SUNRIGHT

ANNUAL REPORT 2020

SUNRIGHT LIMITED

(COMPANY REG. NO. 197800523M)

THE WORLD'S LARGEST **INDEPENDENT BURN-IN AND TEST** SERVICE PROVIDER AND A LEADING MANUFACTURER OF **RELIABILITY TEST SYSTEMS**

WE ENSURE THE RELIABILITY OF DEVICES MANUFACTURED BY OUR CUSTOMERS FOR A WIDE RANGE OF PRODUCTS

AUTOMOTIVE

CONSUMER

DATA PROCESSING

COMMUNICATIONS

5G

COMPUTING

INDUSTRIAL

CLOUD COMPUTING

INTERNET OF THINGS

CONTENTS

BUILDING UP THE CAPABILITIES GAINING MOMENTUM

Stay focused to invest on new innovations

Expand from packages to system level and aim to progress to die-level

Offer our broad range of solutions for high-growth markets

DEAR SHAREHOLDERS

Financial year 2020 was another challenging year. We were impacted by the significant drop in demand and the limited production, caused by the COVID-19 Pandemic. Our revenues were greatly affected, in this depressed macroeconomic environment.

FINANCIAL REVIEW

The Group's revenues declined by 17 percent to S$110.6 million, from S$133.6 million in FY 2019. However, in this financial year, our performance turned around, from a net loss of S$2.5 million in FY 2019, to a net profit of S$1.7 million. The Group's earnings per share stood at 1.4 cents, as compared to a loss per share of 2.1 cents in FY 2019.

Whilst the weak market conditions weighed down our sales performance, we benefitted from better gross margins, for products supporting communications and data-driven markets, such as 5G, AI, etc. We also gained a one-off tax reversal.

Our balance sheet remains strong and we achieved positive cash flows.

RELIABILITY MATTERS

Economies are going to keep changing. Digital transformation will become increasingly important to our future. Semiconductor innovations enable digital technologies, such as for computers, network systems, etc. which will need reliable semiconductors. Burn-in and test will always be essential and even more pervasive.

Sunright will stay focused to invest on new innovations and deliver superior services to our customers, ensuring reliability of their chips.

DIVERSIFIED CUSTOMERS

We serve 6 of the major 10 semiconductor manufacturers in the world. Sunright has done well in supporting the many changes and developments of our clients in diverse markets. More resources will be added to strengthen the design, manufacturing and sales for high-growth markets in automotive, communications and data centres.

Last year, we produced a system level test "SLT" product, designed for engineering and pre-production testing. This new product "Tiger", received very positive interests in our test marketing. Test and burn-in solutions vary widely between semiconductor manufacturers. There are tremendous growth opportunities for SLT, which will progressively lead us to a new and fast growing photonics market. Photonic devices are components creating, manipulating or detecting light, such as laser diodes, light-emitting diodes, solar and photovoltaic cells, optical sensors, etc.

BROAD PRODUCT PORTFOLIO

Our strategic move in building up the capabilities of SLT is gaining momentum. We are targeting to deliver our first major installation in April 2021 for testing and burn-in of sensors. We are taking Sunright to the next level in building our capabilities, by expanding from packages to system level and finally aiming to progress to die-level, for the photonic market. Sunright's goal is to offer our broad range of solutions for high-growth markets.

BUSINESS MODEL

Our performance in FY 2020 re-affirmed the well-tested and proven business model of "systems and service", which enabled us to overcome the trade war, dot-com bubble, financial crises and the inherent cyclical volatility of the semiconductor industry, in the last 4 decades.

We are now in an exciting period of digital transformation, which will enable us to tap new opportunities and develop products that answer to customers' needs.

INCREASING SHAREHOLDERS' VALUE

In appreciation of shareholders' loyal support, 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 23 November 2020.

CONTINUED LEADERSHIP

There are two important governance matters for shareholders' approval, in the coming AGM. Both our long serving Independent Directors, Francis Lee Choon Hui and Timothy Brooks Smith, will be due for rotational re-election at the 42nd Annual General Meeting later this year.

Francis has provided strong corporate legal and governance support, serving many years as Chairman of the Audit Committee until 2018, when he stepped down to assume chairs of the Nominating Committee "NC" and Remuneration Committee "RC", whilst remaining a member of the Audit and Risk Committee "ARC".

Timothy is a veteran in the US semiconductor industry and provides strong international networking and technological support for the Board, whilst serving on the NC, RC and ARC.

Both have served for some 26 years and continue to make invaluable contributions. Their re-election will ensure the continued leadership of the Board.

APPRECIATION

I want to thank all our employees for their high spirited support in managing the COVID-19 Pandemic. We appreciate their diligence in giving high priority to health safety by observing social distancing, making contingency plans, re-scheduling production demand changes and shifting labour support in various operations, to help our customers meet the volatility of their production flow.

We are grateful to our customers, suppliers and stakeholders for their support in FY 2020. We look forward to growing Sunright's profitability in FY 2021.

Sincerely
SAMUEL LIM SYN SOO
Executive Chairman & Chief Executive Officer
28 September 2020

BUSINESS REVIEW

KX5
Massively Parallel
Test & Burn-in System

TIGER
System Level Test Handler

Despite the continued global economic weakness which saw a significant drop in production volumes for automotive semiconductors, we were just as busy with new product introductions on micro-controller devices. Many of these new chips are expected to be launched next year.

We also increased our focus on the communications and data centre markets and expanded our product portfolio, making good progress in our continuing innovations. The KX5 electronics were re-designed to address modularity. The hardware has been expanded to drive lower voltage/higher current applications. This improved interchangeability allows the KX series of systems to test a wider range of devices from IoT, 5G, AI to automotive.

We upgraded our equipment capabilities and produced 46 multi-layer boards with highly populated densities designed for test. We are preparing to increase capacities for continuing strong growth opportunities in communications and network servers through FY 2021.

Working in close partnership with a customer, we made good progress in the development of system level test "SLT" activities. We successfully completed the design solution for testing and burn-in of sensors in mass production volume. We are capable of delivering a complete SLT solution catering to the diverse needs of our customers. We also re-designed the SLT test handler, Tiger, with added features by incorporating vision and thermal capabilities. All these developments are enabling us to build solutions preparing us for the market changes.

We successfully completed our evaluation of fine pitch contacts for high current testing. There are a number of unique features and are prospective to our advancement into the photonics activities.

We also initiated programs in our manufacturing to develop environmentally friendly alternatives and enhanced our Quality Management System (QMS) for greater reliability. Our process was successfully certified for processing aerospace quality standard AS9100D.

We remain energized by our customers bringing their challenging requirements to us with the goal to providing them solutions. Reliability matters to them as much as to us.

SAMUEL LIM SYN SOO

Chairman and
Chief Executive Officer
Age: 66

Date of first appointment as a Director: 9 March 1978
Appointment as Chairman: 19 February 1990
Appointment as Chief Executive Officer: 13 January 1994
Date of last re-appointment as a Director: 16 November 2018

Board Committee Membership
- Nominating Committee

Interest in Shares in the Company
67,466,666 shares (54.94%)

Academic & Professional Qualification(s)
- Diploma in Industrial Engineering (Canada)

Background and Working Experience
Mr Lim is the Co-founder of the Company. 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.

He 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".

Present Principal Commitments including Directorships
Directorships in Other Listed Companies
- KESM Industries Berhad

Directorships in Non-Listed Companies
- KES Systems & Service (1993) Pte Ltd
- KES Systems & Service (M) Sdn. Bhd.
- KES Systems & Service Philippines, Inc.
- KES Systems & Service (Shanghai) Co., Ltd
- KEST Systems & Service Ltd
- KES International Sdn. Bhd.
- Kestronics Philippines, Inc.
- KESM Test (M) Sdn. Bhd.
- KESP Sdn. Bhd.

Major Appointments (other than Directorships)
- Nil

Past Principal Commitments including Directorships (held over the preceding five years)
- KESU Systems & Service, Inc.
- KES (USA) Inc.
- Kestronics (Thailand) Co., Ltd. (Liquidated)
- Kestronics (S) Pte Ltd (Struck-Off)
- Kestronics (M) Sdn. Bhd. (In Voluntary Liquidation)

Relationship between Directors, Key Executives or Substantial Shareholder
Spouse of Mdm Lim Mee Ing

KENNETH TAN TEOH KHOON

Executive Director
Age: 63

Date of first appointment as a Director: 12 January 1994
Date of appointment as Executive Director: 13 January 1994
Date of last re-appointment as a Director: 21 November 2019

Board Committee Membership
- Nominating Committee

Interest in Shares in the Company
2,130,000 (1.73%)

Academic & Professional Qualification(s)
- Bachelor of Accountancy, National University of Singapore
- Fellow Member of the Institute of Singapore Chartered Accountants

Background and Working Experience
Mr Tan 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.

Present Principal Commitments including Directorships
Directorships in Other Listed Companies
- KESM Industries Berhad

Directorships in Non-Listed Companies
- KES Systems & Service (1993) Pte Ltd
- KES Systems & Service (M) Sdn. Bhd.
- KES Systems & Service Philippines, Inc.
- KES Systems & Service (Shanghai) Co., Ltd
- KEST Systems & Service Ltd
- KES International Sdn. Bhd.
- Kestronics Philippines, Inc.
- KESM Test (M) Sdn. Bhd.
- KESP Sdn. Bhd.
- KESM Industries (Tianjin) Co., Ltd

Major Appointments (other than Directorships)
- Nil

Past Principal Commitments including Directorships (held over the preceding five years)
- KESU Systems & Service, Inc.
- KES (USA) Inc.
- Kestronics (Thailand) Co., Ltd. (Liquidated)
- Kestronics (S) Pte Ltd (Struck-Off)
- Kestronics (M) Sdn. Bhd. (In Voluntary Liquidation)

Relationship between Directors, Key Executives or Substantial Shareholder
Nil

BOARD OF DIRECTORS

LIM MEE ING
Non-Independent
Non-Executive Director
Age: 69

Date of first appointment as a Director: 19 February 1990
Date of last re-appointment as a Director: 21 November 2019

Board Committee Membership
- Audit and Risk Committee
- Remuneration Committee

Interest in Shares in the Company
67,466,666 shares (54.94%)*

Academic & Professional Qualification(s)
- Diploma, Institute of Bankers

Background and Working Experience
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.

Present Principal Commitments including Directorships
Directorships in Other Listed Companies
- KESM Industries Berhad

Directorships in Non-Listed Companies
- KES Systems & Service (Shanghai) Co., Ltd

Major Appointments (other than Directorships)
- Nil

Past Principal Commitments including Directorships (held over the preceding five years)
- Nil

Relationship between Directors, Key Executives or Substantial Shareholder
Spouse of Mr Samuel Lim

*Deemed interest

FRANCIS LEE CHOON HUI
Independent
Non-Executive Director
Age: 74

Date of first appointment as a Director: 18 January 1994
Date of last re-appointment as a Director: 17 November 2017

Board Committee Membership
- Audit and Risk Committee
- Nominating Committee (Chairman)
- Remuneration Committee (Chairman)

Interest in Shares in the Company
Nil

Academic & Professional Qualification(s)
- Barrister at Law, London (1970)
- Advocate & Solicitor, Singapore (1970)

Background and Working Experience
Mr Lee 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, he retired from legal practice to found Corporate Ventures Group, a consultancy firm for mergers and acquisitions, of which he is the Chairman. Mr Lee 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.

Present Principal Commitments including Directorships
Directorships in Other Listed Companies
- GSH Corporation Limited

Directorships in Non-Listed Companies
- Corporate Ventures Pte Ltd
- Corporate Ventures International Ltd
- Phillip Enterprise Fund Limited
- Phillip Ventures Enterprise Fund 5 Limited
- Advanced Prestige Sdn Bhd
- Altheim International Limited
- Investasia Sdn Bhd
- Eastworth Source Sdn Bhd
- Mainfield Holdings Limited
- MXIM Holdings Pte Ltd
- Sutera Harbour Golf & Country Club Berhad
- Sutera Harbour Travel Sdn Bhd
- Sutera Harbour Resort Sdn Bhd
- The Little Shop Sdn Bhd
- The Sutera Harbour Group Sdn Bhd
- Xing Asia Impel Sdn Bhd

Major Appointments (other than Directorships)
- Hon Advisor, Raffles Marina Ltd

Past Principal Commitments including Directorships (held over the preceding five years)
- Raffles Marina Holdings Ltd
- Raffles Marina Ltd
- PT. Hijau Lestari Raya Fibreboard
- PT. Toshiba Visual Media Network Indonesia

Relationship between Directors, Key Executives or Substantial Shareholder
Nil

TIMOTHY BROOKS SMITH
Independent
Non-Executive Director
Age: 78

Date of first appointment as a Director: 18 January 1994
Date of last re-appointment as a Director: 16 November 2018

Board Committee Membership
- Audit and Risk Committee
- Nominating Committee
- Remuneration Committee

Interest in Shares in the Company
Nil

Academic & Professional Qualification(s)
- Bachelor of Science (Electrical & Electronics)
- Master of Science (Electrical Engineering), Southern Methodist University, USA

Background and Working Experience
Mr Smith 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.

Present Principal Commitments including Directorships
Directorships in Other Listed Companies
- Nil

Directorships in Non-Listed Companies
- Avazzia, Inc

Major Appointments (other than Directorships)
- Nil

Past Principal Commitments including Directorships (held over the preceding five years)
- Nil

Relationship between Directors, Key Executives or Substantial Shareholder
Nil

DANIEL SOH CHUNG HIAN
Independent
Non-Executive Director
Age: 66

Date of first appointment as a Director: 3 December 2018
Date of last re-appointment as a Director: 21 November 2019

Board Committee Membership
- Audit and Risk Committee (Chairman)
- Nominating Committee
- Remuneration Committee

Interest in Shares in the Company
Nil

Academic & Professional Qualification(s)
- Bachelor of Accountancy, then University of Singapore
- Master of Business Administration, The International Management Centres of the United Kingdom
- Fellow Member of the Institute of Singapore Chartered Accountants

Background and Working Experience
Mr Soh began his career in 1977 with Ernst & Young LLP, Singapore, and was a partner from 1990 till his retirement in December 2012. His 35 years of experience saw him auditing many public listed companies and working on many IPOs of listed companies.

Present Principal Commitments including Directorships
Directorships in Other Listed Companies
- Lum Chang Holdings Limited
- British and Malayan Holdings Limited
- Vicom Ltd

Directorships in Non-Listed Companies
- British and Malayan Trustees Limited
- Agency for Integrated Care Pte Ltd

Major Appointments (other than Directorships)
- Nil

Past Principal Commitments including Directorships (held over the preceding five years)
- Eu Yan Sang International Ltd
- QAF Limited
- JDJ Investment Pte Ltd (Struck-off)

Relationship between Directors, Key Executives or Substantial Shareholder
Nil

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)

Mr Daniel Soh Chung Hian
(Non-Executive, Independent Director)

AUDIT AND RISK COMMITTEE
Mr Daniel Soh Chung Hian
(Chairman)

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

NOMINATING COMMITTEE
Mr Francis Lee Choon Hui
(Chairman)

Mr Timothy Brooks Smith
Mr Daniel Soh Chung Hian
Mr Samuel Lim Syn Soo
Mr Kenneth Tan Teoh Khoon

REMUNERATION COMMITTEE
Mr Francis Lee Choon Hui
(Chairman)

Ms Lim Mee Ing
Mr Timothy Brooks Smith
Mr Daniel Soh Chung Hian

COMPANY SECRETARY
Ms Adeline Lim Kim Swan

SHARE REGISTRAR
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel : (65) 6536 5355
Fax: (65) 6536 1360

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

PLACE OF INCORPORATION
Singapore

COMPANY REGISTRATION NO.
197800523M

DATE OF INCORPORATION
9 March 1978

WEBSITE
www.sunright.com

STOCK EXCHANGE LISTING
Listed on 20 October 1994
on SGX Main Board

STOCK NAME
Sunright

STOCK CODE
S71

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

AUDIT PARTNER
Ms Tee Huey Yenn
(Date of appointment:
with effect from financial year
ended 31 July 2020)

BOARD STATEMENT

The COVID-19 pandemic has forced many countries into lockdown and taken a severe toll on the global economy. In response to the crisis, Sunright immediately activated its business continuity and crisis management plans, implementing the necessary precautionary measures in accordance with local government advisory requirements. To safeguard the health and safety of our people, we also stepped up cleaning and disinfection frequencies and facilitated work-from-home and split team arrangements.

We are also re-evaluating our risk management culture and strengthening our sustainable business practices, with the belief that sustainable businesses are the ones that will be able to navigate through these uncertain times. The Board considers sustainability as part of its strategic formulation, maintaining oversight over key material economic, environmental, social and governance ("EESG") matters. In doing so, the Board ensures that issues relating to these EESG matters are managed and monitored on a regular basis. With our strong sustainability fundamentals, Sunright has maintained sufficient working capital and does not anticipate any financial difficulty in meeting debt obligations in the foreseeable future. We will continue to closely monitor the impacts of COVID-19, with sustainability as an integral part of Sunright's long-term business strategy.

As we seek to continually improve our sustainability disclosures and mature in our sustainability reporting journey, we have included a new matter for reporting this year on Occupational Health and Safety. Upholding high health and safety standards has always been a priority for Sunright, considering the industry which we operate in. This has become even more critical this year as the world grapples with the pandemic. We recognise our duty of care to provide a safe and conducive workplace and uphold our goal towards zero fatalities and injuries.

Despite the challenging times ahead, we maintain our commitment to sustainability. Working together with our stakeholders, we believe we can weather through this crisis towards building a more resilient business.

ABOUT SUNRIGHT LIMITED

[GRI 102-1, 102-2, 102-3, 102-4, 102-5, 102-6]

Founded in 1978, 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 microcontrollers, 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 centres in Singapore, Malaysia, Philippines, Taiwan, China and USA.

ABOUT THE REPORT

[GRI 102-50, 102-51, 102-52, 102-53, 102-54, 102-56]

Sunright is pleased to present its third annual Sustainability Report, for the period of 1 August 2019 to 31 July 2020 ("FY2020"). Where applicable, historical performance data is also included for comparative purposes.

This report was prepared in accordance with the Global Reporting Initiative ("GRI") Standards: Core option. The GRI Standards have been deemed most suitable for Sunright's sustainability reporting as the standards are recognised internationally and are the most widely adopted global standards for sustainability reporting.

The scope of this report covers our significant operating units, including Singapore[1], Malaysia[2] and China[3]. These entities provide burn-in and testing services for semiconductors, electronics manufacturing services, and manufacturing of burn-in equipment for semiconductors.

External assurance has not been sought for this report. Sunright may consider seeking external assurance for its sustainability report as our sustainability reporting process matures over time.

[1] Sunright Limited and KES Systems & Service (1993) Pte Ltd
[2] KESM Industries Berhad, KESP Sdn. Bhd. and KESM Test (M) Sdn. Bhd.
[3] KESM Industries (Tianjin) Co., Ltd

SUSTAINABILITY: THE RIGHT WAY FORWARD

[GRI 102-18]

We take a holistic approach to integrate sustainability practices into our business activities as the right way forward in response to the evolving risks and opportunities in the semiconductor and electronics manufacturing industry.

Our established sustainability governance structure helps facilitate the management and oversight of this agenda. At Sunright, directives for sustainability programmes are reviewed and approved by the Board and Executive Directors. Local Management are tasked to implement and oversee these programmes while Heads of Departments regularly collect data and information on sustainability-related performance metrics. Subsequently, information on Sunright's sustainability progress is presented to senior management and the Board for review and calibration of existing sustainability policies and practices.

STAKEHOLDER ENGAGEMENT

[GRI 102-40, 102-42, 102-43, 102-44]

We are committed to understanding the impacts of our operations and the expectations of our stakeholders. Thus, we continuously engage with stakeholders through various platforms to determine and meet their sustainability needs and concerns, as well as inform our sustainability reporting and overarching sustainability strategy. These stakeholders have been identified as those who have significant impact on as well as are significantly impacted by our operations.

Table 1: Sunright's Approach towards Stakeholder Engagement

Stakeholders' expectations	Stakeholder management	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 • Annual report • Annual General Meeting	• Periodic • Quarterly • Annual • Annual
CUSTOMERS			
• Service quality	• ISO 9001 certification	• Industry forums	• Once every 1-2 years
• Timely delivery	• ISO/TS 16949 certification	• Customer satisfaction surveys • Customer visits to our plants	• Periodic • As necessary
EMPLOYEES AND OUTSOURCED WORKERS			
• Fair employment and well-being	• Implement non-discriminatory Human Resources ("HR") policies	• Electronic updates and newsletters	• Periodic
• Training and development	• Provide relevant trainings (safety and job specific)	• Trainings	• Periodic
• Occupational health and safety	• Provide deserving remuneration, welfare and benefits	• Annual performance appraisals • Company events and staff get-togethers	• Annual • Periodic

Stakeholders' expectations	Stakeholder management	Engagement platforms	Frequency of engagement
CONTRACTORS AND SUPPLIERS			
• Business opportunities	• Conduct fair suppliers' screening process	• Project tenders	• As necessary
• Feedback on performance	• Conduct regular supplier's evaluation process	• Supplier evaluation meetings	• Periodic
REGULATORS			
• Compliance to regulatory requirements	• Keeping abreast with the latest regulatory requirements	• Statutory reporting • On-site inspections	• Periodic • As necessary
LOCAL COMMUNITY			
• Corporate Social Responsibility ("CSR") initiatives	• Participate in CSR activities	• CSR programmes	• Periodic
• Employment opportunities	• Provide employment opportunities through our business	• Teaming with local technical institutions for job training	• Annual

MATERIALITY ASSESSMENT

[GRI 102-46, 102-47]

Sunright prioritises sustainability matters that significantly impact our business operations and our key stakeholders. The materiality assessment process enables Sunright to identify the most critical sustainability matters to manage and report on. This year, the Board has reviewed sustainability material matters that were first identified in 2017 and determined all material matters remain relevant to our business. We have included Occupational Health and Safety as an additional matter for reporting in response to increasing stakeholders' demand for disclosures on this topic.

Figure 1: Sunright's Materiality Assessment Process

IDENTIFICATION	***PRIORITISATION***	***VALIDATION***	***REVIEW***
A preliminary list of potential sustainability matters was identified through a review of Sunright's business strategy, environment, concerns, market landscape and leading reporters' practices.	These sustainability matters were prioritised through an unbiased and anonymous voting exercise, accounting for: i. Importance to Sunright's business, ii. Significance and influence on external stakeholders	The results of the exercise were mapped into a materiality matrix, which is approved by the Board.	In FY2020, a review of the material matters was conducted. It was concluded that the five material matters remained relevant for reporting, with an additional reporting matter on Occupational Health and Safety.

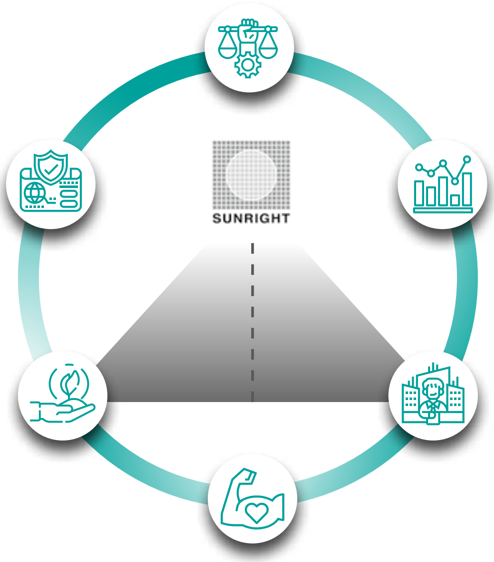
Figure 2: Sunright's Sustainability Matters and Corresponding GRI Topics

Ethical Business Conduct
Adherence to responsible business policies in terms of anti-corruption and corporate governance

GRI 205: Anti-Corruption

Regulatory Compliance
Compliance with all regulatory requirements including environmental, labour, health and safety regulations

GRI 307: Environmental Compliance
GRI 419: Socioeconomic Compliance



Economic Performance
Sustaining economic growth through responsible supply chain management and contribution of economic value

GRI 201: Economic Performance

Energy and Carbon Footprint
Efficient use of energy to minimise carbon footprint from our operations

GRI 302: Energy
GRI 305: Emissions

Fair Employment Practices
Equal opportunities and treatment for all employees and workers

GRI 401: Employment
GRI 406: Non-Discrimination

Occupational Health and Safety
(Additional reporting matter)
Protecting the physical and mental well-being of all employees and workers

GRI 403 (2018): Occupational Health and Safety

Managing the Impacts of COVID-19

COVID-19 presents a major global health and economic crisis that has crippled countries and industries globally and continues to threaten lives and livelihoods. With physical lockdowns in place around the world, there has been a greater shift towards digitalisation and new ways of working, forcing businesses to rethink traditional business strategies. Supply chains, route to markets and customer demands have also been affected and will continue to remain under pressure in this period of uncertainty. Sunright has not been immune to these impacts, with business operations disrupted from the temporary closure of our factory in Penang and office in Singapore instituting work-from-home arrangements. While factories in Singapore, Kuala Lumpur and China were exempted from the suspension of activities during the lockdowns, production was nonetheless limited due to workforce constraints.

Responding to this crisis has been a key priority this year, as we review our business development plans and safeguard the health and safety of our stakeholders. To minimise disruptions, we immediately put into action our business continuity plan, embarked on cost-control measures and adhered strictly to local health ministry advisories. For example, our business continuity plan implemented at our facilities included establishing response teams, procuring medical equipment for our staff including masks, sanitisers and thermometers as well as ensuring Standard Operating Procedures ("SOPs") related to regular disinfection and temperature-taking were duly followed, among others. We also maintained close relationships with our suppliers and customers through timely communication and updates.

Employees

Health, safety and well-being: Implement 'work from home' and telecommuting arrangements, Regular communication with employees via advisories, Institute safe distancing measures at the workplace, Enhanced cleaning and disinfection;

Job security: Cost-control measures including forced leave arrangements

Customers

Meeting service obligations through delivery of critical products and minimising operational disruptions within government restrictions, Ongoing discussions on negotiations, Regular communication and updates

Shareholders

Address key queries in timely manner, Build financial resilience to maintain payouts, Implement cost-control measures such as leasing out excess factory space

Suppliers and business partners

Ongoing discussions on negotiations and contracts, Intensify communication and updates with local sources

BUILDING AN ETHICAL CULTURE
[GRI 102-12, 102-16, 205-2, 205-3]

Conducting our business with integrity helps build trust with our stakeholders and is key to maintaining our long-term viability as a business. Sunright has a comprehensive Code of Conduct (the "Code") in place based on the Responsible Business Alliance[4] ("RBA") Code of Conduct which defines the values, principles, standards and norms of behaviour that guides how we manage our business and our business dealings with clients, suppliers or other parties.

We believe in engaging in responsible business practices, while always upholding the principles of honesty, ethics and integrity in our interactions between personal and professional parties, and effectively addressing conflicts of interests. This same standard is also expected from those we do business with. Where an entity does not have an explicit policy covering ethical business conduct, we send letters to remind them of our long-standing policy on kickbacks, soliciting gifts, entertainment of favour in return for business deals and the importance of adhering to them.

RBA Code of Conduct

Sunright has voluntarily adopted the RBA Code of Conduct to ensure that working conditions are safe, workers are treated with respect and dignity, and business operations are environmentally responsible and conducted ethically.

As the Code is designed to be a total supply chain initiative, at a minimum, Sunright shall require its next tier suppliers to implement the Code.

The Code is reviewed and revised by Management on a regular basis to ensure its continued applicability and effectiveness.

Sunright adopts a zero-tolerance approach towards any form of fraud, bribery and corruption. Employees are expected to embrace these values and adhere to all policies in the course of performing their work. To raise awareness on the importance of anti-corruption, relevant policies and procedures are communicated to all employees through the Code via annual briefings, emails and letters while new employees in Singapore also undergo training on these procedures as part of the orientation process. Our Board members and business partners also receive timely communication updates and training on our anti-corruption policies and procedures. In addition, posters are erected at relevant facilities to generate awareness regarding existing mechanisms in place. We will not hesitate to enforce strict disciplinary action against any violation of the policies, to the extent of employment termination.

In FY2020, 893 employees have been communicated to and 414 have received training on anti-corruption policies, translating to about 93% and 43% of all employees respectively.

Figure 3: Sunright's Policies relating to Business Ethics and Anti-Corruption

Name of Policy	Policy Description
Whistleblower Policy	Separate whistleblower policies aim to uphold integrity within Sunright, overseen by the Executive Director and at plant-level respectively. Third parties such as suppliers, contractors, sub-contractors and agents are also bound to comply with the Policy. The objectives of the Policy are as follows: i. To encourage employees to confidently raise genuine concerns about possible improprieties ii. Provide ways for employees to raise concerns and receive feedback on any actions taken as a result iii. Reassure employees that they will be protected from possible reprisals or victimisation

[4] Responsible Business Alliance ("RBA") is a nonprofit coalition consisting of electronics, retail, auto and toy companies committed to supporting the rights and well-being of workers and communities worldwide affected by the global electronics supply chain.

Name of Policy	Policy Description
Grievance Handling Policy	The Grievance Handling Policy was established for problems to be solved at the lowest corporate level possible, in the interests of industrial efficiency and stability in performance. Grievances can include any violations or threats on fair and human treatment such as prohibition of sexual harassment, abuse (mental, physical or verbal), coercion, corporal punishment etc.
Business Ethics Policy	Employees are prohibited to be associated with illegal cartel activities, illicit price-fixing, deception and undesirable social behaviour, as well as prohibited 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, and disallowed from giving or accepting any gifts, which might improperly influence 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 bribes and kickbacks.
Purchasing Policy	The Purchasing Policy sets clear guidelines on maintaining ethical relations with vendors and suppliers while acting with integrity throughout all procedures related to the purchasing activities of the company.

Table 2: Number of employees and business partners who received communication and training on anti-corruption policies in FY2020 by employee category

Category	Staff	Manager	Business partners: Customers, Suppliers, Agents
Communicated to	*824*	*69*	*1,232*
Received training	*393*	*21*	*454*

During the reporting year, there were no cases of corruption brought against Sunright or its employees, a record we have consistently maintained to date and will continue to uphold.

Focus Area	Perpetual Target	FY2020 Performance
Ethical Business Conduct	0 confirmed cases of corruption within Sunright	Achieved

ENSURING STRICT COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

[GRI 307-1, 419-1]

Sunright is guided by its stringent Code of Conduct to abide by all applicable laws and regulations in the countries in which it operates in, including environmental and socioeconomic laws and regulations.

We continue to keep abreast of the latest regulatory requirements in each country through regular reviews of policies and internal checks. Any changes in regulations will be duly conveyed to employees to promote understanding and awareness on the relevant policies and practices, and behaviour expected of them.

COVID-19 Spotlight

Sunright complied with all applicable government advisories on COVID-19 in the countries it operates in. In Singapore, we adhered strictly to the government's Circuit Breaker, instituting work-from-home arrangements for staff and applying for the necessary permission to operate our facility in accordance to guidelines issued by the Ministry of Manpower ("MOM"), Ministry of Trade and Industry ("MTI") and Ministry of Health ("MOH"). For its exemplary Safe Management System in place and adherence to the guidelines provided, Sunright received commendation from MOM. In Malaysia, similar steps were taken under the Movement Control Order such that our factories could continue operating, albeit with restricted headcount. Additionally in China, we followed all pandemic control recommendations such as twice-a-day temperature taking and wearing of face masks as well as cooperated fully with daily audits from the local authorities.

Focus Area	Perpetual Target	FY2020 Performance
Regulatory Compliance	0 confirmed cases of non-compliance with environmental laws and regulations	Achieved
	0 confirmed cases of non-compliance with socioeconomic laws and regulations	Achieved

SUSTAINING ECONOMIC PERFORMANCE

Managing Supply Chains Responsibly

[GRI 102-9, 204-1]

Sustainable supply chain management is key to Sunright's economic performance and competitiveness. Sunright recognises its exposure to sustainability-related risks along its supply chain, such as adoption of poor labour practices, emissions of pollutants exceeding legal limits, compliance costs etc. Designing sustainability into our supply chain enables us to manage risks of business disruption, rising costs as a result of damage to reputation and loss of business. This includes responsible sourcing of 3TG metals (tungsten, tantalum, tin and gold) as well as Printed Circuit Board ("PCB") manufacturing. At the same time, robust supply chain management also helps ensures consistent quality, as well as improves cost-effectiveness and production efficiency.

We purchase products and services locally as far as possible while accounting for pricing, lead time and supplier capability. Sourcing locally enhances sourcing efficiency due to shorter lead time. It also meets our environmental and social objectives through minimising the carbon footprint from transportation and benefitting local economies through direct economic contribution and job opportunities.

The Purchasing Policy and Procedures govern the screening, selection and management of our suppliers. It sets basic purchasing guidelines of purchasing activities, including sourcing and selection of new items, delivery follow-up, receiving and inspection of goods, payments to vendors etc. Our robust Three-Step Supply Chain Management Process outlines the procedures in supplier management in detail.

Figure 4: Purchasing Policy and Procedures

Purchasing Policy

Vendor Qualification Procedure

Recognising that our suppliers exert significant influence on our supply chain, Sunright adheres to stringent criteria in selecting environmentally and economically accountable suppliers, as clearly laid out in our Vendor Qualification Procedure. This comprehensive procedure is an integral component of Sunright's Three-Step Supply Chain Management Process.

Purchasing Procedure

Sunright's Purchasing Procedure acts as an overall check-and-balance on all purchasing activities associated with our supply chain. The provisions of this policy encompass guidelines, procedures and the scope of all purchases.

Figure 5: Sunright's Supply Chain Management Process

1 **Internal Requisition ("IR")**

The first step of our Supply Chain Management Process is the IR process, which is facilitated by an online system maintaining a clear audit trail of all requisition cases. Once the IR is raised, an approval process is triggered before vendor sourcing commences and a Purchase Order is raised.

2 **Supplier Selection/Vendor Qualification Procedure**

Sunright adheres to stringent supplier selection criteria to manage our supply chain impacts on the economy, society and environment.

The suppliers need to acknowledge and accept Sunright's Supplier Code of Conduct before engagement. The following aspects are covered in the Code:

i. Compliance with all applicable laws and regulations

ii. Prevention of, and intolerance for, corruption and all forms of bribery

iii. Prohibition of child labour

iv. Safeguarding the health and safety of employees

v. Upholding of human rights

Our suppliers are also expected to eliminate the use of conflict mineral to achieve 100% conflict-free mineral sourcing. They are also responsible for performing due diligence on their supply chain as appropriate to ensure compliance.

All suppliers are required to conform with the ISO 9001:2015 standard for quality management systems, or higher quality management systems.

3 **Supplier Evaluation**

Our suppliers are regularly assessed to allow Sunright to improve or maintain our quality of services and drive customer satisfaction. Where a supplier's performance is unsatisfactory, feedback is provided to help them identify any scope for improvement. Should the supplier continue to be negligent in improving their performance, we may take stern actions, including the suspension of contracts.

Reinforcing our commitment for purchasing from local suppliers and contractors, Sunright has consistently maintained that at least 50% of its purchases are sourced locally. In FY2020, 82% of the procurement budget used for our operations in Singapore, Malaysia and China was spent on suppliers local to these operations, a 10% increase from the proportion of procurement budget in FY2019.

COVID-19 Spotlight

Our existing policy to sourcing locally has had the added benefit of mitigating the risk of significant disruptions to our supply chain in the ongoing COVID-19 crisis. With lockdown measures in place in many countries around the world, manufacturing operations of many businesses that support Sunright's business were closed and the delivery of raw materials and finished parts from suppliers were affected. Maintaining a key line of communication directly with local suppliers ensured Sunright maintained flexibility of it supply chain to minimise the impact of logistics delay and ensured it could deliver orders to customers on time. While there has been no major impact on our operations and supply chain thus far, slow down in recovery of customer demand will be a key challenge for Sunright. We will continue to evaluate and refine our strategies to maintain supply chain operations and ensure business continuity.

Focus Area	Perpetual Target	FY2020 Performance
Responsible Supply Chain Management	At least 50% of all purchases are sourced locally[5]	Achieved

Contributing Direct Economic Value

[GRI 102-7, 201-1]

In FY2020, Sunright generated around S$111 million in total revenue, a decline from FY2019. Weak market conditions persisted owing to multiple macroeconomic factors in play. Ongoing tensions in the US-China trade war was further exacerbated by the global COVID-19 pandemic which paralysed economies around the world and shut down markets, including adverse impacts to the semiconductor and electronics manufacturing industry.

Sunright is maintaining a cautious outlook on global economic recovery and similarly on our economic performance. We have the ability to fulfil our financial obligations and sustain our business in the foreseeable future. Nonetheless, we are strengthening our business continuity plans and working towards improving business resilience to maintain our position in the market and navigate the uncertainties ahead.

Table 3: Economic Value Generated, Distributed and Retained from FY2018 to FY2020[6]

Economic Value Generated (S$'million)	FY2018	FY2019	FY2020
Revenue	153.4	133.6	110.6
Economic Value Distributed (S$'million)			
Operating costs	(61.7)	(60.8)	(49.1)
Employee wages and benefits	(50.9)	(47.6)	(42.3)
Payments to providers of capital	(3.1)	(2.6)	(1.5)
Payments to governments	(1.5)	(1.3)	(1.5)
Economic Value Retained (S$'million)	**36.2**	**21.3**	**16.2**

For further details on our economic performance, please refer to the following sections in our Annual Report: Financial Statements and Chairman's Statement.

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

6 FY2018 to FY2020 figures include all companies within the Sunright Group.

DEVELOPING AN ENGAGED WORKFORCE & FAIR WORKPLACE

Sunright's Employee and Worker Profile

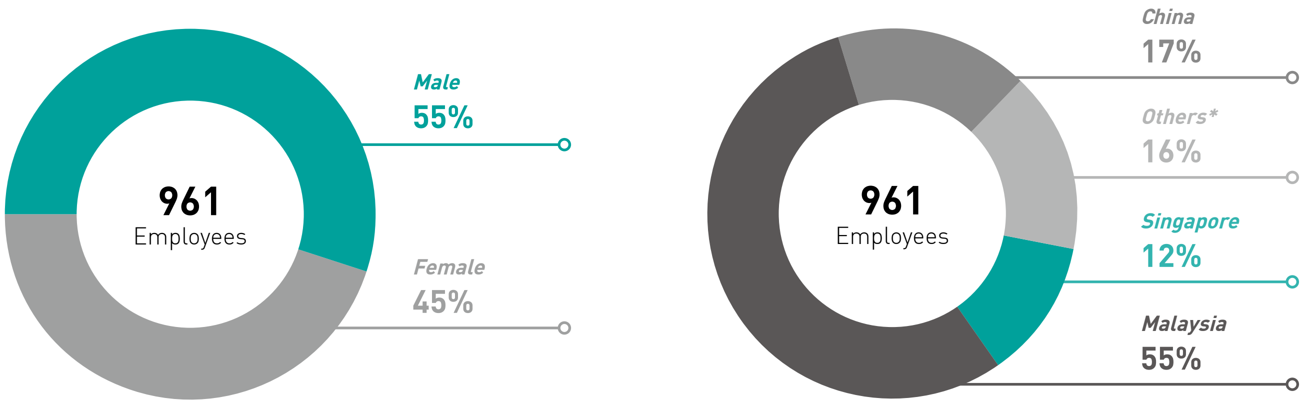
[GRI 102-7, 102-8, 401-1]

In FY2020, Sunright was supported by 961 employees and 1,143 workers across Singapore, Malaysia and China, a slight decline from the previous year due to changing operational needs on the backdrop of the COVID-19 situation. Our workers include mostly outsourced operators directly involved in production activities and suppliers.

We remain committed to ensuring that our employees have sufficient opportunities to fulfil their potential with us. We employ more than 92% of our employees under a permanent contract, mostly on a full-time basis. We also maintained our focus on gender diversity, with a well-balanced ratio of male and female employees.

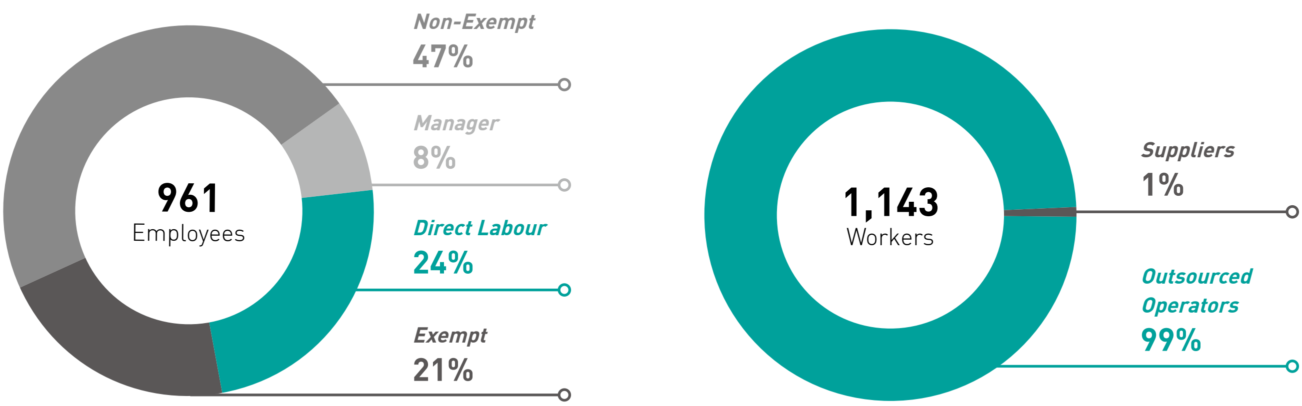
The following charts show our employee demographics by gender and region, as well as our employee and worker demographics by employment category[7] supporting Sunright's business activities.

Figure 6: Sunright's Employee Demographics by Gender and Region in FY2020



* *Others include Indonesia, Philippines, Myanmar, Nepal, Sri Lanka and Vietnam.*

Figure 7: Sunright's Employee and Worker Demographics in FY2020



[7] 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 China, Malaysia and Singapore. Non-exempt employees refer to those entitled for overtime work.

In FY2020, we hired 176 new employees, a 22% decrease from FY2019. We also witnessed a lower turnover rate of 278 employees (or about 7% improvement from FY2019). This improvement in our retention rate is a testament to our longstanding fair employment practices and reflects the trust and satisfaction of our employees in our organisation.

COVID-19 Spotlight

Sunright is committed to ensuring the job security of our employees despite the economic downturn brought about by the crisis. We have embarked on cost control measures including forced leave arrangements and will monitor the situation closely, exercising prudence as necessary to protect jobs and livelihoods.

Figure 8: Sunright's New Hires by Gender, Age Group in FY2020

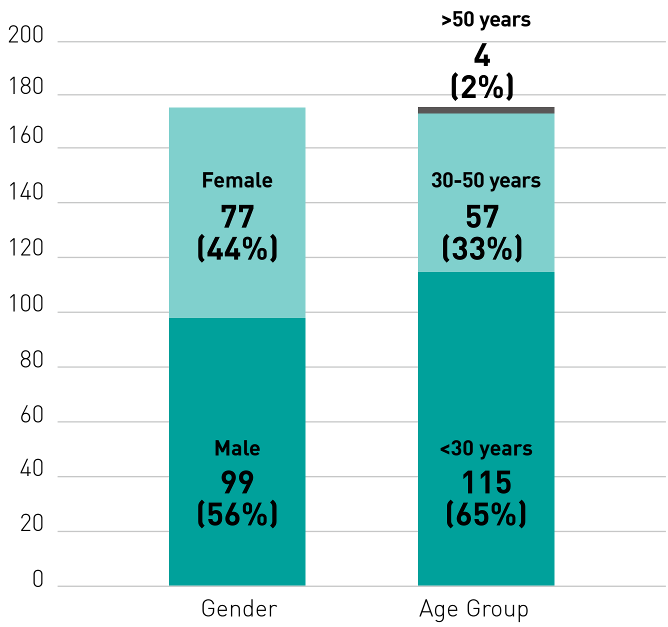
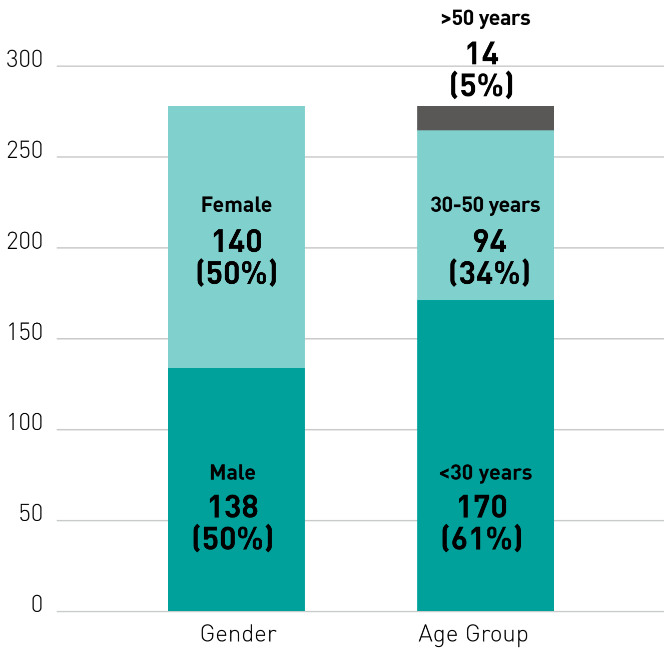


Figure 9: Sunright's Turnover by Gender, Age Group in FY2020



Fair Employment Practices

[GRI 406-1]

Employees and workers are our key asset as the skill sets and knowledge they have are paramount to Sunright's success. As such, we place great value in building a strong relationship with our employees and workers. Their safety and well-being are highly regarded and protected, and we have established a suite of policies that promote fair and non-discriminatory treatment. These policies have been developed to allow our employees and workers to maximise their productivity and fullest potential with us.

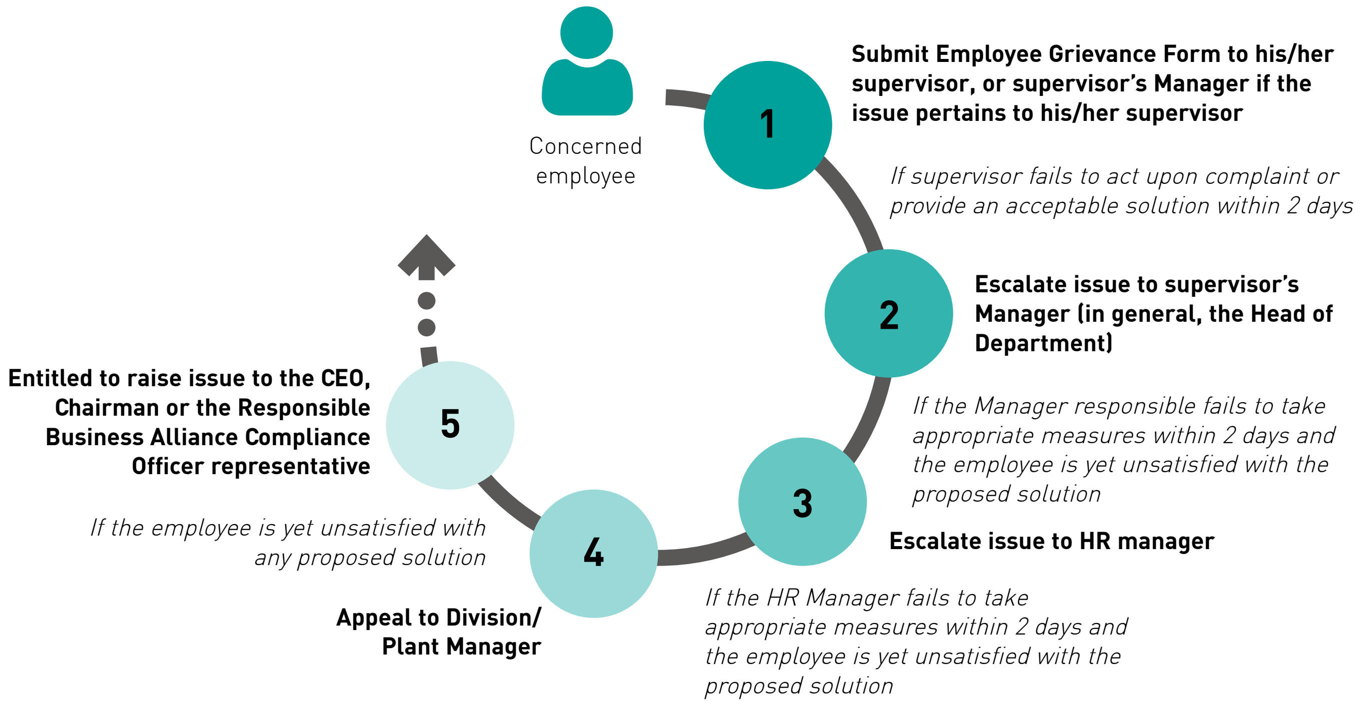
Figure 10: Sunright's Policies on Fair Employment and Well-Being of Employees and Workers

Name of Policy	Policy Description
Recruitment and Selection Policy	Provision of equal opportunities for all terms and conditions of employment, including but not limited to recruitment, selection and placement of all qualified applicants and employees, we do not condone any form of discrimination – regardless of race, colour, religion, gender, age, sexual orientation, gender identity and expression, ethnicity or national origin, covered veteran status, protected genetic information, disability, pregnancy, political affiliation, union membership and marital status.
Grievance Procedures/ Mechanism	Employees are encouraged to report their grievances without fear of reprisal or retaliation should they feel unfairly treated. The grievance mechanism can be initiated through various channels such as telephone, text, fax, suggestion boxes and e-mail. Our foreign workers can submit their grievances in their native language to avoid miscommunication and encourage them to speak up. The HR department will appoint a translator to assist in the procedures, including the collection of information, investigations and provision of solutions.
Labour & Human Rights Standards	This is line with our Corporate Social Responsibility ("CSR") commitment and compliance to the Code. Sunright is committed to ensure that labour and human rights practices are incorporated into our business functions. We respect diversity, non-discrimination and freedom of expression among our employees. We constantly aim to provide a safe, healthy and conducive environment for our employees, customers, vendors and shareholders as part of our business strategy and operating initiatives. This policy is also available in Mandarin Chinese for the ease of understanding and benefit of employees at our Tianjin facility.
Benefits Policy	To create a productive and encouraging working environment for all employees, Sunright has in place a Benefits Policy. This policy details all the benefits allotted to our employees: medical benefits, public holidays, service awards, annual salary review, gifts on occasions, etc.

Sunright ensures that these fair employment practices include our outsourced workers. We conduct quarterly audits on the associate company providing a large number of outsourced foreign workers to our operations. Areas assessed include a review of the pay slips of these workers to ensure that they are paid fair wages and on time. No significant findings have been raised from these audits to date.

As a commitment to review our process continuously, the HR department conducts regular dialogue sessions to receive our employees' grievances, concerns, feedback and suggestions without the fear of backlash, such that we can build a safer and healthier workforce. Figure 11 illustrates Sunright's grievance mechanism.

Figure 11: Sunright's Employee Grievance Mechanism



In FY2020, no substantiated complaints were received from our employees regarding unfair or discriminatory employment practices within Sunright.

Focus Area	Perpetual Target	FY2020 Performance
Fair employment practices	0 complaints from employees to regulatory authorities pertaining to unfair or discriminatory employment practices	Achieved

FOSTERING A SAFETY CULTURE

[GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-9]

Sunright has established the Safety and Health Policy that ensures the well-being of all personnel at each of our facilities and issues advisories and instructions on safe conduct. This policy describes the procedures and guidelines for our Health and Safety performance and allows us to proactively determine and eliminate factors that pose a risk to our employees' well-being. Our subsidiaries are guided by an effective OHS Management System ("OHSMS"), which has been created with reference to local safety regulations and covers all workers in our operating locations.

Hazard Identification and Risk Assessment

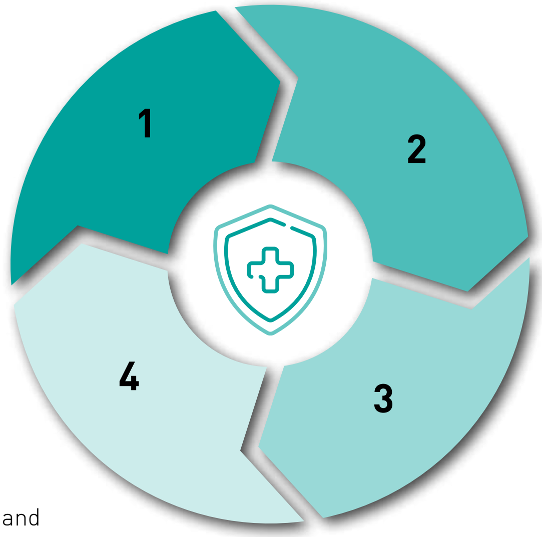
Fostering a safety culture increases the necessity to detect and minimise all potential hazards that may pose danger to the safety and health of our workers. Types of hazards include cuts from handling sharp blade edges, trip or fall due to electrical appliances and other energy sources, fire, vehicles, slippery floors etc. Other identified risks which have been determined to be low include exposure to chemicals from airborne tin resulting from soldering activities as well as manual handling activities.

Sunright undertakes control measures such as annual exposure monitoring to ensure any chemical exposure is kept to a minimum. Regular safety walks, equipment inspection and audits are performed to assess and eliminate risks with the use of Hierarchy of Controls. In order to ensure that risks are properly identified and controlled, our safety personnel are also regularly trained and updated with the latest safety practices. This improves the overall effectiveness of OHSMS, which is essential in safeguarding the health of our workers. Figure 12 elaborates on the systematic process established to identify and eliminate hazards, towards continually improvement of the OHSMS.

Figure 12: Process of Hazard Identification, Risk Assessment and Improvement of OHSMS

Hazard Identification and Risk Assessment

- Regular safety walks/meetings
- Inspection of equipment, tools, materials and members
- Plant-wide safety audit
- Feedback to management on effectiveness of plans
- Use of Hazard Identification, Risk Assessment & Risk Control ("HIRARC")



Elimination of Hazards and Minimisation of Risk

- Use of Hierarchy of Controls consisting of Personal Protective Equipment ("PPE"), source control, safety system and an audit by the Safety and Health Committee

Worker Training

- Training of personnel involved in OHS activities
  - e.g. KESMI's Safety officer to be registered with Department of Safety and Health ("DOSH"), KESP's OHS officer to undergo mandatory training and assessments in OHS management and legislation

Continual Improvement of OHSMS

- Methodical and timely audits
- Review of programme regularly
- Allocation of resources to the appropriate personnel to perform remedial action and risk control
- Regular safety meetings to review and propose improvements to Standard Operating Procedure

Incident Investigation

With a systematic process in place, hazardous situations can be more quickly discovered and removed. Upon the discovery of a potentially hazardous situation, workers are to report immediately to their supervisor or head of department. The OHS committee will then launch an investigation on the incident and record all details in an investigation report. To ensure that investigation can be carried out properly, those who report such incidents are protected from backlash by the Code. Subsequently, workers should remove themselves as soon as possible from situations they believe could cause injury to them.

Sunright takes a serious view of all work-related incidents. When an incident occurs, the root cause is identified, and corrective actions determined. These findings are documented in an accident investigation report, and follow-up actions are enforced by the relevant stakeholders.

Occupational Health Services and Promotion of Worker Health

In addition to systematic processes established to effectively manage safety risks, we are also committed to safeguard the health of our employees and workers. As part of our Occupational Health Services system, service providers have to be properly certified and comply with all international and national OHS standards and regulations. First aid treatment is provided for minor injuries and transport to hospital provided for serious cases. To facilitate workers' access of these services, we ensure that OHS information is readily available in languages understood by all. Regular evaluation of service effectiveness to identify areas of improvement is carried out using surveys and self-rating measures.

Sunright has also established medical and healthcare services for all our employees. Such services include annual health screenings and consultations at company-approved clinics. Furthermore, we organise voluntary blood tests and indoor/outdoor activities for our workers, which they can participate in during working hours. We collaborate with external service providers in order to facilitate our workers' access to these programmes.

Worker Participation and Training

While we have established services to improve the health and safety of our workers, we understand the need to actively involve our workers and raise awareness among them on OHS matters. As such, we provide our employees with OHS training which includes training for management staff, first aid and CPR training for designated workers, as well as safety training for all operations staff annually. For workers exposed to specific hazards (e.g. chemicals), they are given the appropriate hazard-specific training. A formal joint management-worker OHS committee has also been established to engage our workers in OHS consultation and communication process.

Figure 13: Worker Participation, Consultation and Communication on OHS

Formal joint management-worker OHS committee
- Subcommittees include accident & fire prevention, First Aid, publicity and safety audit
- Roles include chairman, consultant, supervisors, department heads, plant manager and members

Workers' involvement in OHSMS
Committee and subcommittees (if any) made up of representatives from various departments and members drawn from all levels

Workers' access to OHS information
- OHS requirements discussed during Safety Training
- Incident reports are updated regularly and published to all employees

COVID-19 Spotlight

Health and Safety is a key focus for Sunright, and the COVID-19 outbreak has made this even more important. Guided by government-mandated measures and advisories in Singapore, Malaysia and China, we immediately put in place health and safety measures such as work-split and telecommuting arrangements for non-manufacturing employees, temperature screening, enhanced cleaning and disinfection, safe distancing measures etc. Employees were also kept informed on the latest health developments and work arrangement plans through regular staff communications.

Focus Area	Perpetual Target	FY2020 Performance
Occupational Health and Safety	0 work-related fatalities and injuries	Achieved

PROTECTING THE ENVIRONMENT

[GRI 302-1, 302-3, 302-4]

Sunright has always been conscientious in operating our business with a strong focus on environmental sustainability. To manage our environmental impact, we are constantly developing initiatives that reduces our consumption of electrical energy. Over the years, we have already implemented several energy-saving initiatives. Our Malaysia operations are covered under an Environmental Management System guided by a manual (certified to ISO 14001), as well as other local Energy Policies. In addition, our Code of Conduct also contains standards relating to environment, such as resource conservation, dealing with hazardous substances, wastewater and solid waste, air emissions etc.

One of the local Energy Policies implemented at our Tianjin plant sets out annual electrical consumption targets, encourages implementation of cost-effective energy efficiency improvements and retrofits, and promotes other communication campaigns and training programmes to raise staff awareness. While the existing Tianjin pilot Emission Trading System does not cover the semiconductor and electronics manufacturing industry, we are nonetheless committed to contribute to national reduction goals of carbon emissions.

In FY2020, we have consumed about 82.7 GWh of electricity. This translates to a decrease in electricity consumption of 4.9 GWh, or 5.6%, from the previous year. Similarly, our Scope 2 emissions have fallen by 3.5% to 58.1 Kilo tonnes CO_2.

Figure 14: Sunright's Electrical Energy Consumption

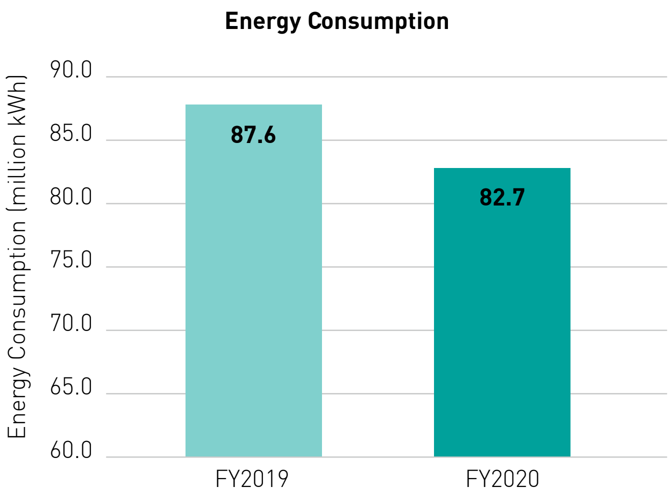
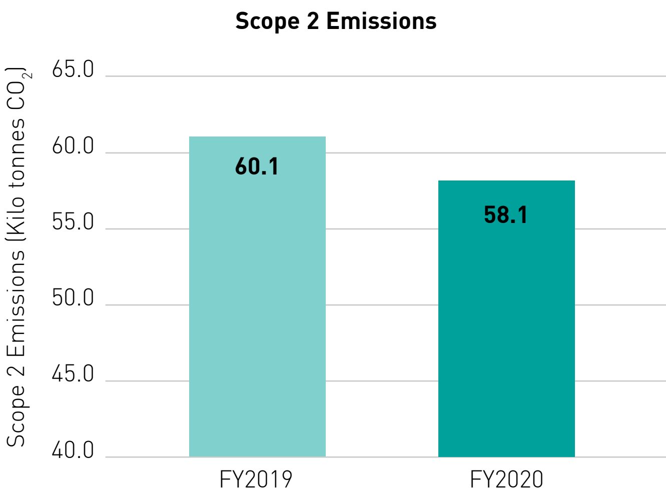


Figure 15: Sunright's Scope 2 (Indirect) Emissions[8]



Focus Area	Perpetual Target	FY2020 Performance
Energy Consumption	2% reduction in year-on-year energy consumption	Achieved 5.6% reduction

We seek to continually improve the quality and efficiency of our compressors and keep our operations competitive with the latest technologies in the field. To reduce energy wastage, we have identified operational redundancies to optimise our systems. The following outlines several initiatives we have undertaken to reduce energy usage in FY2020.

[8] The Electricity Grid Emissions Factors ("GEF") used in the calculation of Scope 2 Emissions for FY2019 and FY2020 have been obtained from the Institute for Global Environmental Strategies ("IGES") 2020 database. The Scope 2 Emissions figure for FY2019 has been revised due to updates in the North China GEF (0.968 kgCO_2/kWh) and Malaysia GEF (0.6448 kgCO_2/kWh).

Key Energy-saving Initiatives
Investigation of sudden increase in Plant 2 TNB max demand *Description*: The electricity meter recorded an anomalous increase in the maximum power demand in August and September 2019. Investigations found that the surge was caused by the monthly restart of the IHI-Compressor during servicing. Instead of shutting off and subsequently restarting the compressors during the monthly servicing, the compressors can be kept operating through temporary cooling from a chilled water supply. *Estimated Savings*: After the change, we observed energy savings of 118 kWh per month, which corresponds to about S$1,421 each month. **Optimisation of air-conditioning system** *Description*: Upon testing of the machine power load and number of operators, it was found that the current 300,000 Btu/hr cooling capacity is oversized. By switching off one of three compressors, the power consumption for the remaining compressors was stabilised and maximised. *Estimated Savings*: We expect monthly savings of 5,400 kWh with the corresponding monthly cost savings of about S$659.

GRI CONTENT INDEX

Disclosure		Reference(s) or Reasons for Omission
Material Topic: 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	About Sunright Limited (page 9); Chairman's Statement (pages 2-3)
102-8	Information on employee and other workers	Developing an Engaged Workforce & Fair Workplace (pages 19-22)
102-9	Supply chain	Sustaining Economic Performance (pages 16-18)
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	Sunright does not specifically address the principles of the precautionary approach. However, our management is risk-based. Refer to Annual Report (pages 41-42)
102-12	External initiatives	We take reference 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

Disclosure		Reference(s) or Reasons for Omission
Strategy		
102-14	Statement from senior decision-maker	Chairman's Statement (pages 2-3); Board Statement (page 9)
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Building an Ethical Culture (pages 14-15)
Governance		
102-18	Governance structure	Sustainability: The Right Way Forward (page 10)
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement (pages 10-11)
102-41	Collective bargaining agreements	None of our employees are covered by collective bargaining agreements. Nonetheless, Sunright respects the rights of its employees to join or form a labour union.
102-42	Identifying and selecting stakeholders	Stakeholder Engagement (pages 10-11)
102-43	Approach to stakeholder engagement	Stakeholder Engagement (pages 10-11)
102-44	Key topics and concerns raised	Stakeholder Engagement (pages 10-11)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual Report (pages 93-94)
102-46	Defining report content and topic boundaries	Materiality Assessment (pages 11-12)
102-47	List of material topics	Materiality Assessment (pages 11-12)
102-48	Restatements of information	Scope 2 Emissions for FY2019 has been restated due to updates in national Grid Emissions Factors.
102-49	Changes in reporting	Inclusion of additional reporting matter
102-50	Reporting period	FY2020
102-51	Date of most recent report (if any)	FY2019
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 26-29)
102-56	External assurance	About the Report (page 9)
Material Topic: Ethical Business Conduct		
Management Approach		
103-1	Explanation of the material topic and its boundary	Building an Ethical Culture (pages 14-15)
103-2	The management approach and its components	Building an Ethical Culture (pages 14-15)
103-3	Evaluation of the management approach	Building an Ethical Culture (pages 14-15)
Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	Building an Ethical Culture (pages 14-15)
205-3	Confirmed incidents of corruption and actions taken	Building an Ethical Culture (pages 14-15)

Disclosure		Reference(s) or Reasons for Omission
Material Topic: Regulatory Compliance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Ensuring Strict Compliance with Applicable Laws and Regulations (page 16)
103-2	The management approach and its components	Ensuring Strict Compliance with Applicable Laws and Regulations (page 16)
103-3	Evaluation of the management approach	Ensuring Strict Compliance with Applicable Laws and Regulations (page 16)
Environmental and Socioeconomic Compliance		
307-1	Non-compliance with environmental laws and regulations	Ensuring Strict Compliance with Applicable Laws and Regulations (page 16)
419-1	Non-compliance with laws and regulations in the social and economic area	Ensuring Strict Compliance with Applicable Laws and Regulations (page 16)
Material Topic: Economic Performance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Sustaining Economic Performance (pages 16-18)
103-2	The management approach and its components	Sustaining Economic Performance (pages 16-18)
103-3	Evaluation of the management approach	Sustaining Economic Performance (pages 16-18)
Economic Performance and Procurement Practices		
201-1	Direct economic value generated and distributed	Contributing Direct Economic Value (page 18)
204-1	Proportion of spending on local suppliers	Managing Supply Chains Responsibly (pages 16-18)
Material Topic: Fair Employment Practices		
Management Approach		
103-1	Explanation of the material topic and its boundary	Developing an Engaged Workforce & Fair Workplace (pages 19-22)
103-2	The management approach and its components	Developing an Engaged Workforce & Fair Workplace (pages 19-22)
103-3	Evaluation of the management approach	Developing an Engaged Workforce & Fair Workplace (pages 19-22)
Employment and Non-Discrimination		
401-1	New employee hire and employee turnover	Sunright's Employee and Worker Profile (pages 19-20)
406-1	Incidents of discrimination and corrective actions taken	Fair Employment Practices (pages 20-22)
Material Topic: Energy and Carbon Footprint		
Management Approach		
103-1	Explanation of the material topic and its boundary	Protecting the Environment (pages 25-26)
103-2	The management approach and its components	Protecting the Environment (pages 25-26)
103-3	Evaluation of the management approach	Protecting the Environment (pages 25-26)
Energy Consumption and Emissions		
302-1	Energy consumption within the organisation	Protecting the Environment (pages 25-26)
305-2	Energy indirect (Scope 2) GHG Emissions	Protecting the Environment (pages 25-26)

Disclosure		Reference(s) or Reasons for Omission
Additional Reporting Matter: Occupational Health and Safety		
Management Approach (2018)		
103-1	Explanation of the material topic and its boundary	Fostering a Safety Culture (pages 22-24)
103-2	The management approach and its components	Fostering a Safety Culture (pages 22-24)
103-3	Evaluation of the management approach	Fostering a Safety Culture (pages 22-24)
Occupational Health and Safety (2018)		
403-1	Occupational health and safety management system	Fostering a Safety Culture (pages 22-24)
403-2	Hazard identification, risk assessment, and incident investigation	Fostering a Safety Culture (pages 22-24)
403-3	Occupational health services	Fostering a Safety Culture (pages 22-24)
403-4	Worker participation, consultation, and communication on occupational health and safety	Fostering a Safety Culture (pages 22-24)
403-5	Worker training on occupational health and safety	Fostering a Safety Culture (pages 22-24)
403-6	Promotion of worker health	Fostering a Safety Culture (pages 22-24)
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Fostering a Safety Culture (pages 22-24)
403-9	Work-related injuries	Fostering a Safety Culture (pages 22-24)

CORPORATE GOVERNANCE REPORT

Sunright Limited (the "Company") affirms its commitment to upholding a high standard of corporate governance, to safeguard the interests of all its stakeholders.

When establishing the Company's corporate governance framework, the Board considered the principles and recommended provisions of the Code of Corporate Governance 2018 (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 Corporate Governance Report sets out the Company's main corporate governance policy and practices, that were in place throughout and/or during the financial year ended 31 July 2020 ("FY2020"), or which will be implemented and where appropriate, we have provided explanations for any deviations from the recommendations of the Code.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

PRINCIPLE 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1: Board's Duties and Responsibilities

Principal Duties of the Board

The Board assumes overall responsibilities over the Company and the companies within the Group, excluding the listed de facto subsidiary and its group of companies, which are associates and managed by a separate and independent Board listed on another stock exchange.

In discharging its duties and responsibilities, the Board has set the strategies to ensure that the Group is led and managed in an effective and responsible manner, so that the objectives and goals are met.

The Board is guided by its policies which set forth matters that require its approval. This assisted the Board in ensuring that performance of its duties and responsibilities are in line with the Constitution of the Company, the Companies Act, Cap. 50 ("CA"), the Listing Manual of the Singapore Exchange Securities Trading Ltd ("SGX-ST") and applicable laws, regulations and rules that the Group is required to comply with.

The Company's Board comprise individuals from the private sector who are entrepreneurs and professionals with the right core competencies and diversity of experience, gender and knowledge to enable the Board to provide effective guidance and good insights to the Management.

It has always been the governing principle adhered to by all of the Directors of the Company that regardless of whether they are independent or not, they have the fiduciary obligation to act in the best interests of the Company.

The primary function of the Board is to provide effective leadership and direction, and work with Management to protect and enhance the long-term value of the Group to its shareholders and other stakeholders. In this regard, the key roles of the Board are to:

- guide the corporate strategy and direction of the Group;
- establish a framework of prudent and effective controls which enables risks 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 businesses.

The Board sets the tone for the Group in respect of ethics, values and desired organisational culture, and ensures proper accountability within the Group. It has established a code of conduct and ethics, to promulgate ethical values and conduct that Directors and employees are expected to observe.

Conflict of Interest

Directors are aware that they must not allow himself or herself to get into a position where there is a conflict between his or her duty to the Company and his or her own interests. As a safeguard, any Director who has a conflict of interest in a particular matter or transaction under consideration, is required to disclose such interest to the Board and shall not participate in the deliberation on the matter or transaction and shall also abstain from voting on the matter or transaction.

Provision 1.2: Board's Training and Induction

Training and Development of Directors

From time to time Management provides the Directors with complete, adequate and timely information prior to and during the meetings of the Board and Board Committees, including regular updates, to keep the Directors up to speed on pertinent developments and matters. As such, the Directors are able to make informed decisions and discharge their duties and responsibilities well.

All Directors are also encouraged to undergo continuous training to broaden their perspectives and keep abreast with new statutory and regulatory requirements. Training is provided to Directors through a mix of in-house and external/virtual training programmes. In keeping with the Board's open policy for occasional training for all the Directors, a training budget has been set aside for Directors, so that they have the discretion to attend external/virtual training, on topics that they deem appropriate or relevant to him or her.

During the FY2020:

- The external auditor briefed the Directors on developments in accounting standards and governance matters during scheduled Audit Committee meetings.
- The Management briefed the Board during scheduled meetings, as well as via circulated articles and media releases on updates to the CA, changes to the Code, listing rules of the SGX-ST and pertinent topics on Directors' duties, new laws, etc.
- Regular presentations were made to the Directors by the Management during scheduled meetings, on the Group's businesses, activities, strategic directions, industry environment and developments affecting the Group, including the effects of COVID-19 and changing commercial risks that the Group is facing.
- External training attended by the Directors variously included:
    - "Ethical and Legal Consideration in Protecting your Company Secrets and Customer Databases" conducted by ISCA.
    - "Covid-19, 6 months on.", ST Webinar
    - "Navigating Economy in a time of troubles: US-China", Asia Society Webinar

Induction of Newly Appointed Directors

The Company issues a formal letter of appointment to newly appointed Director, setting out clearly among other matters, his/her role, obligations, duties and responsibilities as a director. As part of the onboarding process, Management will provide such Director with a comprehensive induction programme, with relevant materials provided to familiarise him/her with the Company's Board policies and processes, the Group's businesses, operations, financial performance, risk management and internal control systems, as well as governance practices. In FY2020, no new director was appointed.

Provision 1.3: Board's Reserved Matters

The Board has established a set of delegations of authority, which document matters that require its approval. In general, the Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Management, to optimise operational efficiency as well as provide a system of checks and balances.

Matters and transactions that normally require the consideration and approval of the Board, include annual budgets, annual financial statement, announcements to the SGX-ST, adoption of corporate governance practices, corporate restructuring, declaration of dividends, major investments, oversight of risk management and internal control systems.

Provision 1.4: Board Committees

The Board is supported by three Board Committees, namely the Audit and Risk Committee (the "ARC"), the Nominating Committee (the "NC") and the Remuneration Committee (the "RC"), each of which operates under delegated authority from the Board, to assist the Board in discharging its oversight function. These Board Committees are constituted with clear written Terms of Reference setting out their compositions, authorities and duties, including reporting back to the Board. While the Board Committees have the authority to examine and may approve certain matters, they generally report to the Board with their recommendations for the Board's decisions.

Provision 1.5: Time Commitment of Directors

Attendance of Meetings

The Board and Board Committees meet on a scheduled basis, at least two to three times annually. Additional meetings are convened as may be warranted by particular circumstances. Board and Board Committees meetings are normally conducted physically. When circumstances require, such meetings can be held by electronic means, either in audio or video modes. In this manner, all Directors are able to attend and actively participate in the meetings.

Meetings of the Board and Board Committees have always been conducted in an open and participative manner, whereby all Directors engage in constructive debate, dissenting views are allowed to be freely expressed and thorough deliberations made on agenda matters, to ensure the quality of the decision making and with the interests of the Company at heart.

The commitment of individual Directors in carrying out their duties is reflected in their full attendance at the meetings of the Board and Board Committees held in FY2020, as shown in the table below:

Types & Number of Meetings / Name of Directors	Board	ARC	NC	RC
	5	**3**	**4**	**4**
Samuel Lim Syn Soo	5	3*	4	4*
Kenneth Tan Teoh Khoon	5	3*	4	4*
Lim Mee Ing	5	3	4*	4
Francis Lee Choon Hui	5	3	4	4
Timothy Brooks Smith	5	3	4	4
Daniel Soh Chung Hian	5	3	4	4

* By invitation

In between the scheduled meetings of the Board and Board Committees, important or time sensitive matters are also discussed in person or on the telephone, for consultations and when necessary, approval on the matters under discussion are made by way of circular resolutions together with supporting papers (where relevant) to facilitate informed decision making.

Provision 1.6: Board's Access to information

All Directors have full and unrestricted access to timely information which is necessary for them to discharge their duties responsibly.

Agendas and meeting papers containing reports, financial statements and information to facilitate active participation and informed decision making, are typically circulated to the Board, and the Board Committees, a week or so prior to the meetings. This allows the Directors ample time to study and evaluate the matters to be discussed at the meetings. Furthermore, Directors may request for additional clarification and information, to assist them in their decision making.

Provision 1.7: Board's Access to Management, External Advisers and Company Secretary

Directors have separate and independent access to Management and the Company Secretary at all times, during face-to-face meetings as well as through electronic mails, telephone and video conference.

The Directors may seek and obtain independent professional advice at the Company's expense, where necessary, to fulfil and discharge their duties and responsibilities as Directors.

The Board is supported by the Company Secretary, who attends to the administration of corporate secretarial matters, advises the Board on governance matters and ensures the Company complies with its Constitution and relevant laws and regulations, including the CA, the Securities and Futures Act and the Listing Manual of SGX-ST ("Listing Manual"). The Company Secretary attends and prepares the minutes of meetings of the Board, Board Committees and shareholders and provides assistance to the Chairman of the Board and Board Committees, to ensure Board procedures are adhered to.

The Board decides on the appointment and termination of the Company Secretary.

BOARD COMPOSITION AND GUIDANCE

PRINCIPLE 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provisions 2.1: Determination of Director's Independence

The Board espouses the principle that a board composition with a strong and independent element, as well as diversity of thought and background facilitates Directors to: (i) engage in robust deliberations with Management; (ii) provide external, diverse and objective insights on issues brought before the Board and Board Committees for discussion and deliberation; and (iii) provide oversight to ensure Management discharges its roles and responsibilities effectively.

As at FY2020 and currently, the Board comprises six Directors, of whom four are non-executive. Three of the Non-Executive Directors ("NEDs") are independent.

The independence of the Directors is monitored by the NC and ensured by the Board. On an annual basis and as and when circumstances require, the NC and the Board make reference to the guidelines provided in the Code, to determine whether or not a Director is independent in conduct, character and judgment, and has any relationship with the Company, its related corporations, its substantial shareholders, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, in the best interests of the Company and has not served on the Board for a continuous period of nine years or longer.

For FY2020, each of the Independent Directors ("IDs") had declared that there were no relationships or circumstances, which impact his independence status and he has been able to act independently and liberally. The declarations made by the IDs had been assessed by the NC and in subsequence thereof, the Board undertook a review of their independence and had determined that Messrs Francis Lee Choon Hui, Timothy Brooks Smith and Daniel Soh Chung Hian, continue to be independent. The Board, in its rigorous review of the long-tenured IDs i.e. IDs who have served on the Board beyond nine years, inter alia Messrs Francis Lee Choon Hui and Timothy Brooks Smith, were satisfied that they were and have been able to act independently, in the best interests of the Company. Each of them abstained from participating in his own review by the Board.

In keeping with the spirit of good governance, the Board is voluntarily seeking early shareholders' approval at the forthcoming annual general meeting ("42nd AGM") of the Company, through a two-tier voting, to allow both long-tenured IDs, who are also due for rotational retirement at the said meeting, to continue as IDs.

Provision 2.2: Majority Independence Criteria if Chairman is non-independent

The Board Chairman is not an ID as he also assumes the position of Chief Executive Officer ("CEO").

At the close of FY2020 and currently, the Board comprises of three IDs which constitutes half of the Board. This is not yet in keeping with the Code's recommendation that IDs make up a majority of the Board where the Chairman is not independent.

Given that the Code only took effect to apply to annual reports covering financial years commencing from 1 January 2019; and in consideration of the uncertain economic conditions and business environment attributable to ongoing global COVID-19 pandemic; and pending the outcome of the long-tenured IDs seeking two-tier approval from shareholders at the 42nd AGM, which may affect the composition of the Board's independence; the Board would re-assess its Board mix along with fulfilling the independence criteria, after the conclusion of the 42nd AGM. Nonetheless, the NC had assessed that the lack of majority IDs in the composition of the Board had not impeded the Directors, whether individually or collectively, from acting in the best interests of the Company, during Board and Board Committees deliberation and decision-making. In fact, the professional and knowledgeable contributions of the Directors have enabled the Group, since its listing in 1994, to ride through the inherent volatility of the semiconductor cycles and navigate through the numerous major economic and financial crises, such as the Asian financial crisis, dot-com bubble, global financial crisis, SARs epidemic as well as tackling the ongoing US-China trade war and the current uncertain impacts that the global COVID-19 pandemic is causing, to all businesses globally.

Provision 2.3: Majority Non-Executive Directors

The Board has four NEDs, which make up a majority of the Board.

Provision 2.4: Board Size, Composition and Diversity

During FY2020, the NC had undertaken an assessment of the Board size and composition and was satisfied that the Board is of the right size and is well balanced from the perspective of the mix of skill set, knowledge, experience, independence and diversity. The Board similarly concurred with the NC's findings that:

- given the Group's current size and nature of operations, the size of six Directors is optimal for effective and expedient decision-making; and
- its current composition comprises Directors who collectively have the core competencies and other aspects of diversity to avoid groupthink and foster constructive debate. The table below gives a snapshot on the various aspects of Board diversity:

Gender	Male	83%	Female	17%
Ethnicity	Chinese	83%	Others - American	17%
Nationality	Singaporean	83%	American	17%
Independence	Independent	50%	Non-Independent	50%
Core Competencies	Accounting, finance, banking, business and management experience, customer-based experience and knowledge, engineering, human resources, industry experience and knowledge, international perspective, legal, manufacturing, marketing, public listed experience, investor relations, risk management and strategic development.			

The Board has not formalised a board diversity policy as recommended under this Provision, as the Group already has diversity initiatives and strategies, that are designed to attract, develop and advance the most suitable talented individuals in the organisation, regardless of their race, religion, age, gender or any other dimension of diversity.

When reaching out for candidates to fill Board vacancy, the Board takes cognisance of the Group's diversity practices and considered it along with the other important criteria deemed necessary to fill the gaps in Board composition. It is noteworthy that the Company has already embraced gender diversity even before the Company's listing in 1994 as there is a woman director on Board providing the gender diversity and women's participation in decision-making.

Accordingly, the Board has been and continues to ensure that the Board and Board Committees, have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions.

Provision 2.5: Meeting of Independent Non-Executive Directors

As a matter of good practice, the IDs have met in-person without the presence of Management, at least once a year. However in FY2020, no such meeting was held. The IDs had conferred and concurred that, given the COVID-19 pandemic and as there was no matter that warranted IDs' deliberation and with open communications amongst them; such in-person separate IDs meeting was tentatively postponed to end of 2020.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

PRINCIPLE 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1: Board Chairman and CEO are separate individuals

The Board Chairman is Mr Samuel Lim, who is also the Company's CEO. This single leadership appointment is a deviation under this Provision which recommends that each role should be held by separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

The Board has taken the view that given the nature and size of the Group's businesses, it is in the interests of the Company to vest both roles on the same individual, Mr Samuel Lim. His unique background as Co-founder is beneficial to the Group as is his valuable deep knowledge, about the semiconductor industry and the businesses of the Group; all of which will ensure there is effective management and continued success of the Group, in meeting its obligations and goals. The combined roles thus provide the Group with a strong and consistent leadership, and allows for more effective planning and expeditious execution of the business strategies.

The Board also views that there is a strong element of independence on the Board to ensure fair and objective deliberation.

Furthermore, in view of Mr Samuel Lim's performance, professionalism and objectivity in discharging his responsibilities, the Board fully supports the retention of his combined roles as Board Chairman and CEO.

Provision 3.2: Written division of responsibilities of Chairman and CEO

The Board is mindful of the concern over the balance of power and accountability issues attributable to the combined roles of the Board Chairman and CEO. To ensure that there are proper checks in place, to safeguard the interests of the Company, the Board has set out clearly in writing the division of responsibilities between both roles.

As Chairman, Mr Samuel Lim is responsible for the overall management of the Board, which encompasses leading the Board to ensure its effectiveness, as well as ensuring the Directors and Management work together with integrity and competency; and he guides the Board in constructive debates on the Group's strategic direction, management of the businesses and governance matters.

In his role as CEO, Mr Samuel Lim has overall responsibility for the running of the Group's business operations. He has full executive responsibilities over the business and operational decisions of the Group, as well as ensuring the Group's compliance with the applicable laws and regulations in its day-to-day operations.

Provision 3.3: Lead ID

This Provision recommends that a Lead ID be appointed where the Chairman is conflicted or not independent. The Board has yet to appoint a Lead ID, as it will be undertaking a further review of its Board composition, after the conclusion of the 42nd AGM, inter alia, IDs with more than nine years will be subjected to two-tier voting process. Therefore, the Board takes the view that it is more meaningful to defer the appointment of a Lead ID for the time being.

BOARD MEMBERSHIP

PRINCIPLE 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provisions 4.1 and 4.2: NC and its composition

The NC comprises five Directors, namely: Messrs Francis Lee Choon Hui (Chairman), Timothy Brooks Smith, Daniel Soh Chung Hian, Samuel Lim Syn Soo and Kenneth Tan Teoh Khoon, majority of whom (including the Chairman) are independent.

The NC is regulated by its Terms of Reference and its principal functions are to review:

- Structure, size and composition of the Board and making recommendations to the Board with regard to any changes deemed necessary;
- Effectiveness of the Board, Board Committees and individual Directors and developing appropriate procedures for such evaluations;
- Independence of IDs;
- Training and professional development programmes for the Board and its directors;
- Succession plan for Directors, in particular the Executive Directors;
- Identification of Key Management Personnel ("KMP");
- Proposal of candidates for appointment to the Board; and
- Re-appointment of Directors.

In FY2020, the NC met four times with full attendance, to carry out the aforesaid duties, amongst others.

Provision 4.3: Selection, Appointment and Re-Appointment of Directors

The NC is tasked to assist the Board to find suitable candidates for appointment of director to the Board and to make appropriate recommendation. The NC is guided by the policy set by the Board in the identification, selection and appointment of new director candidates.

The Board seeks to ensure its composition provides for appropriate level of independence and diversity of thought and background. In identifying suitable candidates for appointment to the Board, the Board prioritises the needs of the Group and takes into account the industry and business experience, skills, expertise and background of the candidates. In addition, the Board will give due regard to the requirements in the Listing Manual and the Code. The Board will also consider the candidate's ability to commit sufficient time so as to effectively discharge his or her duties as Director.

Provision 4.4: Director's Independence

As described under Provision 2.1, the IDs, including those whose tenure has exceeded nine years cumulatively, have been assessed by the NC to be independent.

The Board is satisfied all the IDs have continued to demonstrate their ability to exercise independent judgement, while acting in the best interests of the Company. The Board does not consider length of tenure as a criterion affecting a director's independence, as there are advantages to be gained from the long-serving directors who possess good insight and valuable institutional knowledge of the Group's businesses and affairs. In this connection, the Board will seek shareholders' approval through a two-tier voting process, to retain the long-tenured IDs as IDs.

Provision 4.5: Director's awareness and adequate discharge of duties

New Director's Awareness of Duties and Obligations

As explained under Provision 1.2, newly appointed Director is made aware of his duties and obligations through the formal letter of appointment and the attendance of induction training conducted by the Company.

Limit on listed company board representation

As a matter of policy, the Board does not limit the maximum number of listed company board representation Directors may hold as long as the individual Directors is able to commit his or her time and attention to the affairs of the Group, including attending Board, Board Committee and shareholders' meetings. The Board believes that each Director is best placed to decide whether he or she has sufficient capacity to discharge his or her duties and responsibilities, in the best interests of the Group.

Taking into account the meeting attendance records of the Directors in FY2020, the confirmation provided by IDs of their ability to commit time and attention in discharging their duties as Directors, as well as the contribution and performance of each individual Director at such meetings, the NC had determined and the Board was satisfied that all the Directors have been able to adequately carry out their duties as Directors, notwithstanding their multiple listed board representation and other principal commitments.

In keeping with the principle that a Director must be able to commit his or her time and attention to the affairs of the Group, the Board will generally not approve the appointment of alternate directors. There was no alternate director appointed in FY2020.

Information on Individual Directors

The profiles and other key information on listed company directorships and principal commitments of each Directors, are set out under the "Board of Directors" section in this Annual Report.

BOARD PERFORMANCE

PRINCIPLE 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provisions 5.1 and 5.2: Review of Performance of Board, Board Committees and Individual Directors

The NC has established objective performance criteria and a process on how the performance of the Board as a whole, Board Committees and individual Directors, are to be evaluated on an annual basis.

The NC considers amongst others the adequacy of Board and Board Committees size and composition, information flow, accountability, overall effectiveness, the performance of the chairpersons etc., to evaluate the overall effectiveness of the Board and the Board Committees. Assessment of individual Director focuses on areas such as interactive skills, knowledge, attendance and participation at meetings.

The evaluation process is carried out in-house via completion of relevant confidential questionnaires by Directors, seeking their views on various aspects of Board, Board Committees and individual Director performance. The responses received from the questionnaire were collated by the Company Secretary and a consolidated report was presented to the NC for assessment. The assessment derived from the consolidated results and recommendations are then presented to the Board for its review and deliberation.

During FY2020, NC had undertaken the evaluations of the Board, Board Committees, Chairman and individual Directors, and is of the view that they have performed consistently well and operated effectively. The Board similarly concurred with the NC's assessment.

No external facilitator was involved in the aforesaid evaluation process.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provisions 6.1, 6.2 and 6.3: Remuneration Committee

The RC comprises four NEDs, namely: Messrs Francis Lee Choon Hui (Chairman), Timothy Brooks Smith, Daniel Soh Chung Hian and Lim Mee Ing, all of whom are IDs except for Ms Lim Mee Ing.

The RC is responsible for ensuring formal and transparent procedures are in place for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual directors and KMP. The RC also ensures that no director is involved in deciding his or her own remuneration.

The RC is regulated by its Terms of Reference and its principal functions are to assist the Board in:

- Reviewing the Company's remuneration policy for the Board;
- Recommending to the Board the remuneration structures, mix and quantum for the Directors, CEO and KMP;
- Approving performance measures and targets in the associated remuneration framework; and
- Consulting external independent advisers where necessary on remuneration matters.

The underlying principle of the Company's remuneration policy is to pay competitively and adequately. This translates to be remuneration that is attractive, but yet non-excessive to retain and recruit Directors and KMP of high calibre with the necessary skills and experience required for effective management of the Group.

In its review of the remuneration of the Directors and KMP, the RC made reference to prevailing market practices of comparable companies and take into account the scope of responsibilities and individual performance of the KMP, as well as the performance of the Group.

In FY2020, the RC met four times with full attendance, to review the remuneration framework and packages for the Directors and KMP, as well as deliberated on the extent of remuneration disclosures to be made in the Annual Report. The Board considered the RC's recommendation and is satisfied that the proposed remuneration for the Directors are fair and not excessive, and concurred that whilst there should be substantial disclosure, full disclosure of the remuneration information, would not be in the best interests of the Company.

Provision 6.4: Engagement of Remuneration Consultant

No remuneration consultant was engaged in FY2020, as the RC was able to access some relevant information of some comparable companies and deemed it is not necessary.

LEVEL AND MIX OF REMUNERATION

PRINCIPLE 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provisions 7.1 and 7.3: Remuneration of Executive Directors and KMP

The remuneration policy of the Group is to provide compensation packages at competitive market rates, which reward successful performance and attract, retain and motivate the employees.

The remuneration packages of Executive Directors and KMP, comprise a fixed and a variable component. The fixed component is the base salary and benefits, whereas the variable component is in the form of variable bonus that is linked to the performance of the Group and the individual. The variable component for the Executive Directors also includes profit sharing awards which is conditional upon the Group achieving certain profit before tax targets. Executive Directors do not receive directors' fees. As such, there is close alignment between the interests of the executives, with those of the shareholders, to promote the long-term success of the Group.

The contracts of service of the Executive Directors and KMP, do not have fixed tenures and contain fair and reasonable termination clauses. Also, there are no contractual provisions which allow the Company to reclaim any incentive component of remuneration from the Executive Directors and the KMP, in exceptional circumstances, as the Board takes the view that variable bonuses are paid based on audited financial statements of the Group or Company, as the case may be applicable, as well as the actual performance of the individuals; and not on forward-looking results.

Provision 7.2: Remuneration of NEDs

The RC reviews the remuneration of the NEDs, to ensure their remuneration is appropriate (but not excessive) to their level of contribution, so as to attract and retain Directors to provide good stewardship of the Group.

The NEDs are paid remuneration in the form of fees and entirely in cash. To ensure each NED's fees are commensurate with his or her responsibilities and time spent, each is paid a basic fee and additional fees, for performing additional responsibilities such as Board Committees and chairmanship roles.

The fees are reviewed annually and benchmarked against comparable companies. No Director is involved in deciding his or her own fees.

The Board concurred with the RC's recommendation that the proposed Directors' fees for FY2020 is appropriate and not excessive, taking into consideration the time and effort spent by the Directors for serving on the Board and Board Committees, as well as their responsibilities.

DISCLOSURE OF REMUNERATION

PRINCIPLE 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provisions 8.1, 8.2 and 8.3: Disclosure of Directors' Remuneration and KMP

The policy and criteria for setting remuneration of the Directors and KMP are discussed under the foregoing Provisions 7.1 to 7.3.

The remuneration of Directors for FY2020 is as follows:

NON-EXECUTIVE DIRECTORS	FEES (S$)
Lim Mee Ing	55,000
Francis Lee Choon Hui	60,000
Timothy Brooks Smith	55,000
Daniel Soh Chung Hian	60,000

EXECUTIVE DIRECTORS	SALARY	OTHER BENEFITS	TOTAL
S$500,000 to S$749,999			
Samuel Lim Syn Soo	81%	19%	100%
Kenneth Tan Teoh Khoon	82%	18%	100%

The disclosure of the remuneration of the Executive Directors is presented only in bands, rather than amounts, as the Board takes the view that such details are commercially sensitive, due to the confidential nature of remuneration matters and the highly competitive industry conditions.

For the FY2020, the Company only have three KMP (who are not the Directors or the CEO) and their remuneration banding is set out below:

REMUNERATION BANDING	NUMBER OF KMP
Less than S$250,000	3

In aggregate the total remuneration paid to the three KMP is not more than S$600,000.

The RC and the Board are cognisant of the recommendation set out under Provision 8.1, to also disclose the remuneration of at least the top five KMP (who are not the Directors or the CEO), on a named basis. The Board takes the view that such disclosure is commercially sensitive in this very competitive labour market for high calibre staff, as well as the negative impacts to the Group, if the disclosure is made. With keen competition for management staff in the semiconductor industry, such transparent disclosure may result in poaching of experienced senior management staff, as well as cause disharmony amongst members of the senior management team, which in turn affects the Group's human resource strategies in talent nurturing and retention.

The Company has not implemented any long-term incentive plan, such as employee share option 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.

Except for Mr Samuel Lim Syn Soo who is Chairman/CEO and substantial shareholder of the Company, no employees were substantial shareholders of the Company, or immediate family members of a Director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during the FY2020.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1: Board Risk Committee to address significant risks

During FY2020, the Audit Committee has been reconstituted as Audit and Risk Committee ("ARC") to better reflect its responsibilities in assisting the Board in the oversight of risk governance.

The ARC assists the Board in overseeing 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, information technology, 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 ARC 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; and 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 updates 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 ARC has, with the assistance of Management, reviewed the Group's material controls, including financial, operational, information technology and compliance controls, and risk management systems.

Provision 9.2: Assurance from CEO and Executive Director

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 2020 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 auditor 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 ARC, 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 as at FY2020, to address the risks that the Group considers relevant and material to its business operations.

AUDIT COMMITTEE

PRINCIPLE 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1: Roles, Authorities and Responsibilities of Audit and Risk Committee

Role of ARC

The Board is supported by the ARC which provides oversight of audit, financial and risk matters.

Authority of the ARC

The ARC has explicit authority to investigate any matter falling within its terms of reference, including full access to and co-operation from Management and the internal auditors, full discretion to invite anyone to attend its meetings, and has been given reasonable resources at its disposal, to enable it to discharge its functions properly. The external auditor also has unrestricted access to the ARC.

Terms of Reference

The ARC is regulated by its Terms of Reference and its principal functions are to:

- Review the audit plans of the internal and external auditors of the Group and the Company, and the internal auditor's evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Review the Group's and Company's unaudited financial results and the annual financial statements and the external auditor's report thereon;
- Review the effectiveness of the Group's and the Company's material internal controls, including financial, operational, information technology and compliance controls and risk management;
- Meet with the internal and external auditor and Management in separate sessions to discuss any matters that these groups believe should be discussed privately with the ARC;
- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- Review the cost effectiveness and independence and objectivity of the external auditor;
- Review the nature and extent of non-audit services provided by the external auditor;
- Recommend to the Board on the nomination of internal auditor and external auditor, including reviewing their engagement terms and compensation; and
- Review interested person transactions.

Financial Reporting

The ARC reviewed the half-yearly financial results and annual financial statements prior to presentation to the Board for approval so as to ensure the integrity of the financial statements and any announcements relating to the Group's financial performance.

During the process of review, the AC discussed with the Management and the external auditor on the significant issues that were brought to the ARC's attention. Material issues which the external auditor assessed to be most significant in its audit of the financial statements for the year under review are highlighted in the Key Audit Matters section of the Independent Auditor's Report.

External Auditors

Ernst & Young LLP ("EY") is the external auditor of the Company.

All the Company's subsidiaries are also audited by EY and EY's affiliates except for certain foreign subsidiaries. Nonetheless, the ARC and the Board had satisfied themselves that the appointment of different auditing firms for those foreign subsidiaries would not compromise the standard and effectiveness of the audit of the Company. Accordingly, the Group is in compliance with Rule 712 and Rule 716 of the Listing Manual in relation to its external auditors.

Pursuant to the requirement in the Listing Manual, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current EY's partner for the Company, Ms Tee Huey Yenn, took over from the previous audit partner, Mr Philip Ng Weng Kwai, who was appointed in financial year ended 31 July 2015 and due for rotation.

Activities of the ARC in FY2020

In FY2020, the ARC met three times to carry out the following activities:-

a) Reviewed the ERM progress report;

b) Reviewed with the external auditor, their audit plan, and audit findings;

c) Reviewed the audited financial statements and the external auditor's report;

d) Reviewed the re-nomination of external auditor;

e) Reviewed, discussed and recommended the unaudited 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 internal auditor and approved their appointment and audit plan;

h) Reviewed with the internal auditor their audit findings; and

i) Updated the terms of reference and presented to the Board for approval.

Non-Audit Services

The ARC conducted a review of the aggregate amount of the fees paid to EY for FY2020, and the breakdown of the fees paid in total for audit and non-audit services. The ARC is satisfied that the value of the non-audit services performed by EY 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 auditor are disclosed in Note 8 of the audited financial statements included in this Annual Report.

Nomination of External Auditor

The ARC, having assessed EY's approach to audit quality and transparency, concluded that they demonstrated appropriate qualifications and expertise and that the audit process was effective. The ARC has recommended to the Board that EY be re-appointed as the external auditor which the Board accepted the recommendation and has proposed a resolution (set out in the Notice of 42nd AGM) to shareholders for their re-appointment.

Whistle Blower Policy

The Company has a Whistle Blower Policy, as endorsed by the ARC, 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 all employees. The policy serves to facilitate independent investigation of such matters and for appropriate follow-up action.

Provision 10.2: Composition of the ARC

As at FY2020 and currently, the ARC comprises four NEDs, three of whom including the Chairman are IDs. The members of the ARC are Messrs Daniel Soh Chung Hian (Chairman), Lim Mee Ing, Francis Lee Choon Hui and Timothy Brooks Smith, who possess relevant accounting or related financial management expertise or experience.

The ARC is kept abreast by Management and external auditor on relevant changes to the accounting standards and issues which have direct impact on the Group's financial reporting and statements.

Provision 10.3: ARC Members being not former partner of the auditing firm

None of the ARC members was a partner or director of the incumbent external auditor, EY, within the previous two years, and neither do any of them have any financial interest in EY.

Provision 10.4: Internal Audit

The Company's internal audit function, which has been outsourced to an independent professional firm, assists the ARC and the Board in providing independent assessment of the adequacy, efficiency and effectiveness of the Group's risk management and internal control system.

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.

FKT reports directly and independently to the ARC, with the Corporate Controller being the administrative coordinator. It has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

FKT adopts 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 ARC for approval prior to commencement of the audit work.

Provision 10.5: Annual Meeting with Auditors

In FY2020, the ARC met once with EY without the presence of Management.

The ARC was assured that adequate cooperation and unrestricted access were extended to FKT, at its separate meeting with FKT without the presence of Management.

SHAREHOLDER RIGHTS AND ENGAGEMENTS

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

PRINCIPLE 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1: Participation and voting at general meetings

The Company adopts the principle that all shareholders should be treated fairly and equitably, so that they can exercise their ownership rights and have the opportunity to communicate their views on matters affecting the Company.

Shareholders are notified of the Company's general meetings through notices contained in its annual reports or circulars, publication in a local newspaper and the announcements made to SGX-ST via SGXNET. The notices are also posted on the Company's website.

Notices of general meetings together with the relevant document are dispatched to shareholders at least 14 or 21 clear calendar days for ordinary resolutions and special resolutions respectively, before the scheduled date of meetings.

The Constitution of the Company permits shareholders who are unable to attend the general meetings to appoint such number of proxies as stipulated in the proxy form, to vote on his or her behalf at the meetings.

A member who is a relevant intermediary which provide nominee or custodial services is entitled to appoint more than two proxies to attend, speak and vote at the meetings. Therefore, shareholders who hold shares through such intermediaries, can attend and participate in general meetings, as 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 or her votes(s) at the meetings in person. However, if he or she is unable to attend the meetings but would like to vote, he or she may inform his or her CPF and/or SRS Approved Nominees to appoint the Chairman of the general meetings to act as his or her proxy, in which case, such CPF or SRS Investor shall be precluded from attending the meetings.

The Company has conducted electronic poll voting for all resolutions proposed at its general meetings. Voting rules and procedures are explained at the beginning of the meetings and independent scrutineers are also present to scrutinise the voting process. The results of all votes cast for and against in respect of each resolution are displayed live on-screen at the meetings and also announced after the meetings to SGX-ST via the SGXNET.

In view of the COVID-19 situation, the Company will be conducting the 42nd AGM via electronic means, to ensure the safety and well-being of our shareholders. As such, shareholders will be unable to attend the meeting in person. Nonetheless, shareholders may appoint the Chairman of the meeting as proxy to vote on their behalf at the 42nd AGM and submit questions in advance. Shareholders may refer to the Notice of the 42nd AGM for further information.

Provision 11.2: Separate Resolutions for separate Issues

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.

Provision 11.3: Attendance of Directors and external auditor at general meetings

Directors are required to attend the general meetings of the Company, unless any Director has a good reason not to. The external auditor is also present at the annual general meetings to assist the Directors in addressing shareholders' queries about the audited financial statements.

At the annual general meeting held in 2019, all Directors and the external auditor were present.

Provision 11.4: Absentia voting at general meetings

The Company did not provide in its Constitution to allow voting in absentia, as it felt that this would not serve the interest of shareholders, as such methods require careful study to ensure the integrity of information and authentication of the identity of shareholders.

Provision 11.5: Minutes of general meetings

Minutes of the general meetings recording the substantive business transacted and relevant comments made and questions raised by shareholders, are available for their inspection upon request.

Provision 11.6: Dividend Policy

The Company's dividend policy aims to balance yield with capital growth, to build shareholders' values over the long term. Therefore, the Board adopted a flexible approach in deciding on the declaration of dividends, whilst balancing with the Company's needs to retain earnings in supporting growth prospects. The form, frequency and amount of dividends the Board may recommend or declare, will depend on various factors, including profitability of the Company and the Group, cash flow and retained earnings, actual and projected business and financial performance, working capital requirements and general financing conditions, operating environment and general business conditions, projected levels of capital expenditure and expansion plans, investment plans, restrictions on the payment of dividends imposed on the Company, and any other factors the Board may, in its absolute discretion, deem appropriate.

The Company has clearly communicated to shareholders via the financial results announcement made to SGX-ST via the SGXNet on any declaration of dividend.

The Board is recommending a final dividend of 0.3 cent per ordinary share to be approved by shareholders at the 42nd AGM.

ENGAGEMENT WITH SHAREHOLDERS

PRINCIPLE 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1: Disclosure of Timely Information

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, 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-yearly 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.

The Company's website also serves as a platform for shareholders to gain access to the Group's business, public announcements and governance-related information.

Provisions 12.2 and 12.3: Investor Relations Policy and Protocols

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.

A dedicated email address is available on the Company's website for shareholders to reach out to the investor relations contact.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

PRINCIPLE 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1: Identification and engagement with material stakeholders
Provision 13.2: Strategy and key areas of focus on management of stakeholders

The Company adopts the principle that to build confidence among stakeholders, there is a need to deliver sustainable value.

The Company has identified six key stakeholders groups, namely: the shareholders, customers, employees and outsourced workers, contractors and suppliers, regulators and local community.

The Sustainability Report included in this Annual Report, provides the Company's approach in identifying material stakeholders, as well as addressing stakeholders' concerns and methods of engagement.

The Sustainability Report also sets out the Group's strategy and key areas of focus in relation to the management of stakeholder relationships during FY2020.

Provision 13.3: Corporate website to engage with stakeholders

To promote regular, effective and fair communication with stakeholders, the Company maintains a corporate website at www.sunright.com through which stakeholders are able to access up-to-date information on the Group and communicate with the Company.

OTHER CORPORATE GOVERNANCE MATTERS

Dealing in Securities

The Company has in place a policy on dealings in the Company's securities by its Directors and relevant officers of the Company and its subsidiaries. Under the policy, they are prohibited from dealing in the Company's securities during the period commencing one (1) month before announcement of the Group's half yearly and full year results and ending on the date of announcement of the relevant results, or when they are in possession of unpublished price-sensitive information of the Group. In addition, the Directors and officers are advised not to trade in the Company's securities on short-term considerations and to observe insider trading laws at all times.

Interested Person Transactions

In FY2020, the Group did not enter into any transaction that would be regarded as an interested person transaction.

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 2020.

For the purpose of the disclosures in this statement as required by the Singapore Companies Act, Chapter 50 (the "Act"), 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 (International) ("SFRS(I)"), KESMI and its subsidiaries are considered to be subsidiaries of the Group, following the requirement of SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 1 - 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 2020 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
Daniel Soh Chung Hian

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 Act, 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 and Risk Committee

The Audit and Risk Committee ("ARC") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Code of Corporate Governance 2018 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 ARC are disclosed in the Corporate Governance Report.

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
29 September 2020

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 2020, 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 Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2020 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.

Impairment assessment of property, plant and equipment

As at 31 July 2020, the carrying amount of the Group's property, plant and equipment was $47,027,000, which represented 33% of the Group's net assets.

The carrying amount of the net assets of the Group exceeded its market capitalisation, indicating that the carrying amount of the Group's property, plant and equipment may be impaired. Accordingly, the Group is required to perform impairment assessment by comparing the carrying amount of its property, plant and equipment with its recoverable amount. As disclosed in Note 3, management determined the recoverable amount of the property, plant and equipment based on value in use calculations. In determining the value in use, management is required to apply judgements and make assumptions on estimates supporting underlying projected cash flows, taking into account its operations and current market conditions which has been impacted by Covid-19 pandemic. This area was significant to our audit due to the size of the carrying amount of the property, plant and equipment. Accordingly, we consider this to be a key audit matter.

Impairment assessment of property, plant and equipment (cont'd)

We assessed the methodology of the value in use calculations used by management. The key estimates include the revenue growth rates and discount rates. We reviewed the robustness of management's budgeting process by comparing the actual financial performance against previously forecasted results. We performed sensitivity analysis on management's revenue growth rate in terms of timing of the Group's operation return to normalcy, after taking into consideration current business environment. We involved our internal valuation specialists in assessing the reasonableness of the discount rates and performed sensitivity analysis after considering the current market and economic conditions. We reviewed the adequacy of the disclosures made on Note 3 and Note 10 to the financial statements.

Recognition of deferred tax assets

As at 31 July 2020, the Group recognised deferred tax assets of $1,151,000, which mainly relate to 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 which 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.

We compared the timing of the reversal of the deductible temporary differences against the reversal of the taxable temporary differences. We also compared the deductible temporary differences against the projected taxable profit. The future taxable profits have been determined based on profit forecasts. Management used assumptions in respect of future market outlook, revenue growth and operating expenses. We evaluated these assumptions by comparing them to historical data as well as recent trends and market outlook. We involved our internal tax specialist in reviewing management's computation of deferred tax assets. We inspected 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 20 to the financial statements.

Impairment assessment of investment in subsidiaries

As at 31 July 2020, the carrying amount of the Company's investment in subsidiaries was $10,706,000, which represented 90% of the Company's non-current assets. Management identified investments in certain loss-making subsidiaries for impairment assessment. We considered the audit of management's impairment assessment of investments in subsidiaries to be a key audit matter due to the size of the carrying amount of the investment and also because the assessment process involved significant management's estimate associated with current market and economic condition.

As disclosed in Note 3, management determined the recoverable amount of the investment in subsidiaries based on value in use calculations. For the value in use calculations, we have performed similar procedures as described in key audit matter on Impairment assessment of property, plant and equipment. We involved our internal valuation specialist to assess the reasonableness of the terminal growth rate used by comparing it to external economic data such as consumer price index growth rate.

We also assessed the adequacy of disclosures made on the impairment assessment of investment in subsidiaries in Note 12 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.

Other information (cont'd)

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 SFRS(I), 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.

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

- 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.

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 Tee Huey Yenn.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
29 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 July 2020

(In Singapore dollars)

	Note	2020 $'000	2019 $'000
Revenue	4	110,622	133,636
Other items of income			
Interest income	5	2,349	2,279
Dividend income		77	81
Other income		4,879	2,140
Items of expenses			
Raw materials and consumables used		(24,950)	(35,509)
Changes in inventories of finished goods and work-in-progress		(451)	1,017
Employee benefits expense	6	(42,296)	(47,635)
Depreciation of property, plant and equipment	10	(22,898)	(25,988)
Finance costs	7	(1,026)	(1,541)
Other expenses		(24,618)	(28,778)
Profit/(loss) before tax	8	1,688	(298)
Income tax credit/(expense)	20	13	(1,084)
Profit/(loss), net of tax		1,701	(1,382)
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Remeasurement loss arising from net defined benefit liabilities, net of tax		(38)	(78)
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation loss		(2,139)	(1,195)
Other comprehensive income for the year, net of tax		(2,177)	(1,273)
Total comprehensive income for the year		(476)	(2,655)
Profit/(loss) attributable to:			
Owners of the Company		1,685	(2,525)
Non-controlling interests	12(b)	16	1,143
		1,701	(1,382)
Total comprehensive income attributable to:			
Owners of the Company		720	(3,155)
Non-controlling interests		(1,196)	500
		(476)	(2,655)
Earnings/(loss) per share (cents)	9	1.4	(2.1)

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

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2020

(In Singapore dollars)

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	47,027	58,864	719	1,103
Investment in subsidiaries	12	–	–	10,706	10,706
Deferred tax assets	20	1,151	1,225	–	–
Loans to a subsidiary	13	–	–	450	417
Other receivables	15	568	–	–	–
		48,746	60,089	11,875	12,226
Current assets					
Investment securities		3,190	2,802	313	585
Inventories	14	5,432	5,297	–	–
Prepayments		1,275	1,175	78	78
Tax recoverables		375	465	–	–
Trade and other receivables	15	15,090	26,396	2,619	2,654
Loans to a subsidiary	13	–	–	457	284
Cash and short-term deposits	16	103,334	93,255	19,919	20,568
		128,696	129,390	23,386	24,169
Total assets		177,442	189,479	35,261	36,395
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	35,727	35,727	35,727	35,727
Retained earnings/ (accumulated losses)		35,415	33,768	(4,083)	(5,352)
Other reserves	18	12,120	13,047	155	155
		83,262	82,542	31,799	30,530
Non-controlling interests	12(b)	59,713	61,456	–	–
Total equity		142,975	143,998	31,799	30,530
Non-current liabilities					
Loans and borrowings	19	3,658	5,905	140	391
Defined benefit liabilities	22	1,445	1,356	–	–
Deferred tax liabilities	20	353	2,949	–	1,848
		5,456	10,210	140	2,239
Current liabilities					
Trade and other payables	21	16,852	16,428	1,160	1,095
Contract liabilities	4	494	174	–	–
Loans and borrowings	19	10,675	18,586	2,132	2,484
Provisions		43	25	–	–
Income tax payable		947	58	30	47
		29,011	35,271	3,322	3,626
Total liabilities		34,467	45,481	3,462	5,865
Total equity and liabilities		177,442	189,479	35,261	36,395

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

(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
Opening balance at 1 August 2018		147,680	86,065	35,727	35,623	2,125	11,730	860	14,715	61,615
Loss for the year		(1,382)	(2,525)	–	(2,525)	–	–	–	–	1,143
Distribution of surplus assets by a subsidiary		–	–	–	166	117	(283)	–	(166)	–
Strike off of a subsidiary		–	–	–	950	–	(950)	–	(950)	–
Other comprehensive income for the year, net of tax		(1,273)	(630)	–	(78)	(552)	–	–	(552)	(643)
Total comprehensive income for the year		(2,655)	(3,155)	–	(1,487)	(435)	(1,233)	–	(1,668)	500
Dividends on ordinary shares	29	(368)	(368)	–	(368)	–	–	–	–	–
Dividends paid to non-controlling interests		(659)	–	–	–	–	–	–	–	(659)
As at 31 July 2019		143,998	82,542	35,727	33,768	1,690	10,497	860	13,047	61,456
Opening balance at 1 August 2019		143,998	82,542	35,727	33,768	1,690	10,497	860	13,047	61,456
Profit for the year		1,701	1,685	–	1,685	–	–	–	–	16
Other comprehensive income for the year, net of tax		(2,177)	(965)	–	(38)	(927)	–	–	(927)	(1,212)
Total comprehensive income for the year		(476)	720	–	1,647	(927)	–	–	(927)	(1,196)
Dividends paid to non-controlling interests		(547)	–	–	–	–	–	–	–	(547)
As at 31 July 2020		142,975	83,262	35,727	35,415	763	10,497	860	12,120	59,713

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 2020

(In Singapore dollars)

Company	Note	Total equity $'000	Share capital $'000	Accumulated losses $'000	Capital reserve $'000
Opening balance at 1 August 2018		32,675	35,727	(3,207)	155
Loss for the year		(1,777)	–	(1,777)	–
Total comprehensive income for the year		(1,777)	–	(1,777)	–
Dividends on ordinary shares	29	(368)	–	(368)	–
Closing as at 31 July 2019		30,530	35,727	(5,352)	155
Opening balance at 1 August 2019		30,530	35,727	(5,352)	155
Profit for the year		1,269	–	1,269	–
Total comprehensive income for the year		1,269	–	1,269	–
As at 31 July 2020		31,799	35,727	(4,083)	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 2020

(In Singapore dollars)

	Note	2020 $'000	2019 $'000
Operating activities			
Profit/(loss) before tax		1,688	(298)
Adjustments for:			
Net gain on disposal of property, plant and equipment	8	(2,902)	(767)
Depreciation of property, plant and equipments	10	22,898	25,988
Property, plant and equipment written off		–	40
Net write-down of inventories	14	452	294
Net impairment loss on trade receivables	15	406	343
Dividend income		(77)	(81)
Net fair value loss on investment securities		919	287
Net (gain)/loss on disposal of investment securities		(41)	32
Finance costs	7	1,026	1,541
Interest income	5	(2,349)	(2,279)
Net unrealised exchange loss/(gain)		39	(29)
Operating cash flows before changes in working capital		22,059	25,071
Changes in working capital:			
Increase in inventories		(587)	(1,077)
Decrease in prepayments and receivables		11,413	10,107
Decrease in payables and contract liabilities		(1,623)	(5,091)
Cash flows from operations		31,262	29,010
Income taxes paid		(1,512)	(1,275)
Interest paid		(1,134)	(1,602)
Interest received		2,466	2,236
Net cash flows from operating activities		31,082	28,369
Investing activities			
Increase in short-term deposits with maturity more than three months		(5,243)	(6,480)
Dividend income		77	81
Purchase of property, plant and equipment		(4,407)	(9,360)
Proceeds from disposal of property, plant and equipment		3,206	1,012
Purchase of investment securities		(1,693)	(691)
Proceeds from disposal of investment securities		369	1,285
Net cash flows used in investing activities		(7,691)	(14,153)
Financing activities			
Proceeds from bank loans		11,417	22,012
Repayment of bank loans		(24,508)	(32,596)
Repayment of principal portion of lease liabilities		(3,572)	(2,522)
Dividends paid on ordinary shares		–	(368)
Dividends paid to non-controlling interests		(547)	(659)
Net cash flows used in financing activities		(17,210)	(14,133)
Net increase in cash and cash equivalents		6,181	83
Effect of exchange rate changes on cash and cash equivalents		(1,345)	(691)
Cash and cash equivalents at beginning of the year		36,019	36,627
Cash and cash equivalents at end of the year	16	40,855	36,019

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 12 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 (International) ("SFRS(I)").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those previous financial year except in the current year, the Group and the Company adopted all the new and revised standards which are effective for annual financial periods beginning on or after after 1 January 2019. Except for the impact arising from the adoption of SFRS(I) 16 *Leases* and SFRS(I) INT 23 *Uncertainty over Income Tax Treatments* as described below, as well as the early adoption of amendment to SFRS(I) 16 *Covid-19-Related Rent Concession*, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

(a) SFRS(I) 16 Leases

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group and Company adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 August 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and comparatives are not restated. The Group and Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 August 2019. Instead, the Group and Company applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

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

2.2 Changes in accounting policies (cont'd)

(a) SFRS(I) 16 Leases (cont'd)

The effect of adoption SFRS(I) 16 as at 1 August 2019 is, as follows:

	Note	Group $'000 Increase	Company $'000 Increase
Assets			
Property, plant and equipment, representing total assets	10	5,335	13
Liabilities			
Loans and borrowings (current)		1,398	2
Loans and borrowings (non-current)		3,937	11
Total liabilities		5,335	13

The Group and Company have lease contracts for various items of buildings and office equipment. Before the adoption of SFRS(I) 16, the Group classified each of its leases (as lessee) at the inception date as operating lease. Refer to Note 2.18 for the accounting policy prior to 1 August 2019.

Upon adoption of SFRS(I) 16, the Group and Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.18 for the accounting policy beginning 1 August 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 August 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:–

(i) relied on its assessment of whether leases are onerous immediately before the date of initial application.

(ii) applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application.

(iii) excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

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

2.2 Changes in accounting policies (cont'd)

(a) SFRS(I) 16 Leases (cont'd)

Based on the above, as at 1 August 2019:

- The Group recognised the right-of-use assets of $10,374,000 in the balance sheet, including $5,335,000 previously accounted for as operating leases.

- The Company recognised the right-of-use assets of $1,061,000 in the balance sheet, including $13,000 previously accounted for as operating leases.

- Lease liabilities of $8,169,000 and $728,000 were recognised by the Group and Company. This includes commitments relating to leases previously classified as finance leases.

- The initial adoption of SFRS (I) 16 did not have a material impact on the opening balance of the equity of the Group and the Company.

The lease liabilities as at 1 August 2019 can be reconciled to the operating lease commitments as of 31 July 2019, as follows:–

	Group $'000	Company $'000
Operating lease commitments as at 31 July 2019	3,523	14
Add: Commitments relating to cancellable leases	2,727	81
Less: Commitment related to short-term leases	(244)	(81)
Less: Commitments relating to lease of low-value assets	(66)	–
	5,940	14
Weighted average incremental borrowing rate as at 1 August 2019	4.22%	2.68%
Discounted operating lease commitments as at 1 August 2019	5,335	13
Add: Commitments relating to leases previously classified as finance leases	2,834	715
Lease liabilities as at 1 August 2019	8,169	728

(b) SFRS(I) INT 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of SFRS(I) 1-12 *Income Taxes*. It does not apply to taxes or levies outside the scope of SFRS(I) 1-12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately

- The assumptions an entity makes about the examination of tax treatments by taxation authorities

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates

- How an entity considers changes in facts and circumstances

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

2.2 Changes in accounting policies (cont'd)

(b) SFRS(I) INT 23 Uncertainty over Income Tax Treatment (cont'd)

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

(c) Early adoption of amendment to SFRS(I) 16 Covid-19-Related Rent Concessions

The amendment to SFRS(I) 16 provides relief for lessees in accounting for rent concessions granted as a direct consequence of Covid-19. By utilising the practical expedient, the lessee does not account for a rent concession as a lease modification. The practical expedient in SFRS(I) 16 paragraph 46A applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

(i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

(ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

(iii) there is no substantive change to other terms and conditions of the lease.

The Group has chosen to early adopt the amendment to SFRS(I) 16 and has applied the practical expedient to all rent concessions that meet the condition in SFRS(I) 16 paragraph 46B. The Group has recognised the rent concessions as "Other income" line in the statements of profit or loss and other comprehensive income.

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 References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS (I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 3: *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16: *Property, Plant and Equipment - Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37: *Onerous Contracts - Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendements to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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. Consistent accounting policies are applied to like transactions and events in similar circumstances. A list of the Group's subsidiaries is shown in Note 12.

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 attributed 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.

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

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

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

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 an asset or liability are recognised in profit or loss.

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

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

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination.

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. Summary of significant accounting policies (cont'd)

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.

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.

(b) Consolidated financial statements

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. Right-of-use assets are included within the same line item as that within corresponding underlying assets would be presented if they were owned and are accounted for in accordance with Note 2.18. 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, except for right-of-use assets which is depreciated in accordance with Note 2.18, is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Buildings	-	2 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.

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

2.7 Property, plant and equipment (cont'd)

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.

2.8 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 indication exists, or when an annual impairment testing 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 or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and 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. Impairment losses relating to goodwill cannot be reversed in future periods.

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. Summary of significant accounting policies (cont'd)

2.10 Financial Instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principle and interest ("SPPI") are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Investments in equity instruments

Financial assets at fair value through profit or loss ("FVPL") include financial assets held for trading. Financial assets held for trading comprise investment securities 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 FVPL do not include exchange differences, interest and dividend income. Exchange differences, interest and dividend income on financial assets at FVPL are recognised separately in profit or loss as part of other expenses or other income.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

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

2.10 Financial Instruments (cont'd)

(a) Financial assets (cont'd)

Derecognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at FVPL are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.11 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

2.11 Impairment of financial assets (cont'd)

The Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.12 Offsetting of financial instruments

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

2.13 Cash and cash equivalents

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

2.14 Inventories

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

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

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.

(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 plan

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; and

(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.

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

2.17 Employee benefits (cont'd)

(c) Defined benefit plans (cont'd)

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

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

2.18 Leases

Current financial year

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings	-	2 to 5 years
Leasehold land	-	60 to 99 years
Plant, machinery and test equipment	-	2 to 5 years
Motor vehicles	-	5 years
Office equipment, furniture and fittings and computers	-	3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8. The Group's right-of-use assets are disclosed in Note 11.

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

2.18 Leases (cont'd)

Current financial year (cont'd)

(a) As a lessee (cont'd)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of assets (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(b) As a lessor

Leases in which the Group does not transfer 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.

Previous financial year

(a) Finance lease - as a lessee

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

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

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

2.18 Leases (cont'd)

Previous financial year (cont'd)

(b) Operating lease - as a 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 a lessor

Leases in which the Group and the Company do not transfer 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 measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

Revenue is recognised when the goods are delivered to the customers and all criteria for acceptance have been satisfied.

Revenue is measured at the consideration promised in the contract with customers, less discounts and rebates.

A contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract liabilities are recognised as revenue as the Group performs under the contract.

(b) Rendering of services

Revenue is recognised when the performance obligation is satisfied at a point in time, that is upon the performance of services to the customers, which generally coincides with their acceptance.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of the estimated volume discounts. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

2.19 Revenue (cont'd)

(c) Judgement and methods used in estimating revenue

In estimating the variable consideration, the Group uses the expected value method to predict the volume, and early payment discounts and product returns, by the different product types based on historical experience with the customers.

Management has exercised judgement in applying the constraint on the estimated variable consideration that can be included in the transaction price. For volume and early payment discounts, management determines that a portion of the estimated variable consideration is subject to the constraint as, based on past experience with the customers, it is highly probable that a reversal in the cumulative amount of revenue recognised will occur, and therefore will not be recognised as revenue. For product returns, management considers its historical experience and evidence from other similar contracts to develop an estimate of variable consideration for expected returns using the expected value method.

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

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

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

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

2.20 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, the 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:

(iii) 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

(iv) in respect of deductible temporary differences associated with investment in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

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

2.20 Taxes (cont'd)

(c) Sales tax

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

(i) where 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.

2.22 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 income" 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 28, including the factors used to identify the reportable segments and the measurement basis of segment information.

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

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.

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.

3.1 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. Significant accounting estimates and judgements (cont'd)

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 $1,151,000 (2019: $1,225,000).

(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.

The carrying amount of the Company's investment in subsidiaries at the end of the reporting period was $10,706,000 (2019: $10,706,000).

(d) Impairment of property, plant and equipment

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

The recoverable amounts are determined based on value in use calculations, using discounted cash flow model. In performing discounted cash flow analysis, discount rate and growth rates used reflect, amongst others, the maturity of the business development cycle as well as the industry growth potential. Management believes that the aforesaid variables are unlikely to materially result in the carrying amount of property, plant and equipment exceeding their recoverable amounts. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 10.

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

3.2 Key sources of estimation uncertainty (cont'd)

(e) Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

4. Revenue

(a) Disaggregation of revenue

	Group	
	2020	**2019**
	$'000	**$'000**
Major type of goods and services		
Sale of goods	37,168	44,138
Rendering of services	73,454	89,498
	110,622	133,636
Primary geographical markets		
Singapore	1,917	3,109
Malaysia	68,950	88,601
China	20,084	22,135
Other Asian markets*	6,781	4,096
United States	6,478	9,087
Others	6,412	6,608
	110,622	133,636

* Classified under "Other Asian markets" are Taiwan, Philippines, Thailand and Vietnam.

The goods and services are transferred to the customers at a point in time.

4. Revenue (cont'd)

(b) Contract liabilities

	Group	
	2020	2019
	$'000	$'000
Contract liabilities	494	174

Contract liabilities primarily relate to the Group's obligations to transfer goods to customers for which the Group has received advances from customers for sale of goods. Contract liabilities are recognised as revenue as the Group performs under the contract, usually upon delivery of the goods to customers.

Significant changes in contract liabilities are explained as follows:

	Group	
	2020	2019
	$'000	$'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	172	253

5. Interest income

	Group	
	2020	2019
	$'000	$'000
Interest income from:		
- Deposits with licensed banks	2,349	2,268
- Others	–	11
	2,349	2,279

6. Employee benefits expense

		Group	
	Note	2020	2019
		$'000	$'000
Employee benefits expense (including directors):			
- Wages, salaries and bonuses		36,435	40,351
- Contributions to defined contribution plans		1,663	1,750
- Defined benefit obligations	22	91	98
- Other benefits		4,107	5,436
		42,296	47,635

7. Finance costs

	Note	Group 2020 $'000	Group 2019 $'000
Interest expense on:			
- Bank loans		649	1,320
- Lease liabilities	11	350	–
- Obligations under finance leases		–	194
- Defined benefit obligations	22	27	27
		1,026	1,541

8. Profit/(loss) before tax

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

	Note	Group 2020 $'000	Group 2019 $'000
Audit fees paid to:			
- Auditors of the Company		216	204
- Other auditors		196	168
Non-audit fees paid to:			
- Auditors of the Company		86	115
- Other auditors		54	96
Net foreign exchange loss		204	167
Net write-down of inventories	14	452	294
Net impairment loss on trade receivables	15	406	343
Net gain on disposal of property, plant and equipment		(2,902)	(767)
Net fair value loss on investment securities		919	287
Net (gain)/loss on disposal of investment securities		(41)	32
Other professional fees		584	738
Repairs and maintenance		6,124	7,329
Travelling and entertainment		468	892
Utilities		10,704	11,659
Rental expenses		259	1,998
Covid-19 related government reliefs		(1,070)	–
Directors' remuneration:			
- Directors of the Company			
• Fees		230	215
• Salaries and bonuses		1,161	1,159
• CPF and other defined contributions		17	18
- Directors of subsidiaries			
• Fees		124	150
• Salaries and bonuses		455	444

9. Earnings/(loss) per share

Basic earnings/(loss) per share are calculated by dividing the profit/(loss), 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/(loss) and share data used in the computation of basic earnings/(loss) per share for the years ended 31 July:

	Group	
	2020	**2019**
	$'000	**$'000**
Profit/(loss) attributable to owners of the Company	1,685	(2,525)
	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/(loss) per share	1.4	(2.1)

The Group has no potential ordinary shares in issue at the end of 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	Freehold land and 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 2018	14,635	2,079	12,908	270,234	2,043	8,422	310,321
Additions	–	–	466	10,158	493	592	11,709
Disposals	–	–	(933)	(8,442)	(385)	(1,820)	(11,580)
Exchange differences	(162)	(24)	(68)	(2,951)	(10)	205	(3,010)
At 31 July 2019	14,473	2,055	12,373	268,999	2,141	7,399	307,440
Effects of adopting SFRS(I) 16	5,288	–	–	–	–	47	5,335
Opening balance at 1 August 2019	19,761	2,055	12,373	268,999	2,141	7,446	312,775
Additions	1,013	–	213	5,324	–	395	6,945
Disposals	(295)	–	(207)	(6,873)	(131)	(509)	(8,015)
Exchange differences	230	(45)	(164)	(5,369)	11	(64)	(5,401)
At 31 July 2020	20,709	2,010	12,215	262,081	2,021	7,268	306,304

^ Included freehold land of a net carrying amount of $361,000.

* Included in the Group's 'Renovation', 'Plant, machinery and test equipment', and 'Office equipment, furniture and fittings and computers' of $Nil (2019: $13,000), $1,660,000 (2019: $2,926,000) and $125,000 (2019: $37,000) respectively, were not depreciated as they were not ready for use.

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

Group	Buildings $'000	Freehold land and 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 2018	13,355	551	9,805	204,015	900	7,469	236,095
Depreciation charge	802	28	1,202	23,011	385	560	25,988
Disposals	–	–	(933)	(8,166)	(385)	(1,811)	(11,295)
Exchange differences	(161)	(1)	32	(2,045)	1	(38)	(2,212)
At 31 July 2019	13,996	578	10,106	216,815	901	6,180	248,576
Depreciation charge	2,075	28	830	19,025	385	555	22,898
Disposals	(314)	–	(207)	(6,592)	(55)	(506)	(7,674)
Exchange differences	299	(30)	(452)	(4,289)	(3)	(48)	(4,523)
At 31 July 2020	16,056	576	10,277	224,959	1,228	6,181	259,277
Net carrying amount							
At 31 July 2019	477	1,477	2,267	52,184	1,240	1,219	58,864
At 31 July 2020	4,653	1,434	1,938	37,122	793	1,087	47,027

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 2018	47	1,049	1,928	3,024
Additions	–	493	270	763
Disposals	–	(341)	(1,383)	(1,724)
At 31 July 2019	47	1,201	815	2,063
Effects of adopting SFRS(I) 16	–	–	13	13
Opening balance at 1 August 2019	47	1,201	828	2,076
Additions	–	–	22	22
At 31 July 2020	47	1,201	850	2,098
Accumulated depreciation				
At 1 August 2018	47	529	1,729	2,305
Depreciation charge for the year	–	224	155	379
Disposals	–	(341)	(1,383)	(1,724)
At 31 July 2019 and 1 August 2019	47	412	501	960
Depreciation charge for the year	–	240	179	419
At 31 July 2020	47	652	680	1,379
Net carrying amount				
At 31 July 2019	–	789	314	1,103
At 31 July 2020	–	549	170	719

(a) Additions

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash payments	4,407	9,360	22	99
Lease liabilities	1,547	2,179	–	664
Other payables	991	170	–	–
	6,945	11,709	22	763

(b) Right-of-use of assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 11.

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

(c) Assets under finance leases

The carrying amount of assets held under finance leases in the previous financial year:

	Group 2019 $'000	Company 2019 $'000
Plant, machinery and test equipment	3,012	–
Motor vehicles	968	790
Office equipment, furniture and fittings and computers	274	258
	4,254	1,048

Leased assets are pledged as security for the related finance lease liabilities, as disclosed in Note 19.

11. Leases

As lessee

Buildings

The Group has lease contracts for offices and factories used in its operations, and accomodations for workers. These leases have contract terms of 1 to 5 years, and do not contain variable lease payments. The Group's obligation under its leases are secured by the lessor's title to the leased assets.

Leasehold land

The Group has made upfront payments to secure the right-of-use assets of 60-99 years leasehold land, which is used for production purposes. There are no externally imposed covenant on these lease arrangements.

Machinery and test equipment, Motor vehicles, and Office equipment, furniture and fittings and computers

These lease arrangements prohibit the Group and the Company from subleasing to third parties.

Short-term leases and leases of low-value assets

The Group has certain leases of properties with lease terms of 12 months or less and leases of office equipment with low value. The Company also has certain leases of office spaces with lease terms of 12 months or less.The Group and the Company apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

11. Leases (cont'd)

As lessee (cont'd)

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets classified within Property, plant and equipment and the movements during the year:

Group	Buildings	Leasehold land	Plant, machinery and test equipment	Motor vehicles	Office equipment, furniture and fittings and computers	Total
	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 August 2019	5,245	1,080	2,794	937	318	10,374
Additions during the year	997	–	455	–	48	1,500
Depreciation expenses	(1,576)	(28)	(665)	(252)	(137)	(2,658)
Transfer out upon lease maturity	–	–	(832)	(119)	–	(951)
Foreign exchange movement	72	1	6	–	–	79
As at 31 July 2020	4,738	1,053	1,758	566	229	8,344

Company	Motor vehicles	Office equipment, furniture and fittings and computers	Total
	$'000	$'000	$'000
At 1 August 2019	790	271	1,061
Depreciation expenses	(216)	(117)	(333)
Transfer out upon lease maturity	(51)	–	(51)
As at 31 July 2020	523	154	677

11. Leases (cont'd)

As lessee (cont'd)

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Note	Group 2020 $'000	Company 2020 $'000
Lease liabilities			
As at 1 August 2019		8,169	728
Additions		1,531	–
Accretion of interest	7	350	1
Payments		(3,922)	(328)
Foreign exchange movement		(4)	–
As at 31 July 2020		6,124	401
Current	19	2,583	261
Non-current	19	3,541	140
		6,124	401

Lease liabilities denominated in foreign currencies as at 31 July are as follows:

	Group 2020 $'000	Company 2020 $'000
Singapore Dollar	1,664	401
United States Dollar	84	–
Ringgit Malaysia	2,052	–
Renminbi	1,284	–
Others	1,040	–
	6,124	401

11. Leases (cont'd)

As lessee (cont'd)

(c) Depreciation expenses, interest expenses and lease expense not capitalised in lease liabilities

The following are the amounts recognised in profit or loss:

	Group 2020 $'000	Company 2020 $'000
Depreciation expense of right-of-use assets	2,658	3
Interest expense on lease liabilities	350	28
Lease expense relating to short-term lease	244	81
Lease expense relating to low value assets	66	–
Total amount recognised in profit or loss	3,318	112

The Group had total cash outflows for leases of $4,232,000 in the current financial year.

The Group has lease contracts that include extension options. These options provide flexibility in managing the leased-asset portfolio and align with the Group's business needs.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension options that are not included in the lease term:

	Within five years $'000	More than five years $'000
Extension options expected not to be exercised	1,355	152

As lessor

The Group has leased out their owned buildings to third parties for monthly lease payments. This lease is classified as operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

The future minimum rental receivable under non-cancellable operating leases contracted for at the end of the reporting period are as follows:

	2020 $'000
Within one year	567
Later than one year but not later than five years	1,570
More than five years	97
	2,234

12. Investment in subsidiaries

	Company 2020 $'000	Company 2019 $'000
Quoted shares, at cost	5,578	5,578
Unquoted shares, at cost	52,759	51,567
Allowance for impairment	(47,631)	(46,439)
	10,706	10,706

(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 2020 %	Proportion of ownership interest 2019 %
	Held by the Company:			
*	KEST Systems & Service Ltd (Taiwan)	Provision of burn-in services and manufacturing of electronic equipment (Taiwan)	100	100
v	KES Systems & Service (1993) Pte Ltd (Singapore)	Provision of burn-in services and manufacturing of burn-in equipment (Singapore)	100	100
+	KES Systems & Service (Shanghai) Co., Ltd (China)	Provision of burn-in services and burn-in support services (China)	100	100
v۵	KES Systems, Inc. (USA)	Research and development in burn-in and test related activities and manufacturing of burn-in and test equipment (USA)	100	100
^	Kestronics (M) Sdn. Bhd. (Malaysia)	Distribution of high-technology electronic equipment and materials (Malaysia)	100	100
µ	Kestronics Philippines, Inc. (Philippines)	Distribution of high-technology electronic equipment and materials (Philippines)	100	100
✡	KESM Industries Berhad (Malaysia)	Investment holding and provision of semiconductor burn-in services (Malaysia)	48#	48#

12. 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 2020 %	2019 %
	Held by subsidiaries:			
✡	KES Systems & Service (M) Sdn. Bhd. (Malaysia)	Provision of burn-in support services (Malaysia)	100	100
✡	KES International Sdn. Bhd. (Malaysia)	Manufacturing of burn-in equipment (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

v 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.
# This represents the legal interests of the Group. According to the SFRS(I) (see Note 3), Sunright Limited has *de facto* control over the company.
♁ Audited for the purpose of Group consolidation.
+ Not material to the Group and not required to be disclosed under SGX Listing Rule 717.
^ Under voluntary liquidation on 23 January 2019. Prior to that, the company made its first distribution of surplus assets.

12. 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	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			$'000	$'000	$'000
2020					
KESM Industries Berhad	Malaysia	52%	16	59,713	547
2019					
KESM Industries Berhad	Malaysia	52%	1,143	61,456	659

(c) Summarised financial information about subsidiaries with material NCI

	KESM Industries Berhad and its subsidiaries	
	2020	2019
	$'000	$'000
Summarised statement of financial position		
Total assets	134,379	150,019
Total liabilities	(18,875)	(30,962)
Net assets	115,504	119,057
Summarised statement of comprehensive income		
Revenue	79,177	101,505
Profit for the year	32	2,073
Other comprehensive income	85	77
Total comprehensive income for the year	117	2,150
Summarised cash flow statement		
Net cash from operating activities	28,427	29,093
Net cash used in investing activities	(9,255)	(13,909)
Net cash used in financing activities	(16,497)	(14,666)
Net increase in cash and cash equivalents	2,675	518

12. Investment in subsidiaries (cont'd)

(d) Incorporation of a new wholly-owned subsidiary

In the previous financial year, the Company's wholly-owned subsidiary company, KES Systems & Service (1993) Pte Ltd, had incorporated a wholly-owned subsidiary known as KES International Sdn. Bhd. ("KISB"), a private limited company in Malaysia with an issued and paid-up capital of RM500,000.

KISB was incorporated on 7 January 2019.

(e) Impairment testing on investment in subsidiaries

Movement in allowance account:

	Company	
	2020	**2019**
	$'000	**$'000**
At beginning of the year	46,439	48,473
Charged to profit or loss	1,192	3,094
Written off	–	(4,880)
Reversal of impairment	–	(248)
At end of the year	47,631	46,439

During the financial year, an impairment loss of $1,192,000 (2019: $3,094,000) was charged to profit or loss arising from impairment assessments performed by management.

The recoverable amounts had been determined based on value in use calculations using the cash flow projections forecast approved by management. The key assumptions used in determining the value in use calculations are pre-tax discount rates ranged from 14% to 15% (2019: 14% to 15%), with a terminal growth of 1% (2019: 1%).

13. Loans to a subsidiary

	Company	
	2020	**2019**
	$'000	**$'000**
Loans to a subsidiary (non-current)	450	417
Loans to a subsidiary (current)	457	284
Total loans to a subsidiary	907	701

The loans to a subsidiary bore interest rates of between 2.25% and 3.5% (2019: between 3.30% and 3.50%) per annum, are unsecured and repayable over remaining 1 to 3 years.

14. Inventories

	Group 2020 $'000	Group 2019 $'000
Raw materials	1,957	1,840
Consumables	430	521
Work-in-progress	2,223	1,828
Finished goods	822	1,108
Total inventories (at net realisable value)	5,432	5,297

During the financial year, the Group wrote down $452,000 (2019: $294,000) of inventories which were recognised in "Other expenses" line item in the Statement of profit or loss and other comprehensive income.

15. Trade and other receivables

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Non-current					
Other receivables:					
- Sundry deposits		568	–	–	–
Current					
Trade receivables:					
- Trade receivables		14,763	24,430	–	–
- Amounts due from subsidiaries (trade)		–	–	1,420	1,305
		14,763	24,430	1,420	1,305
Allowance for impairment:					
- Trade receivables		(765)	(351)	–	–
		13,998	24,079	1,420	1,305
Current					
Other receivables:					
- Sundry deposits		95	819	1	1
- Sundry receivables		978	1,498	123	109
- Derivatives	23(d)	19	–	–	–
- Amounts due from subsidiaries (non-trade)		–	–	1,075	1,239
		1,092	2,317	1,199	1,349
Total current trade and other receivables		15,090	26,396	2,619	2,654
Total trade and other receivables		15,658	26,396	2,619	2,654
Add: Loans to a subsidiary	13	–	–	907	701
Add: Cash and short-term deposits	16	103,334	93,255	19,919	20,568
Less: Derivatives	23(d)	(19)	–	–	–
Total financial assets at amortised cost		118,973	119,651	23,445	23,923

15. Trade and other receivables (cont'd)

(a) Trade receivables

Trade receivables, including amounts due from subsidiaries, are non-interest bearing and are generally on 30 to 90 days' terms (2019: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Receivables that are impaired

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.

Expected credit losses

The movement in allowance for expected credit losses of trade and non-trade receivables, including amounts due from subsidiaries, computed based on lifetime ECL are as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Movement in allowance account:				
At beginning of the year	351	48	–	36
Charge to profit or loss	406	343	–	–
Written off	–	(40)	–	(36)
Exchange differences	8	–	–	–
At end of the year	765	351	–	–

During the financial year, impairment loss of $406,000 (2019: $343,000) was recognised in profit or loss of the Group.

(c) Related party receivables

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

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore Dollar	920	1,047	1,542	1,468
United States Dollar	3,785	5,088	976	979
Ringgit Malaysia	7,900	14,757	101	207
Renminbi	2,851	4,758	–	–
Others	202	746	–	–
	15,658	26,396	2,619	2,654

16. Cash and short-term deposits

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash at banks and on hand	18,730	17,559	1,919	3,568
Deposits with licensed banks	84,604	75,696	18,000	17,000
Cash and short-term deposits	103,334	93,255	19,919	20,568
Less: Bank deposits with maturity more than three months	(62,479)	(57,236)	(14,000)	(15,000)
Cash and cash equivalents	40,855	36,019	5,919	5,568

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore Dollar	22,198	21,572	19,898	20,561
United States Dollar	5,266	3,121	21	7
Ringgit Malaysia	67,974	58,439	–	–
Renminbi	6,016	7,667	–	–
Others	1,880	2,456	–	–
	103,334	93,255	19,919	20,568

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 seven 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 2020 for the Group and the Company were 2.96% (2019: 3.06%) and 1.74% (2019: 1.74%) respectively.

Cash at banks of $6,265,000 (2019: $7,878,000) 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.

17. Share capital

	Group and Company			
	2020		2019	
	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.

18. 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 includes the shares of subsidiaries received by the Company arising from bonus issue. Capital reserve also accounted for the flow-through effects of investee company's accounting for capital reserves.

19. Loans and borrowings

			Group		Company	
	Note	**Maturity**	**2020 $'000**	**2019 $'000**	**2020 $'000**	**2019 $'000**
Current						
Obligations under finance leases	23(c)	2021	–	1,880	–	324
Lease liabilities	11		2,583	–	261	–
Bank loans		2021	8,092	16,706	1,871	2,160
			10,675	18,586	2,132	2,484
Non-current						
Obligations under finance leases	23(c)	2022-2023	–	954	–	391
Lease liabilities	11		3,541	–	140	–
Bank loans		2022	117	4,951	–	–
			3,658	5,905	140	391
Total loans and borrowings			14,333	24,491	2,272	2,875

19. Loans and borrowings (cont'd)

(a) Obligations under finance leases - secured

During the previous financial year, the Group and the Company had finance leases for certain assets (Note 10). Obligations under finance leases of $2,834,000 and $715,000 for the Group and the Company respectively, are secured by a charge over the leased assets.

(b) Bank loans

The bank loans of the Group and the Company bore interest between 1.0% and 5.5% (2019: between 2.0% and 5.9%), and 1.7% and 2.3% (2019: 2.0% and 4.3%) per annum respectively.

Bank loans of $481,000 (2019: $479,000) 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			
	1 August 2019 $'000	Cash flows $'000	Acquisitions $'000	Foreign exchange movement $'000	Other $'000	31 July 2020 $'000
Bank loans						
- Current	16,706	(24,508)	–	(280)	16,174	8,092
- Non-current	4,951	11,417	–	(77)	(16,174)	117
Lease liabilities						
- Current	3,278	(3,572)	–	(3)	2,880	2,583
- Non-current	4,891	–	1,531	(1)	(2,880)	3,541
Total	29,826	(16,663)	1,531	(361)	–	14,333

			Non-cash items			
	1 August 2018 $'000	Cash flows $'000	Acquisitions $'000	Foreign exchange movement $'000	Other $'000	31 July 2019 $'000
Bank loans						
- Current	17,446	(32,596)	–	(140)	31,996	16,706
- Non-current	15,082	22,012	–	(147)	(31,996)	4,951
Obligations under finance leases						
- Current	1,947	(2,522)	–	(17)	2,472	1,880
- Non-current	1,256	–	2,179	(9)	(2,472)	954
Total	35,731	(13,106)	2,179	(313)	–	24,491

The 'Other' column relates to the reclassification of non-current portion of loans and borrowings, including lease liabilities due to passage of time.

19. Loans and borrowings (cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore Dollar	2,572	2,733	1,309	1,916
United States Dollar	1,762	1,438	963	959
Ringgit Malaysia	6,801	15,925	–	–
Renminbi	2,157	4,395	–	–
Others	1,041	–	–	–
	14,333	24,491	2,272	2,875

20. Income tax

(a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 July 2020 and 2019 are:

	2020	2019
	$'000	$'000
Statement of profit or loss and other comprehensive income		
Current income tax:		
- Current income tax	2,521	1,162
- Over provision in respect of previous years	(6)	(32)
	2,515	1,130
Deferred tax:		
- Origination and reversal of temporary differences	(636)	260
- Over provision in respect of previous years	(1,892)	(306)
	(2,528)	(46)
Income tax (credit)/expense recognised in the statement of profit or loss and other comprehensive income	(13)	1,084

20. Income tax (cont'd)

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit before taxation multiplied by the applicable corporate tax rate for the financial years ended 31 July 2020 and 2019 is as follows:

	2020 $'000	2019 $'000
Profit/(loss) before tax	1,688	(298)
Tax calculated at statutory tax rate of 17% (2019: 17%)	287	(51)
Adjustments:		
Non-deductible expenses	804	606
Income not subject to tax	(291)	(27)
Effect of different tax rates on foreign income	(245)	(75)
Benefits from previously unrecognised deferred tax assets	(892)	(699)
Deferred tax assets not recognised	2,222	1,668
Over provision in respect of previous years		
- Current income tax	(6)	(32)
- Deferred tax	(1,892)	(306)
Income tax (credit)/expense recognised in the statement of profit or loss and other comprehensive income	(13)	1,084

(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	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax liabilities:						
Unremitted offshore interest income	–	1,848	(1,848)	–	–	1,848
Differences in depreciation for tax purposes	790	1,558	(743)	(1,194)	–	–
Unutilised reinvestment allowance	–	–		1,259	–	–
Other deductible temporary differences	(437)	(457)	10	38	–	–
	353	2,949	(2,581)	103	–	1,848

20. Income tax (cont'd)

(c) Deferred tax (cont'd)

	Group Statement of financial position		Group Statement of profit or loss and other comprehensive income		Company Statement of financial position	
	2020	2019	2020	2019	2020	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred tax assets:						
Differences in depreciation for tax purposes	(244)	(124)	(126)	(84)	–	–
Other deductible temporary differences	(907)	(1,101)	179	(65)	–	–
	(1,151)	(1,225)	53	(149)	–	–
Deferred tax credit recognised in the statement of profit or loss and other comprehensive income			(2,528)	(46)		

(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 $37,329,000 (2019: $41,407,000), $10,164,000 (2019: $12,310,000), and $11,370,000 (2019: $11,655,000) 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. The tax losses in China, Malaysia, Taiwan and USA can be carried forward for 5 years, 7 years, 10 years and 20 years respectively. The tax losses in Singapore have no expiry date.

21. Trade and other payables

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Trade and other payables:					
- Trade payables		6,112	6,153	–	–
- Accrued operating expenses		5,841	5,630	990	1,062
- Deferred grant income		265	–	73	–
- Sundry payables		4,634	4,627	88	25
- Derivatives	23(d)	–	18	–	–
- Amounts due to subsidiaries (non-trade)		–	–	9	8
		16,852	16,428	1,160	1,095
Add: Loans and borrowings	19	14,333	24,491	2,272	2,875
Less: Derivatives	23(d)	–	(18)	–	–
Less: Deferred grant income		(265)	–	(73)	–
Total financial liabilities carried at amortised cost		30,920	40,901	3,359	3,970

(a) Trade payables and sundry payables

These amounts are non-interest bearing and are normally settled on 30 to 90 days' terms.

(b) Related parties payables

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

(c) Deferred grant income

Deferred grant income pertains to the defrayment of the salary cost incurred during the nine months period of economic uncertainty from April to December 2020 for the grant provided by the Singapore Government under the Job Support Scheme.

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

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Singapore Dollar	5,196	4,865	1,157	1,084
United States Dollar	4,932	4,139	3	11
Ringgit Malaysia	4,473	5,339	–	–
Renminbi	1,765	1,620	–	–
Others	486	465	–	–
	16,852	16,428	1,160	1,095

22. Defined benefit liabilities

The Group operates two (2019: three) unfunded defined benefit plan (2019: either funded pension of 3% of total salary each month, or are unfunded). The level of benefit provided depends on eligible employees' length of service and their salary in their final years leading up to retirement.

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	
	2020	**2019**
	$'000	**$'000**
Present value of defined benefit obligations, representing net defined benefit liabilities	(1,445)	(1,356)

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

		Group	
	Note	**2020**	**2019**
		$'000	**$'000**
Balance at beginning of the year		(1,356)	(1,982)
Benefits paid		39	388
Current service costs	6	(91)	(98)
Interest costs	7	(27)	(27)
Remeasurement loss on defined benefit plans			
Actuarial loss arising from:			
- changes in financial assumptions		(38)	(78)
- experience adjustments		–	(53)
Effect due to plan settlement		–	492
Currency realignment		28	2
Balance at end of the year		(1,445)	(1,356)

Changes in fair value of plan assets are as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of the year	–	933
Contributions by the employer	–	36
Benefits paid	–	(1,029)
Return on plan assets	–	53
Currency realignment	–	7
Balance at end of the year	–	–

22. 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:

Reported in profit or loss

	Note	Group	
		2020	**2019**
		$'000	**$'000**
Current service costs	6	(91)	(98)
Interest costs	7	(27)	(27)
Return on plan assets		–	149
		(118)	24

Remeasurement loss recognised in other comprehensive income

	Group	
	2020	**2019**
	$'000	**$'000**
Return on plan assets	–	53
Actuarial gain/(loss) arising from:		
- Changes in financial assumptions	(38)	(78)
- Experience adjustments	–	(53)
	(38)	(78)

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

	Group	
	2020	**2019**
	$'000	**$'000**
Discount rates	2.85% to 3.09%	3.78% to 3.96%
Expected rate of future salary increases	5.00%	3.00% to 5.00%

22. Defined benefit liabilities (cont'd)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period. Assuming all other assumptions were held constant, the Group's defined benefit liabilities would be higher/(lower) by:

		Group	
	Increase/ (decrease)	2020 $'000	2019 $'000
Discount rates	0.25%	(19)	(20)
	(0.25%)	19	21
Expected rate of future salary increases	0.25%	19	16
	(0.25%)	(19)	(24)

The duration of the defined benefit obligations at the end of the reporting period is 4 to 7 years (2019: 5 to 12.9 years).

23. Commitments

(a) Capital commitments

Capital expenditure as at the end of reporting date is as follows:

	Group	
	2020 $'000	2019 $'000
Property, plant and equipment		
- Authorised and contracted for	1,661	1,501

(b) Operating lease commitments - as lessee

As at 31 July 2019, the future minimum rental payables under non-cancellable operating leases contracted for not recognised as liabilities are as follows:

	Group 2019 $'000
Within one year	863
After one year but not more than five years	1,936
More than five years	724
	3,523

As disclosed in Note 2.2(a), the Group has adopted SFSR(I) 16 on 1 August 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 31 July 2020, except for short-term and low value leases.

23. Commitments (cont'd)

(c) Finance lease commitments

As at 31 July 2019, the Group and the Company had 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 were as follows:

	2019	
Group	**Minimum lease payments $'000**	**Present value of payments $'000**
Within one year	1,982	1,880
After one year but not more than five years	985	954
Total minimum lease payments	2,967	2,834
Less: Amounts representing finance charges	(133)	–
Present value of minimum lease payments	2,834	2,834
Company		
Within one year	351	324
After one year but not more than five years	406	391
Total minimum lease payments	757	715
Less: Amounts representing finance charges	(42)	–
Present value of minimum lease payments	715	715

Finance lease liabilities were reclassified to lease liabilities on 1 August 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 2.2(a).

(d) Financial instruments

Derivatives included in the statement of financial position at 31 July are as follows:

		2020		2019	
Group	**Note**	**Assets $'000**	**Liabilities $'000**	**Assets $'000**	**Liabilities $'000**
Forward currency contracts	25(b)	19	–	–	(18)

As at 31 July 2020, the Group held five (2019: two) forward currency contracts, with total outstanding notional amounts of $2,075,000 (2019: $1,761,000). The outstanding forward contracts mature in 1 to 3 months (2019: 1 to 3 months).

The Group does not apply hedge accounting.

24. Related party disclosures

Compensation of key management personnel

	Group	
	2020	2019
	$'000	$'000
Salaries, bonuses and fees	2,176	1,670
CPF and other defined contributions	50	18
Total compensation paid to key management personnel	2,226	1,688

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

25. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirely in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There has been no transfer between levels of fair value measurements during the financial years ended 31 July 2020 and 2019.

25. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

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

Group	Note	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Total
		$'000	$'000	$'000
2020				
Financial assets/ (liabilities):				
Equity securities at FVPL:				
- Investment securities (quoted)		3,190	–	3,190
Derivatives:				
- Forward currency contracts	23(d)	–	19	19
At 31 July 2020		3,190	19	3,209
2019				
Financial assets/ (liabilities):				
Equity securities at FVPL:				
- Investment securities (quoted)		2,802	–	2,802
Derivatives:				
- Forward currency contracts	23(d)	–	(18)	(18)
At 31 July 2019		2,802	(18)	2,784

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

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.

25. Fair value of assets and liabilities (cont'd)

(d) Assets and liabilities not measured at fair value and whose carrying amounts are reasonable approximation of fair value

Loans to a subsidiary (Note 13), trade and other receivables (Note 15), trade and other payables (Note 21), cash and short-term deposits (Note 16) and loans and borrowings (Note 19)

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.

26. 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 and Risk 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 the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

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

(a) 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 (2019: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's profit (2019: loss) before tax would have been \$149,000 (2019: \$271,000) and \$20,000 (2019: \$22,000) lower/higher (2019: higher/lower) respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

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

(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 16) 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 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	
	2020	**2019**
	$'000	**$'000**
USD/SGD - strengthened 1% (2019: 1%)	33	18
USD/SGD - weakened 1% (2019: 1%)	(33)	(18)
USD/RM - strengthened 1% (2019: 1%)	5	22
USD/RM - weakened 1% (2019: 1%)	(5)	(22)

(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.

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

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

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

Group	Total $'000	1 year or less $'000	1 to 5 years $'000
31 July 2020			
Financial assets:			
Investment securities	3,190	3,190	–
Trade and other receivables	15,658	15,090	568
Cash and short-term deposits	103,334	103,334	–
Total undiscounted financial assets	122,182	121,614	568
Financial liabilities:			
Trade and other payables	(16,587)	(16,587)	–
Lease liabilities	(6,604)	(2,820)	(3,784)
Loans and borrowings (excluding lease liabilities)	(8,275)	(8,157)	(118)
Total undiscounted financial liabilities	(31,466)	(27,564)	(3,902)
Total net undiscounted financial assets/(liabilities)	90,716	94,050	(3,334)
31 July 2019			
Financial assets:			
Investment securities	2,802	2,802	–
Trade and other receivables	26,396	26,396	–
Cash and short-term deposits	93,255	93,255	–
Total undiscounted financial assets	122,453	122,453	–
Financial liabilities:			
Trade and other payables	(16,428)	(16,428)	–
Loans and borrowings	(25,319)	(19,271)	(6,048)
Total undiscounted financial liabilities	(41,747)	(35,699)	(6,048)
Total net undiscounted financial assets/(liabilities)	80,706	86,754	(6,048)

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

(c) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

Company	Total $'000	1 year or less $'000	1 to 5 years $'000
31 July 2020			
Financial assets:			
Investment securities	313	313	–
Trade and other receivables	2,619	2,619	–
Loans to a subsidiary	928	468	460
Cash and short-term deposits	19,919	19,919	–
Total undiscounted financial assets	23,779	23,319	460
Financial liabilities:			
Trade and other payables	(1,087)	(1,087)	–
Lease liabilities	(416)	(275)	(141)
Loans and borrowings (excluding lease liabilities)	(1,874)	(1,873)	–
Total undiscounted financial liabilities	(3,377)	(3,236)	(141)
Total net undiscounted financial assets	20,402	20,083	319
31 July 2019			
Financial assets:			
Investment securities	585	585	–
Trade and other receivables	2,654	2,654	–
Loans to a subsidiary	731	303	428
Cash and short-term deposits	20,568	20,568	–
Total undiscounted financial assets	24,538	24,110	428
Financial liabilities:			
Trade and other payables	(1,095)	(1,095)	–
Loans and borrowings	(2,924)	(2,518)	(406)
Total undiscounted financial liabilities	(4,019)	(3,613)	(406)
Total net undiscounted financial assets	20,519	20,497	22

The contractual expiry of the Company's corporate guarantee matures within 2 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 26(d)(ii).

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

(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, cash and short-term deposits and derivatives), the Group and the Company minimise credit risk by dealing 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.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating as and when necessary
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

The Group determined that its financial assets are credit-impaired when:

- there is a significant difficulty of the debtors
- a breach of contract such as a default or past due event
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

The Group categorises a receivable for potential write-off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan. Where receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

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 $873,000 (31 July 2019: $1,296,000) relating to corporate guarantees provided by the Company to the financial institutions for the subsidiaries' bank loans and finance leases.

26. 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	2020		2019	
	$'000	% of total	$'000	% of total
By country:				
Singapore	1,595	11	124	1
Malaysia	7,736	55	15,026	62
China	2,861	20	5,246	22
Other Asian markets*	190	2	675	3
United States	923	7	1,094	5
Others	693	5	1,914	7
	13,998	100	24,079	100
By industry sectors:				
Burn-in, testing and electronic manufacturing services	13,998	100	24,079	100

* Classified under "Other Asian markets" are Taiwan, Philippines, Thailand and Vietnam.

At the end of the reporting period, approximately:

(i) 70% (2019: 84%) of the Group's trade receivables were due from 5 (2019: 5) major customers who are in the semiconductor industry; and

(ii) 95% (2019: 96%) of the Company's receivables were balances with related parties.

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

(d) Credit risk (cont'd)

Trade receivables

For trade receivables, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company determine expected credit losses of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for remaining trade receivables that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

	Trade receivables past due			
	1 to 90 days	91 to 180 days	More than 180 days	Total
	$'000	$'000	$'000	$'000
Group				
As at 31 July 2020				
Trade receivables	860	12	765	1,637
Allowance for impairment	–	–	(765)	(765)
As at 31 July 2019				
Trade receivables	1,265	7	355	1,627
Allowance for impairment	–	–	(351)	(351)
Company				
As at 31 July 2020				
Trade receivables	346	247	–	593
As at 31 July 2019				
Trade receivables	288	289	–	577

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group and the Company are exposed to market price risk arising from its investments in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and Bursa Malaysia Securities Berhad in Malaysia, and are classified as held for trading. The Group does not have exposure to commodity price risk.

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

Sensitivity for market price risk

At the end of the reporting period, if the share price of the quoted equity instruments had been 5% (2019: 5%) higher/lower with all other variables held constant, the Group's and the Company's profit (2019: loss) before tax would have been $160,000 (2019: $140,000) and $16,000 (2019: $29,000) higher/lower (2019: lower/higher) respectively, arising as a result of higher/lower fair value gain on investment securities.

27. 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 financial years ended 31 July 2020 and 2019.

As disclosed in Note 18, 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 2020 and 2019.

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	**2020**	**2019**
		$'000	**$'000**
Total loans and borrowings (total debt)	19	14,333	24,491
Less: Cash and short-term deposits	16	(103,334)	(93,255)
Net cash		(89,001)	(68,764)
Total equity attributable to owners of the Company		83,262	82,542
Less: Statutory reserve fund		(860)	(860)
		82,402	81,682

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.

28. 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 SFRS(I) 8 *Operating Segments* for the financial year ended 31 July 2020, 31 July 2019.

(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.

28. Segment information (cont'd)

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

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

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

	Burn-in, testing and electronic manufacturing services $'000	Others $'000	Consolidated $'000
2020			
Revenue:			
External customers	110,622	–	110,622
Results:			
Segment profit/(loss)	540	(175)	365
Interest income			2,349
Finance costs			(1,026)
Profit before tax			1,688
Income tax credit			13
Profit for the year			1,701
Other information:			
Depreciation of property, plant and equipment	22,479	419	22,898
Additions to property, plant and equipment	6,923	22	6,945
2019			
Revenue:			
External customers	133,636	–	133,636
Results:			
Segment (loss)/profit	(1,172)	136	(1,036)
Interest income			2,279
Finance costs			(1,541)
Loss before tax			(298)
Income tax expense			(1,084)
Loss for the year			(1,382)
Other information:			
Depreciation of property, plant and equipment	25,609	379	25,988
Additions to property, plant and equipment	10,946	763	11,709

28. 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**	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Singapore	1,917	3,109	2,642	2,440
Malaysia	68,950	88,609	34,795	46,227
China	20,084	22,132	7,954	9,216
Other Asian countries*	6,781	4,096	1,523	957
United States	6,478	9,082	113	24
Others	6,412	6,608	–	–
	110,622	133,636	47,027	58,864

* Classified under "Other Asian countries" are Taiwan, Philippines, Thailand and Vietnam.
** Non-current assets consist of property, plant and equipment.

(b) Information about major customers

The Group's customer base includes 3 (2019: 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 $80 million (2019: $74 million).

29. Dividends

	Group and Company	
	2020	2019
	$'000	$'000
Recognised during the financial year:		
- Final ordinary tax exempt (one-tier) dividend for 2019 at nil (2018: 0.3 cent) per share	–	368
Proposed but not recognised as a liability as at 31 July:		
- Final ordinary tax exempt (one-tier) dividend for 2020 at 0.3 cent (2019: nil) per share	368	–

30. Material litigation

On 1 May 2019, a complaint was filed in District Court in Midland, County, Texas by Weatherford International, LLC and Weatherford U.S. L.P. ("Claimants") against KES (USA) Inc., a predecessor entity of the Company's wholly-owned subsidiary, KES Systems, Inc. ("KESI").

The Claimants alleged that KESU Systems & Service, Inc., a predecessor entity of KES (USA) Inc., along with several other defendant companies and the City of Midland, caused or contributed to environmental contamination at a certain property located in Midland, and seek reimbursement under Texas law for the cost of cleaning up such alleged contamination. ("the Claim").

KESI asserts that there is no merit to the Claim. KESI denies Claimants' allegations and will, in consultation with its legal advisor, take all necessary steps to vigorously resist and refute any and all allegations or claims made against it, including seeking opportunities to remove itself from the case.

31. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 July 2020 were approved in accordance with a resolution of the directors on 29 September 2020.

SHAREHOLDERS' INFORMATION

As at 29 September 2020

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	1,088	34.47	1,066,859	0.87
1,001 – 10,000	1,611	51.05	7,393,301	6.02
10,001 – 1,000,000	444	14.07	22,932,521	18.67
1,000,001 and above	10	0.32	91,413,266	74.44
Total	**3,156**	**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	6,449,000	5.25
3.	United Overseas Bank Nominees (Private) Limited	4,325,400	3.52
4.	Maybank Kim Eng Securities Pte. Ltd.	2,598,000	2.12
5.	Tan Teoh Khoon	2,130,000	1.73
6.	Ang Ah Beng	2,066,200	1.68
7.	OCBC Nominees Singapore Private Limited	1,874,000	1.53
8.	Phillip Securities Pte Ltd	1,755,000	1.43
9.	Goh Guan Siong (Wu YuanXiang)	1,468,800	1.20
10.	OCBC Securities Private Limited	1,280,200	1.04
11.	Citibank Nominees Singapore Pte Ltd	968,800	0.79
12.	Tan Chin Wah	801,000	0.65
13.	Raffles Nominees (Pte.) Limited	608,400	0.50
14.	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
15.	Yeo Wei Huang	501,000	0.41
16.	IFast Financial Pte. Ltd.	491,000	0.40
17.	UOB Kay Hian Private Limited	484,900	0.39
18.	CGS-CIMB Securities (Singapore) Pte. Ltd.	467,633	0.38
19.	Lee Chin Ing (Li JingYing)	401,000	0.33
20.	Gordon Cai Zhen Qiang	400,000	0.33
	Total	**97,063,999**	**79.05**

SHAREHOLDERS' INFORMATION

As at 29 September 2020

DIRECTORS' INTEREST AS AT 21 AUGUST 2020

	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	–	–
Daniel Soh Chung Hian	–	–

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

FREE FLOAT

As at 29 September 2020, 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.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

at the 2020 AGM on Monday, 23 November 2020
[pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director	Francis Lee Choon Hui	Timothy Brooks Smith
Date of Appointment	18 January 1994	18 January 1994
Date of last re-appointment	17 November 2017	16 November 2018
Age	74	78
Country of principal residence	Singapore	United States of America
The Board's comments on this re-appointment	The re-election of Mr Francis Lee as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration his qualifications, professional expertise, knowledge, and his overall contributions since he joined the Board, especially in the areas of corporate, legal and governance matters. (He abstained from deliberating on his own re-election.) Upon re-election, Mr Francis Lee will continue to serve as a member of the Audit and Risk Committee as well as Chairman of the Nominating Committee and Remuneration Committee.	The re-election of Mr Timothy Brooks Smith as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration his qualifications, experience, expertise and knowledge in the semiconductor industry and his overall contributions since he joined the Board, especially in the area of industry knowledge. (He abstained from deliberating on his own re-election.) Upon re-election, Mr Timothy Brooks Smith will continue to serve as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc.)	- Independent Non-Executive Director - Member of Audit and Risk Committee - Chairman of Nominating Committee - Chairman of Remuneration Committee	- Independent Non-Executive Director - Member of Audit and Risk Committee - Member of Nominating Committee - Member of Remuneration Committee
Professional qualifications	- Barrister at Law, London (1970) - Advocate & Solicitor, Singapore (1970)	Bachelor of Science (Electrical & Electronics) and the Master of Science (Electrical Engineering) from the Southern Methodist University in the United States of America
Working experience and occupation(s) during the past 10 years	- Practiced as a Consultant for Mergers and Acquisitions for some 28 years (1992 to 2020) - Director in various listed and non-listed companies as set out below	Chairman and Chief Executive Officer of Avazzia, Inc
Shareholding interest in the listed issuer and its subsidiaries	No	No

SUPPLEMENTAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

at the 2020 AGM on Monday, 23 November 2020
[pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director	Francis Lee Choon Hui	Timothy Brooks Smith
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships		
Past (for the last 5 years):	<u>Directorships</u> - PT. Hijau Lestari Raya Fibreboard - PT. Toshiba Visual Media Network Indonesia - Raffles Marina Holdings Ltd - Raffles Marina Ltd	No
Present:	<u>Directorship in Other Listed Company</u> - GSH Corporation Limited <u>Directorships in Non-Listed Company</u> - Advanced Prestige Sdn Bhd - Altheim International Limited - Eastworth Source Sdn Bhd - Investasia Sdn Bhd - Mainfield Holdings Limited - MXIM Holdings Pte Ltd - Sutera Harbour Golf & Country Club Berhad - Sutera Harbour Travel Sdn Bhd - Sutera Harbour Resort Sdn Bhd - The Little Shop Sdn Bhd - The Sutera Harbour Group Sdn Bhd - Xing Asia Impel Sdn Bhd - Corporate Ventures Pte Ltd - Corporate Ventures International Ltd - Phillip Enterprise Fund Limited - Phillip Ventures Enterprise Fund 5 Limited <u>Major Appointment (other than Directorships)</u> - Hon Advisor, Raffles Marina Ltd	Chairman and Chief Executive Officer of Avazzia, Inc

Name of Director		Francis Lee Choon Hui	Timothy Brooks Smith
Information required			
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No

SUPPLEMENTAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

at the 2020 AGM on Monday, 23 November 2020
[pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director		Francis Lee Choon Hui	Timothy Brooks Smith
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i)	Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

Name of Director	Francis Lee Choon Hui	Timothy Brooks Smith
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :-		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	Yes Mr Lee was an Independent Director and a member of the Audit Committee ("AC") of JEL Corporation (Holdings) Ltd, since its listing in 2003. Its Executive Directors were investigated in 2007 and later convicted of various offences, involving secretly managing the earnings of the Company. The whole Board, except Mr Lee and the new CEO, resigned and as sole Independent Director, Mr Lee was invited by SGX to reconstitute the Board and AC, and help resolve the problems. Mr Lee then served as Chairman of the Board between 2008 and 2012, during which the Company was successfully rescued, reorganised and renamed as GSH Corporation Ltd, of which Mr Lee remains as its Vice Chairman and Lead Independent Director.	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No	No

SUPPLEMENTAL INFORMATION
ON DIRECTORS SEEKING RE-ELECTION

at the 2020 AGM on Monday, 23 November 2020
[pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director		Francis Lee Choon Hui	Timothy Brooks Smith
	in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k)	Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

This page has been intentionally left blank

This page has been intentionally left blank

SUNRIGHT LIMITED
(COMPANY REG. NO. 197800523M)

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