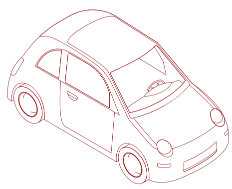
SUNRIGHT

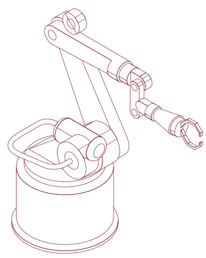
ANNUAL REPORT

SUNRIGHT LIMITED
(COMPANY REG. NO. 197800523M)

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

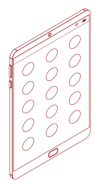


AUTOMOTIVE

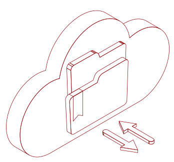


INDUSTRIAL

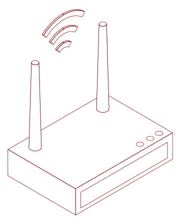
COMPUTING



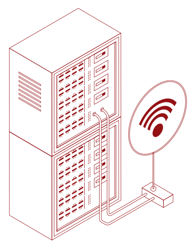
COMMUNICATIONS



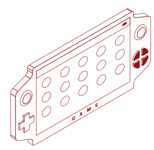
CLOUD COMPUTING



INTERNET OF THINGS



DATA PROCESSING



CONSUMER GAMING

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

CONTENTS

WE BELIEVE IT IS OUR INNOVATION THAT WILL DRIVE OUR BUSINESS SUCCESS.

S$153 MILLION

REVENUE

(2017: S$148 Million)

S$6.8 MILLION

NET PROFIT

(2017: S$9.2 Million)

0.3 CENT PER SHARE

DIVIDEND

(2017: 0.3 cent per share)

The data revolution has big opportunities for Sunright, because we have essential technology that would improve the cost of ownership in test and burn-in, for high power devices as well.

FINANCIAL PERFORMANCE

In FY 2018, the Group made a modest growth of 4% in revenue which generated S$153 million, following a significant growth in the previous year. However, due to higher taxes, our net profit decreased to S$6.8 million from S$9.2 million.

Throughout 2018, we remained committed to our strategic investments in support of 2 key growth drivers - the automotive and data centres, which are the highest growth markets in the semiconductor industry. Car makers and data centres have absolutely low tolerance for chip failures and our business is to ensure that their components are tested and burn-in for greater reliability.

ON TRACK TO ACHIEVE AGGRESSIVE GOALS THROUGH INNOVATIONS

As we navigate through a new world of opportunities for new devices used in the automotive and data centers, we believe it is our innovation that will drive our business success. Typically, equipment sales cycles have long gestation sales periods. Our wide range of test and burn-in products are now beginning to gain traction in the market, with a broader base of customers.

We made good progress in selling Fastrack, our automatic loaders and unloaders for burn-in applications. We launched our latest automatic pick and place handler, EZ in July 2018. This system is capable of handling tiny devices, which are slightly smaller than the head of a regular matchstick. We won repeat sales of our g32 test handlers for testing of MEMS devices, such as accelerometers and sensors. We further geared up our product development activities.

This led to the filing of 2 patents relating to adjustable contact pressure and techniques in test and burn-in, which are directed towards multi-chip applications. Sunright is recognised as the world's largest independent service provider of test and burn-in. We are also becoming a leading equipment company in providing differentiated "test and burn-in solutions."

LOOKING AHEAD

In 2017, the global semiconductor industry grew by 21.6%, from US$346 to US$420 billion, setting a new record by breaking the US$400 billion mark. This positive momentum is expected to continue at 7% growth for 2018 and is favourable for Sunright.

The uncertain effects of the global trade war have yet to be felt in our business. Much is still unknown at this point. The long term demand trends for the automotive industry are strong as we are still in the early days of significant shifts to self-driven cars, that would require greater capabilities and higher volumes of chips. The data revolution has big opportunities for Sunright, because we have essential technology that would improve the cost of ownership in test and burn-in, for high power devices as well.

INCREASING SHAREHOLDERS' VALUE

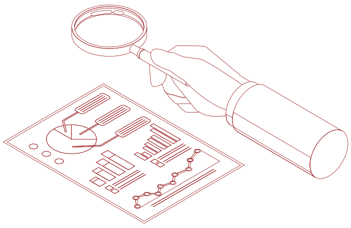
As we enter fiscal year 2019, our creative efforts to produce new products, combined with a good growth market, will enable us to realise new growth opportunities and improve our profitability.

We remain committed to building long-term shareholder value, through continuous innovation and operational excellence. Our progress in the past years is evidenced by the rise in our share price. 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 16 November 2018.

APPRECIATION

We are gratified that our accomplishments in the past year were made possible because of the concerted efforts of more than 2,500 employees and the on-going co-operation of our suppliers, as well as the confidence of our customers and stakeholders.

Samuel Lim Syn Soo
Executive Chairman & Chief Executive Officer
Date: 27 September 2018



We delivered several Fastrack units, for use in testing automotive ICs. We shipped g32 for handling of high parallelism to test MEMS devices. MEMS contain miniaturised mechanical and electro-mechanical elements such as accelerometers and sensors used in commercial and automotive applications.

We introduced our latest product, EZ to meet the demand of handling mini packages of 2x2 mm. for device loading on burn-in boards. The product was launched in July 2018, and we are receiving complimentary reports from our customers.

The KX5 is in the final phase of pre-production evaluation. There are several delays because of shortages and poor yield of the new C55 nanometer devices produced by our customer which necessitated changes in thermal test conditions for their medium power devices. These delays have further pushed out the launch date of KX5. The KX5 is a massively parallel test and burn-in system targeted at advanced logic devices with embedded memories.

In 2018, we observed that many of our customers' test and burn-in equipment are well utilised. Most of them are running at optimum level. With the expected market improvement in volume growth, we anticipate demand for our new products to do better and also serve more newly developed devices.

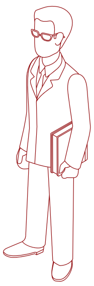
We have significantly downsized our distribution business activities to focus on larger, faster-growing segments in test and burn-in, which our core competencies will give us a unique advantage.

KX5
Massively Parallel
Test & Burn-in
System

EZ
Benchtop ALU
For Smallest Chips

Fastrack
Automatic Device
Loader & Unloader

BOARD OF DIRECTORS



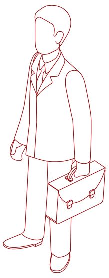
SAMUEL LIM SYN SOO
Non-Independent Executive Director

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 holds 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

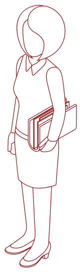
Mr Kenneth Tan was appointed to the Board on 12 January 1994. He is responsible for the strategic direction and new business initiatives of some of the Sunright Group companies, contract negotiations, investor relations and oversees the financial management of the Group.

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.



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 17 November 2017.

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 17 November 2017.

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

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.

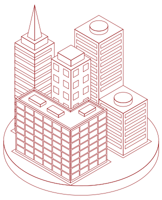
TIMOTHY BROOKS SMITH

Independent Non-Executive Director

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.
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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)

SUSTAINABILITY REPORT

BOARD STATEMENT

As the Group's business grows, we are mindful of the increasing emphasis on sustainability. Implementing sustainable business practices, together with their transparent disclosure, has become increasingly important, especially since the release of the "Comply or Explain" sustainability reporting requirements by the Singapore Exchange (SGX).

Under the oversight of the Board of Directors (the Board), the management conducts a regular review, assessment and feedback process on environmental, social and governance (ESG) topics. This includes identification, management and monitoring of the ESG factors which are most material to the Group. Through this inaugural Sustainability Report, we aim to communicate our commitment towards sustainability, and to work together with all stakeholders in this journey.

ABOUT SUNRIGHT LIMITED

Founded in 1978, Sunright Limited (Sunright) is the world's largest independent "burn-in and test" service company and a leading manufacturer of parallel test equipment. Through the years, Sunright has served many of the world's leading semiconductor manufacturers and electronics manufacturers, capable of handling a broad range of semiconductor chips including micro-controllers, microprocessors and memories. In addition, Sunright offers selective electronic manufacturing services (EMS) of electronic components. By collaborating with leading original equipment manufacturers (OEM), Sunright provides the synergy for OEMs to accelerate time-to-market for their new products. Listed on SGX since 1994, Sunright is headquartered in Singapore, operating through manufacturing facilities in Singapore, Malaysia, Taiwan, China and USA, and is well-supported by sales and service support centers in Singapore, Malaysia, Philippines, Taiwan, China and USA.

ABOUT THE REPORT

This report summarises our approach in managing policies, practices and performance of material ESG factors (detailed in Figure 2 below) in our significant entities for the period of 1 August 2017 to 31 July 2018. Where applicable, one year of historical performance data is also included for comparative purposes. This report was prepared in accordance with the Global Reporting Initiative (GRI) Standards – "Core" reporting requirements.

Entities included in the scope of this Sustainability Report include our significant operating units based in Singapore and Malaysia. They provide management services to the Group and burn-in services for semiconductors and electronics manufacturing services. Other businesses include the manufacture of burn-in equipment for semiconductors and testing services for semiconductors.

SUSTAINABILITY AT SUNRIGHT LIMITED

Stakeholder engagement

At Sunright, stakeholder engagement is the foundation of all our sustainability initiatives. Stakeholder engagement is the first step towards understanding our stakeholders' concerns so that we can respond to them in the most appropriate manner. The following table summarises our approach towards engaging key stakeholders who are most impacted by or impacting our business.

Table 1: Sunright's Approach towards Stakeholder Engagement

Stakeholder group	Stakeholders' expectations	Stakeholder management/ Response to stakeholder expectations	Engagement platforms	Frequency of engagement
Shareholders	• Sunright's financial health and industry reputation	• Provide regular and timely updates about Sunright's performance to enable shareholders to make informed investment decisions	• Press releases • Announcements • Media conference • Annual Report • Annual General Meeting	• Periodic • Quarterly • Annual • Annual • Annual
Customers	• Service quality • Timely delivery	• ISO 9001 certification • ISO/TS 16949 certification	• Industry forums • Customer satisfaction surveys • Customer visits to our plants	• Once every one to two years • Periodic • As necessary
Employees and outsourced workers	• Fair employment and well-being • Training and development • Occupational health and safety	• Implement non-discriminatory Human Resources (HR) policies • Provide relevant trainings (safety and job specific) • Provide deserving remuneration, welfare and benefits	• Electronic updates and newsletters • Trainings • Annual performance appraisals • Company events and staff get-togethers	• Periodic • Periodic • Annual • Periodic
Contractors and suppliers	• Business opportunities • Feedback on performance	• Conduct fair suppliers screening process • Conduct regular suppliers' evaluation process	• Project tenders • Supplier evaluation meetings	• As and when required • Periodic
Regulators	• Compliance to regulatory requirements	• Keeping abreast with the latest regulatory requirements	• Statutory reporting • On-site inspections	• Periodic • As appropriate
Local community	• Employment opportunities • Corporate Social Responsibility (CSR) initiatives	• Provide employment opportunities through our business • Participate in CSR activities	• CSR programmes	• Periodic

Materiality assessment

To identify ESG factors which matter the most to our business and our stakeholders, we conducted our first formal materiality assessment in July 2017. Guided by external sustainability consultants, the materiality assessment followed a process as described in Figure 1.

Figure 1: Sunright's Materiality Assessment Process

A preliminary list of potential sustainability matters were identified through review of Sunright's business strategy, environment, concerns, market landscape and leading reporters' practices

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These sustainability matters were prioritised through an anonymous voting exercise, taking into account:
(i) importance to Sunright's business, and
(ii) significance and influence to external stakeholders

→

The results of the exercise were mapped into a materiality matrix, and approved by the Board

Through the materiality assessment process, five most significant sustainability matters were identified as material for reporting.

Figure 2: Sunright's Materiality Matrix

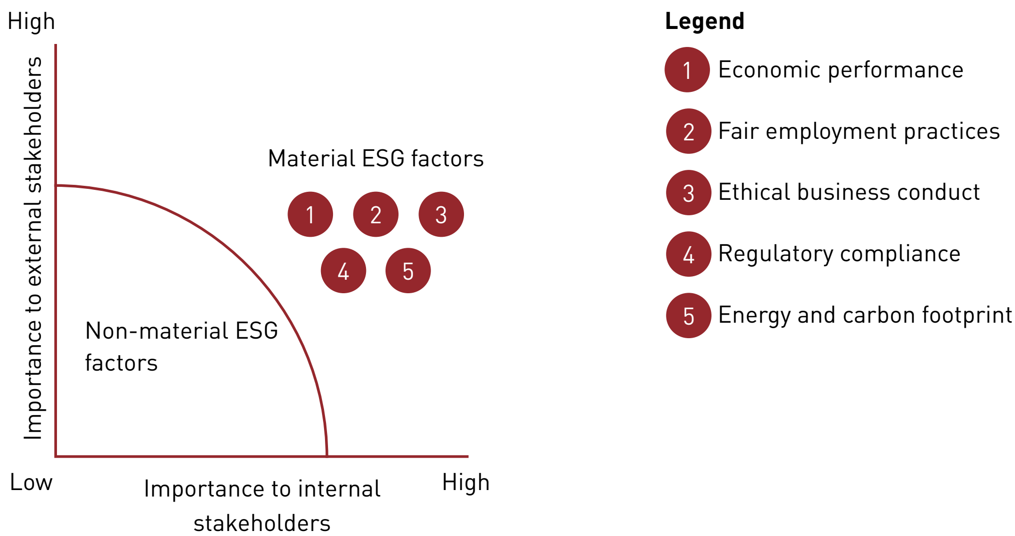
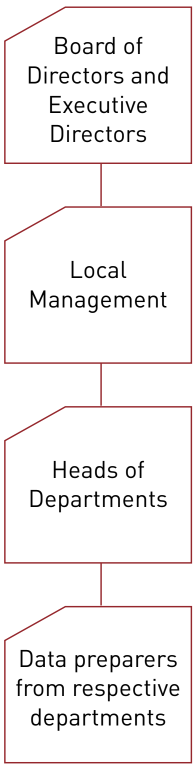


Table 2: Sunright's Material Sustainability Matters and Corresponding GRI Topics

No.	Material Sustainability Matters	Definition	GRI Topics
1	Economic performance	• The financial performance and economic contribution of our company	• GRI 204: Procurement Practices
2	Fair employment and well-being of workers	• Provide equal opportunities and treatment to all workers, while looking after their welfare and ensuring regular engagement	• GRI 401: Employment • GRI 406: Non-discrimination
3	Ethical business conduct	• Practise responsible business policies such as anti-corruption, anti-competitive behaviour and anti-trust	• GRI 205: Anti-Corruption
4	Regulatory compliance	• Compliance to regulatory requirements e.g. laws relating to environment, labour, health and safety, etc.	• GRI 307: Environmental Compliance • GRI 419: Socioeconomic Compliance
5	Energy and carbon footprint	• Efficient use of energy to minimise carbon footprint arising from our operations	• GRI 302: Energy • GRI 305: Emissions

Sustainability governance

Figure 3: Sunright's Sustainability Governance Structure



At Sunright, sustainability agenda is set with tone at the top. The Board of Directors (the Board) and Executive Directors provide the directions and approval of sustainability programmes, which are implemented and overseen by local management. The respective Heads of Departments regularly collect sustainability data and information periodically with the help of data preparers within each department. Subsequently, the information about Sunright's sustainability progress is shared to the senior management and the Board for review and calibration of existing sustainability initiatives.

MAINTAINING THE HIGHEST STANDARDS OF ETHICS AND INTEGRITY

Focus area	Perpetual target	FY 2018 performance
Ethical business conduct	Zero confirmed cases of corruption within Sunright group	✓ Achieved

As a publicly listed company, we are cognizant of the trust that our investors have bestowed upon us. It is therefore imperative that we maintain the highest standards of ethics and integrity at all times, especially in all our dealings with clients, suppliers, or any other parties. To that end, we have implemented various policies, including taking reference from RBA Code of Conduct, to promote ethical conduct, uphold honest and ethical interactions and manage conflicts of interest.

Table 3: Sunright's Suite of Policies for Ethical Business Conduct

Policy	Description
Business Ethics Policy	• The company disallows any employee to be associated with illegal cartel activities, illicit price-fixing, deception and undesirable social behaviour. • The company prohibits employees from dealing with customers or vendors that offer rebates, commissions, and other forms of illegal remuneration. • Employees are required to fully disclose any circumstances likely to give rise to conflicts of interest. • No employee should give or accept any gifts, the value of which might indicate an interest to influence improperly the normal business relationship with any supplier or customer. • All company business dealings are based on "fair deal" basis. All employees shall impress upon business partners on the high business ethics, and refrain from providing or accepting bribe and kick-backs.
Code of Conduct	This policy covers three main areas, namely: Labour, Ethics and Environment, Health and Safety. The main elements of the "Ethics" component includes: • Fair business, advertising and competition: ◦ Avoiding contacts with competitors that could create the appearance of improper agreements ◦ Safeguarding information that our customers have entrusted to us, including proprietary information and trade secrets • Integrity and no improper advantage: ◦ Prohibition of any and all forms of bribery, corruption, extortion and embezzlement • Gift, gratuities and entertainment: ◦ Only accepting gift, gratuities and entertainment when it is considered as nominal amount, consistent with customary business practices, when it supports business and not for personal benefit • Bribery and anti-corruption: ◦ Zero tolerance approach towards bribery and corruption • Disclosure of information: ◦ Providing accurate and complete information to our customers ◦ Falsification of records • Intellectual property: ◦ Safeguarding our intellectual property and respecting intellectual property rights or copyrighted materials of third parties

Table 3: Sunright's Suite of Policies for Ethical Business Conduct (cont'd)

Policy	Description
Code of Conduct (cont'd)	This policy covers three main areas, namely: Labour, Ethics and Environment, Health and Safety. The main elements of the "Ethics" component includes: (cont'd) • Protection of identity and non-retaliation: ◦ Enabling all employees, suppliers and customers to voice concerns about malpractice in a responsible, confidential and anonymous manner • Privacy: ◦ Collecting and maintaining personal information of our suppliers, customers and employees, only to the extent required for business or legal reasons; and comply with all applicable laws concerning the management of such information • Sourcing of minerals: ◦ We expect our suppliers to source 3TG[1] from certified conflict-free smelters
Whistleblower Policy	The policy encourages employees to feel confident about raising concerns without malice and in good faith without fear of possible reprisals or victimisation. This policy covers possible improprieties, such as actions that: • May lead to incorrect financial reporting; • Are criminal or unlawful; • Are not in line with a legal obligation or a policy of the Group; • May pose dangers to the health and safety of any employee; • Deliberately conceal serious wrongdoings or malpractices; • May pose serious breach of fundamental internal controls; • Amount to serious improper conduct

Owing to the effective implementation of the policies, there were zero cases of corruption in FY 2017 and FY 2018, a record that we strive to maintain in years to come.

Regulatory Compliance

Central to our commitment to ethical business conduct is full compliance to all relevant laws and regulations. Having geographical presence in multiple countries, it is crucial that we keep ourselves updated about the latest laws and regulations in each of our operational locations. In FY 2017 and FY 2018, there were zero cases of non-compliance with laws and regulations in the environmental and socioeconomic areas.

[1] 3TG refers to cassiterite, wolframite, coltan, and gold ore.

MANAGING A RESPONSIBLE SUPPLY CHAIN

Focus area	Perpetual target	FY 2018 performance
Local procurement	At least 50% of purchases are made locally[2]	✓ Achieved

Given the prevalent use of semiconductors in consumer products today, it is critical that we provide world-class burn-in and testing services to our customers. To achieve this, it is important that we engage suppliers who share the same commitment to support our operations. Figure 4 highlights our three-step process for supply chain management.

Figure 4: Sunright's Three-Step Supply Chain Management Process

Internal Requisition

Our internal requisition process is done through an online system to enable a clear audit trail. Once an internal requisition is raised, an approval process will be triggered before vendor sourcing commences and a Purchase Order is raised.

Supplier Selection

Cognizant of the important role that our suppliers play, we apply stringent criteria to select our suppliers. These criteria include:

- Competitive pricing
- Delivery performance
- Ability to meet our requirements (e.g. calibration)
- Quality of services
- Whether or not the suppliers are listed in our customers' approved vendors' list

To ensure the highest quality for our electronic manufacturing services arm, suppliers are required to conform to ISO 9001:2008 or higher quality management systems. In addition, they are responsible to perform due diligence on their supply chain and avoid the complication of conflict minerals. To promote sustainability among the suppliers, we circulate and seek undertaking of our Supplier's Code of Conduct which entails various requirements, including:

- Compliance to laws and regulations
- Prohibition of corruption and bribery
- Prohibition of child labour
- Upholding of human rights
- Safeguarding the health and safety of employees

In addition, we prioritise engaging with locally registered companies so as to support the local economy. In FY 2018, 79% of our purchases were made from locally registered companies, an increase from 76% in FY 2017.

Supplier Evaluation

We assess our suppliers' performance periodically to maintain our service quality and customer satisfaction. In the event that we find gaps between our expectations and our suppliers' performance, we share our feedback to help them to identify areas of improvement. We take stern actions should this recur, including suspension of contracts.

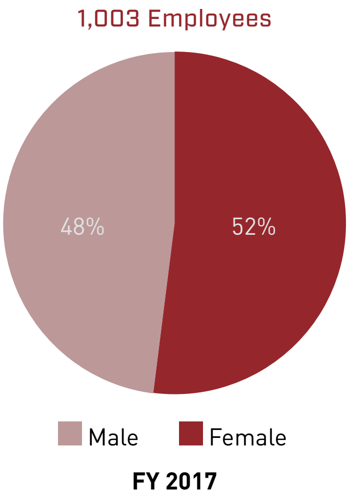
[2] Local purchases refer to purchases made (except for production machineries) from locally registered companies, which supply trade and non-trade goods and services.

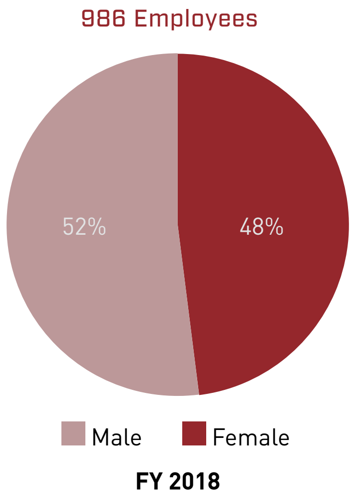
BUILDING OUR WORKFORCE

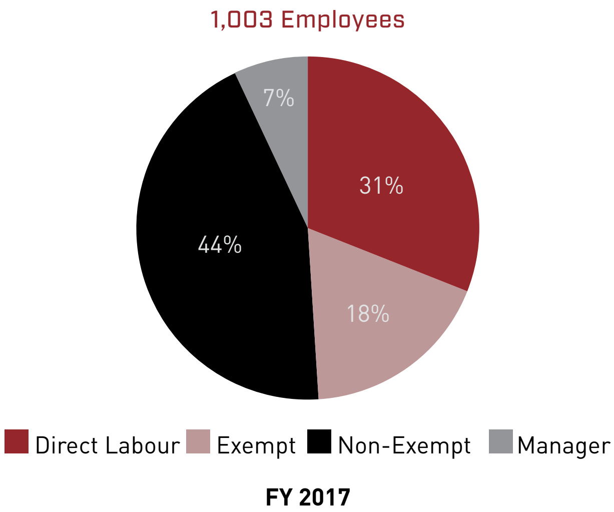
Employee and worker demographics

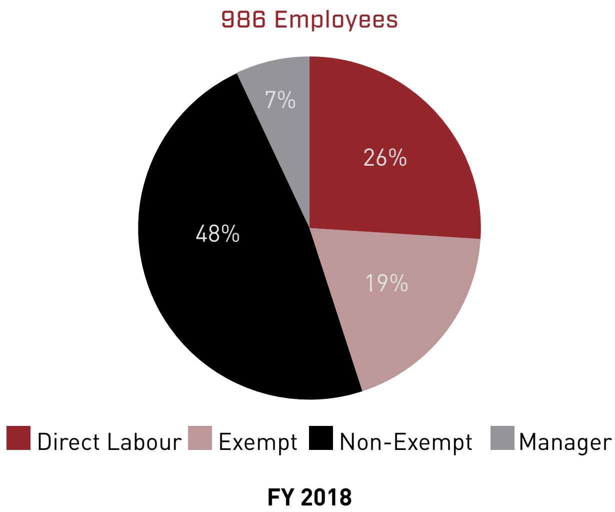
Our workforce is the backbone of our business. In FY 2018, we were supported by a total of 986 employees and 1,087 workers. Over 92% of our employees are employed under permanent contract, enabling us to develop their potential in their career with us. We are proud to be a gender-diverse company, with almost 50:50 ratio of male and female employees in our organisation. The charts below show our employee demographics by gender and employment category[3], as well as our worker demographics by type[4].

Figure 5: Sunright's Employee Demographics by Gender and Employment Category





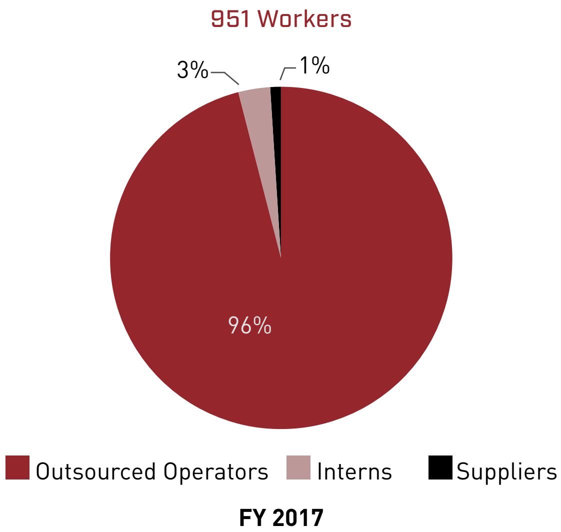


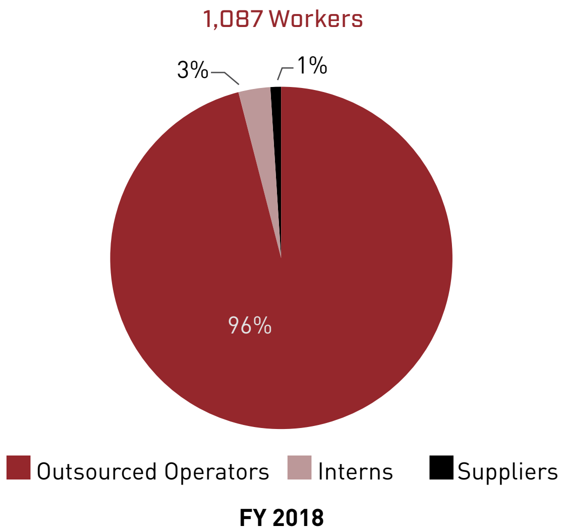


[3] Sunright's employees are grouped under the employment categories of "direct labour", "exempt", "non-exempt" and "manager". Exempt employees refer to foreign employees who are eligible to perform certain short-term work activities in Malaysia and Singapore.

[4] Figure 6 shows the demographics of the main workers supporting Sunright's business activities.

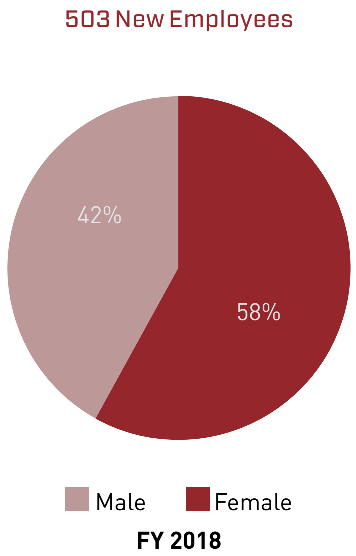
Figure 6: Sunright's Worker Demographics by Type





In FY 2018, we welcomed 503 new employees who joined our team, over 53% of whom are direct labour who support our operations. However, we experienced turnover of 520 employees due to a competitive labour market.

Figure 7: Sunright's Hires by Gender and Age Group



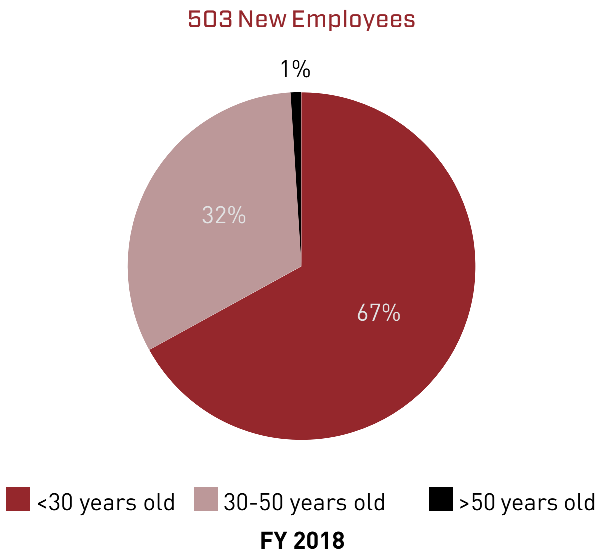
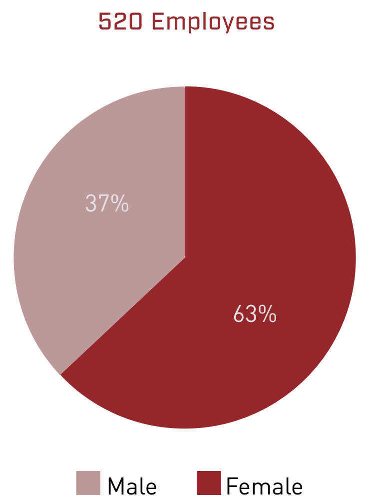
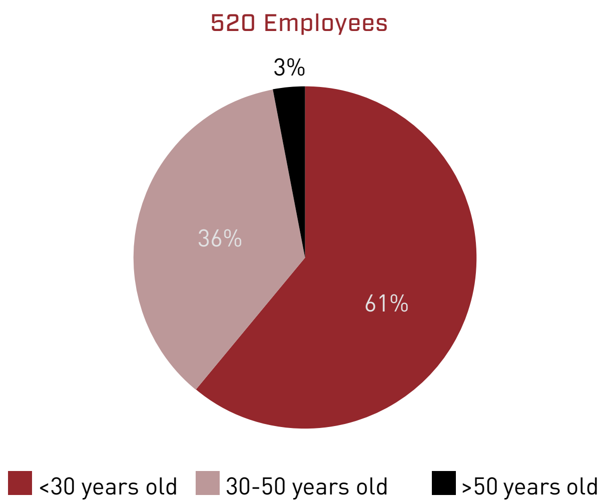


Figure 8: Sunright's Turnover by Gender and Age Group



FY 2018



FY 2018

Upholding Fair Employment Practices

Focus area	Perpetual target	FY 2018 performance
Fair employment practices	Zero complaints from our employees to the regulatory authorities about unfair employment practices	✓ Achieved

We are committed to upholding fair employment practices and human rights within our organisation. We encourage diversity, nondiscrimination and freedom of expression among all employees, as stated in our HR policies. This will in turn help to create a conducive environment that enhances the productivity of our workforce. Elements of our HR policies are highlighted in Figure 9 below.

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Figure 9: Elements of Sunright's HR Policies

- Commitment to ensure diversity in our recruitment process
- Recruitment decisions to be done on the basis of meritorcracy, with internal promotion (rather than external hiring) whenever possible
- Commitment to equal employment opportunity and to remove barriers that prevent fair competition
- Workers shall not be given unreasonably demanding work and job responsibilities, or exceedingly high performance targets designed to let workers fail
- Establishing of adequate and effective policies and procedures on decent and humane working conditions for workers
- E-mail helpline for employees to report any cases of discrimination
- Respecting the rights of its employees to join or form a labour union
- Compliance to all applicable health and safety laws and regulations
- Zero tolerance towards forced and child labour
- Competitive remuneration relative to the industry and local labour markets
- Provision of all legally mandated benefits, including social security insurance, medical care, leave, maternity benefits, etc.

At Sunright, fair employment practices are applicable not only to our employees, but also outsourced workers. An area of focus that we place emphasis on is fair wages for our outsourced foreign workers. At our associate company which employs a lot of foreign workers, audit on payslip of foreign workers is conducted every quarter to ensure that the workers are not being underpaid. Approximately 3% of foreign workers per vendor are sampled at every audit cycle. In the event that we find any wage discrepancies, our vendors are required to repay the outstanding amount to the workers in the subsequent payroll cycle.

At some of our operating subsidiaries, employees are encouraged to report their grievances without fear of reprisal or retaliation should they feel unfairly treated. The grievance mechanism is described in Figure 10, and can be done through telephone, Whatsapp, fax, suggestion boxes and e-mail. To ease the grievance process for our foreign workers, they are allowed to report their grievances in their native language, in which case the HR department will appoint a translator to assist in collecting information, conducting investigation and providing solutions.

Figure 10: Employee Grievance Mechanism

An employee may submit Employee Grievance Form to his supervisor stating the nature of his grievance. In the event that the complaint is against the employee's supervisor, the employee may complain direct to the supervisor's Manager.

↓

The employee may appeal to the supervisor's Manager (Head of Department) if the employee's supervisor fails to act upon the complaint within two days or to provide a solution acceptable to the employee.

↓

If the Manager fails to take action within two days and the employee is still not satisfied with the solution given, the employee may appeal to the HR Manager.

↓

If the HR Manager fails to take action within two days and the employee is still not satisfied with the solution given, the employee may appeal to the Division/ Plant Manager.

↓

In the situation that employee still not satisfied with the solution, the employee may raise the issue to the CEO, Chairman or Responsible Business Alliance Compliance Office representative.

In addition, the HR department periodically organises dialog sessions to provide platform for our employees to voice out their grievances, concerns, feedback and suggestions. As a testament to our fair employment practices and continuous employee engagement, there were zero complaints from our employees to the regulatory authorities on unfair employment practices within our organisation.

PROTECTING THE ENVIRONMENT

Focus area	FY 2018 target	FY 2018 performance
Energy consumption	2% reduction in year-on-year energy consumption	Not achieved, due to reasons explained below

In 2016, Singapore ratified the Paris Agreement with the target of reducing its greenhouse gas (GHG) emissions intensity by 36% from 2005 levels by 2030. Similarly, Malaysia pledged its commitment to reduce its GHG emissions intensity of GDP by 45% by 2030 relative to the emissions intensity of GDP in 2005. As a group of companies which operate in both countries, we understand that we have a part to play in achieving these national targets by consuming energy efficiently. In line with our Energy Policy, we continuously embark on cost-effective energy efficiency improvement and retrofits, so as to optimise our energy consumption.

In FY 2018, we consumed 77.9 GWh of electricity, an 8.7% increase from our consumption in FY 2017. This was attributed to the increase in our production volume. Corresponding trends were observed in our Scope 2 emissions.

Figure 11: Sunright's Electrical Energy Consumption

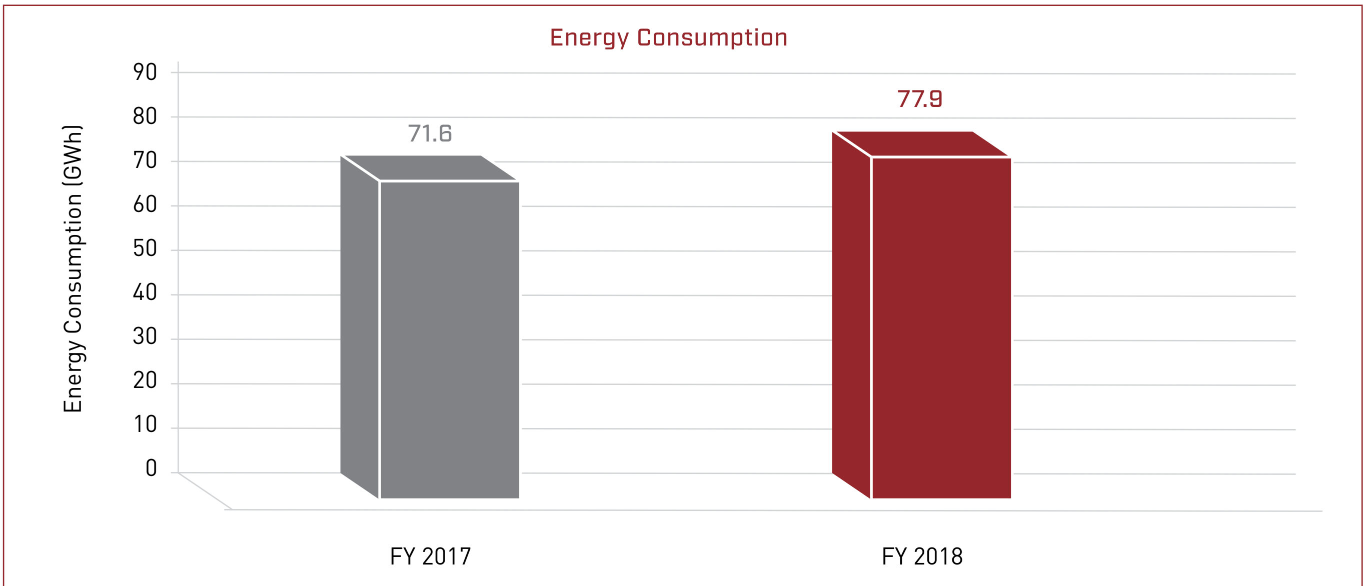
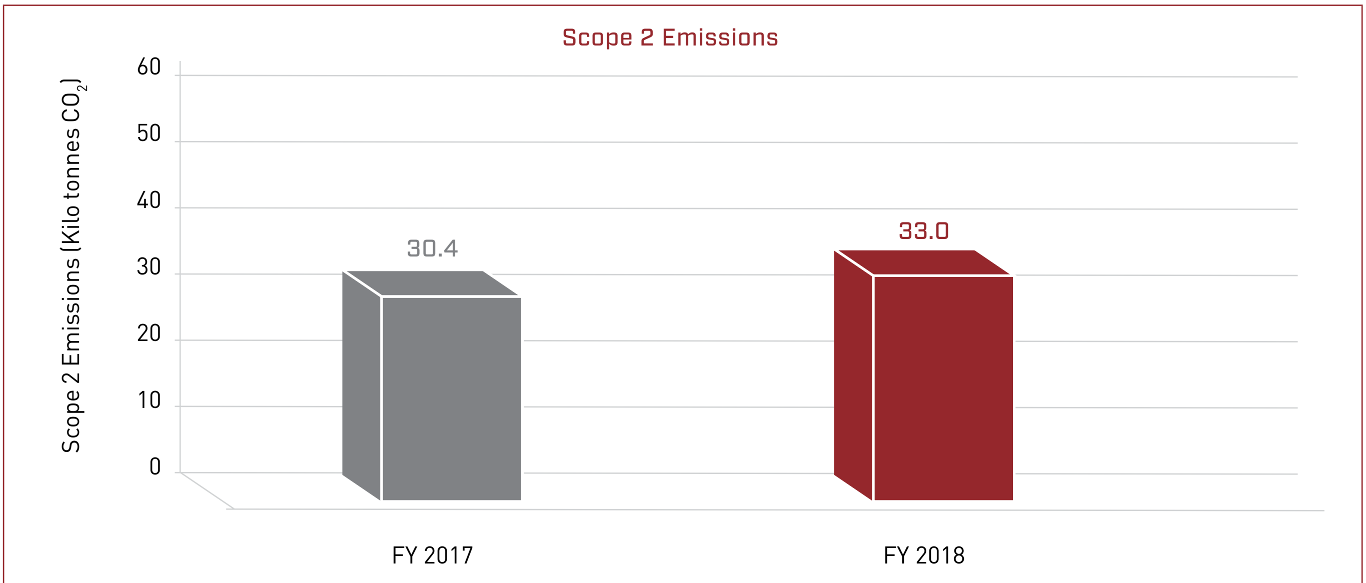


Figure 12: Sunright's Scope 2 Emissions



Case study: Optimisation of Ducted Air Conditioning Unit

We found that an air conditioning unit that supported the production oven at one of our plants in Kuala Lumpur was not operating optimally. The unit was measured to operate with the air flow of 1,600 to 2,000 cubic feet per minute (CFM), while it was designed to operate at 3,600 CFM. Upon investigation, we identified that this was due to the size of the air duct which was too small, limiting the supply of air to the outlet.

As a complete overhaul of air duct work would be time-consuming and costly, we installed an additional supply air grill to increase the air flow rate instead. This modest solution was expected to recover at least 25% of the unit's cooling capacity. If this is applied to all units with the same air flow limits, we estimated 259,200 kWh of expected energy saving annually, translating to RM83,000 of cost savings.

Case study: Modest Solution to Energy Efficiency and Cost Savings

There was insufficient number of raised floor air grilles to support the precision air conditioner at one of our plants.

To address this, we installed 51 additional raised floor grilles, increasing the air flow rate by 48%. This helped to recover 117,000 British Thermal Unit (BTU) worth of cooling capacity, enabling 103,680 kWh of energy saving in a year.

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GRI INDEX

Disclosure		Reference(s) or Reasons for Omission
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	About Sunright Limited (page 9)
102-2	Activities, brands, products, and services	About Sunright Limited (page 9)
102-3	Location of headquarters	About Sunright Limited (page 9)
102-4	Location of operations	About Sunright Limited (page 9)
102-5	Ownership and legal form	About Sunright Limited (page 9)
102-6	Markets served	About Sunright Limited (page 9)
102-7	Scale of the organisation	Chairman Statement (pages 2-3); About Sunright Limited (page 9)
102-8	Information on employee and other workers	Building our Workforce (pages 16-18)
102-9	Supply chain	Managing a Responsible Supply Chain (page 15)
102-10	Significant changes to the organisation and its supply chain	There have been no significant changes to our supply chain.
102-11	Precautionary principle and approach	Annual Report (pages 36-37). Sunright does not specifically address the principles of the precautionery approach. However, our management is risk-based.
102-12	External initiatives	We take references from Responsible Business Alliance's Code of Conduct
102-13	Membership of associations	Singapore Business Federation; Singapore Manufacturing Federation; Malaysian Employers Federation; The Free Trade Zone, Penang Companies' Association
Strategy		
102-14	Statement from senior decision-maker	Chairman Statement (pages 2-3); Board Statement (page 9)
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Maintaining the Highest Standards of Ethics and Integrity (pages 13-14)
Governance		
102-18	Governance structure	Sustainability governance (page 12)
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder engagement (page 10)
102-41	Collective bargaining agreements	None of the employee are covered by collective bargaining agreements.
102-42	Identifying and selecting stakeholders	Stakeholder engagement (page 10)
102-43	Approach to stakeholder engagement	Stakeholder engagement (page 10)
102-44	Key topics and concerns raised	Stakeholder engagement (page 10)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual Report (pages 79-80)
102-46	Defining report content and topic boundaries	Materiality assessment (pages 11-12)
102-47	List of material topics	Materiality assessment (pages 11-12)

Disclosure		Reference(s) or Reasons for Omission
General Disclosures		
Reporting Practice		
102-48	Restatements of information	Not applicable as this is Sunright's inaugural Sustainability Report
102-49	Changes in reporting	Not applicable as this is Sunright's inaugural Sustainability Report
102-50	Reporting period	About the Report (page 9)
102-51	Date of most recent report (if any)	Not applicable as this is Sunright's inaugural Sustainability Report
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	sustainability@sunright.com
102-54	Claims of reporting in accordance with the GRI Standards	About the Report (page 9)
102-55	GRI content index	GRI Content Index (pages 23-26)
102-56	External assurance	We have not sought external assurance for this inaugural Sustainability Report

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Disclosure		Reference(s) or Reasons for Omission
Material Topic: Economic performance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Managing a Responsible Supply Chain (page 15)
103-2	The management approach and its components	Managing a Responsible Supply Chain (page 15)
103-3	Evaluation of the management approach	Managing a Responsible Supply Chain (page 15)
Procurement Practices		
204-1	Proportion of spending on local suppliers	Managing a Responsible Supply Chain (page 15)
Material Topic: Energy and carbon footprint		
Management Approach		
103-1	Explanation of the material topic and its boundary	Protecting the Environment (pages 21-22)
103-2	The management approach and its components	Protecting the Environment (pages 21-22)
103-3	Evaluation of the management approach	Protecting the Environment (pages 21-22)
Energy Consumption		
302-1	Energy consumption within the organisation	Protecting the Environment (pages 21-22)
Material Topic: Fair employment and well-being of workers		
Management Approach		
103-1	Explanation of the material topic and its boundary	Upholding Fair Employment Practices (pages 18-20)
103-2	The management approach and its components	Upholding Fair Employment Practices (pages 18-20)
103-3	Evaluation of the management approach	Upholding Fair Employment Practices (pages 18-20)
Employment		
401-1	New employee hire and employee turnover	Building our Workforce (pages 16-18)
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Upholding Fair Employment Practices (pages 18-20)
Material Topic: Ethical business conduct		
Management Approach		
103-1	Explanation of the material topic and its boundary	Maintaining the Highest Standards of Ethics and Integrity (pages 13-14)
103-2	The management approach and its components	Maintaining the Highest Standards of Ethics and Integrity (pages 13-14)
103-3	Evaluation of the management approach	Maintaining the Highest Standards of Ethics and Integrity (pages 13-14)
Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	Maintaining the Highest Standards of Ethics and Integrity (pages 13-14)
205-3	Confirmed incidents of corruption and actions taken	Maintaining the Highest Standards of Ethics and Integrity (pages 13-14)
Material Topic: Regulatory compliance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Regulatory Compliance (page 14)
103-2	The management approach and its components	Regulatory Compliance (page 14)
103-3	Evaluation of the management approach	Regulatory Compliance (page 14)

Disclosure		Reference(s) or Reasons for Omission
Material Topic: Regulatory Compliance		
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Regulatory Compliance (page 14)
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Regulatory Compliance (page 14)

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 2018 ("FY2018"). 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 where the Chairman and the CEO is the same person;
- Guidelines 4.1 and 7.1 - establish Nominating Committee and Remuneration Committee;
- Guidelines 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.

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 FY2018, the Board met on five (5) occasions. Amongst other Board matters, the Board reviewed the performance of the Group and endorsed the release of the half year and full year financial results, approved the annual financial statements, annual budget, corporate governance statement and Chairman's statement, authorised announcements 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 FY2018 is set out below:

	Attendance at Board Meetings	
Name of Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Samuel Lim Syn Soo	5	5
Kenneth Tan Teoh Khoon	5	5
Lim Mee Ing	5	5
Francis Lee Choon Hui	5	5
Timothy Brooks Smith	5	5

	Attendance at Audit Committee Meetings	
Name of Directors	**No. of Meetings Held**	**No. of Meetings Attended**
Francis Lee Choon Hui	3	3
Lim Mee Ing	3	3
Timothy Brooks Smith	3	3

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 FY2018, 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 updates on emerging best sustainability and reporting practices. 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 FY2018.

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

Guideline 2.2 of the Code recommends that Independent Directors should make up at least half of the Board where the Chairman and the CEO is the same person. Whilst the Chairman and 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 FY2018, 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 FY2018, the Independent Directors met once 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 FY2018:-

- 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 judgement;

    - they continue to demonstrate they are independent from management, free from any business or other relationship which could materially affect their exercise of independent judgement 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 Timothy Brooks Smith and Samuel Lim Syn Soo, 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. In this connection, the Board will be guided by its policy on selection and appointment of new director to identify suitable candidates.

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 (Principles 8)

The Board did not establish a Remuneration Committee ("RC") as recommended by the Code. The Board itself fulfils the role of an RC, in respect of the review of the remuneration of 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 FY2018.

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 FY2018 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 FY2018, 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 2018 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's 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 three (3) times in FY2018. All the other Board members, the Corporate Controller and the Company Secretary were present at all the meetings.

During FY2018, 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 FY2018, 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 Advisory 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 FY2018, 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 switched to electronic poll voting for all resolutions proposed at its AGM held in 2017. Voting rules and procedures were explained at the beginning of such meetings and independent scrutineers were also present to scrutinise the electronic voting process.

The results of all votes cast for and against in respect of each resolution were displayed live on-screen at the AGM and announced to the SGX via the SGXNET, after the meeting.

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 FY2018, 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 2018.

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,

(a) 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 2018 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

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		Deemed interest	
Name of directors	**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
Director

Kenneth Tan Teoh Khoon
Director

Singapore
27 September 2018

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 2018, 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 2018 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 2018, the Group recognised deferred tax assets of $1,082,000, which mainly relate to unutilised reinvestment allowances and other deductible temporary differences. 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 to be 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 2018, the Company's investment in subsidiaries amounted to $13,637,000. 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.

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. Accordingly, we have identified this to be a key audit matter.

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 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2018

(In Singapore dollars)

	Note	2018 $'000	2017 $'000
Revenue	4	153,382	147,965
Other items of income			
Interest income	5	1,480	1,069
Dividend income		86	67
Gain on disposal of investment securities held for trading		–	15
Fair value gain on investment securities held for trading		334	218
Items of expenses			
Raw materials and consumables used		(31,798)	(34,387)
Changes in inventories of finished goods and work-in-progress		(1,839)	(237)
Employee benefits expense	6	(50,920)	(49,661)
Depreciation of property, plant and equipment	10	(27,067)	(22,573)
Reversal of impairment of property, plant and equipment	10	1,102	–
Operating lease expense		(1,704)	(1,621)
Finance costs	7	(1,525)	(915)
Other expenses		(26,386)	(24,075)
Profit before tax	8	15,145	15,865
Income tax (expense)/credit	19	(1,511)	815
Profit, net of tax		13,634	16,680
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Remeasurement gain/(loss) arising from net defined benefit liabilities, net of tax		10	(8)
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation gain/(loss)		4,517	(4,017)
Other comprehensive income for the year, net of tax		4,527	(4,025)
Total comprehensive income for the year		18,161	12,655
Profit attributable to:			
Owners of the Company		6,794	9,246
Non-controlling interests	11(b)	6,840	7,434
		13,634	16,680
Total comprehensive income attributable to:			
Owners of the Company		8,929	7,406
Non-controlling interests		9,232	5,249
		18,161	12,655
Earnings per share (cents)	9	5.5	7.5

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

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2018

(In Singapore dollars)

	Note	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	74,226	79,717	719	936
Investment in subsidiaries	11	–	–	13,637	13,480
Deferred tax assets	19	1,082	249	–	–
Loan to a subsidiary	12	–	–	–	–
		75,308	79,966	14,356	14,416
Current assets					
Investment securities held for trading		3,754	3,047	519	496
Inventories	13	4,514	5,975	–	–
Prepayments		1,633	1,215	63	164
Tax recoverables		409	199	–	–
Trade and other receivables	14	35,571	36,027	3,974	3,844
Cash and short-term deposits	15	87,383	68,195	20,410	20,635
		133,264	114,658	24,966	25,139
Total assets		208,572	194,624	39,322	39,555
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	16	35,727	35,727	35,727	35,727
Retained earnings/(accumulated losses)		52,695	46,259	(3,207)	(3,305)
Other reserves	17	(2,357)	(4,482)	155	155
		86,065	77,504	32,675	32,577
Non-controlling interests	11(b)	61,615	53,744	–	–
Total equity		147,680	131,248	32,675	32,577
Non-current liabilities					
Loans and borrowings	18	16,338	12,518	319	301
Loan from a subsidiary	12	–	–	–	102
Defined benefit liabilities	21	1,049	1,033	–	–
Deferred tax liabilities	19	2,860	1,848	1,848	1,848
		20,247	15,399	2,167	2,251
Current liabilities					
Trade and other payables	20	21,093	34,510	1,983	2,310
Loans and borrowings	18	19,393	13,348	2,410	2,340
Provisions		20	22	–	–
Income tax payable		139	97	87	77
		40,645	47,977	4,480	4,727
Total liabilities		60,892	63,376	6,647	6,978
Total equity and liabilities		208,572	194,624	39,322	39,555

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 2018

(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 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 and 1 August 2017		131,248	77,504	35,727	46,259	(17,072)	11,730	860	(4,482)	53,744
Profit for the year		13,634	6,794	–	6,794	–	–	–	–	6,840
Other comprehensive income for the year, net of tax		4,527	2,135	–	10	2,125	–	–	2,125	2,392
Total comprehensive income for the year		18,161	8,929	–	6,804	2,125	–	–	2,125	9,232
Dividends on ordinary shares	28	(368)	(368)	–	(368)	–	–	–	–	–
Dividends paid to non-controlling interests		(1,361)	–	–	–	–	–	–	–	(1,361)
As at 31 July 2018		147,680	86,065	35,727	52,695	(14,947)	11,730	860	(2,357)	61,615

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 2018

(In Singapore dollars)

Company	Note	Total equity $'000	Share capital $'000	Accumulated losses $'000	Capital reserve $'000
As at 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 and 1 August 2017		32,577	35,727	(3,305)	155
Profit for the year		466	–	466	–
Total comprehensive income for the year		466	–	466	–
Dividends on ordinary shares	28	(368)	–	(368)	–
As at 31 July 2018		32,675	35,727	(3,207)	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 2018

(In Singapore dollars)

	Note	2018 $'000	2017 $'000
Operating activities			
Profit before tax		15,145	15,865
Adjustments for:			
Net gain on disposal of property, plant and equipment	8	(56)	(257)
Depreciation of property, plant and equipment	10	27,067	22,573
Property, plant and equipment written off		2	2
Reversal of impairment of property, plant and equipment	10	(1,102)	–
Write-down/(write-back) of inventories	13	962	(592)
Impairment loss on trade receivables	14	6	40
Dividend income		(86)	(67)
Net fair value gain on investment securities held for trading		(334)	(218)
Net gain on disposal of investment securities held for trading		–	(15)
Finance costs	7	1,525	887
Interest income	5	(1,480)	(1,069)
Unrealised exchange loss/(gain)		61	(7)
Operating cash flows before changes in working capital		41,710	37,142
Changes in working capital:			
Decrease/(increase) in inventories		499	(362)
Increase in prepayments and receivables		(1,673)	(4,586)
(Decrease)/increase in payables		(11,267)	334
Cash flows from operations		29,269	32,528
Income taxes paid		(1,534)	(1,587)
Interest paid		(1,405)	(887)
Interest received		1,213	1,069
Net cash flows from operating activities		27,543	31,123
Investing activities			
Increase in short-term deposits with maturity more than three months		(27,991)	(6,649)
Dividend income		86	67
Purchase of property, plant and equipment		(14,457)	(34,954)
Proceeds from disposal of property, plant and equipment		71	1,351
Purchase of investment securities held for trading		(560)	(1,222)
Proceeds from disposal of investment securities held for trading		340	719
Net cash flows used in investing activities		(42,511)	(40,688)
Financing activities			
Proceeds from bank loans		23,256	20,095
Repayment of bank loans		(15,052)	(11,751)
Repayment of obligations under finance leases		(1,913)	(1,076)
Dividends paid on ordinary shares		(368)	(246)
Dividends paid to non-controlling interests		(1,361)	(680)
Net cash flows from financing activities		4,562	6,342
Net decrease in cash and cash equivalents		(10,406)	(3,223)
Effect of exchange rate changes on cash and cash equivalents		1,603	(1,921)
Cash and cash equivalents at beginning of the year		45,430	50,574
Cash and cash equivalents at end of the year	15	36,627	45,430

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

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.

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.

Convergence with International Financial Reporting Standards

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.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 August 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 August 2017. The Group expects to reclassify an amount of $17,072,000 of foreign currency translation reserve to the opening retained earnings as at 1 August 2017.

Other than the effects of the matter as described above, and the adoption of SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16, the Group expects that the adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 115, FRS 109 and FRS 116 as disclosed in Note 2.3.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 August 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 102 *Classification and Measurement of Share-Based Payment Transactions*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
INT FRS 123 *Uncertainty Over Income Tax Treatments*	1 January 2019
Amendments to FRS 109 *Prepayment Features with Negative Compensation*	1 January 2019
Improvements to FRSs (March 2018)	
- Amendments to FRS 103 *Business Combinations*	1 January 2019
- Amendments to FRS 111 *Joint Arrangements*	1 January 2019
- Amendments to FRS 12 *Income Taxes*	1 January 2019
- Amendments to FRS 23 *Borrowing Costs*	1 January 2019

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 August 2018. Upon adoption of SFRS(I) on 1 August 2018, the SFRS(I) equivalent of the above standards that are effective on 1 August 2018 will be adopted at the same time.

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, except as those discussed below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary assessment of the impact on adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115. The impact upon adoption of FRS 115 is not expected to be material to the Group's financial statements.

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

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

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. 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 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.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109.

(a) *Classification and measurement*

The Group's debt instruments are expected to give rise to cash flows representing solely payments of principal and interest. The Group intends to hold its currently held-to-maturity debt instruments assets to collect contractual cash flows, and accordingly measured at amortised cost when it applies FRS 109. The Group does not expect any significant impact to arise from these changes.

(b) *Impairment*

FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect any significant impact to arise from these changes.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets 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 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 fair value at the acquisition date, 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.

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)*

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

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

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

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

2.5 *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 consolidated 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.

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

2.6 *Functional and foreign currency (cont'd)*

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

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

(b) *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 reporting period. 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.

2.7 *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. 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 to 20 years
Leasehold land	-	60 to 99 years
Renovation	-	5 years
Plant, machinery and test equipment	-	2 to 5 years
Motor vehicles	-	5 years
Office equipment, furniture and fittings and computers	-	3 to 10 years

Freehold land has an unlimited useful life and therefore is not depreciated. Certain assets are stated at cost and are not depreciated as these assets are not available for use.

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

The residual value, useful life and depreciation method are reviewed at the end of each reporting period, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 *Impairment of non-financial assets*

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

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

2.9 *Subsidiaries*

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

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

In the Company's separate financial statements, investment 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.

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

2.10 *Financial instruments (cont'd)*

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

Initial recognition and measurement (cont'd)

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 comprise 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 expenses 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 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.

Derecognition

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

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

2.10 *Financial instruments (cont'd)*

(b) *Financial liabilities*

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value plus in the case of loans and borrowings, directly attributable transaction costs.

Subsequent measurement

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

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:

(i) raw materials - purchase costs on a weighted average basis;
(ii) consumables - purchase costs on a first-in first-out basis; and
(iii) 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.

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 *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.

2.16 *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.

2.17 *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.

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

2.17 *Employee benefits (cont'd)*

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

(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.

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

2.19 *Revenue (cont'd)*

(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.

(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.

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

2.20 *Taxes (cont'd)*

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

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

(c) *Sales tax*

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

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

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

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 *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.

2.25 *Contingencies*

A contingent liability is:

(i) 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

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

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

- the amount of the obligation cannot be measured with sufficient reliability.

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

Contingent liabilities and assets are not recognised on the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 *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:

(i) in the principal market for the asset or liability; or
(ii) 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:

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

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

(iii) 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.

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 end of the reporting period. 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. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

3.1 *Judgements made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgements, 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) *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 5 years. These are common life expectancies applied in the semiconductor industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the end of the reporting period is disclosed in Note 10.

(b) *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 end of the reporting period was $1,082,000 (2017: $249,000).

(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 $13,637,000 (2017: $13,480,000).

4. REVENUE

	Group	
	2018	**2017**
	$'000	**$'000**
Sale of goods	44,654	48,502
Rendering of services	108,728	99,463
	153,382	147,965

5. INTEREST INCOME

	Group	
	2018	**2017**
	$'000	**$'000**
Interest income from:		
- Deposits with licensed banks	1,468	1,067
- Others	12	2
	1,480	1,069

6. EMPLOYEE BENEFITS EXPENSE

		Group	
	Note	**2018**	**2017**
		$'000	**$'000**
Employee benefits expense (including directors):			
- Wages, salaries and bonuses		42,430	41,202
- Contributions to defined contribution plans		3,128	2,785
- Defined benefit obligations	21	93	102
- Other benefits		5,269	5,572
		50,920	49,661

7. FINANCE COSTS

	Note	Group 2018 $'000	Group 2017 $'000
Interest expense on:			
- Bank loans		1,342	752
- Obligations under finance leases		158	135
- Defined benefit obligations	21	25	28
		1,525	915

8. PROFIT BEFORE TAX

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

	Note	Group 2018 $'000	Group 2017 $'000
Audit fees paid to:			
- Auditors of the Company		193	176
- Other auditors		175	181
Non-audit fees paid to:			
- Auditors of the Company		167	59
- Other auditors		97	106
Repairs and maintenance		8,983	8,683
Utilities		11,413	9,745
Write-down/(write-back) of inventories	13	962	(592)
Impairment loss on trade receivables	14	6	40
Net gain on disposal of property, plant and equipment		(56)	(257)
Other professional fees		698	912
Net foreign exchange loss		63	93
Travelling and entertainment		851	944
Directors' remuneration:			
- Directors of the Company			
• Fees		170	170
• Salaries and bonuses		2,216	2,262
• CPF and other defined contributions		19	22
- Directors of subsidiaries			
• Fees		419	431
• Salaries and bonuses		427	394

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 years ended 31 July:

	Group	
	2018 $'000	**2017 $'000**
Profit attributable to owners of the Company	6,794	9,246
	Number of shares '000	**Number of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation	122,806	122,806
	Cents	**Cents**
Basic earnings per share	5.5	7.5

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

There has been no other transaction involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation 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 2016	14,352	2,073	10,694	220,656	1,708	8,144	257,627
Additions	–	–	1,496	42,874	741	740	45,851
Disposals	–	–	(6)	(3,612)	(600)	(155)	(4,373)
Exchange differences	165	(107)	(7)	(8,064)	(14)	(107)	(8,134)
At 31 July 2017 and 1 August 2017	14,517	1,966	12,177	251,854	1,835	8,622	290,971
Additions	–	–	1,017	15,269	416	395	17,097
Disposals	–	–	(257)	(7,383)	(235)	(712)	(8,587)
Exchange differences	118	113	(29)	10,494	27	117	10,840
At 31 July 2018	14,635	2,079	12,908	270,234	2,043	8,422	310,321

* Included in the Group's renovation, plant, machinery and test equipment, and office equipment, furniture and fittings and computers of $106,000 (2017: $1,081,000), $3,254,000 (2017: $10,059,000) and nil (2017: $88,000) 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 2016	12,393	509	7,993	169,096	1,353	7,138	198,482
Depreciation charge for the year	921	27	958	20,098	128	441	22,573
Disposals	–	–	(6)	(2,525)	(593)	(153)	(3,277)
Exchange differences	106	(32)	(10)	(6,479)	(14)	(95)	(6,524)
At 31 July 2017 and 1 August 2017	13,420	504	8,935	180,190	874	7,331	211,254
Depreciation charge for the year	797	19	1,179	24,307	248	517	27,067
Reversal of impairment	(1,102)	–	–	–	–	–	(1,102)
Disposals	–	–	(257)	(7,603)	(235)	(475)	(8,570)
Exchange differences	240	28	(52)	7,121	13	96	7,446
At 31 July 2018	13,355	551	9,805	204,015	900	7,469	236,095
Net carrying amount							
At 31 July 2018	1,280	1,528	3,103	66,219	1,143	953	74,226
At 31 July 2017	1,097	1,462	3,242	71,664	961	1,291	79,717

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

Company	Renovation $'000	Motor vehicles $'000	Office equipment, furniture and fittings and computers $'000	Total $'000
Cost				
At 1 August 2016	47	902	1,683	2,632
Additions	–	574	184	758
Disposals	–	(427)	(2)	(429)
At 31 July 2017 and 1 August 2017	47	1,049	1,865	2,961
Additions	–	–	65	65
Disposals	–	–	(2)	(2)
At 31 July 2018	47	1,049	1,928	3,024
Accumulated depreciation				
At 1 August 2016	47	768	1,459	2,274
Depreciation charge for the year	–	46	134	180
Disposals	–	(427)	(2)	(429)
At 31 July 2017 and 1 August 2017	47	387	1,591	2,025
Depreciation charge for the year	–	142	140	282
Disposals	–	–	(2)	(2)
At 31 July 2018	47	529	1,729	2,305
Net carrying amount				
At 31 July 2018	–	520	199	719
At 31 July 2017	–	662	274	936

(a) *Assets under finance leases*

The carrying amount of assets held under finance leases:

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Plant, machinery and test equipment	3,507	2,041	–	–
Motor vehicles	773	871	521	662
Office equipment, furniture and fittings and computers	157	60	141	22
	4,437	2,972	662	684

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

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

(b) *Assets pledged as security*

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

		Group		Company	
	Note	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Buildings	10(d)	954	240	–	–

(c) *Additions*

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

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash payments	14,457	34,954	17	352
Finance leases	2,220	2,056	48	406
Other payables	420	8,841	–	–
	17,097	45,851	65	758

(d) *Reversal of impairment*

The reversal of impairment loss of $1,102,000 was due to a valuation performed by a professional valuer which indicated that the impairment of a building is no longer required based on current market condition.

11. INVESTMENT IN SUBSIDIARIES

	Company	
	2018 $'000	2017 $'000
Quoted shares, at cost	5,578	5,578
Unquoted shares, at cost	56,532	55,075
Allowance for impairment	(48,473)	(47,173)
	13,637	13,480

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Composition of the Group*

The Group has the following investments in subsidiaries:

	Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest 2018 %	Proportion of ownership interest 2017 %
	Held by the Company:			
*	KEST Systems & Service Ltd (Taiwan)	Provision of burn-in services and manufacturing of electronic equipment (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
❖ ∆	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#

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest 2018 %	2017 %
	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
✡ ∆	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.
∆ 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 is 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
2018					
KESM Industries Berhad	Malaysia	52%	6,840	61,615	1,361
2017					
KESM Industries Berhad	Malaysia	52%	7,434	53,744	680

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

Summarised statement of financial position

	KESM Industries Berhad and its subsidiaries	
	2018 $'000	2017 $'000
Total assets	165,932	151,025
Total liabilities	46,395	46,656
Net assets	119,537	104,369
Summarised statement of comprehensive income		
Revenue	115,934	109,069
Profit for the year	13,040	14,197
Other comprehensive income	(1,330)	811
Total comprehensive income for the year	11,710	15,008

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Summarised cash flow statement

	KESM Industries Berhad and its subsidiaries	
	2018	**2017**
	$'000	**$'000**
Net cash from operating activities	25,839	32,649
Net cash used in investing activities	(32,680)	(49,409)
Net cash from financing activities	5,088	6,996
Net decrease in cash and cash equivalents	(1,753)	(9,764)

(d) *Increase in capital of a subsidiary*

On 22 June 2018, the Company had contributed additional capital of $1,457,000 (2017: $1,637,000) to its direct wholly-owned subsidiary, KES Systems, Inc..

(e) *Impairment testing on investment in subsidiaries*

Movement in allowance account:

	Company	
	2018	**2017**
	$'000	**$'000**
At beginning of the year	47,173	47,173
Charged to profit or loss	1,300	–
At end of the year	48,473	47,173

During the financial year, management performed an impairment assessment on recoverable amount of the investment in subsidiaries. Consequently, an impairment loss of $1,300,000 was charged to profit or loss.

The recoverable amounts of a subsidiary have been determined based on value in use calculations using the cash flow projections from forecast approved by the management. The impairment loss of $1,300,000 was derived based on cash flow projections for potential contracts and pre-tax discount rate of 14% and a terminal growth rate of 1%.

12. LOAN TO/(FROM) A SUBSIDIARY

	Company	
	2018	2017
	$'000	$'000
Loan to a subsidiary	–	110
Less: Allowance for impairment	–	(110)
	–	–
Loan from a subsidiary	–	(102)
Movement in allowance account:		
Balance at beginning of the year	110	769
Reversal to profit or loss	–	(264)
Written off	(110)	(395)
Balance at end of the year	–	110

The loan to a subsidiary bear interest rate of 4.35% (2017: 4.35%) per annum, are unsecured and not expected to be repaid in the next 12 months.

Loan from a subsidiary bear interest rate at 4.35% (2017: 4.35%) per annum, are unsecured and are not expected to be repaid in the next 12 months.

During the previous financial year, a reversal of impairment loss of $264,000 was recognised in the profit or loss of the Company subsequent to a debt recovery assessment performed on loans to subsidiaries. No such reversal was made in the current financial year.

During the financial year, loan to a subsidiary of $110,000 (2017: nil) was written off against the allowance for impairment. In addition, a loan due to a subsidiary of $102,000 (2017: nil) was waived and the amount was recognised in the profit or loss of the Company.

13. INVENTORIES

	Group	
	2018	2017
	$'000	$'000
Raw materials	1,984	1,345
Consumables	520	619
Work-in-progress	1,255	3,669
Finished goods	755	342
Total inventories (at net realisable value)	4,514	5,975

During the financial year, the Group wrote down $962,000 (2017: write-back of $592,000) of inventories which were recognised in "Other expenses" line item in the Statement of profit or loss and other comprehensive income.

14. TRADE AND OTHER RECEIVABLES

	Note	Group		Company	
		2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade and other receivables:					
- Trade receivables		33,801	34,444	–	–
- Sundry deposits		660	669	1	1
- Sundry receivables		1,158	1,012	80	104
- Derivatives	22(d)	–	6	–	–
- Amounts due from subsidiaries (trade)		–	–	2,017	2,832
- Amounts due from subsidiaries (non-trade)		–	–	1,912	1,497
		35,619	36,131	4,010	4,434
Allowance for impairment:					
- Trade receivables		(48)	(104)	–	–
- Amounts due from subsidiaries (trade)		–	–	–	(554)
- Amounts due from subsidiaries (non-trade)		–	–	(36)	(36)
		35,571	36,027	3,974	3,844
Add: Cash and short-term deposits	15	87,383	68,195	20,410	20,635
Total loans and receivables		122,954	104,222	24,384	24,479

(a) *Trade receivables*

Trade receivables, including amounts due from subsidiaries, are non-interest bearing and are generally on 30 to 90 days (2017: 30 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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Less than 90 days	1,683	1,585	261	378
91 to 180 days	24	171	381	531
> 180 days	–	20	–	–
	1,707	1,776	642	909

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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables - nominal amounts	48	104	36	590
Less: Allowance for doubtful debts	(48)	(104)	(36)	(590)
	–	–	–	–
At beginning of the year	104	123	590	3,211
Charge to profit or loss/(reversal of impairment)	6	40	–	(8)
Written off	(65)	(61)	(554)	(2,613)
Exchange difference	3	2	–	–
At end of the year	48	104	36	590

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 financial year, impairment loss of $6,000 (2017: $40,000) was recognised in profit or loss of the Group. No impairment loss was recognised by the Company (2017: reversal of impairment loss of $8,000).

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore Dollar	910	793	2,129	2,414
United States Dollar	8,818	9,078	968	995
Ringgit Malaysia	18,368	18,094	877	435
Renminbi	6,240	6,515	–	–
Others	1,235	1,547	–	–
	35,571	36,027	3,974	3,844

15. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Cash at banks and on hand	14,755	21,996	3,410	4,635
Deposits with licensed banks	72,628	46,199	17,000	16,000
Cash and short-term deposits	87,383	68,195	20,410	20,635
Less: Bank deposits with maturity more than three months	(50,756)	(22,765)	(15,000)	(11,000)
Cash and cash equivalents	36,627	45,430	5,410	9,635

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

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Singapore Dollar	22,274	23,319	20,403	20,617
United States Dollar	2,718	5,969	7	18
Ringgit Malaysia	51,068	29,631	–	–
Renminbi	8,100	6,829	–	–
Others	3,223	2,447	–	–
	87,383	68,195	20,410	20,635

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 six days and three months (2017: between five days 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 2018 for the Group and the Company were 2.43% (2017: 2.20%) and 1.21% (2017: 1.45%) respectively.

Cash at banks of $8,100,000 (2017: $6,829,000) 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			
	2018		2017	
	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) *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.

(c) *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.

18. LOANS AND BORROWINGS

				Group		Company	
	Note	Effective interest rate (per annum) %	Maturities	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Current							
Obligations under finance leases	22(c)	6.0 - 6.0	2019	1,947	1,479	173	106
Bank loans		3.1 - 3.6	2019	17,446	11,869	2,237	2,234
				19,393	13,348	2,410	2,340
Non-current							
Obligations under finance leases	22(c)	4.7 - 6.6	2020 -2022	1,256	1,072	319	301
Bank loans		1.7 - 5.9	2020 -2021	15,082	11,446	–	–
				16,338	12,518	319	301
Total loans and borrowings				35,731	25,866	2,729	2,641

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 $3,203,000 (2017: $2,551,000) and $492,000 (2017: $407,000) 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 $185,000 (2017: $503,000) for the Group are secured by a charge on the buildings (Note 10).

Bank loans of $477,000 (2017: $475,000) for the Group are secured by corporate guarantee provided by the Company.

A reconciliation of movement of liabilities to cash flows arising from financing activities is as follows:

			Non-cash items			
	2017	Cash flows	Acquisitions	Foreign exchange movement	Other	2018
	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans						
- Current	11,869	(15,052)	–	444	20,185	17,446
- Non-current	11,446	23,256	–	565	(20,185)	15,082
Obligations under finance leases						
- Current	1,479	(1,913)	–	189	2,192	1,947
- Non-current	1,072	–	2,220	156	(2,192)	1,256
Total	25,866	6,291	2,220	1,354	–	35,731

The 'other' column relates to the reclassification of non-current portion of loans and borrowings, including obligations under finance leases due to passage of time.

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore Dollar	2,289	1,905	1,775	1,691
United States Dollar	1,431	1,425	954	950
Ringgit Malaysia	27,728	22,033	–	–
Renminbi	4,098	–	–	–
Others	185	503	–	–
	35,731	25,866	2,729	2,641

19. INCOME TAX

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 July 2018 and 2017 are:

	Group 2018 $'000	Group 2017 $'000
Statement of profit or loss and other comprehensive income		
Current income tax:		
- Current income tax	1,336	1,297
- Underprovision in respect of previous years	24	38
	1,360	1,335
Deferred tax:		
- Origination and reversal of temporary differences	249	165
- Overprovision in respect of previous years	(98)	(2,315)
	151	(2,150)
Income tax expense/(credit) recognised in the statement of profit or loss and other comprehensive income	1,511	(815)

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

The reconciliation between tax expense and the product of accounting profit before taxation multiplied by the applicable corporate tax rate for the years ended 31 July 2018 and 2017 is as follows:

	Group 2018 $'000	Group 2017 $'000
Profit before tax	15,145	15,865
Tax calculated at statutory tax rate of 17% (2017: 17%)	2,575	2,697
Adjustments:		
Non-deductible expenses	399	1,179
Income not subject to tax	(377)	(280)
Effect of different tax rates on foreign income	1,043	1,198
Benefits from previously unrecognised deferred tax assets	(2,875)	(3,437)
Deferred tax assets not recognised	820	134
Under/(over)provision in respect of previous years		
- Current income tax	24	38
- Deferred tax	(98)	(2,315)
Others	–	(29)
Income tax expense/(credit) recognised in the statement of profit or loss and other comprehensive income	1,511	(815)

19. INCOME TAX (CONT'D)

(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	
	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax liabilities:						
Unremitted offshore interest income	1,848	1,848	–	(2,322)	1,848	1,848
Differences in depreciation for tax purposes	2,790	–	(446)	–	–	–
Unutilised reinvestment allowance	(1,278)	–	1,157	–	–	–
Other deductible temporary differences	(500)	–	289	–	–	–
	2,860	1,848	1,000	(2,322)	1,848	1,848
Deferred tax assets:						
Differences in depreciation for tax purposes	(42)	3,158	(126)	892	–	–
Provisions	–	–	–	(49)	–	–
Tax incentives	–	–	–	42	–	–
Unutilised reinvestment allowance	–	(2,326)	–	(336)	–	–
Other deductible temporary differences	(1,040)	(1,081)	(723)	(377)	–	–
	(1,082)	(249)	(849)	172	–	–
Deferred tax expense/(credit) recognised in the statement of profit or loss and other comprehensive income			151	(2,150)		

(d) *Unrecognised tax benefits*

At the end of the reporting period, the Group has unutilised tax losses, capital allowances, and other temporary differences of approximately $32,463,000 (2017: $34,172,000), $11,669,000 (2017: $11,421,000), and $12,113,000 (2017: $19,551,000) 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.

19. INCOME TAX (CONT'D)

(e) *Tax consequences of proposed dividends*

There are no income tax consequences (2017: 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	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Trade and other payables:					
- Trade payables		7,212	8,780	–	–
- Accrued operating expenses		7,014	9,909	1,929	2,017
- Sundry payables		6,864	15,821	44	278
- Derivatives	22(d)	3	–	–	–
- Amounts due to subsidiaries (non-trade)		–	–	10	15
		21,093	34,510	1,983	2,310
Add: Loans and borrowings	18	35,731	25,866	2,729	2,641
Add: Loan from a subsidiary	12	–	–	–	102
Less: Derivatives	22(d)	(3)	–	–	–
Total financial liabilities carried at amortised cost		56,821	60,376	4,712	5,053

(a) *Trade payables and sundry payables*

These amounts are non-interest bearing and are normally settled on 30 to 90 days (2017: 30 to 90 days) terms.

(b) *Related parties payables*

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

20. TRADE AND OTHER PAYABLES (CONT'D)

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore Dollar	4,845	6,120	1,979	2,250
United States Dollar	5,669	15,102	4	60
Ringgit Malaysia	7,888	9,893	–	–
Renminbi	1,802	2,663	–	–
Others	889	732	–	–
	21,093	34,510	1,983	2,310

21. DEFINED BENEFIT LIABILITIES

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	
	2018	2017
	$'000	$'000
Present value of defined benefit obligations	(1,982)	(2,515)
Fair value of plan assets	933	1,482
Net defined benefit liabilities	(1,049)	(1,033)

21. DEFINED BENEFIT LIABILITIES (CONT'D)

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

	Note	Group 2018 $'000	Group 2017 $'000
Balance at beginning of the year		(2,515)	(2,505)
Benefits paid		125	194
Current service costs	6	(93)	(102)
Interest costs	7	(25)	(28)
Remeasurement gain/(loss) on defined benefit plans			
Actuarial gain/(loss) arising from:			
- changes in financial assumptions		(19)	13
- experience adjustments		(18)	(25)
Effect due to plan settlement		603	–
Currency realignment		(40)	(62)
Balance at end of the year		(1,982)	(2,515)

Changes in fair value of plan assets are as follows:

	Group 2018 $'000	Group 2017 $'000
Balance at beginning of the year	1,482	1,417
Contributions by the employer	57	136
Benefits paid	(638)	(197)
Return on plan assets	47	15
Currency realignment	(15)	111
Balance at end of the year	933	1,482

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

<u>Reported in profit or loss</u>

	Note	Group 2018 $'000	Group 2017 $'000
Current service costs	6	(93)	(102)
Interest costs	7	(25)	(28)
Return on plan assets		44	11
		(74)	(119)

21. DEFINED BENEFIT LIABILITIES (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	
	2018	2017
	$'000	$'000
Return on plan assets	47	4
Actuarial (loss)/gain arising from:		
- Changes in financial assumptions	(19)	13
- Experience adjustments	(18)	(25)
	10	(8)

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

	Group	
	2018	2017
	$'000	$'000
Discount rates	0.75% to 4.82%	1.00% to 4.72%
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:

		Group	
	Increase/ (decrease)	2018	2017
		$'000	$'000
Discount rates	0.25%	(28)	(45)
	(0.25%)	29	47
Expected rate of future salary increases	0.25%	32	47
	(0.25%)	(25)	(45)

The Group expects to contribute $16,000 (2017: $6,000) to the defined benefit pension plans in the next financial year.

The duration of the defined benefit obligations at the end of the reporting period is 4 to 14 years (2017: 7 to 15 years).

22. COMMITMENTS

(a) *Capital commitments*

Capital expenditure as at the reporting date is as follows:

	Group	
	2018	2017
	$'000	$'000
Property, plant and equipment		
- Authorised and contracted for	5,498	4,614

(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	
	2018	2017
	$'000	$'000
Within one year	689	688
After one year but not more than five years	229	552
	918	1,240

(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:

	2018		2017	
Group	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$'000	$'000	$'000	$'000
Within one year	2,068	1,947	1,580	1,479
After one year but not more than five years	1,300	1,256	1,120	1,072
Total minimum lease payments	3,368	3,203	2,700	2,551
Less: Amounts representing finance charges	(165)	–	(149)	–
Present value of minimum lease payments	3,203	3,203	2,551	2,551

22. COMMITMENTS (CONT'D)

(c) *Finance lease commitments (cont'd)*

Company	2018 Minimum lease payments $'000	2018 Present value of payments $'000	2017 Minimum lease payments $'000	2017 Present value of payments $'000
Within one year	192	173	122	106
After one year but not more than five years	337	319	327	301
Total minimum lease payments	529	492	449	407
Less: Amounts representing finance charges	(37)	–	(42)	–
Present value of minimum lease payments	492	492	407	407

(d) *Financial instruments*

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

Group	Note	2018 Assets $'000	2018 Liabilities $'000	2017 Assets $'000	2017 Liabilities $'000
Forward currency contracts	24(a)	–	(3)	6	–
Investment securities held for trading	24(a)	3,754	–	3,047	–
Total financial assets/(liabilities) at fair value through profit or loss		3,754	(3)	3,053	–

As at 31 July 2018, the Group held two (2017: two) forward currency contracts, with total outstanding notional amounts of $814,000 (2017: $820,000). The outstanding forward contracts mature in 1 to 2 months (2017: 1 to 2 months).

The Group does not apply hedge accounting.

23. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Group 2018 $'000	Group 2017 $'000
Salaries, bonuses and fees	2,985	3,012
CPF and other defined contributions	19	22
Total compensation paid to key management personnel	3,004	3,034

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*

There has been no transfer between levels of fair value measurements during the years ended 2018 and 2017.

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)	Significant observable inputs other than quoted prices (Level 2)	Total
		$'000	$'000	$'000
2018				
Recurring fair value measurements				
Financial assets/(liabilities):				
Held for trading investments:				
- Investment securities (quoted)	22(d)	3,754	–	3,754
Derivatives:				
- Forward currency contracts	22(d)	–	(3)	(3)
At 31 July 2018		3,754	(3)	3,751
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

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 - 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.

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

(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.

(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:

		2018		2017	
	Note	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Group					
Financial liabilities:					
Obligations under finance leases (non-current)	18	1,256	1,065	1,072	1,064
Company					
Financial liabilities:					
Obligations under finance leases (non-current)	18	319	126	301	301

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.

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

(a) *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 arrangements.

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

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 (2017: 100) basis points higher/lower with all other variables held constant, the Group's and Company's profit before tax would have been $279,000 (2017: $194,000) and $22,000 (2017: $22,000) lower/higher respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

(b) *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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
USD/SGD - strengthened 1% (2017: 1%)	20	20	–	(1)
USD/SGD - weakened 1% (2017: 1%)	(20)	(20)	–	1
USD/RM - strengthened 1% (2017: 1%)	14	(44)	–	–
USD/RM - weakened 1% (2017: 1%)	(14)	44	–	–

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

(c) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's 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**	**1 year or less**	**1 to 5 years**
	$'000	**$'000**	**$'000**
2018			
Financial assets:			
Investment securities held for trading	3,754	3,754	–
Trade and other receivables	35,571	35,571	–
Cash and short-term deposits	87,383	87,383	–
Total undiscounted financial assets	126,708	126,708	–
Financial liabilities:			
Trade and other payables	(21,093)	(21,093)	–
Loans and borrowings	(37,648)	(20,738)	(16,910)
Total undiscounted financial liabilities	(58,741)	(41,831)	(16,910)
Total net undiscounted financial assets/(liabilities)	67,967	84,877	(16,910)

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

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

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)

Company	Total $'000	1 year or less $'000	1 to 5 years $'000
2018			
Financial assets:			
Investment securities held for trading	519	519	–
Trade and other receivables	3,974	3,974	–
Cash and short-term deposits	20,410	20,410	–
Total undiscounted financial assets	24,903	24,903	–
Financial liabilities:			
Trade and other payables	(1,983)	(1,983)	–
Loans and borrowings	(2,776)	(2,439)	(337)
Total undiscounted financial liabilities	(4,759)	(4,422)	(337)
Total net undiscounted financial assets/(liabilities)	20,144	20,481	(337)

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

(c) *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)

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 (d) (ii).

(d) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities held for trading, 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.

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; and

(ii) a nominal amount of $989,000 (2017: $689,000) relating to corporate guarantees provided by the Company to the financial institutions for the subsidiaries' bank loans and finance leases.

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

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

Credit risk concentration profile

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

Group	2018		2017	
	$'000	% of total	$'000	% of total
By country:				
Singapore	724	2	1,790	5
Malaysia	20,122	60	21,045	61
China	7,217	21	7,502	22
Other Asian countries**	1,467	4	1,623	5
United States	2,417	7	1,265	4
Others	1,806	6	1,115	3
	33,753	100	34,340	100
By industry sectors:				
Burn-in, testing and electronic manufacturing services	33,753	100	34,338	100
Others	–	–	2	–
	33,753	100	34,340	100

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

At the end of the reporting period, approximately:

(i) 78% (2017: 83%) of the Group's trade receivables were due from 5 (2017: 5) major customers who are in the semiconductor industry; and

(ii) 98% (2017: 97%) of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits, investment securities held for trading 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.

(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).

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

(e) *Market price risk (cont'd)*

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% (2017: 5%) higher/lower with all other variables held constant, the Group's profit before tax would have been $188,000 (2017: $152,000) 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.

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 2018 and 31 July 2017.

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 2018 and 31 July 2017.

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	
	Note	**2018**	**2017**
		$'000	**$'000**
Total loans and borrowings (total debt)	18	35,731	25,866
Less: Cash and short-term deposits	15	(87,383)	(68,195)
Net cash		(51,652)	(42,329)
Total equity attributable to owners of the Company		86,065	77,504
Less: Statutory reserve fund		(860)	(860)
		85,205	76,644

At the end of the reporting period, 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:

(i) 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.

(ii) Distribution segment is in the business of trading in and distribution of high-technology electronic products. The distribution segment has been combined under "Others" segment, as it does not meet any of the quantitative thresholds for disclosure under FRS 108 *Operating Segments* for the financial year ended 31 July 2018 and 31 July 2017.

(iii) 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.

27. SEGMENT INFORMATION (CONT'D)

	Burn-in, testing and electronic manufacturing services $'000	Others $'000	Eliminations $'000	Consolidated $'000
2018				
Revenue:				
External customers	153,382	–	–	153,382
Intra-segment	3,664	–	(3,664)	–
Total revenue	157,046	–	(3,664)	153,382
Results:				
Segment profit	14,986	342	(138)	15,190
Interest income				1,480
Finance costs				(1,525)
Profit before tax				15,145
Income tax expense				(1,511)
Profit for the year				13,634
Other information:				
Depreciation	27,336	282	(551)	27,067
Reversal of impairment of property, plant and equipment	(1,102)	–	–	(1,102)
Additions to property, plant and equipment	18,072	65	(1,040)	17,097

	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)

(a) *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 *	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Singapore	2,593	5,082	1,419	1,415
Malaysia	94,908	91,717	63,687	69,987
China	30,333	27,814	7,874	7,868
Other Asian countries**	10,205	5,073	1,231	440
United States	10,927	9,720	15	7
Others	4,416	8,559	–	–
	153,382	147,965	74,226	79,717

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

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

(b) *Information about major customers*

The Group's customer base includes 2 (2017: 2) customers from burn-in, testing and electronic manufacturing services segment, with whom transactions have exceeded 10% of the Group's revenue. Revenue generated from these customers amounted to approximately $94 million (2017: $88 million).

28. DIVIDENDS

	Group and Company	
	2018	2017
	$'000	$'000
Recognised during the financial year:		
- Final ordinary tax exempt (one-tier) dividend for 2017 at 0.3 cent (2016: 0.2 cent) per share	368	246
Proposed but not recognised as a liability as at 31 July:		
- Final ordinary tax exempt (one-tier) dividend for 2018 at 0.3 cent (2017: 0.3 cent) per share	368	368

29. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 July 2018 were approved in accordance with a resolution of the directors on 27 September 2018.

SHAREHOLDERS' INFORMATION

AS AT 27 SEPTEMBER 2018

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	53	0.00
100 – 1,000	1,111	34.30	1,091,657	0.89
1,001 – 10,000	1,697	52.39	7,822,701	6.37
10,001 – 1,000,000	416	12.85	21,242,623	17.30
1,000,001 and above	12	0.37	92,648,966	75.44
Total	**3,239**	**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	6,970,300	5.68
3.	United Overseas Bank Nominees (Private) Limited	4,255,600	3.47
4.	Ang Ah Beng	2,147,400	1.75
5.	Tan Teoh Khoon	2,130,000	1.73
6.	OCBC Nominees Singapore Private Limited	1,909,100	1.55
7.	Phillip Securities Pte Ltd	1,685,300	1.37
8.	Goh Guan Siong (Wu YuanXiang)	1,468,800	1.20
9.	Liu Wenying	1,460,000	1.19
10.	ABN Amro Clearing Bank N.V.	1,139,900	0.93
11.	Raffles Nominees (Pte) Limited	1,010,200	0.82
12.	IFast Financial Pte Ltd	1,005,700	0.82
13.	Tan Chin Wah	801,000	0.65
14.	Maybank Kim Eng Securities Pte. Ltd.	772,806	0.63
15.	OCBC Securities Private Limited	647,200	0.53
16.	Neo Lay Kien	553,400	0.45
17.	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
18.	CGS-CIMB Securities (Singapore) Pte. Ltd.	515,329	0.42
19.	Yeo Wei Huang	501,000	0.41
20.	Citibank Nominees Singapore Pte. Ltd.	463,900	0.38
	Total	**97,430,601**	**79.35**

DIRECTORS' INTEREST AS AT 21 AUGUST 2018

	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 2018, 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 40th Annual General Meeting of the Company will be held at SCCC Zhong Sheng Jian Recital Studio, Level 6, Singapore Chinese Cultural Centre, 1 Straits Boulevard, Singapore 018906 on Friday, 16 November 2018 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 2018 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 2018. — 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) Mr Timothy Brooks Smith — Resolution 3
   (b) Mr Samuel Lim Syn Soo — Resolution 4

   Note: If re-appointed, Mr Timothy Brooks Smith will remain as a member of the Audit Committee.

4. To approve the payment of Directors' fees of S$170,000 (2017: S$170,000) in respect of the financial year ended 31 July 2018. — 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
25 October 2018

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 2018. Save for Mr Samuel Lim Syn Soo, who is the spouse of 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 office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company accepts and agrees that all personal data provided to the Company is subject to its Privacy Policy, which is available at www.sunright.com.

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 22 November 2018 for the purpose of determining members' 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 22 November 2018 will be registered before entitlements to the proposed final dividend are determined.

Members 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 22 November 2018 will be entitled for the proposed final dividend.

The final dividend, if approved by members at the Annual General Meeting, will be paid on 7 December 2018.

By Order of the Board

Adeline Lim Kim Swan
Company Secretary
25 October 2018

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

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT

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

I/We ____ (Full Name in Block Letters)

NRIC/Passport/Company Registration No. ____________________ of ____________________

____ (Address)

being a member/members of Sunright Limited, hereby appoint

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

and/or (delete as appropriate)

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

or failing either or both of the persons referred to above, the Chairman of the Annual General Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 40th Annual General Meeting of the Company to be held at SCCC Zhong Sheng Jian Recital Studio, Level 6, Singapore Chinese Cultural Centre, 1 Straits Boulevard, Singapore 018906 on Friday, 16 November 2018 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 Mr Timothy Brooks Smith as Director		
4.	Re-election of Mr Samuel Lim Syn Soo 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 ____________________ 2018

Total Number of Shares Held (see Note 3)	

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

IMPORTANT: PLEASE READ NOTES OVERLEAF

IMPORTANT: PLEASE READ THE FOLLOWING NOTES.

Notes:

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

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no such proportion or number is specified, the first named proxy shall be deemed as representing 100% of the shareholding and the second proxy shall be deemed as an alternate to the first named.

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

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

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

4. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 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 LIMITED
(COMPANY REG. NO. 197800523M)

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