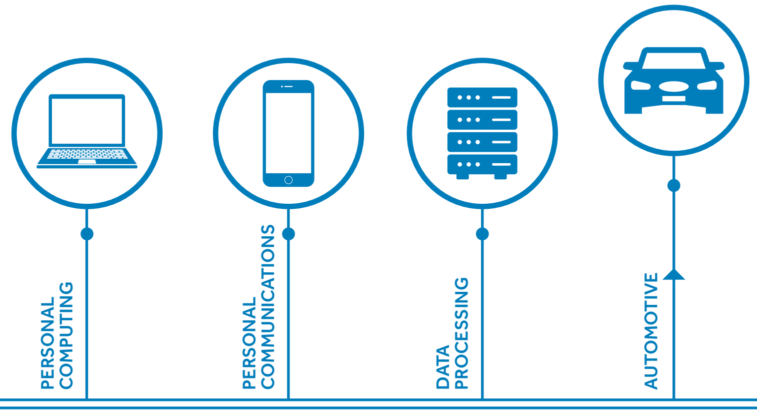
Revenue
(2016: S$129 million)

S$**9.2**million

Net Profit
(2016: S$1.4 million)

0.3cent per share

Dividend
(2016: 0.2 cent per share)



The car industry is fast evolving in artificial intelligence and autonomous cars. To achieve a 100% reliability of chips with no failure is certainly challenging. Our "automated integrated solution" is taking us a step closer to reaching this goal.

Dear fellow shareholders,

In 2017 we made tangible progress.

The Group revenue grew by 14% to S$148 million from S$129 million in the last financial year. Our net profit increased to S$9.2 million from S$1.4 million last year. This good result has helped lift our share price by 83% for the year. All these achievements are a strong reflection that our push for innovations is delivering results. This positive momentum will accelerate as we move into the next fiscal year.

Our performance was helped by a rising semiconductor market for automotive and data storage devices. We remain committed to steering Sunright in delivering innovative products and solutions to these two fastest growing markets in the chip industry. We are serving top global chipmakers, who are forerunners in the industry for many of the leading products in their respective markets.

Demand for our test and burn-in equipment including our automatic handling systems has increased. We are becoming a leading supplier of automatic loaders and unloaders for logic devices with our Fastrack™ gravity feed tube handlers as well as our pick and place tray handlers. As car makers add more features to chips for safety etc. and combine more infotainment applications to the dashboard like navigation, media etc., detecting early failure of devices or burn-in and testing for new chips are imperative. We are addressing this growing market with our next generation system, KX5, an extended design from our unique GEN$^{\text{POWER}}$. No other competitors in the industry have come close to achieving a full broad range of equipment in providing test and burn-in systems with automation as Sunright.

The convergence of our testing and burn-in technology with our automation technology, and the combination of our unique proprietary management information systems are essential fabrics to improving quality. This integration has opened the door to a differentiated solution achieving a higher level of quality assurance. KESM, our associate company, rides high using our "automated integrated solution" to excel in their quality and experience cost advantages to process massive volumes. Their resounding financial results continue to contribute strongly to our performance.

The car industry is fast evolving in artificial intelligence and autonomous cars. To achieve a 100% reliability of chips with no failure is certainly challenging. Our "automated integrated solution" is taking us a step closer to reaching this goal. Demand for chip reliability can only be greater, and the opportunities are bright for Sunright.

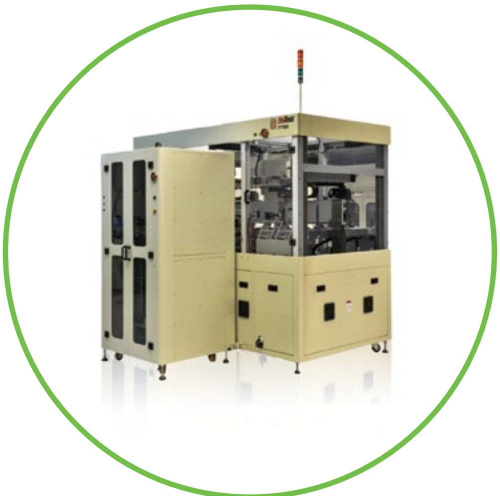
We have started fiscal 2018 with higher expectations and greater optimism. We will continue to build our organization and culture, drive innovation and increase shareholder value.

The Board of Directors has recommended a final tax exempt dividend of 0.3 cent per ordinary share, for shareholders' approval at our Annual General Meeting on 17 November 2017.

I like to take this opportunity to thank our valued shareholders, customers, bankers and suppliers for your continued support. My sincere appreciation to the management and employees for their dedication in achieving the success of 2017 and beyond.

Samuel Lim Syn Soo
Executive Chairman & Chief Executive Officer
27 September 2017

EQUIPMENT . SERVICES . DISTRIBUTION



FT8000
Auto Loader & Unloader

KX5
Embedded Memory
Burn-in & Test

Our revenue growth reflects the increasing demand for our equipment and services. We ramped up production of our Fastrack™ family of automated loader & unloader "ALU". Our tray-to-tray and tube-to-tube "ALU" designed for processing of high volume production are immensely cost effective and strengthening our market leadership. We scaled up our engineering resources by adding new features as well as to support the substantial growth opportunities in our 2 core technologies for "automated handling" and "testing and burn-in". New products are key to our future and we will continue to increase our product development budget to improve our competitive position.

Sales for our smart burn-in systems were consistently strong and we received increased orders for test boards, burn-in boards and other auxiliary products. Also, we are moving forward with our strategic plan, for our new KX5, a massively parallel test and burn-in system targeted at advanced logic devices with embedded memories which is now in its final qualification stage. The fastest growing automotive semiconductor market segment, advanced driver assist systems "ADAS", is leading the proliferation of processors and sensors. This is our target market. KX5 uses a unique technology that significantly reduces cost of testing and burn-in.

When completed, the KX5 which is linked to the existing management information tools will provide an "integrated burn-in management solution" offering a higher level of processing quality. This unique proprietary solution has attracted a strong interest from automotive customers in our testing and burn-in services, which we are experiencing increasing revenue growth.

We will continue to slow down the distribution business, to focus our resources on the more profitable test and burn-in equipment and service businesses, and strengthen our market leadership position. The automotive industry is moving into an accelerated pace. We are well poised with leading products and services, experienced engineering talents and a global infrastructure to meet the requirements of our multinational customers.

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 45 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 pioneer in the local semiconductor burn-in and test 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 18 November 2016.

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 18 November 2016.

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

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

BOARD OF DIRECTORS

LIM MEE ING
Non-Independent Non-Executive Director

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

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

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

She does not have any shareholding in the Company and its subsidiaries, except she is deemed to have an interest in the shareholding of Mr Samuel Lim in the Company by virtue of her spousal relationship. Ms Lim was last re-elected as a director of the Company on 20 November 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 18 November 2016.

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 18 November 2016.

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 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)

CORPORATE GOVERNANCE STATEMENT

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

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

This Statement describes the Company's corporate governance structures and practices that were in place throughout the financial year ended 31 July 2017 ("FY2017"). The Board confirms the Company has generally adhered to the principles and guidelines set out in the Code except for the following:

- Guideline 2.2 – independent directors to make up at least half of the Board where the Chairman and the Chief Executive Officer ("CEO") is the same person;
- Guideline 3.1 – the Chairman and CEO should in principle be separate persons;
- Guideline 3.3 – appoint lead independent director were the Chairman and the CEO is the same person;
- Guidelines 4.1 and 7.1 - establish Nominating Committee and Remuneration Committee;
- Guideline 9.2 – fully disclose the remuneration of each individual director and the CEO; and
- Guideline 9.3 – disclose the name and remuneration of at least the top five key management personnel.

For those guidelines that have not been adhered to, the Board had provided explanation for the deviation.

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.

The Board composition demonstrates various aspects of board diversity, as illustrated in the table below:

Board Diversity at a Glance

Gender	Male	80%	Female	20%
Ethnicity	Chinese	80%	Others - American	20%
Nationality	Singaporean	80%	American	20%
Independence	Independent	40%	Non-Independent	60%
Core Competencies	Accounting, finance, banking, business and management experience, customer-based experience and knowledge, engineering, human resources, industry knowledge, international perspective, legal, manufacturing, marketing, public listed experience, investor relations, risk management and strategic development.			

Each Director is expected to act in good faith and in the interests of the Company.

CORPORATE GOVERNANCE STATEMENT

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 FY2017, 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, amendments to the Company's Constitution and Chairman's statement, authorised announcements and press releases, and deliberated on strategic plans, corporate governance practices and compliance with listing requirements.

A record of each individual Director's attendance at Board meetings and Board Committee meetings in FY2017 is set out below:

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

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

From time to time the Directors are kept informed by the Executive Directors, Management, company secretary and external 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 FY2017, 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 as well as the implementation of the enhanced audit report;

- 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, technology roadmap and marketing plans of the Group's innovative products, new upcoming listing requirements, governance obligations, audit requirements and sustainability reporting scope and implementation plan. 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 were inducted on their duties and obligations as directors of a public listed company by the then outsourced secretarial service provider. In addition, over the years they are also regularly briefed by the company secretary, Management and the external auditors on the developments and changes to the regulatory legislation and requirements that have bearing on their duties and obligations.

No new director was appointed during FY2017.

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 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 as set out in the Board diversity table above.

The Non-Executive Directors offer alternative views of the Group's businesses 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. In FY2017, the Non-Executive Directors met once without the presence of Management.

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, Mr Samuel Lim is responsible for leadership of the Board and for facilitating the overall effectiveness of the Board, Board Committee and individual Directors. With the assistance of the company secretary, he ensures that meetings are held as and when necessary to enable the Board to perform its duties responsibly. He sets the Board agenda in consultation with the Executive Director and the company secretary. However, Directors are free to request for ad hoc agenda items to be included, through the company secretary. Further, the Chairman promotes comprehensive and open discussions at Board meetings to ensure that Independent Directors are able to speak freely and contribute effectively. In addition, he also makes sure there is accurate, adequate and timely information flow between the Board and Management and fosters effective communication with shareholders. The Chairman encourages constructive engagement among the Directors as well as between the Board and Management, on deliberation of all Board's matters, including strategic issues. He also promotes high standards of corporate governance and transparency.

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.

During FY2017, the Independent Directors met informally from time to time without the presence of the other directors.

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. The Board will undertake a review of Board succession plan at an appropriate time.

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. The performance criteria for evaluation of:

- Board focuses on assessing its size and composition, independence, operations, quality of information and accountability, and the directors' standards of conduct;
- the Chairman is based on his management of meetings as well as ensuring delivery of quality and timeliness of information to Board members, transparency and board dynamism, workload allocation and communication with shareholders;
- Board committee is assessed on its composition and relevant expertise, committee chairperson, quality and timeliness of its recommendation and communication to Board; and
- individual director is based on their interactive skills, knowledge in business, internal control, risk management and financial literacy as well as their attendance record and participation at Board meetings.

The Board is of the view that setting financial indicators for the evaluation of the Board and its Directors may not be appropriate as they are more relevant as a form of measurement of the management's performance.

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 FY2017:-

- 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 is of the view that appointment of alternate director is not necessary because all the directors have demonstrated their full attendance at regular Board meetings including emergency or non-scheduled meetings, via teleconference mode permitted under the Company's Constitution. Furthermore, the Board opines that it is not beneficial if alternate director is appointed to fill urgent vacancy, such as on medical emergency ground, as such alternate appointee if not himself or herself a director, will not have acquired adequate institutional knowledge to participate effectively during Board's discussions.

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 the independence of the Independent Director, the Board nominates and recommends the following Directors, namely: Messrs Lim Mee Ing and Francis Lee Choon Hui, who are due for retirement by rotation to stand for re-election at the Company's forthcoming AGM.

At such time that the Board finds it requires new or additional members, the Board would find suitable candidates and make appropriate appointment. During FY2017, the Board had adopted a policy for search and selection 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.

As a general rule, every Director is given an agenda and a set of Board pack containing reports and information relevant to the agenda items a week or so before the Board and AC meetings. This is to give the Directors sufficient time to understand the matters beforehand to facilitate their active participation, productive discussion and informed decision making. The Board papers provide adequate background and explanatory information from the Management on business strategies, financial performance, internal control, risk management, changes relating to accounting, governance and regulatory requirements, and corporate issues to enable the Board to be properly briefed.

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 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. The Board has the discretion to seek appropriate external remuneration expert advice on Board compensation where necessary. In view of the challenging business conditions, the Board did not engage the service of an external remuneration consultant in FY2017.

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. The Company has not implemented any long-term incentive plan such as employee share scheme as the Board is of the view that the current remuneration package is adequate. The Board will consider the need for such a scheme at an appropriate time.

The service contracts of the Executive Directors do not have fixed appointment period. The Company may terminate their services by written notice to them. There is 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 cash. In determining the quantum of such fees, factors such as the efforts and time spent, and the responsibilities of Directors are taken into account. The quantum of the fees was derived after making reference to comparable companies operating in similar industry. Such benchmarking serves to ensure that the Non-Executive Directors are fairly compensated without putting influence in their independence. In addition, such fees are subject to further approval of the shareholders. Should the Company adopts any share schemes in the future, the Board will give due consideration as to whether remuneration of Non-Executive Directors should include share-based compensation.

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 FY2017 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$1,250,000 to S$1,499,000				
Samuel Lim Syn Soo	-	98	2	100
S$750,000 to S$999,999				
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.

The Company has not granted any termination, retirement or post-employment benefits to the Directors and key management staff.

In FY2017, no employee was an immediate family member of any Director or the CEO of the Company.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

The Board is responsible to provide a balanced and meaningful assessment of the Company's and of the Group's financial performance, position and prospects. The Board discharges this responsibility through the release of half year and full year results announcements of the Company, annual financial statements, the Chairman's statement in the annual report, press releases 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; enterprise risk management, 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.

The Board is committed to comply with legislative and regulatory requirements, including requirements under the listing rules, adequately and timely. In this connection, the Board, with the assistance of Management, ensures that:

(a) the half year and full year financial results announcements, notice of general meetings, annual reports and notice of dividend declaration are always disseminated to the shareholders, via SGX-ST, within the timeframe prescribed in the Listing Manual of SGX-ST;

(b) negative assurance statement had been provided in the Company's half year financial results announcement;

(c) Directors and executive officers of the Company had provided their undertakings in the format set out in Appendix 7.7 of the Listing Manual of SGX-ST and corresponding confirmation made in the Company's half year and full year financial results announcements;

(d) the half year and full year financial results announcements as well as the audited financial statements are reviewed by the Audit Committee prior to submission to the Board for approval;

(e) the financial results announcements and associated press releases, annual report, and other material/price-sensitive announcements provide a balanced and understandable assessment of the Group's performance, position and prospects before disseminating them to the shareholders and SGX-ST, via the SGXNET;

(f) the CEO and the Executive Director provide assurance to the Board on the integrity of the Group's financial statements; and

(g) policy is in place to prohibit Directors of the Company and relevant officers of the Group from dealing in the Company's securities during the blackout periods.

Risk Management and Internal Controls (Principle 11)

The Board oversees the Group's risk management and internal control systems, while the business unit management identifies and assesses the material risks faced by the Group as well as the design, implementation and monitoring of suitable internal controls to manage and mitigate these risks. The systems include organisational structure, strategic planning, risks management, financial management, operational control, regulatory and compliance controls to safeguard shareholders' investments, customers' interests and the Group's assets.

The Board acknowledges its responsibility to maintain a sound risk management framework and internal control systems, which includes the establishment of an appropriate risk management and control framework as well as reviewing its effectiveness, adequacy and integrity. However, in view of the inherent limitations in any such system, the Board recognises that the system of risk management and internal controls is designed to manage and mitigate risks rather than eliminate the risk of failure to achieve the Group's internal control objectives. Accordingly, it can only provide reasonable and not absolute assurance against material financial misstatement or loss.

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, information technology and compliance controls, and risk management systems.

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 2017 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.

Based on the ERM framework and various controls established within the Group and the reviews conducted by Management, the internal auditors, and the external auditors as part of their statutory audit, as well as the assurances from the CEO and the Executive Director, the Board, with the concurrence of the AC, is satisfied that the Group's internal controls and risk management processes addressing material financial, operational, information technology and compliance risks are adequate and effective to meet the needs of current operations and businesses of the Group.

Audit Committee (Principle 12)

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

None of the members of the AC is: (i) a former partner or director of the Company's existing external auditors within the last 12 months, or (ii) hold any financial interest in the auditing firm.

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:

- reviewing 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 Group's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

- reviewing the Group's and Company's half year and full year financial results and the annual financial statements and the auditor's report thereon before their submission to the Board;

- reviewing the effectiveness of the Group's and the Company's material internal controls, including financial, operational, information technology and compliance controls and risk management via reviews carried out by Management and/or the internal auditor;

- meeting 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;

- reviewing 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;

- reviewing the cost effectiveness and independence and objectivity of the external auditor;

- reviewing the nature and extent of non-audit services provided by the external auditor;

- recommending to the Board the nomination of internal auditor and external auditor, including reviewing their engagement terms and compensation;

- reporting actions and providing minutes of the AC to the Board with such recommendation as the AC considered appropriate; and

- reviewing interested person transactions in accordance with the requirements of the Listing Manual of SGX-ST.

The Committee met two (2) times in FY2017. All the other Board members, the Corporate Controller and the Company Secretary were present at all the meetings.

During FY2017, 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 financial 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;

(g) reviewed the adequacy and effectiveness of the outsourced professional internal auditors and approved their appointment and audit plan;

(h) reviewed with the internal auditors their audit findings; and

(i) received updates from the Management and external auditors on changes to accounting standards and accounting issues which had or might have a direct impact on the financial statements.

The AC has conducted a review of the aggregate amount of the fees paid to the external auditors for FY2017, 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 8 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 of SGX-ST in relation to its external auditors.

Pursuant to the requirement in the Listing Manual of the SGX-ST, 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 Listing Manual of the SGX-ST, 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, as endorsed by the AC, 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. Details of the whistle-blowing protocols and investigation process have been made available to employees. The policy serves to facilitate independent investigation of such matters and for appropriate follow-up action.

Internal Audit (Principle 13)

The AC approves the appointment, evaluation and compensation of the internal auditors.

The Company's internal audit function is outsourced. The AC, having considered, amongst others, the reputation and track record of Foo Kon Tan Adviory Services Pte Ltd ("FKT") and the qualifications, experience and availability of resources and independence of the team at FKT, is satisfied that the appointment of FKT as internal auditors is appropriate.

The internal audit is guided by FKT's Internal Audit Methodology which is aligned to the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The internal auditors report directly and independently to the AC, with the Corporate Controller being the administrative coordinator. They have unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

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 prior to commencement of the audit work.

In FY2017, the AC was assured that adequate cooperation and unrestricted access were extended to the internal auditors. Hence, separate meeting without the presence of Management was deemed unnecessary.

SHAREHOLDER RIGHTS AND COMMUNICATION

Shareholder Rights (Principle 14)
Communication with Shareholders (Principle 15)
Conduct of Shareholder Meeting (Principle 16)

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 financial 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.

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.

The Constitution of the Company permits shareholders who are unable to attend the general meetings to appoint up to two (2) proxies to attend the meetings and vote on their behalf, provided such shareholders are not relevant intermediaries as defined in Section 181 of the Singapore Companies Act, Chapter 50. Relevant intermediaries may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him, with the number of shares clearly specified for each proxy. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") may attend and cast his votes(s) at the meetings in person. However, if he is unable to attend the meetings but would like to vote, he may inform his CPF and/or SRS Approved Nominees to appoint the Chairman of the general meeting to act as his proxy, in which case, such CPF or SRS Investor shall be precluded from attending the meetings.

The Company did not provide 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 conducted paper poll voting for all resolutions proposed at its general meetings. Voting rules and procedures were explained at the beginning of such meetings and independent scrutineers were also present 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 to the SGX via the SGXNET, after the meetings.

Following a cost/benefit review, the Company had decided to adopt electronic poll voting system starting from the forthcoming AGM.

Minutes of the general meetings will be made available to shareholders for their inspection upon request.

Shareholders and members of the public may also access the Company's website for the announcements made to the SGX-ST and its press releases as well as information about the Group.

The Company's investor relations policy outlines the general principles and communication protocols to observe when disclosing material information to its shareholders or the investment community. The Executive Directors, who are responsible for the investor relations of the Company, are available to attend to views from shareholders and the investment community who wish to better understand the corporate developments or financial performance of the Group.

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 made to SGX via the SGXNet on any declaration of dividend.

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 financial 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 FY2017, 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 of SGX-ST.

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 statement of financial position and statement of changes in equity of the Company for the financial year ended 31 July 2017.

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 statement of financial position 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 2017 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' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

AUDITOR

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the Board of Directors:

Samuel Lim Syn Soo	Kenneth Tan Teoh Khoon
Director	Director

Singapore
27 September 2017

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2017

TO THE MEMBERS OF SUNRIGHT LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Sunright Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 July 2017, 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 notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 July 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

Recognition of deferred tax assets

As at 31 July 2017, the Group recognised deferred tax assets of $249,000 (2016: $432,000), which mainly relate to unutilised reinvestment allowances. The Group recognised deferred tax assets to the extent that it is probable that taxable profits will be available in the future to recover these deferred tax assets.

The recognition of deferred tax asset is a complex process as it involves management exercising judgement and making estimates about forecasts of future taxable profits, including expectations for future sales as well as future overall market and economic conditions. Accordingly, we have identified this as a key audit matter.

The future taxable profits have been determined based on profit forecasts. We checked that the profit forecast was approved by management, and evaluated management's forecasting process by comparing previous forecasts to actual results, taking into consideration of events and circumstances that occurred during the financial year.

Management used assumptions in respect of future market, economic conditions and technology changes, revenue growth, production costs and expenses. We evaluated these assumptions by comparing them to historical data as well as recent trends and market outlooks. Our internal tax experts supported us to review management's computation of deferred tax assets. We also reviewed supporting evidences such as relevant tax legislation, recent tax filings and correspondence with the tax authorities to corroborate our understanding on the current year taxable profit. We reviewed the adequacy of the Group's disclosures on deferred tax assets in Note 19 to the financial statements.

Impairment assessment of investment in subsidiaries

As at 31 July 2017, the Company's investment in subsidiaries amounted to $13,480,000 (2016: $11,843,000). The Company is required to estimate the recoverable amount of its investment in subsidiaries when there is indication that such investments may be impaired. For investment in subsidiaries with indicators of impairment, management performed an impairment assessment and estimated the recoverable amount of the investment in subsidiaries using value in use calculations. Based on the impairment test, management concluded that the investment in subsidiaries was not impaired as at 31 July 2017.

The impairment assessment on investment in subsidiaries was significant to our audit as it involves management exercising judgement and making estimates about forecasts of future cash flows, including expectations for future sales as well as future overall market and economic conditions.

We checked that the cash flow forecasts was approved by management, and evaluated management's forecasting process by comparing previous forecasts to actual results, taking into consideration of events and circumstances that occurred during the financial year. We assessed the valuation method used by management and evaluated the key assumptions used in the impairment test, in particular the discount rate, long-term growth rate and projected revenue. We involved our internal valuation specialist to assist us in reviewing the reasonableness of the discount rate and long-term growth rate used by comparing them against industry peers and consumer price index growth, respectively. We evaluated the projected revenue by comparing them to historical data as well as considering the viability of future plans and market outlooks. We also assessed the adequacy of disclosures made on the impairment assessment of investment in subsidiaries in Notes 3 and 11 to the financial statements.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's responsibilities for the audit of the financial statements (cont'd)

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company 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.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ng Weng Kwai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
27 September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2017

(In Singapore dollars)

	Note	2017 $'000	2016 $'000
Revenue	4	147,965	129,422
Other items of income			
Interest income	5	1,069	1,108
Dividend income		67	64
Gain on disposal of investment securities held for trading		15	–
Fair value gain on investment securities held for trading		218	–
Items of expenses			
Fair value loss on investment securities held for trading		–	(8)
Raw materials and consumables used		(34,387)	(29,899)
Changes in inventories of finished goods and work-in-progress		(237)	(132)
Employee benefits expense	6	(49,661)	(45,771)
Depreciation of property, plant and equipment	10	(22,573)	(19,777)
Operating lease expense		(1,621)	(1,867)
Finance costs	7	(915)	(1,152)
Other operating expenses		(24,075)	(22,943)
Profit before tax	8	15,865	9,045
Income tax credit/(expense)	19	815	(2,249)
Profit for the year		16,680	6,796
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Remeasurement loss arising from defined benefit plans, net of tax		(8)	(106)
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation loss		(4,017)	(5,792)
Other comprehensive income for the year, net of tax		(4,025)	(5,898)
Total comprehensive income for the year		12,655	898
Profit attributable to:			
Owners of the Company		9,246	1,387
Non-controlling interests		7,434	5,409
		16,680	6,796
Total comprehensive income attributable to:			
Owners of the Company		7,406	(1,408)
Non-controlling interests		5,249	2,306
		12,655	898
Earnings per share (cents)	9	7.5	1.1

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

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2017

(In Singapore dollars)

	Note	Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	79,717	59,145	936	358
Investment in subsidiaries	11	–	–	13,480	11,843
Deferred tax assets	19	249	432	–	–
Loans to subsidiaries	12	–	–	–	–
Total non-current assets		79,966	59,577	14,416	12,201
Current assets					
Investment securities held for trading		3,047	1,971	496	573
Inventories	13	5,975	5,021	–	–
Prepayments		1,215	994	164	63
Tax recoverables		199	–	–	–
Trade and other receivables	14	36,027	30,238	3,844	3,627
Cash and short-term deposits	15	68,195	66,690	20,635	21,185
Total current assets		114,658	104,914	25,139	25,448
Total assets		194,624	164,491	39,555	37,649
EQUITY AND LIABILITIES					
Equity					
Share capital	16	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)		46,259	37,267	(3,305)	(4,672)
Other reserves	17	(4,482)	(2,650)	155	155
Total equity attributable to owners of the Company		77,504	70,344	32,577	31,210
Non-controlling interests		53,744	49,175	–	–
Total equity		131,248	119,519	32,577	31,210
Non-current liabilities					
Loans and borrowings	18	12,518	4,002	301	23
Loans from subsidiaries	12	–	–	102	101
Defined benefit obligations	21	1,033	1,088	–	–
Deferred tax liabilities	19	1,848	4,170	1,848	2,129
Total non-current liabilities		15,399	9,260	2,251	2,253
Current liabilities					
Trade and other payables	20	34,510	22,411	2,310	1,803
Loans and borrowings	18	13,348	13,144	2,340	2,316
Provisions		22	24	–	–
Income tax payable		97	133	77	67
Total current liabilities		47,977	35,712	4,727	4,186
Total equity and liabilities		194,624	164,491	39,555	37,649

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 2017

(In Singapore dollars)

Group	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
As at 1 August 2015		119,669	72,243	35,727	36,599	(12,551)	11,730	738	(83)	47,426
Profit for the year		6,796	1,387	–	1,387	–	–	–	–	5,409
Other comprehensive income for the year, net of tax		(5,898)	(2,795)	–	(106)	(2,689)	–	–	(2,689)	(3,103)
Total comprehensive income for the year		898	(1,408)	–	1,281	(2,689)	–	–	(2,689)	2,306
Transfer to statutory reserve fund		–	–	–	(122)	–	–	122	122	–
Dividends on ordinary shares	28	(491)	(491)	–	(491)	–	–	–	–	–
Dividends paid to non-controlling interests		(557)	–	–	–	–	–	–	–	(557)
As at 31 July 2016 and 1 August 2016		119,519	70,344	35,727	37,267	(15,240)	11,730	860	(2,650)	49,175
Profit for the year		16,680	9,246	–	9,246	–	–	–	–	7,434
Other comprehensive income for the year, net of tax		(4,025)	(1,840)	–	(8)	(1,832)	–	–	(1,832)	(2,185)
Total comprehensive income for the year		12,655	7,406	–	9,238	(1,832)	–	–	(1,832)	5,249
Dividends on ordinary shares	28	(246)	(246)	–	(246)	–	–	–	–	–
Dividends paid to non-controlling interests		(680)	–	–	–	–	–	–	–	(680)
As at 31 July 2017		131,248	77,504	35,727	46,259	(17,072)	11,730	860	(4,482)	53,744

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 2017

(In Singapore dollars)

Company	Note	Total equity $'000	Share capital $'000	Accumulated losses $'000	Capital reserve $'000
As at 1 August 2015		29,864	35,727	(6,018)	155
Profit for the year		1,837	–	1,837	–
Total comprehensive income for the year		1,837	–	1,837	–
Dividends on ordinary shares	28	(491)	–	(491)	–
As at 31 July 2016 and 1 August 2016		31,210	35,727	(4,672)	155
Profit for the year		1,613	–	1,613	–
Total comprehensive income for the year		1,613	–	1,613	–
Dividends on ordinary shares	28	(246)	–	(246)	–
As at 31 July 2017		32,577	35,727	(3,305)	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 2017

(In Singapore dollars)

	Note	2017 $'000	2016 $'000
Cash flows from operating activities:			
Profit before tax		15,865	9,045
Adjustments for:			
Interest income	5	(1,069)	(1,108)
Net gain on disposal of property, plant and equipment	8	(257)	(286)
Depreciation of property, plant and equipment	10	22,573	19,777
Property, plant and equipment written off		2	14
(Write-back)/write-down of inventories	13	(592)	1,236
Impairment loss/(reversal of impairment) on trade receivables	14	40	(344)
Dividend income		(67)	(64)
Net fair value (gain)/loss on investment securities held for trading		(218)	8
Net gain on disposal of investment securities held for trading	8	(15)	–
Finance costs	7	887	1,085
Unrealised exchange (gain)/loss		(7)	602
Operating cash flows before changes in working capital		37,142	29,965
(Increase)/decrease in inventories		(362)	527
(Increase)/decrease in prepayments and receivables		(6,484)	408
Increase/(decrease) in payables		334	(3,042)
Cash flows generated from operations		30,630	27,858
Income taxes paid		(1,587)	(1,190)
Net cash flows generated from operating activities		29,043	26,668
Cash flows from investing activities:			
Interest received		1,069	1,108
Increase in short-term deposits with maturity more than three months		(6,649)	(10,479)
Dividends received from investment securities held for trading		67	64
Purchase of property, plant and equipment		(34,954)	(10,249)
Proceeds from disposal of property, plant and equipment		1,351	292
Purchase of investment securities held for trading		(1,222)	–
Proceeds from disposal of investment securities held for trading		719	–
Net cash flows used in investing activities		(39,619)	(19,264)
Cash flows from financing activities:			
Interest paid		(887)	(1,085)
Proceeds from term loans		20,095	1,025
Repayment of term loans		(11,751)	(13,636)
Repayment of obligations under finance leases		(1,076)	(1,032)
Dividends paid on ordinary shares		(246)	(491)
Dividends paid to non-controlling interests		(680)	(557)
Net cash flows generated from/(used in) financing activities		5,455	(15,776)
Net decrease in cash and cash equivalents		(5,121)	(8,372)
Effect of exchange rate changes on cash and cash equivalents		(23)	289
Cash and cash equivalents at beginning of the year		50,574	58,657
Cash and cash equivalents at end of the year	15	45,430	50,574

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 11 to the financial statements.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position 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.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the SGX-ST will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 August 2018.

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 2016. 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 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 115, FRS 109 and FRS 116, 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, FRS 109 and FRS 116 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.

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 towards satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

The new revenue standard will supersede all current revenue recognition requirements under FRS. A full retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group is currently assessing the impact of the new standard and at this stage, the Group is not able to estimate the impact of the new rules on the Group's financial statements. The Group will make more detailed assessment of the impact over the next twelve months.

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.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on the statement of financial position to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees - leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA") and gearing ratio.

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

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 11.

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.

Profit or loss and each component of other comprehensive income are attributable to the equity holders of the owner of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

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 Group'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.

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

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

(b) Business combinations and goodwill (cont'd)

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.

2.5 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 Functional and 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 income and expenses are translated at the 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 reclassified to profit or loss.

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

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

Buildings	–	5 - 20 years
Leasehold land	–	60 - 99 years
Renovation	–	5 years
Plant, machinery and test equipment	–	2 - 8 years
Motor vehicles	–	5 years
Office equipment, furniture and fittings and computers	–	3 - 10 years

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 projected 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:

(a) power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
(b) exposure, or rights, to variable returns from its involvement with the investee; and
(c) 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.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Group commits to purchase or sell the assets.

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 comprises investment securities, derivatives and financial assets acquired principally for the purpose of selling or repurchasing them in the near term.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. 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 do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other expense or other income.

(ii) Loans and receivables

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

This category generally applies to trade and other receivables, and cash and short-term deposits. Loans and receivables are classified as current assets, except for those having maturity date later than 12 months after the reporting date which are classified as non-current.

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

2.10 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

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

This category generally applies to trade and other payables, and loans and borrowings. Financial liabilities are classified as current liabilities, except for those having repayment date later than 12 months after the reporting date which are classified as non-current.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss 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 and 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 year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is recognised in profit or loss.

2.12 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and deposits with banks, 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 Group's cash management. For the purpose of the consolidated cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

2.14 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:

(a) raw materials – purchase costs on a weighted average basis;
(b) consumables – purchase costs on a first-in first-out basis; and
(c) work-in-progress and finished goods – costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

2.14 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.

2.15 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.16 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.

2.17 Employee benefits

(a) Short-term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(b) 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.

(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.

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

2.17 Employee benefits (cont'd)

(c) Defined benefit plans (cont'd)

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:

(i) Service costs
(ii) Net interest on the net defined benefit liability or asset
(iii) 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.

2.18 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.

(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.

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

2.18 Leases (cont'd)

(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 2.19.

2.19 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 of 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) Dividend income

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.

2.20 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.

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.

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

2.20 Taxes (cont'd)

(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:

(i) 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

(ii) in respect of taxable temporary differences associated with investment 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:

(i) 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

(ii) in respect of deductible temporary differences associated with investment 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 utilised.

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)

2.20 Taxes (cont'd)

(c) Sales tax

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

(i) where sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, 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

(ii) 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 statement of financial position.

2.21 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to manage 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 profit or loss 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.

2.22 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.

2.23 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.

2.24 Contingencies

A contingent liability is:

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

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

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

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

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

2.24 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 statement of financial position 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.

2.25 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(a) in the principal market for the asset or liability; or
(b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

(a) Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;

(b) Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and

(c) Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 27, 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, 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 to the extent that it is probable that taxable profit will be available in the future to recover these deferred tax assets. Significant management judgement and estimation are required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, including expectations for future sales as well as future overall market and economic conditions.

The carrying amount of the Group's deferred tax assets at the reporting date was $249,000 (2016: $432,000).

(b) 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 2 to 8 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 10.

(c) Impairment of investment in subsidiaries

The recoverable amounts of investment in subsidiaries are determined based on value in use calculations, using a discounted cash flow model. The recoverable amount is based on, amongst other variables, the discount rate used for the discounted cash flow model, long-term growth rate used for extrapolation purposes, as well as the projected revenue. Management believes that the aforesaid variables are unlikely to materially result in the carrying value of the subsidiaries exceeding its recoverable amounts.

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

3.2 Key sources of estimation uncertainty (cont'd)

(c) Impairment of investment in subsidiaries (cont'd)

The carrying amount of the Company's investment in subsidiaries at the reporting date was $13,480,000 (2016: $11,843,000). No impairment loss has been recognised during the financial year.

4. REVENUE

	Group	
	2017 $'000	2016 $'000
Sale of goods	48,502	42,901
Rendering of services	99,463	86,521
	147,965	129,422

5. INTEREST INCOME

	Group	
	2017 $'000	2016 $'000
Interest income from:		
– Deposits with licensed banks	1,067	1,108
– Others	2	–
	1,069	1,108

6. EMPLOYEE BENEFITS EXPENSE

		Group	
	Note	2017 $'000	2016 $'000
Employee benefits expense (including directors):			
– Wages, salaries and bonuses		41,202	37,106
– CPF and other defined contributions		2,785	2,749
– Defined benefit obligations	21	102	893
– Other benefits		5,572	5,023
		49,661	45,771

7. FINANCE COSTS

	Note	Group 2017 $'000	Group 2016 $'000
Interest expense on:			
– Bank loans		752	1,015
– Obligations under finance leases		135	68
– Defined benefit obligations	21	28	67
– Others		–	2
		915	1,152

8. PROFIT BEFORE TAX

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

	Note	Group 2017 $'000	Group 2016 $'000
Repairs and maintenance		8,683	6,194
Utilities		9,745	9,528
(Write-back)/write-down of inventories	13	(592)	1,236
Impairment loss/(reversal of impairment) on trade receivables	14	40	(344)
Exchange loss, net		93	810
Net gain on disposal of property, plant and equipment		(257)	(286)
Travelling and entertainment		944	882
Audit fees paid to:			
– Auditors of the Company		176	169
– Other auditors		181	204
Non-audit fees paid to:			
– Auditors of the Company		59	62
– Other auditors		106	83
Other professional fees		912	750
Directors' emoluments:			
– Directors of the Company			
• Fees		170	164
• Salaries and bonuses		2,262	1,604
• CPF and other defined contributions		22	19
– Directors of subsidiaries			
• Fees		431	422
• Salaries and bonuses		394	390

9. 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	
	2017 $'000	2016 $'000
Profit attributable to owners of the Company	9,246	1,387
	'000	'000
Weighted average number of ordinary shares for basic earnings per share computation	122,806	122,806
	Cents	Cents
Basic earnings per share	7.5	1.1

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.

10. 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	Total $'000
Cost							
At 1 August 2015	15,171	2,212	10,224	235,274	1,519	8,930	273,330
Exchange differences	(819)	(139)	(113)	(16,807)	(45)	(242)	(18,165)
Additions	–	–	752	13,264	349	392	14,757
Disposals	–	–	(169)	(11,075)	(115)	(936)	(12,295)
At 31 July 2016 and 1 August 2016	14,352	2,073	10,694	220,656	1,708	8,144	257,627
Exchange differences	165	(107)	(7)	(8,064)	(14)	(107)	(8,134)
Additions	–	–	1,496	42,874	741	740	45,851
Disposals	–	–	(6)	(3,612)	(600)	(155)	(4,373)
At 31 July 2017	14,517	1,966	12,177	251,854	1,835	8,622	290,971

* Included in the Group's renovation, plant, machinery and test equipment, and office equipment, furniture and fittings and computers of $1,081,000 (2016: $470,000), $10,059,000 (2016: $1,832,000) and $88,000 (2016: $8,000) respectively, were not depreciated as they were not ready for use.

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

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	Total $'000
Accumulated depreciation							
At 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 and 1 August 2016	12,877	509	7,993	168,612	1,353	7,138	198,482
Exchange differences	129	(32)	(10)	(6,502)	(14)	(95)	(6,524)
Charge for the year	1,113	27	958	19,906	128	441	22,573
Disposals	–	–	(6)	(2,525)	(593)	(153)	(3,277)
At 31 July 2017	14,119	504	8,935	179,491	874	7,331	211,254
Net carrying amount							
At 31 July 2017	398	1,462	3,242	72,363	961	1,291	79,717
At 31 July 2016	1,475	1,564	2,701	52,044	355	1,006	59,145

Company	Renovation $'000	Motor vehicles $'000	Office equipment, furniture and fittings and computers $'000	Total $'000
Cost				
At 1 August 2015	47	768	1,623	2,438
Additions	–	134	60	194
At 31 July 2016 and 1 August 2016	47	902	1,683	2,632
Additions	–	574	184	758
Disposals	–	(427)	(2)	(429)
At 31 July 2017	47	1,049	1,865	2,961
Accumulated depreciation				
At 1 August 2015	39	742	1,308	2,089
Charge for the year	8	26	151	185
At 31 July 2016 and 1 August 2016	47	768	1,459	2,274
Charge for the year	–	46	134	180
Disposals	–	(427)	(2)	(429)
At 31 July 2017	47	387	1,591	2,025
Net carrying amount				
At 31 July 2017	–	662	274	936
At 31 July 2016	–	134	224	358

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

(a) Assets under finance leases

The carrying amount of assets held under finance leases:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Renovation	–	31	–	–
Plant, machinery and test equipment	2,041	1,096	–	–
Motor vehicles	871	81	662	–
Office equipment, furniture and fittings and computers	60	185	22	104
	2,972	1,393	684	104

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

(b) Assets pledged as security

The carrying amount of assets pledged as security for bank loans (Note 18):

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Buildings	240	487	–	–

(c) Assets acquisition

Acquisitions of property, plant and equipment during the financial year were made by the following means:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash payments	34,954	10,249	352	194
Finance leases	2,056	1,682	406	–
Other payables	8,841	2,826	–	–
	45,851	14,757	758	194

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2017 $'000	2016 $'000
Quoted shares, at cost	5,578	5,578
Unquoted shares, at cost	55,075	53,438
Allowance for impairment	(47,173)	(47,173)
	13,480	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	
			2017 %	2016 %
	Held by the Company:			
*	KEST Systems & Service Ltd (Taiwan)	Provision of burn-in services (Taiwan)	100	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

11. 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 2017 %	Proportion of ownership interest 2016 %
	Held by the Company:			
❖ ۵	KES Systems, Inc. (USA)	Research and development in burn-in and test related activities and distribution of electronic equipment (USA)	100	100
✡	KESM Industries Berhad (Malaysia)	Investment holding and provision of semiconductor burn-in services (Malaysia)	48##	48##
	Held by subsidiaries:			
✡	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
✡۵	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.
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. According to the Singapore Financial Reporting Standards (see Note 3), Sunright Limited has *de facto* control over the company.
۵ Audited for the purpose of Group consolidation.

11. 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
31.7.2017:					
KESM Industries Berhad	Malaysia	52%	7,434	53,744	680
31.7.2016:					
KESM Industries Berhad	Malaysia	52%	5,409	49,175	557

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised statement of financial position

	KESM Industries Berhad and its subsidiaries	
	As at 31.7.2017 $'000	As at 31.7.2016 $'000
Total assets	151,025	124,261
Total liabilities	46,656	28,411
Net assets	104,369	95,850
Summarised statement of comprehensive income		
Revenue	109,069	95,578
Profit for the year	14,197	10,263
Other comprehensive income	811	(403)
Total comprehensive income for the year	15,008	9,860
Summarised cash flow statement		
Net cash generated from operating activities	32,649	29,498
Net cash used in investing activities	(49,409)	(10,023)
Net cash used in financing activities	6,996	(13,156)
Net (decrease)/increase in cash and cash equivalents	(9,764)	6,319

(d) *Increase in capital of a subsidiary*

On 5 October 2016, the Company had contributed additional capital of $1,637,000 to its direct wholly-owned subsidiary, KES Systems, Inc. ("KESI").

12. LOANS TO/(FROM) SUBSIDIARIES

	Company	
	2017 $'000	2016 $'000
Loans to subsidiaries	110	769
Less: Allowance for impairment	(110)	(769)
	–	–
Loans from subsidiaries	(102)	(101)
Movement in allowance account:		
Balance at beginning of the year	769	6,630
Reversal to profit or loss	(264)	(614)
Written off	(395)	(5,252)
Exchange differences	–	5
Balance at end of the year	110	769

The loans to subsidiaries bear interest rate of 4.35% (2016: 4.35%) per annum, are unsecured and not expected to be repaid in the next 12 months.

Loans from subsidiaries bear interest rate at 4.35% (2016: 4.35%) per annum, are unsecured and are not expected to be repaid in the next 12 months.

During the financial year, a reversal of impairment loss of $264,000 (2016: $614,000) 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 2017.

13. INVENTORIES

	Group	
	2017 $'000	2016 $'000
Raw materials	1,345	1,371
Consumables	619	1,019
Work-in-progress	3,669	2,063
Finished goods	342	568
Total inventories (at cost or net realisable value)	5,975	5,021

During the financial year, the Group wrote back $592,000 (2016: wrote down $1,236,000) of inventories which were recognised in "Other operating expenses" line item in the Statement of profit or loss and other comprehensive income.

14. TRADE AND OTHER RECEIVABLES

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade and other receivables:					
– Trade receivables		34,444	28,350	–	–
– Sundry deposits		669	660	1	–
– Sundry receivables		1,012	1,351	104	153
– Derivatives	22(d)	6	–	–	–
– Amounts due from subsidiaries (trade)		–	–	2,832	4,541
– Amounts due from subsidiaries (non-trade)		–	–	1,497	2,144
		36,131	30,361	4,434	6,838
Allowance for impairment:					
– Trade receivables		(104)	(123)	–	–
– Amounts due from subsidiaries (trade)		–	–	(554)	(2,361)
– Amounts due from subsidiaries (non-trade)		–	–	(36)	(850)
		36,027	30,238	3,844	3,627
Add: Cash and short-term deposits	15	68,195	66,690	20,635	21,185
Total loans and receivables		104,222	96,928	24,479	24,812

(a) Trade receivables

Trade receivables, including amounts due from subsidiaries, are non-interest bearing and are generally on 15 to 90 days (2016: 15 to 90 days) credit 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Less than 90 days	1,585	1,566	378	415
91 - 180 days	171	13	531	450
> 180 days	20	65	–	24
	1,776	1,644	909	889

14. TRADE AND OTHER RECEIVABLES (CONT'D)

(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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables – nominal amounts	104	123	590	3,211
Less: Allowance for doubtful debts	(104)	(123)	(590)	(3,211)
	–	–	–	–
At beginning of the year	123	3,747	3,211	3,862
Charge to profit or loss/(reversal of impairment)	40	(344)	(8)	(651)
Written off	(61)	(3,071)	(2,613)	–
Exchange difference	2	(209)	–	–
At end of the year	104	123	590	3,211

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

During the year, impairment loss of $40,000 (2016: reversal of $344,000 impairment loss) and reversal of impairment loss of $8,000 (2016: $651,000) 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 2017.

(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 amount of total current trade and other receivables are denominated in the following currencies:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore Dollar	793	791	2,414	2,329
United States Dollar	9,078	6,493	995	985
Ringgit Malaysia	18,094	15,036	435	313
Renminbi	6,515	6,095	–	–
Others	1,547	1,823	–	–
	36,027	30,238	3,844	3,627

15. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash at banks and on hand	21,996	18,719	4,635	5,885
Bank deposits	46,199	47,971	16,000	15,300
Cash and short-term deposits	68,195	66,690	20,635	21,185
Less: Bank deposits with maturity more than three months	(22,765)	(16,116)	(11,000)	(15,300)
Cash and cash equivalents	45,430	50,574	9,635	5,885

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore Dollar	23,319	24,448	20,617	21,040
United States Dollar	5,969	5,186	18	145
Ringgit Malaysia	29,631	31,609	–	–
Renminbi	6,829	4,129	–	–
Others	2,447	1,318	–	–
	68,195	66,690	20,635	21,185

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term deposits, other than those with maturity more than three months, are made for varying periods of between five days and three months (2016: 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 effective interest rate of short-term deposits as at 31 July 2017 for the Group and the Company were 2.20% (2016: 2.31%) and 1.45% (2016: 1.34%) respectively.

Cash at banks of $6,829,000 (2016: $3,996,000) 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			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
Balance at beginning and end of the 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

				Group		Company	
	Note	Effective interest rate (per annum)	Maturities	2017	2016	2017	2016
		%		$'000	$'000	$'000	$'000
Current							
Obligations under finance leases	22(c)	6.0 – 6.0	2018	1,479	765	106	88
Bank loans		3.1 – 3.6	2018	11,869	12,379	2,234	2,228
				13,348	13,144	2,340	2,316
Non-current							
Obligations under finance leases	22(c)	4.7 – 6.6	2019 – 2020	1,072	862	301	23
Bank loans		1.7 – 5.9	2019 – 2020	11,446	3,140	–	–
				12,518	4,002	301	23
Total				25,866	17,146	2,641	2,339

18. LOANS AND BORROWINGS (CONT'D)

(a) Obligations under finance leases - secured

The Group and the Company have finance leases for certain assets (Note 10). Obligations under finance leases of $2,551,000 (2016: $1,627,000) and $407,000 (2016: $111,000) 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.

(b) Bank loans

Bank loans of $503,000 (2016: $781,000) for the Group are secured by a charge on the buildings (Note 10).

Bank loans of $2,069,000 (2016: $472,000) for the Group are secured by corporate guarantee provided by the Company.

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore Dollar	1,905	1,788	1,691	1,394
United States Dollar	1,425	1,417	950	945
Ringgit Malaysia	22,033	13,160	–	–
Others	503	781	–	–
	25,866	17,146	2,641	2,339

19. INCOME TAX

(a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 July 2017 and 2016 are:

	Group	
	2017 $'000	2016 $'000
Statement of profit or loss and other comprehensive income		
Current income tax:		
– Current income tax	1,297	1,228
– Under/(over) provision in respect of previous years	38	(61)
	1,335	1,167
Deferred tax:		
– Origination and reversal of temporary differences	165	1,093
– Over provision in respect of previous years	(2,315)	(11)
	(2,150)	1,082
Income tax (credit)/expense recognised in the statement of profit or loss and other comprehensive income	(815)	2,249

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 2017 and 2016 is as follows:

	Group	
	2017 $'000	2016 $'000
Profit before tax	15,865	9,045
Tax calculated at statutory tax rate of 17% (2016: 17%)	2,697	1,538
Adjustments:		
Non-deductible expenses	1,179	2,328
Income not subject to tax	(280)	(3,181)
Effect of different tax rates on foreign income	1,198	2,217
Benefits from previously unrecognised deferred tax assets	(3,437)	(2,880)
Deferred tax assets not recognised	134	2,299
(Over)/under provision in respect of previous years		
– Current income tax	38	(61)
– Deferred tax	(2,315)	(11)
Others	(29)	–
Income tax expense recognised in the statement of profit or loss and other comprehensive income	(815)	2,249

(c) *Deferred tax*

Deferred tax as at 31 July relates to the following:

	Group statement of financial position		Group statement of profit or loss and other comprehensive income		Company statement of financial position	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax liabilities:						
Unremitted offshore interest income	1,848	4,170	(2,322)	–	1,848	2,129
Others	–	–	–	(670)	–	–
	1,848	4,170	(2,322)	(670)	1,848	2,129
Deferred tax assets:						
Differences in depreciation for tax purposes	3,158	2,088	892	231	–	–
Provisions	–	50	(49)	122	–	–
Tax incentives	–	(42)	42	338	–	–
Unutilised reinvestment allowance	(2,326)	(2,082)	(336)	882	–	–
Other deductible temporary differences	(1,081)	(446)	(377)	179	–	–
	(249)	(432)	172	1,752	–	–
Deferred tax benefit recognised in the statement of profit or loss and other comprehensive income			(2,150)	1,082		

19. INCOME TAX (CONT'D)

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

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 $34,946,000 (2016: $42,485,000), $11,798,000 (2016: $6,229,000), $2,532,000 (2016: $10,645,000) and $19,750,000 (2016: $27,708,000) 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 their 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 (2016: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 28).

20. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade and other payables:					
– Trade payables		8,780	6,785	–	–
– Accrued operating expenses		9,909	7,829	2,017	1,495
– Sundry payables		15,821	7,795	278	91
– Derivatives	22(d)	–	2	–	–
– Amounts due to subsidiaries (non-trade)		–	–	15	217
		34,510	22,411	2,310	1,803
Add: Loans and borrowings	18	25,866	17,146	2,641	2,339
Add: Loans from subsidiaries	12	–	–	102	101
Less: Derivatives	22(d)	–	(2)	–	–
Total financial liabilities carried at amortised cost		60,376	39,555	5,053	4,243

(a) *Trade payables and sundry payables*

These amounts are non-interest bearing and are normally settled on 15 to 180 days (2016: 15 to 180 days) terms.

(b) *Related parties payables*

Amounts due to subsidiaries (non-trade) are unsecured, non-interest bearing and repayable on demand.

The Company has given a letter of financial support to certain subsidiaries in order for the subsidiaries to continue as a going concern.

20. TRADE AND OTHER PAYABLES (CONT'D)

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore Dollar	6,120	5,215	2,250	1,750
United States Dollar	15,102	6,508	60	53
Ringgit Malaysia	9,893	7,696	–	–
Renminbi	2,663	2,405	–	–
Others	732	587	–	–
	34,510	22,411	2,310	1,803

21. DEFINED BENEFIT OBLIGATIONS

	Group	
	2017 $'000	2016 $'000
Defined benefit obligations	1,033	1,088

Defined benefit plans

The Group operates three defined benefit plans, which are non-contributory plans covering all regular full-time employees and directors. These plans are either funded pension of 3% of total salary each month, or are unfunded and the estimated cost of post-employment benefits are accrued.

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

	Group	
	2017 $'000	2016 $'000
Present value of defined benefit obligations	(2,515)	(2,505)
Fair value of plan assets	1,482	1,417
Net defined benefit liabilities	(1,033)	(1,088)

21. DEFINED BENEFIT OBLIGATIONS (CONT'D)

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

	Note	Group 2017 $'000	Group 2016 $'000
Balance at beginning of the year		(2,505)	(1,606)
Benefits paid		194	84
Current service costs	6	(102)	(893)
Interest costs	7	(28)	(67)
Remeasurement gain/(loss) on defined benefit plans			
Actuarial gain/(loss) arising from:			
– changes in financial assumptions		13	(66)
– experience adjustments		(25)	(33)
Currency realignment		(62)	76
Balance at end of the year		(2,515)	(2,505)

Changes in fair value of plan assets are as follows:

	Group 2017 $'000	Group 2016 $'000
Balance at beginning of the year	1,417	1,294
Contributions by the employer	136	170
Benefits paid	(197)	–
Return on plan assets	15	12
Currency realignment	111	(59)
Balance at end of the year	1,482	1,417

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 2017 $'000	Group 2016 $'000
Current service costs	(102)	(893)
Interest costs	(28)	(67)
Return on plan assets	11	19
	(119)	(941)

21. DEFINED BENEFIT OBLIGATIONS (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: (cont'd)

Reported in other comprehensive income

	Group 2017 $'000	Group 2016 $'000
Return on plan assets	4	(7)
Actuarial (loss)/gain arising from:		
– Changes in financial assumptions	13	(66)
– Experience adjustments	(25)	(33)
	(8)	(106)

The principal assumptions used in determining the obligations for the defined benefit plans are shown below:

	Group 2017 $'000	Group 2016 $'000
Discount rates	1.00% to 4.72%	0.75% to 4.90%
Expected rate of future salary increases	2.00% to 5.00%	2.00% to 5.00%

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

	Increase/ (decrease)	Group 2017 $'000	Group 2016 $'000
Discount rates	0.25%	(45)	(50)
	(0.25%)	47	52
Expected rate of future salary increases	0.25%	47	51
	(0.25%)	(45)	(50)

The Group expects to contribute $6,000 (2016: $125,000) to the defined benefit pension plans in the next financial year.

The duration of the defined benefit obligation at the end of the reporting period is 7 to 15 years (2016: 8 to 16 years).

22. COMMITMENTS

(a) *Capital commitments*

Capital expenditure as at the reporting date is as follows:

	Group	
	2017 $'000	2016 $'000
Property, plant and equipment		
– Authorised and contracted for	4,614	3,381

(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.

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

	Group	
	2017 $'000	2016 $'000
Within one year	688	681
After one year but not more than five years	552	1,215
	1,240	1,896

(c) *Finance lease commitments*

The Group and the Company have finance leases for certain items of plant, machinery and test equipment.

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

	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	2017 $'000	2017 $'000	2016 $'000	2016 $'000
Group				
Within one year	1,580	1,479	827	765
After one year but not more than five years	1,120	1,072	937	862
Total minimum lease payments	2,700	2,551	1,764	1,627
Less: Amounts representing finance charges	(149)	–	(137)	–
Present value of minimum lease payments	2,551	2,551	1,627	1,627
Company				
Within one year	122	106	92	88
After one year but not more than five years	327	301	23	23
Total minimum lease payments	449	407	115	111
Less: Amounts representing finance charges	(42)	–	(4)	–
Present value of minimum lease payments	407	407	111	111

22. COMMITMENTS (CONT'D)

(d) Financial instruments

Derivative and other financial instruments included in the statement of financial position at 31 July are as follows:

		Group			
		2017		2016	
	Note	Assets $'000	Liabilities $'000	Assets $'000	Liabilities $'000
Forward currency contracts	24(a)	6	–	–	(2)
Investment securities held for trading	24(a)	3,047	–	1,971	–
Total financial assets/(liabilities) at fair value through profit or loss		3,053	–	1,971	(2)

As at 31 July 2017, the Group held two (2016: five) forward currency contracts, with total outstanding notional amounts of $820,000 (2016: $1,622,000). The outstanding forward contracts mature in 1 to 2 months (2016: 1 to 2 months).

The Group does not apply hedge accounting.

23. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Group	
	2017 $'000	2016 $'000
Salaries and bonuses	3,012	2,358
CPF and other defined contributions	22	19
Total compensation paid to key management personnel	3,034	2,377

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

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) *Financial instruments that are carried at fair value*

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

Group	Note	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Total $'000
2017				
Recurring fair value measurements				
Financial assets/(liabilities):				
Held for trading investments:				
– Investment securities (quoted)	22(d)	3,047	–	3,047
Derivatives:				
– Forward currency contracts	22(d)	–	6	6
At 31 July 2017		3,047	6	3,053
2016				
Recurring fair value measurements				
Financial assets/(liabilities):				
Held for trading investments:				
– Investment securities (quoted)	22(d)	1,971	–	1,971
Derivatives:				
– Forward currency contracts	22(d)	–	(2)	(2)
At 31 July 2016		1,971	(2)	1,969

Determination of fair value

Investment securities held for trading – Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

Derivatives (Note 22(d)) – Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing model, using present value calculations. The model incorporates various inputs including foreign exchange spot and forward rates as well as forward rate curves.

(b) *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 short-term deposits (Note 15), loans and borrowings (Note 18) and non-current loans to/(from) subsidiaries (Note 12)

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.

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

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

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

	Note	Carrying amount 2017 $'000	Fair value 2017 $'000	Carrying amount 2016 $'000	Fair value 2016 $'000
Group					
Financial liabilities					
Obligations under finance leases (non-current)	18	1,072	1,064	862	874
Company					
Financial liabilities					
Obligations under finance leases (non-current)	18	301	301	23	23

25. 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 expose.

The Group and the Company are exposed to financial risks arising from their 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 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, trade receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

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

(a) Credit risk (cont'd)

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:

(i) the carrying amount of each class of financial assets recognised in the statement of financial position, including derivatives with positive fair values;

(ii) a nominal amount of $689,000 (2016: $866,000) relating to corporate guarantees provided by the Company to the financial institutions for the subsidiaries' bank loans and finance leases.

Credit risk concentration profile

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

Group	2017		2016	
	$'000	% of total	$'000	% of total
By country:				
Singapore	1,790	5	113	–
Malaysia	21,045	61	17,762	63
China	7,502	22	6,655	24
Other Asian countries	1,623	5	1,556	6
United States	1,265	4	1,034	4
Others	1,115	3	1,107	3
	34,340	100	28,227	100
By industry sectors:				
Burn-in, testing and electronic manufacturing services	34,338	100	28,169	100
Others	2	–	58	–
	34,340	100	28,227	100

At the end of the reporting period, approximately:

(i) 83% (2016: 76%) of the Group's trade receivables were due from 5 (2016: 5) major customers who are in the semiconductor industry; and

(ii) 98% (2016: 96%) 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.

25. 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.

Group	Total $'000	1 year or less $'000	1 to 5 years $'000
2017			
Financial assets			
Investment securities held for trading	3,047	3,047	–
Trade and other receivables	36,027	36,027	–
Cash and short-term deposits	68,195	68,195	–
Total undiscounted financial assets	107,269	107,269	–
Financial liabilities			
Trade and other payables	(34,510)	(34,510)	–
Loans and borrowings	(27,903)	(13,838)	(14,065)
Total undiscounted financial liabilities	(62,413)	(48,348)	(14,065)
Total net undiscounted financial assets/(liabilities)	44,856	58,921	(14,065)
2016			
Financial assets			
Investment securities held for trading	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	(22,411)	(22,411)	–
Loans and borrowings	(17,824)	(13,694)	(4,130)
Total undiscounted financial liabilities	(40,235)	(36,105)	(4,130)
Total net undiscounted financial assets/(liabilities)	58,664	62,794	(4,130)

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

(b) Liquidity risk (cont'd)

Company	Total $'000	1 year or less $'000	1 to 5 years $'000
2017			
Financial assets			
Investment securities held for trading	496	496	–
Trade and other receivables	3,844	3,844	–
Cash and short-term deposits	20,635	20,635	–
Total undiscounted financial assets	24,975	24,975	–
Financial liabilities			
Trade and other payables	(2,310)	(2,310)	–
Loans and borrowings	(2,693)	(2,367)	(326)
Loans from subsidiaries	(106)	–	(106)
Total undiscounted financial liabilities	(5,109)	(4,677)	(432)
Total net undiscounted financial assets/(liabilities)	19,866	20,298	(432)
2016			
Financial assets			
Investment securities held for trading	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)

The contractual expiry of the Company's corporate guarantee matures within 3 years. This is based on the earliest period in which the corporate guarantee contracts could be called. The maximum amount of the corporate guarantee contracts are disclosed in Note 25 (a) (ii).

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

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risks arises primarily from their loans and borrowings. The Group obtains additional financing through bank borrowings and leasing arrangement.

The Group's interest-bearing financial assets are mainly short-term in nature, where the surplus funds are placed with reputable licensed banks.

The Group's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rates had been 100 (2016: 100) basis points higher/lower with all other variables held constant, the Group's and Company's profit before tax would have been $194,000 (2016: $227,000) and $22,000 (2016: $22,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales and purchases that are denominated in currency other than the respective functional currencies of Group entities, primarily United States Dollar ("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 and Philippines. 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 and Ringgit Malaysia ("RM") with all other variables held constant:

			Group		Company	
			2017 $'000	2016 $'000	2017 $'000	2016 $'000
USD/SGD	– strengthened 1%	(2016: 1%)	20	21	(1)	–
	– weakened 1%	(2016: 1%)	(20)	(21)	1	–
USD/RM	– strengthened 1%	(2016: 1%)	(44)	28	–	–
	– weakened 1%	(2016: 1%)	44	(28)	–	–

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

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group and the Company are exposed to market price risk arising from its investments 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 investing in companies operating mainly in Singapore and Malaysia which are publicly traded.

Sensitivity for market price risk

At the end of the reporting period, if the share price of the quoted equity instruments had been 5% (2016: 5%) higher/lower with all other variables held constant, the Group's profit before tax would have been $152,000 (2016: $99,000) higher/lower, arising as a result of higher/lower fair value gain on investment securities held for trading.

26. 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 2017 and 31 July 2016.

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 2017 and 31 July 2016.

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 short-term deposits. Capital includes equity attributable to owners of the Company less statutory reserve fund.

	Group	
	2017 $'000	2016 $'000
Total loans and borrowings (total debt)	25,866	17,146
Less: Cash and short-term deposits	(68,195)	(66,690)
Net cash	(42,329)	(49,544)
Total equity attributable to owners of the Company	77,504	70,344
Less: Statutory reserve fund	(860)	(860)
	76,644	69,484

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

27. 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. The distribution segment, which was reported in the previous financial year, has been combined under "Others" segment, as the distribution segment has been scaled down and does not meet any of the quantitative thresholds for disclosure under FRS108 *Operating Segments* for the financial year ended 31 July 2017.

(c) Others segment involves Group-level corporate services, treasury and investments functions, business of trading in, distribution of high-technology electronic products, and consolidation adjustments which are not directly attributable to particular business segment above.

Except as indicated above, no other operating segment has been aggregated to form the above reportable operating segments.

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

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

	Burn-in, testing and electronic manufacturing services $'000	Others $'000	Eliminations $'000	Consolidated $'000
2017				
Revenue:				
External customers	147,946	19	–	147,965
Intra-segment	2,828	–	(2,828)	–
Total revenue	150,774	19	(2,828)	147,965
Results:				
Segment profit	15,292	83	336	15,711
Interest income				1,069
Finance costs				(915)
Profit before tax				15,865
Income tax credit				815
Profit for the year				16,680
Other information:				
Depreciation	22,738	238	(403)	22,573
Additions to property, plant and equipment	44,912	759	180	45,851

27. SEGMENT INFORMATION (CONT'D)

	Burn-in, testing and electronic manufacturing services $'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	(887)	98	9,089
Interest income				1,108
Finance costs				(1,152)
Profit before tax				9,045
Income tax expense				(2,249)
Profit for the year				6,796
Other information:				
Depreciation	19,799	223	(245)	19,777
Additions to property, plant and equipment	14,460	194	103	14,757

* Restated to include distribution segment (Note 27 (b)).

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*	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore	5,082	2,550	1,415	1,107
Malaysia	91,717	80,208	69,987	48,604
China	27,814	24,391	7,868	8,115
Other Asian countries**	5,073	6,448	440	1,313
United States	9,720	7,554	7	6
Others	8,559	8,271	–	–
	147,965	129,422	79,717	59,145

* 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 (2016: 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, revenue generated from these customers amounted to approximately $100 million (2016: $88 million).

28. DIVIDENDS

	Company 2017 $'000	Company 2016 $'000
Recognised during the financial year:		
– Ordinary tax exempt (one-tier) dividend for 2016 at 0.2 cent (2015: 0.2 cent) per share	246	246
– Special tax exempt (one-tier) dividend for 2016 at 0.2 cent (2015: 0.2 cent) per share	–	245
	246	491
Proposed but not recognised as a liability as at 31 July:		
– Ordinary tax exempt (one-tier) dividend for 2017 at 0.3 cent (2016: 0.2 cent) per share	368	246

29. COMPARATIVES

Certain comparative figures have been reclassified to conform to current financial year's presentation.

	As previously stated $'000	Reclassification adjustment $'000	As restated $'000
Consolidated statement of financial position			
As at 31 July 2016			
Trade and other payables	23,309	(898)	22,411
Defined benefit obligations	190	898	1,088

The above reclassification does not have any impact to retained earnings of the Group.

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 July 2017 were approved in accordance with a resolution of the directors on 27 September 2017.

SHAREHOLDERS' INFORMATION

As at 27 September 2017

Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Range of Holdings	Number of shareholders	%	Number of Shares	%
1 – 99	3	0.09	51	0.00
100 – 1,000	1,178	34.68	1,165,757	0.95
1,001 – 10,000	1,802	53.05	8,324,900	6.78
10,001 – 1,000,000	406	11.95	22,091,526	17.99
1,000,001 and above	8	0.23	91,223,766	74.28
Total	**3,397**	**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.	DBS Nominees (Private) Limited	6,443,200	5.25
3.	Ang Ah Beng	4,596,900	3.74
4.	United Overseas Bank Nominees (Private) Limited	4,594,100	3.74
5.	Phillip Securities Pte Ltd	2,672,800	2.18
6.	Tan Teoh Khoon	2,130,000	1.73
7.	OCBC Nominees Singapore Private Limited	1,921,400	1.56
8.	Goh Guan Siong (Wu YuanXiang)	1,398,700	1.14
9.	Maybank Kim Eng Securities Pte. Ltd.	980,300	0.80
10.	Raffles Nominees (Pte) Limited	886,100	0.72
11.	Tan Chin Wah	801,000	0.65
12.	OCBC Securities Private Limited	754,600	0.61
13.	Liu Wenying	650,000	0.53
14.	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
15.	Yeo Wei Huang	501,000	0.41
16.	Ong Sze Wang (Wang SiYuan)	500,000	0.41
17.	Wong Han Meng	480,300	0.39
18.	Wee Joo Eng Theresa Mrs Theresa Yeo	392,300	0.32
19.	Tang Way Kiat, Kenneth (Deng WeiJie, Kenneth)	380,000	0.31
20.	Choon Poh S/O Sreekaran @ Wilfred S/O Sreekaran	306,000	0.25
	Total	**98,382,366**	**80.11**

SHAREHOLDERS' INFORMATION

As at 27 September 2017

DIRECTORS' INTEREST AS AT 21 AUGUST 2017

	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 27 September 2017, 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 39th Annual General Meeting of the Company will be held at Meeting Room 330, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 17 November 2017 at 10:00 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 2017 and the Auditor's Report thereon.	Resolution 1
2.	To declare a tax exempt one-tier final dividend of 0.3 Singapore cent per ordinary share for the financial year ended 31 July 2017.	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) Ms Lim Mee Ing	Resolution 3
	(b) Mr Francis Lee Choon Hui	Resolution 4
	Note: If re-appointed, Ms Lim Mee Ing and Mr Francis Lee Choon Hui will remain as a member and Chairman of the Audit Committee respectively.	
4.	To approve the payment of Directors' fees of S$170,000 (2016: S$164,000) in respect of the financial year ended 31 July 2017.	Resolution 5
5.	To re-appoint Messrs Ernst & Young LLP as Auditor of the Company and to authorise the Directors to fix their remuneration.	Resolution 6

By Order of the Board

Adeline Lim Kim Swan
Company Secretary
26 October 2017

Explanatory Note

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 2017. 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.

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 72 hours before the time appointed for the Annual General Meeting.

NOTICE OF 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 23 November 2017 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 23 November 2017 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 23 November 2017 will be entitled for the proposed final dividend.

The final dividend, if approved by shareholders at the Annual General Meeting, will be paid on 8 December 2017.

By Order of the Board

Adeline Lim Kim Swan
Company Secretary
26 October 2017

This page has been intentionally left blank

This page has been intentionally left blank

SUNRIGHT

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 Bank/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 2017.

I / We ______________________________ (Full Name in Block Letters)

NRIC/Passport/Company No. ______________________ of ______________________

______________________________ (Address)

being a member/members of Sunright Limited, hereby appoint

Name	NRIC/Passport Number	Proportion of Shareholdings (see Note 2(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 39th Annual General Meeting of the Company to be held at Meeting Room 330, Level 3, Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Suntec City, Singapore 039593 on Friday, 17 November 2017 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised 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 Ms Lim Mee ing as Director		
4.	Re-election of Mr Francis Lee Choon Hui as Director		
5.	Approval of Directors' fees		
6.	Re-appointment of Auditor		

* *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.*

Dated this ____________ day of ____________ 2017

Total Number of Shares Held (see Note 3)	

IMPORTANT: PLEASE READ NOTES OVERLEAF

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

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 72 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

SUNRIGHT LIMITED
(COMPANY REG. NO. 197800523M)

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