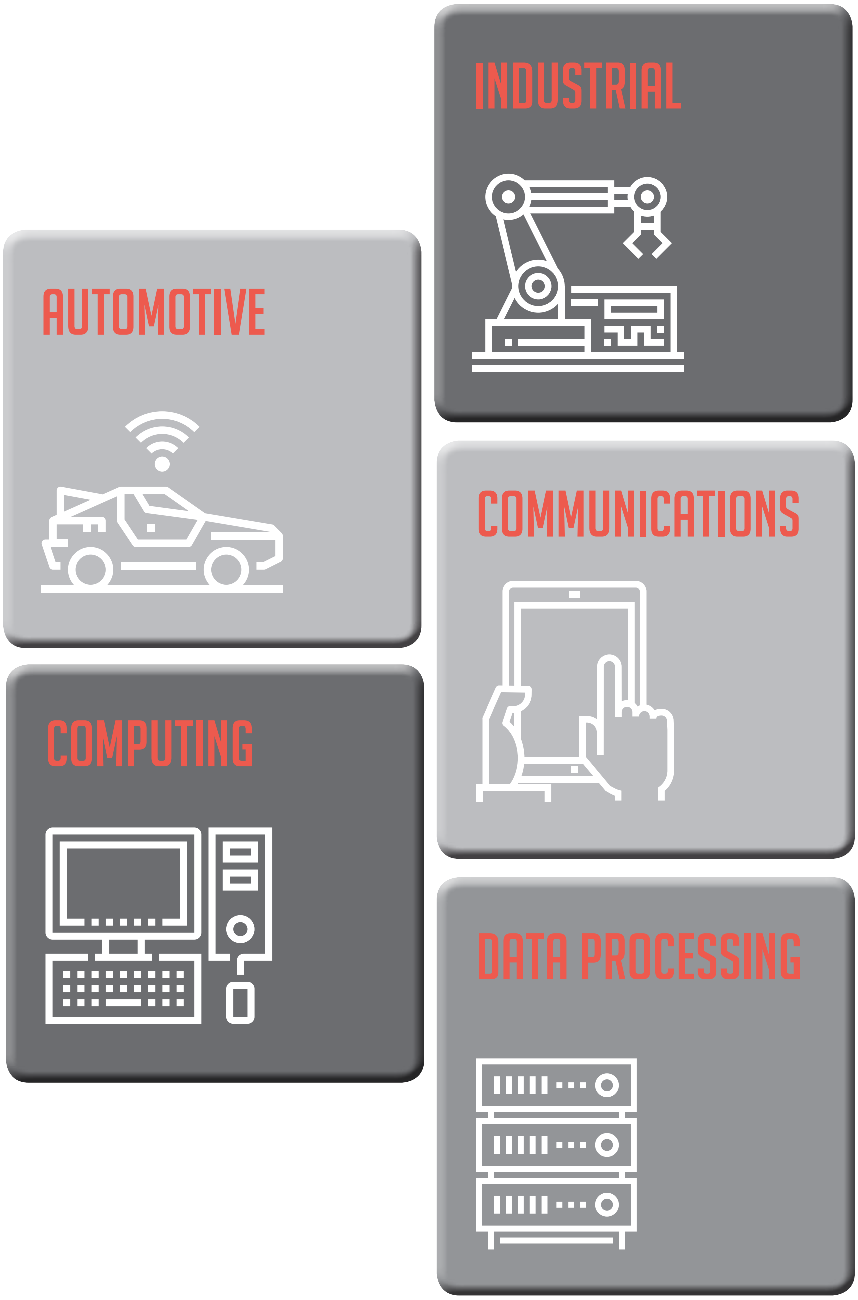
SUNRIGHT

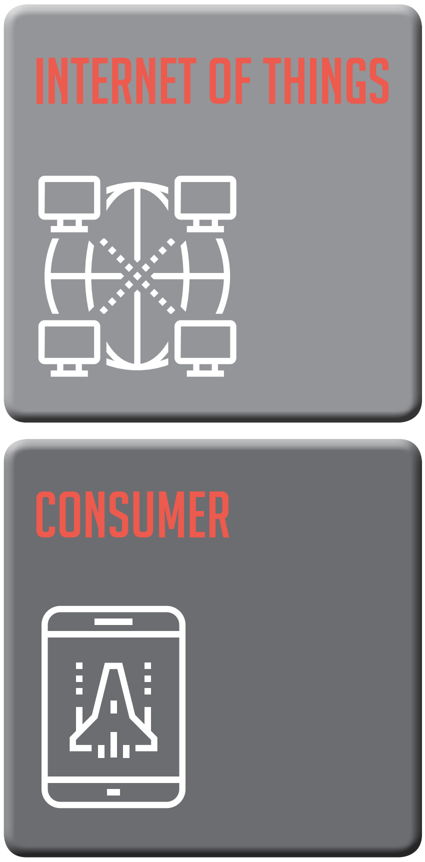
SUNRIGHT LIMITED
(COMPANY REG. NO. 197800523M)

ANNUAL REPORT 2019

THE WORLD'S LARGEST INDEPENDENT

'BURN-IN AND TEST'
SERVICE PROVIDER
LEADING IN RELIABILITY SYSTEMS
AND TEST HANDLING SOLUTIONS





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

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CHAIRMAN'S STATEMENT

WE GAVE DEEPER FOCUS ON WHAT WE DO BEST, IN PROVIDING SERVICES AND SYSTEMS FOR TEST AND BURN-IN SOLUTIONS

Increasing tests in burn-in will result in more services and systems for reliability. These advancements are driving greater opportunities for Sunright in 2020.

CHAIRMAN'S STATEMENT

Dear Fellow Shareholders

FINANCIAL REVIEW

Financial year 2019 was economically challenging for Sunright.

The global and on-going trade war between U.S. and China has created massive disruptions, affecting the automotive and the semiconductor industries. This has resulted in lower sales of cars in China and the anaemic sentiments, which have both negatively impacted Sunright's performance.

The unfavourable conditions significantly reduced demands for our business, which have adversely affected our revenues in 2019. Sales for the year ended 31st July 2019 were S$133.6 million compared to S$153.4 million in 2018. This resulted in a deficit of S$1.4 million, against a profit of S$13.6 million last year. At the close of FY 2019, we registered a loss per share of 2.1 cents, as compared to earnings per share of 5.5 cents in FY 2018.

MAKING STRATEGIC MOVES

Given the realities of the market, Sunright made bold moves designed to strengthen the Group. We gave deeper focus on what we do best, in providing services and systems for test and burn-in solutions. We combined our proven technologies by using hardware from KX5, Fastrack and provided new software to produce custom system level test, ("SLT"), while continuing to invest in new innovations.

NEW PRODUCT MOMENTUM

SLT with burn-in allows testing to be done in the context of an actual product application. Not all device failures are the same, not all failures are predictable and not all our customers follow the same test methodology. We are seeing an early subtle shift in interest towards custom SLT and burn-in solutions. Our 7-year innovation journey has prepared us well in bringing our experienced team from multiple technologies in digital/analog measurement and pick & place automation together in delivering SLT with burn-in and test solutions. We produced our first module test handler "Tiger", designed for pre-production and high volume testing of modules. This product was debuted at the Semicon West in San Francisco, in July 2019 and received very positive interests.

RELIABILITY MATTERS

Despite the economic uncertainties, giant data centres, autonomous cars and Artificial Intelligence "AI" are driving significant changes in our industry. Our world-class customers are focusing on increasing more data and higher computing power for their high-density devices by using the latest fab process technologies. Such devices require more complex testing and more tests to be done. Increasing tests in burn-in will result in more services and systems for reliability. These advancements are driving greater opportunities for Sunright in 2020.

STRENGTHENING PRODUCT LEADERSHIP

We are the only company with unique capability of providing global services and systems in test and burn-in solutions, with exclusive portfolio of intellectual properties, and a combination of world-class customers focusing on their leading edge devices. We believe that our strategic investments on new innovations are the right steps in preparing the next wave of changes in automotive and mobile devices. When these markets kick-in, we will stand to benefit financially.

APPRECIATION

My appreciation to fellow Board members for their support as we lead the Sunright Group through this challenging year. On behalf of the Group, I would like to extend a warm welcome to our newest Board member, Mr. Daniel Soh Chung Hian who was appointed on 3rd December 2018. His professional background and valuable expertise will be an asset to the Group.

Last but not least, I am most grateful to our employees, customers and stakeholders for their unwavering support as we transform the Company and position Sunright for long-term growth and success.

MR. SAMUEL LIM SYN SOO
Executive Chairman & Chief Executive Officer
Date: 27th September 2019

BUSINESS
REVIEW

TIGER
Module Test Handler

KX5
Massively Parallel
Test & Burn-in System

FASTRACK
Automatic Device
Loader & Unloader

The business and economic environment may change, but the tech race does not stop. Newer and more advanced semiconductors will continue to be introduced by our customers for cars, communications, industrial etc. Sunright work closely with our blue-chip customers in the early phase of their product introduction by designing and providing equipment for testing and burn-in, to ensure their devices are reliable.

We maintained our development expenses in creating system level test and burn-in solutions for new emerging products. We received an order for a custom designed system, which integrates EZ, KX5 and a thermal control chamber to provide test and burn-in solution for high volume production. We also developed our first module test handler, Tiger which debuted at the Semicon West in San Francisco. System level testing and module testing, are not new. We are extending our proven technology to a market which is gaining momentum for production testing of smart phones, cars etc. We filed a new patent on our latest interconnection technology which will lay the foundation for our future innovations. This development enhances our core technology in burn-in and automated handling.

Demand for quality is ever-increasing. The automotive industry has zero tolerance for inferior reliability. The requirements for test and burn-in will continue to be stringent. In automotive processing, new standards are introduced almost every year. We were accredited with the latest IATF 16949, a mandatory conformance for test and burn-in of automotive chips.

We remain committed to our growth strategy as we move ahead into 2020. The automotive market provides opportunities of good growth. Due to environmental impact, many countries are promoting electric cars and raising awareness among consumers about the benefits. This market segment will drive the need for burn-in of modules and packages.

BOARD OF DIRECTORS

SAMUEL LIM SYN SOO

Non-Independent Executive Director

Mr Samuel Lim is the Executive Chairman and Chief Executive Officer of the Company and was appointed to the Board since its inception, on 9 March 1978. He is a member of the Nominating Committee of the Company. Mr Lim is also the Executive Chairman and Chief Executive Officer of KESM Industries Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad. Mr Lim sits on the Boards of all the companies in the Sunright Group. By his vision and directions, he led the Company to become the world's largest independent burn-in and testing services provider for the major manufacturers in the semiconductor industry.

Mr Lim holds a Diploma in Industrial Engineering (Canada) and has more than 45 years of experience in the semiconductor and electronics industry. Prior to the establishing of Sunright Limited, Mr Lim held senior positions including engineering, manufacturing and marketing in U.S. multinational companies. A pioneer in the local semiconductor burn-in and test industry, Mr Lim holds 3 U.S. patent families in recognition of his inventions in various solutions involving "Burn-in and test". He also sits on the Board of all the companies in KESM Industries Berhad.

Mr Lim has a direct interest of 67,466,666 shares in the Company.

Mr Lim was last re-elected as a Director of the Company on 16 November 2018.

KENNETH TAN TEOH KHOON

Non-Independent Executive Director

Mr Kenneth Tan was appointed to the Board on 12 January 1994. He is also a member of the Nominating Committee of the Company. 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.

Mr Tan has a direct interest of 2,130,000 shares in the Company. He was last re-elected as a Director of the Company on 18 November 2016.

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

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

BOARD OF DIRECTORS

LIM MEE ING

Non-Independent Non-Executive Director

Ms Lim Mee Ing was appointed to the Board on 19 February 1990. She is also a member of the Audit Committee and Remuneration Committee of the Company.

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

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

She does not have any shareholding in the Company and its subsidiaries, except she is deemed to have an interest in the shareholding of Mr Samuel Lim in the Company by virtue of her spousal relationship. Ms Lim was last re-elected as a director of the Company on 17 November 2017.

Ms Lim is currently a Non-Executive Director of KESM Industries Berhad and also sits on the Board of a private limited company in China.

FRANCIS LEE CHOON HUI

Independent Non-Executive Director

Mr Francis Lee joined the Board on 18 January 1994, as an Independent Non-Executive Director. He is the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee of the Company.

Mr Lee qualified as a Barrister-At-Law, and an Advocate & Solicitor, in 1970. He practiced law for over 20 years and was a senior corporate lawyer, whose principal areas of practice were in corporate law, civil litigation and general commercial practice.

In 1992, Mr Lee retired from legal practice to found Corporate Ventures Group, a consultancy firm for mergers and acquisitions, of which he is the Chairman. He has served as an M&A consultant for substantial private family businesses, as well as for listed companies, for over 20 years. Over the years, he has helped many companies to successful IPOs.

Mr Lee does not have any shareholding in the Company and its subsidiaries. He was last re-appointed as a Director of the Company on 17 November 2017.

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

BOARD OF DIRECTORS

TIMOTHY BROOKS SMITH

Independent Non-Executive Director

Mr Timothy Brooks Smith joined the Board on 18 January 1994, as an Independent Non-Executive Director. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

Mr Smith obtained a Bachelor of Science (Electrical & Electronics) in 1965 and then a Master of Science (Electrical Engineering) in 1969 from the Southern Methodist University in the United States of America.

He has over 40 years of experience in the semiconductor industry. He had spent over 21 years at Texas Instruments ("TI") and was credited for the invention of TI's Low Power Schottky Product Line and BiFET OP AMP. His last held position in TI was as a Senior Vice President of the Semiconductor Group, with worldwide profit and loss responsibility for its Memory, MOS Logic and DSP businesses. Reporting to Mr Smith were TI plants in Singapore, Taiwan, the Philippines and Houston. He managed TI's semiconductor wafer fabrication units in Dallas, Lubbock and Houston; was chairman of its wafer fabrication council; managed the annual capital expenditure budget for multiple wafer fabrication, assembly and test operations and the annual research and development budget for process technology and product development for the businesses under his management. Mr Smith was the Semiconductor Group representative to the corporate capital subcommittee of the Board of Directors and Chairman of the Wafer Fabrication Council, responsible for the capital roadmap for 27 wafer fabrication units, worldwide. He was also responsible for the included income statement, balance sheet and cash flow of TI's worldwide Memory, MOS Logic and DSP businesses.

Mr Smith does not have any shareholding in the Company and its subsidiaries. He was last re-appointed as a Director of the Company on 16 November 2018.

Mr Smith is currently the Chairman and Chief Executive Officer of Avazzia, Inc, a corporation he founded in 2004 to develop, manufacture and sell electronic medical devices.

DANIEL SOH CHUNG HIAN

Independent Non-Executive Director

Mr Daniel Soh joined the Board on 3 December 2018, as an Independent Non-Executive Director. He is the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company.

Mr Soh graduated from the then University of Singapore with a degree in Accountancy and possesses a Master of Business Administration from The International Management Centres in the United Kingdom.

A Fellow Member of the Institute of Singapore Chartered Accountants, 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.

Mr Soh currently serves as independent director of the following companies: Agency for Integrated Care Pte Ltd, British and Malayan Holdings Limited, British and Malayan Trustees Limited, Lum Chang Holdings Limited and Vicom Ltd.

Over the preceding three years, Mr Soh had served on the Boards of Eu Yan Sang International Ltd and JDJ Investment Pte Ltd.

Mr Soh does not have any shareholding in the Company and its subsidiaries.

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 COMMITTEE
Mr Daniel Soh Chung Hian (Chairman)
Mr Francis Lee Choon Hui
Ms Lim Mee Ing
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
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Fax: (65) 6276 8426

PLACE OF INCORPORATION
Singapore

COMPANY REGISTRATION NO.
197800523M

DATE OF INCORPORATION
9 March 1978

WEBSITE
www.sunright.com

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

STOCK NAME
Sunright

STOCK CODE
S71

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

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

SUSTAINABILITY REPORT

BOARD STATEMENT

The Board maintains oversight over key material environmental, social and governance ("ESG") matters and ensures that issues relating to these ESG matters are managed and monitored on a regular basis. The Board specifically considers sustainability issues as part of its strategic formulation and is committed to engage in the best sustainability practices, recognising how it can enhance our business operations and performance.

This year, we have reviewed our material ESG matters and confirmed their continued relevance to our business. We extended the disclosure on economic performance as a material matter to discuss our direct economic value contribution to stakeholders and expanded our reporting scope to include our operation in Tianjin, China. As we deliver on our commitment to our stakeholders, we take a holistic approach to communicate our sustainability practices and strive to continually respond to current and future risks and opportunities in sustainability, within the context of a changing landscape of the semiconductor and electronics manufacturing industry.

With the publication of our second annual Sustainability Report, Sunright Limited ("Sunright") reinforces our commitment for sustainability throughout all business activities, while working closely with our stakeholders in this journey of long-term value creation for all.

ABOUT SUNRIGHT LIMITED

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 micro-controllers, microprocessors and memories. In addition, Sunright offers selective electronic manufacturing services ("EMS") of electronic components. By collaborating with leading original equipment manufacturers ("OEM"), Sunright provides the synergy for OEMs to accelerate time-to-market for their new products. Listed on SGX since 1994, Sunright is headquartered in Singapore, operating through manufacturing facilities in Singapore, Malaysia, Taiwan, China and the USA, and is well-supported by sales and service support centers in Singapore, Malaysia, Philippines, Taiwan, China and USA.

ABOUT THE REPORT

Sunright is pleased to present its second annual Sustainability Report, for the period of 1 August 2018 to 31 July 2019 ("FY2019"). Where applicable, one year of historical performance data is also included for comparative purposes.

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

The scope of this report covers our significant operating units based in Singapore[1], Malaysia[2] and has been expanded this year to include our Tianjin operation in 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, however Sunright may consider doing so 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

STAKEHOLDER ENGAGEMENT

At Sunright, we regularly engage with stakeholders through multiple platforms to understand and address their key concerns. Such engagements have allowed us to gain a better insight to further fine-tune our policies, practices and improve our performance in material ESG factors. Table 1 below highlights our approach towards engaging key stakeholders.

Table 1: Sunright's Approach towards Stakeholder Engagement

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

MATERIALITY ASSESSMENT

Sunright focuses on sustainability matters that critically affect our business operations and are of interest to both internal and external stakeholders. Following our first formal materiality assessment exercise in July 2017, the Board has reviewed the outcomes of the materiality assessment and determined that all five material matters remain relevant for this reporting period.

Figure 1: Sunright's Materiality Assessment Process

1. IDENTIFICATION

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

2. PRIORITISATION

These sustainability matters were prioritised through an unbiased and anonymous voting exercise, taking into account:

i. importance to Sunright's business, and
ii. significance and influence to external stakeholders.

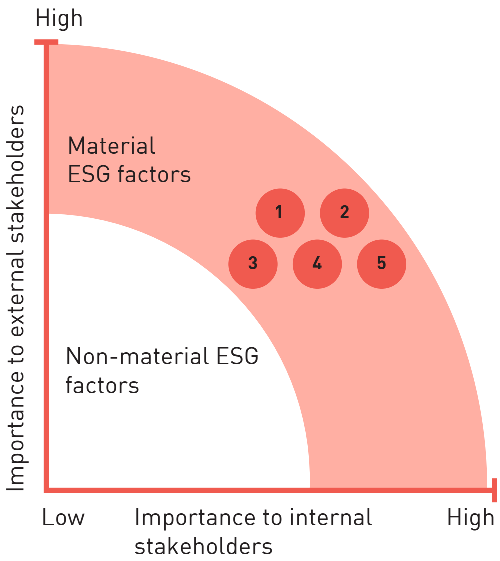
3. VALIDATION

The result of the exercise were mapped into materiality matrix and approved by the Board.

4. REVIEW

In FY2019, a review of the material matters was conducted. It was concluded that the five sustainability matters remained relevant for reporting, with an additional disclosure under Economic Performance.

Figure 2: Sunright's Materiality Matrix



Legend

1. Ethical business conduct
2. Regulatory compliance
3. Economic performance
4. Fair employment practices
5. Energy and carbon footprint

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

No.	Material Sustainability Matters (in no particular order of importance)	Definition	GRI Topics
1	Ethical business conduct	Adherence to responsible business policies in terms of anti-corruption, anti-competitive behaviour and anti-trust	• GRI 205: Anti-Corruption
2	Regulatory compliance	Compliance with regulatory requirements, including but not limited to laws on the environment, labour, and health and safety	• GRI 307: Environmental Compliance • GRI 419: Socioeconomic Compliance
3	Economic performance	Economic value contribution Sustain economic performance through responsible supply chain management	• GRI 201: Economic Performance • GRI 204: Procurement Practices
4	Fair employment practices	Equal opportunities and treatment for all employees and workers	• GRI 401: Employment • GRI 406: Non-Discrimination
5	Energy and carbon footprint	Efficient use of energy to minimise the carbon footprint arising from our operations	• GRI 302: Energy • GRI 305: Emissions

SUSTAINABILITY GOVERNANCE AT SUNRIGHT

Figure 3: Sunright's Sustainability Governance Structure

At Sunright, directives for sustainability programmes are reviewed and approved by the Board and Executive Directors. This sets the tone for the sustainability agenda at the top. 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.

ENSURING THE HIGHEST STANDARDS OF ETHICAL BUSINESS CONDUCT

Sunright strives to maintain the highest standards of ethics and integrity in all our dealings with clients, suppliers or other parties. Sunright promotes ethical conduct in all aspects of its business to uphold honest interactions between personal and professional parties, and to effectively address conflicts of interests. Sunright does not condone any unethical practices, with a zero-tolerance approach towards any misdoings.

Sunright has a comprehensive RBA Code of Conduct[4] (the "Code") in place, which defines the values, principles, standards and norms of behavior pertaining to how we manage our business and our business dealings. Our anti-corruption policies and procedures are communicated to all employees via annual briefings, or emails and letters. It is also mandatory for all newly hired employees in Singapore to undergo training as part of orientation procedures, which includes a briefing on the Code's requirements.

Anti-corruption policies and procedures (Figure 5) have been communicated to our Board members, employees and business partners, while also receiving the necessary training (Figure 4).

Figure 4: Number of employees and business partners that Sunright's anti-corruption policies and procedures have been communicated to and receiving training in FY2019

[4] The Responsible Business Alliance (RBA) Code of Conduct is a set of social, environmental and ethical standards for the electronics industry.

Figure 5: Sunright's Ethical Business Conduct: A Policy-based Overview

01	Whistleblower Policy	Separate 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: 1. To encourage employees to confidently raise genuine concerns about possible improprieties 2. Provide ways for employees to raise concerns and receive feedback on any actions taken as a result 3. Reassure employees that they will be protected from possible reprisals or victimisation
02	Code of Conduct	The Policy outlines the principles that ensure the humane treatment of all employees, respect for the environment and its welfare, and operates in full compliance with applicable laws, rules and regulations of the countries in which we operate.
03	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 include any violations or threats on fair and humane treatment such as prohibition of sexual harassment, abuse (mental, physical or verbal), coercion, corporal punishment, etc.
04	Business Ethics Policy	Employees are disallowed 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 bribe and kick-backs.
05	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.

Where an entity does not have an explicit policy covering ethical business conduct, letters will be sent to regular vendors and the top twenty vendors prior to festive seasons to remind them on our practices.

As a publicly listed company, Sunright is committed to maintaining a high standard of corporate governance and transparency in its business operations. We take a zero-tolerance approach in dealing with a situation where an employee breaches the Code or any of the policies. We effectively educate and train our employees on the anti-corruption policies and procedures by using various communication channels and training modes for our employees in various countries of operations.

While Sunright has a general whistleblowing policy for feedback, complaints or concerns to be raised, entities may also provide further various channels such as through a phone helpline, a designated helpline email address, and managers and superiors in-charge. In response to their suggestions, we have stepped up the frequency of promotions pertaining to the adherence of such policies while erecting posters at relevant facilities to generate awareness regarding existing mechanisms in place.

With these measures in place, there were zero cases of corruption reported in FY2019. This is consistent with our record of having reported zero incidents or cases associated with corruption to date.

Focus Area	Perpetual Target	FY2019 Performance
Ethical Business Conduct	0 confirmed cases of corruption within Sunright	Achieved ✓

To maintain our track record, we will continue to review our communication outreach and training on anti-corruption policies and strengthen them where relevant.

STRICT COMPLIANCE WITH ALL APPLICABLE LAWS AND REGULATIONS

Guided by a stringent Code of Conduct, Sunright ensures it is always in strict compliance to all applicable laws and regulations in each country that it operates in. Sunright aims to keep abreast of the latest regulatory requirements in each country to ensure 100% compliance with all applicable laws and regulations.

The related policies and practices are continuously reviewed by local management and approved by the Board to reflect the changes in regulations. The changes are communicated to ensure employees' knowledge on the relevant policies and procedures in place.

Focus area	Perpetual target	FY2019 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 ✓

SUSTAIN ECONOMIC PERFORMANCE THROUGH RESPONSIBLE SUPPLY CHAIN MANAGEMENT

We believe that there is a strong linkage between sustainable supply chain management and Sunright's economic performance and competitiveness. Robust supply chain management reduces risks of business disruption, ensures consistent quality and improves cost-effectiveness as well as production efficiency. Working closely with suppliers also allows us to meet our environmental and social commitments. This includes responsible sourcing of 3TG as well as Printed Circuit Board (PCB) manufacturing.

We prioritise working with local suppliers at each country of operation, taking into consideration pricing, lead time and supplier capability. Not only does this enhance sourcing efficiency due to shorter lead time, it is also part of our commitment to positively impact local communities through economic development and job opportunities.

The Purchasing Policy and Procedures govern how our suppliers are screened, selected and managed. Our Three-Step Supply Chain Management Process sets out detailed procedures in supplier management.

Purchasing Policy

Our primary purchasing policy 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.

Vendor Qualification Procedure

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 6: Sunright's Three-Step 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 that maintains 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. 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 and responsible for performing due diligence on their supply chain as appropriate to ensure the compliance.

All suppliers are required to conform with the ISO 9001:2008 standard 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.

Focus Area	Perpetual Target	FY2019 Performance
Responsible Supply Chain Management	At least 50% of all purchases by purchase value are sourced locally[5]	Achieved ✓

CREATING AND DELIVERING DIRECT ECONOMIC VALUE

In FY2019, Sunright generated more than S$134 million in terms of total revenue. In this, we ensure that we create value not only for our shareholders, but also for our various stakeholders – suppliers and contractors, employees and outsourced workers, capital providers and governments. Given the challenging market conditions and uncertainties arising from global political and economic order in FY2019, particularly for the manufacturing and electronics industry, we saw a decline in revenue and lower economic value being retained for FY2019.

Table 3: Economic Value Generated, Distributed and Retained in FY2019 and FY2018[6]

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

Further details on our economic performance can be found on pages 57 and 61.

BUILDING A STRONG WORKFORCE & FAIR WORKPLACE

SUNRIGHT'S EMPLOYEE AND WORKER PROFILE

In FY2019, we were supported by 1,095 employees and 1,353 workers, an increase from the previous year due to the inclusion in scope of our Tianjin facility this year. These workers comprise outsourced operators directly involved in production activities, interns and suppliers.

Over 91% of our employees are employed under permanent contract and almost all employed on a full-time basis, enabling our employees to develop their potential with us. Maintaining this figure in FY2019 also expresses the increased trust our employees place in us. We also maintained our gender-diverse identity with a well-balanced ratio of male and female employees in our organisation for FY2019.

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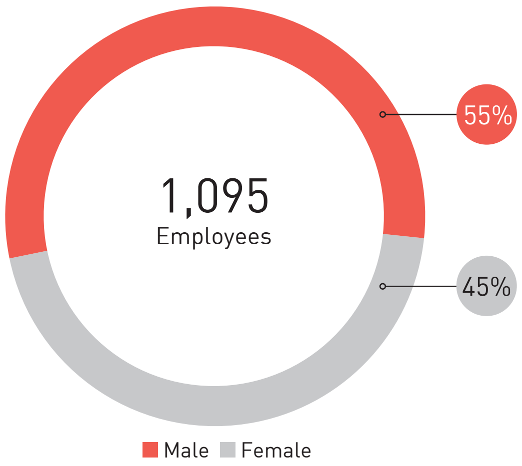
[5] Local purchases refer to purchases made (except for production machineries) from locally registered companies, which supply trade and non-trade goods and services.

[6] FY2019 and FY2018 figures include all companies within the Sunright Group.

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 7: Sunright's Employee Demographics by Gender and Region in FY2019



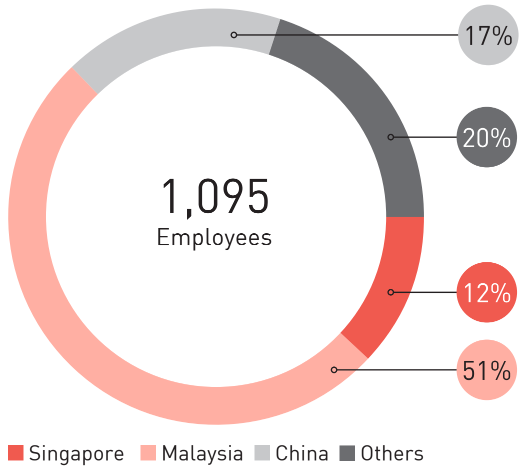
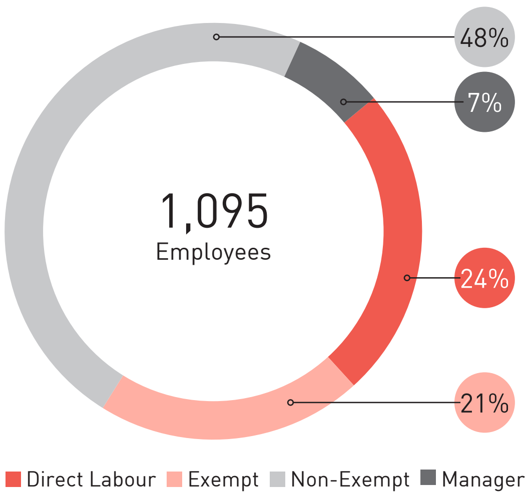
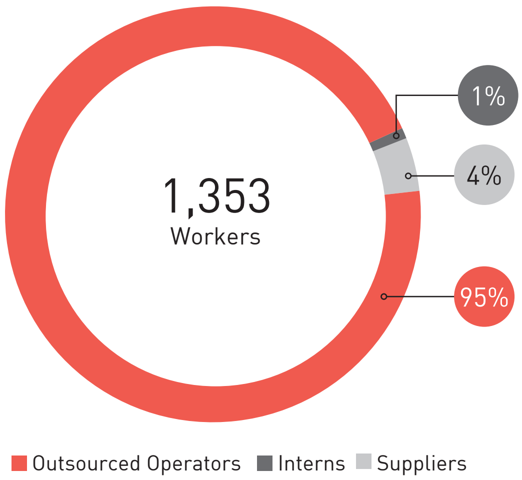


Figure 8: Sunright's Employee and Worker Demographics in FY2019





[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 FY2019, we hired 226 employees, a 55% decrease from FY2018 and also saw a significant decrease of 43% in our turnover. This increased retention rate is a testament to our fair employment practices and conducive work environment and reflects a high level of satisfaction among our employees.

Figure 9: Sunright's Hires by Gender and Age Group in FY2019

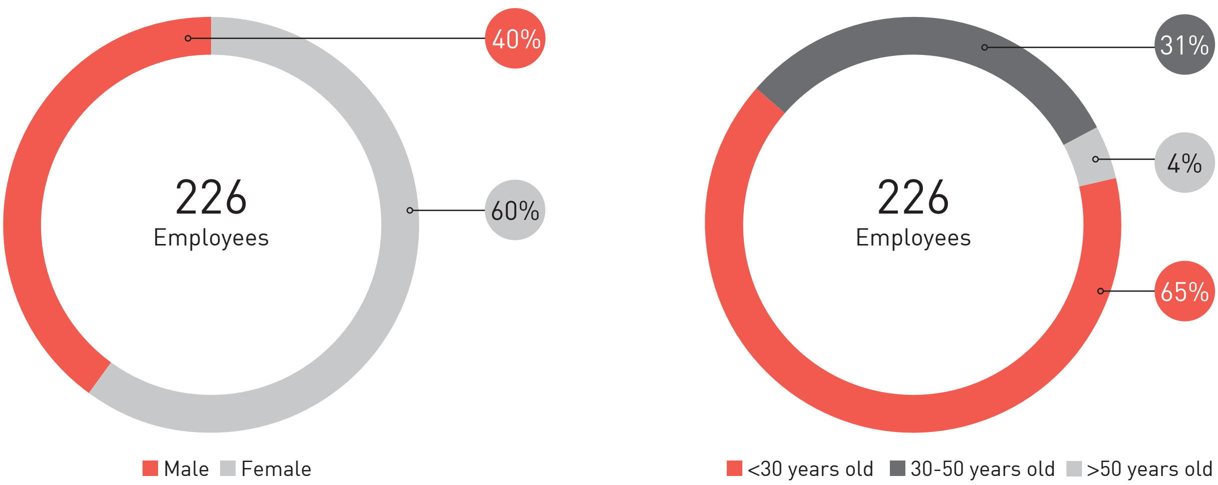
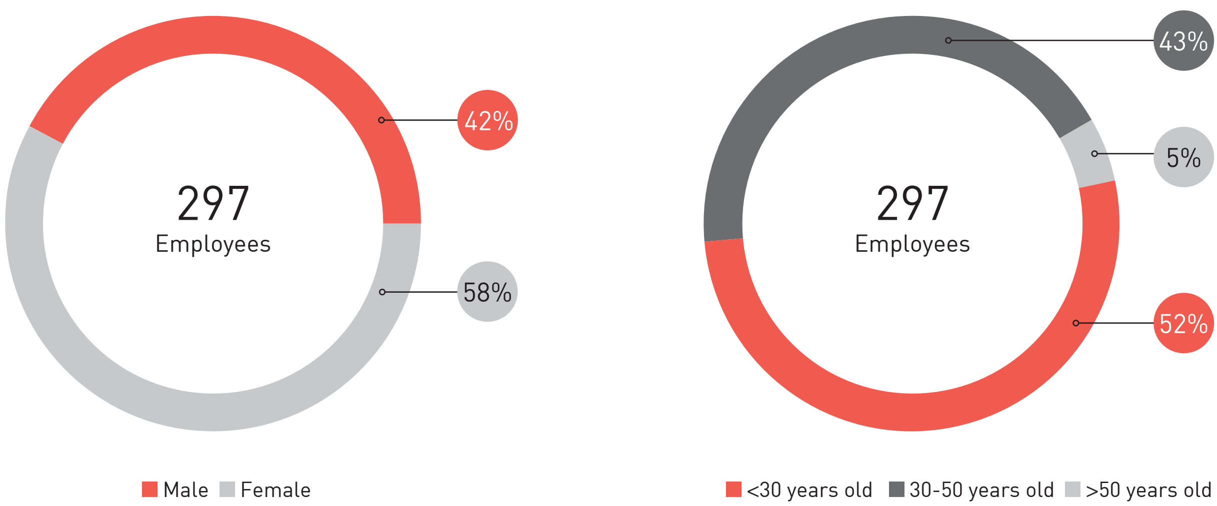


Figure 10: Sunright's Turnover by Gender and Age Group in FY2019



FAIR EMPLOYMENT PRACTICES

Providing equitable opportunities and treatment to all employees and workers is at the center of Sunright's employment practices. A suite of policies governs the effective management of fair employment and ensures the well-being of our workforce. An overview of some of these policies is detailed in the table below.

Table 4: Sunright's Policies on "Fair Employment and Well-Being of 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, without any discrimination based on 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. This policy has been adopted with reference to The Employers' Pledge of Fair Employment Practices.
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 a telephone, text, fax, suggestion boxes and e-mail. Our foreign workers can submit their grievance in their native language to avoid miscommunication and encourage them to speak up. The HR department will appoint a translator to assist in collecting information, conducting investigations and providing solutions.
Labour & Human Rights Standards	To make a statement of 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 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 and gifts on occasions.

Sunright's fair employment practices are extended to all outsourced workers. We conduct quarterly audits on the associate company who provides a significant number of outsourced foreign workers to the operation. The pay slips of these workers are reviewed to ensure that they are paid fair wages and on time.

The HR department conducts regular dialogue sessions to provide our employees with a platform to openly and securely convey their grievances, concerns, feedback and suggestions. Sunright's grievance mechanism has been outlined in Figure 11.

Figure 11: Sunright's Employee Grievance Mechanism

STEP 1	STEP 2	STEP 3	STEP 4	STEP 5
The concerned employee submits an Employee Grievance Form, to his/her supervisor. For complaints or issues pertaining to the employee's supervisor, the employee may write directly to the supervisor's Manager.	The employee may bring the issue to the notice of the supervisor's Manager (in general, the Head of Department) if the employee's supervisor fails to act upon the complaint or fails to provide a solution that is acceptable to the employee within two days.	If the Manager fails to take the appropriate measures within two days and the employee is yet unsatisfied with the proposed solution, the employee may further appeal to the HR Manager.	If the HR Manager fails to take the appropriate measures within two days and the employee is yet unsatisfied with the proposed solution, the employee may then appeal to the Division/Plant Manager.	Having exhausted all the above-mentioned avenues for reporting and still unsatisfied with any proposed solution, the employee is entitled to raise the issue to the CEO, Chairman or the Responsible Business Alliance Compliance Office representative.

In FY2019, there were zero complaints from our employees to the regulatory authorities on unfair employment practices within our organisation.

Focus Area	Perpetual Target	FY2019 Performance
Fair employment practices and well-being	0 complaints from employees to regulatory authorities pertaining to unfair employment practices	Achieved ✓

Moving ahead, we aim to maintain this record by keeping our policies updated and relevant.

PROTECTING THE ENVIRONMENT

Sunright's environmental initiatives focus on energy consumption optimisation which reduces our carbon footprint. Our subsidiaries in Malaysia are covered by an Environmental Management System, including respective local Energy Policies. Our Tianjin plant is also guided by its local Energy Policy which provides guidelines on the efficient management of electrical energy consumption. Under the policy, we commit to reducing our total electrical energy consumption yearly, embarking on cost-effective energy efficiency improvements and retrofits, as well as carrying out awareness campaigns and training programmes for staff.

While the Tianjin pilot Emission Trading System that is currently in force does not yet cover the semiconductor and electronics manufacturing industry, we are committed to achieve our objectives as set out under the Policy.

In FY2019, we consumed 87.6 GWh of electricity, higher than our consumption in FY2018 due to the inclusion of a new entity in scope. However, when considering similar reporting scope for FY2018 and FY2019 ("Like-for-Like", i.e. inclusion of Tianjin operations), energy consumption decreased by 5.7%. A corresponding trend was observed in our Scope 2 emissions. This decrease in our consumption and subsequently, our emissions, may be attributed to our effective energy-saving initiatives which are in progress of implementation that are elaborated below.

Figure 12: Sunright's Electrical Energy Consumption

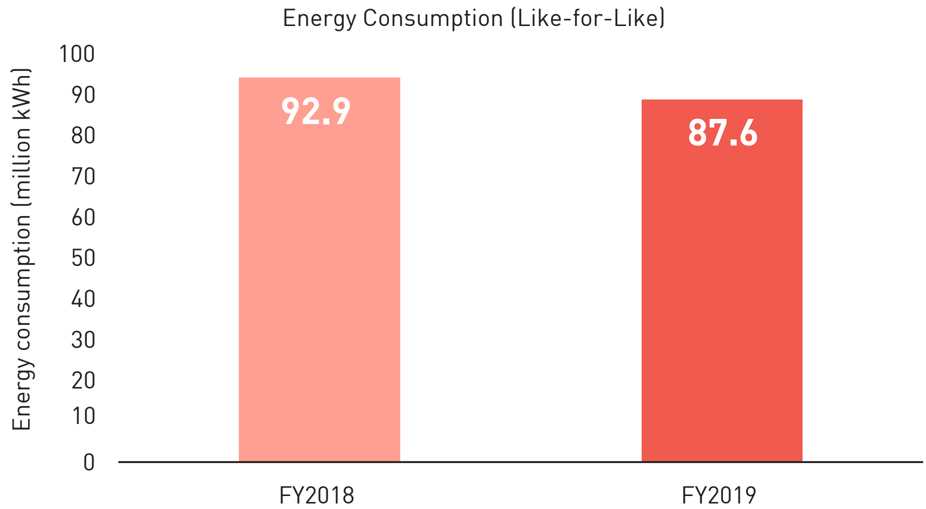
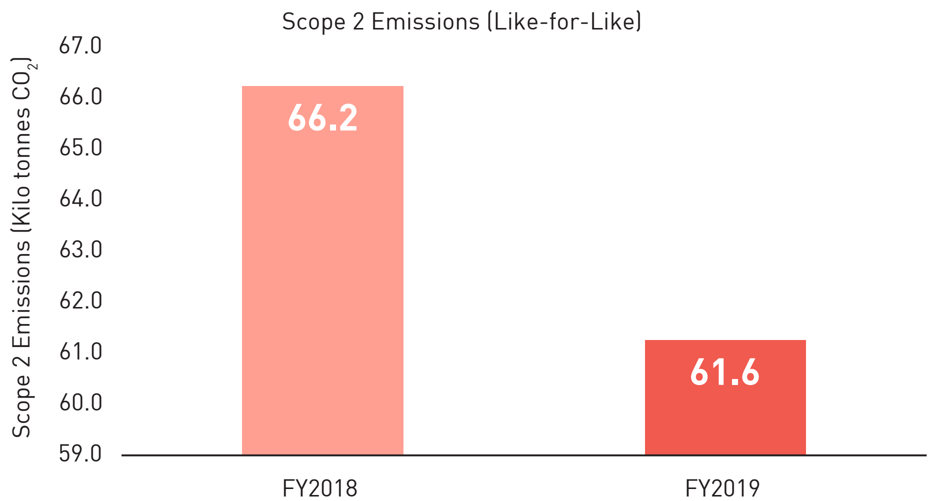


Figure 13: Sunright's Scope 2 (Indirect) Emissions[8]



[8] The Electricity Grid Emissions Factors ("GEF") used in the calculation of Scope 2 Emissions for FY2018 and FY2019 have been obtained from the Institute for Global Environmental Strategies ("IGES") 2019 database. The Scope 2 Emissions figure for FY2018 has been revised due to updates in the Singapore GEF (0.4192 $kgCO_2/kWh$) and Malaysia GEF (0.653 $kgCO_2/kWh$). The FY2019 figures include Tianjin operations with the North China GEF (for Tianjin) being 1.042 $kgCO_2/kWh$.

Focus Area	Perpetual Target	FY2019 Performance
Energy Consumption	2% reduction in year-on-year energy consumption	Achieved 5.7% reduction ✓

Other initiatives we have implemented include upgrading to newer, more energy-efficient models of compressors for our air-conditioning units, installation of digital temperature controllers and installing variable speeds to blowers used in our production. Moving forward, we aim to further improve our energy performance by specifically increasing the desiccant dryer cycle duration at our plants and exploring further plant-wide energy and cost-saving measures.

Key Energy-saving Initiatives

Shutdown of 400RT cooling tower cooling fan at Malaysia Plant

Description: Checks performed on the 400RT cooling towers found that its capacity exceeded the required cooling capacity needed to cool down five IHI compressors. By adjusting the cooling water flow rate, two cooling fans could be shut down to achieve the required cooling capacity, which had the same effect as turning off a cooling tower. This has the added benefit of allowing the cooling fans to be used on standby.

Estimated Savings: We expect energy savings of 3,960kWh/month with the corresponding cost savings of S$471/month.

Replacement of 40W Fluorescent Light T8 with 18W LED lighting tubes at Tianjin facility

Description: To replace current factory lighting with LED lighting for electricity and cost saving purposes.

Estimated Savings: With the implementation of LED lighting, we expect savings in power consumption of 114,245 kWh/year and energy costs of S$16,673/year.

GRI CONTENT INDEX

Disclosure		Reference(s) or Reasons for Omission
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	About Sunright Limited (page 9)
102-2	Activities, brands, products, and services	About Sunright Limited (page 9)
102-3	Location of headquarters	About Sunright Limited (page 9)
102-4	Location of operations	About Sunright Limited (page 9)
102-5	Ownership and legal form	About Sunright Limited (page 9)
102-6	Markets served	About Sunright Limited (page 9)
102-7	Scale of the organisation	About Sunright Limited (page 9); Chairman's Statement (pages 2-3)
102-8	Information on employee and other workers	Building a Strong Workforce & Fair Workplace (pages 17-21)
102-9	Supply chain	Sustain Economic Performance Through Responsible Supply Chain Management (pages 15-17)
102-10	Significant changes to the organisation and its supply chain	There have been no significant changes to our supply chain.
102-11	Precautionary principle and approach	Annual Report (pages 41-42). Sunright does not specifically address the principles of the precautionary approach. However, our management is risk-based.
102-12	External initiatives	We take references from Responsible Business Alliance's Code of Conduct
102-13	Membership of associations	Singapore Business Federation; Singapore Manufacturing Federation; Malaysian Employers Federation; The Free Trade Zone, Penang Companies' Association
Strategy		
102-14	Statement from senior decision-maker	Chairman's Statement (pages 2-3); Board Statement (page 9)
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Ensuring the Highest Standards of Ethical Business Conduct (pages 13-15)
Governance		
102-18	Governance structure	Sustainability Governance at Sunright (page 12)

Disclosure		Reference(s) or Reasons for Omission
General Disclosures		
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement (page 10)
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 (page 10)
102-43	Approach to stakeholder engagement	Stakeholder Engagement (page 10)
102-44	Key topics and concerns raised	Stakeholder Engagement (page 10)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	Annual Report (pages 95-96)
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 FY2018 have been restated due to updates in national Grid Emission Factors.
102-49	Changes in reporting	Expansion of scope to include KESM Industries (Tianjin) Co., Ltd and inclusion of additional disclosure.
102-50	Reporting period	About the Report (page 9)
102-51	Date of most recent report (if any)	FY2018
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 24-27)
102-56	External assurance	About the Report (page 9)
Material Topic: Economic Performance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Sustain Economic Performance Through Responsible Supply Chain Management (pages 15-17)
103-2	The management approach and its components	Sustain Economic Performance Through Responsible Supply Chain Management (pages 15-17)
103-3	Evaluation of the management approach	Sustain Economic Performance Through Responsible Supply Chain Management (pages 15-17)
Economic Performance		
201-1	Direct economic value generated and distributed	Creating and Delivering Direct Economic Value (page 17)
Procurement Practices		
204-1	Proportion of spending on local suppliers	Sustain Economic Performance Through Responsible Supply Chain Management (pages 15-17)

Disclosure		Reference(s) or Reasons for Omission
Material Topic: Energy and Carbon Footprint		
Management Approach		
103-1	Explanation of the material topic and its boundary	Protecting the Environment (pages 22-23)
103-2	The management approach and its components	Protecting the Environment (pages 22-23)
103-3	Evaluation of the management approach	Protecting the Environment (pages 22-23)
Energy Consumption		
302-1	Energy consumption within the organisation	Protecting the Environment (pages 22-23)
Material Topic: Fair Employment Practices		
Management Approach		
103-1	Explanation of the material topic and its boundary	Building a Strong Workforce & Fair Workplace (pages 17-21)
103-2	The management approach and its components	Building a Strong Workforce & Fair Workplace (pages 17-21)
103-3	Evaluation of the management approach	Building a Strong Workforce & Fair Workplace (pages 17-21)
Employment		
401-1	New employee hire and employee turnover	Sunright's Employee and Worker Profile (pages 17-19)
Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	Fair Employment Practices (pages 20-21)
Material Topic: Ethical Business Conduct		
Management Approach		
103-1	Explanation of the material topic and its boundary	Ensuring the Highest Standards of Ethical Business Conduct (pages 13-15)
103-2	The management approach and its components	Ensuring the Highest Standards of Ethical Business Conduct (pages 13-15)
103-3	Evaluation of the management approach	Ensuring the Highest Standards of Ethical Business Conduct (pages 13-15)
Anti-Corruption		
205-2	Communication and training about anti-corruption policies and procedures	Ensuring the Highest Standards of Ethical Business Conduct (pages 13-15)
205-3	Confirmed incidents of corruption and actions taken	Ensuring the Highest Standards of Ethical Business Conduct (pages 13-15)

Disclosure		Reference(s) or Reasons for Omission
Material Topic: Regulatory Compliance		
Management Approach		
103-1	Explanation of the material topic and its boundary	Strict Compliance with All Applicable Laws and Regulations (page 15)
103-2	The management approach and its components	Strict Compliance with All Applicable Laws and Regulations (page 15)
103-3	Evaluation of the management approach	Strict Compliance with All Applicable Laws and Regulations (page 15)
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Strict Compliance with All Applicable Laws and Regulations (page 15)
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Strict Compliance with All Applicable Laws and Regulations (page 15)

CORPORATE GOVERNANCE
STATEMENT

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

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

This Statement describes the Company's corporate governance structures and practices that were in place throughout the financial year ended 31 July 2019 ("FY2019"). The Board confirms the Company has generally adhered to the principles and guidelines set out in the Code except for the following:

- Guideline 3.1 – the Chairman and CEO should in principle be separate persons;
- Guideline 3.3 – appoint lead independent director where the Chairman and the CEO is the same person;
- Guidelines 9.2 – fully disclose the remuneration of each individual director and the CEO; and
- Guideline 9.3 – disclose the name and remuneration of at least the top five key management personnel ("KMP").

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

The Board has taken note of the updated principles and guidelines in the revised Code of Corporate Governance issued by Monetary Authority of Singapore on 6 August 2018 ("CGC 2018"). CGC 2018 supersedes and replaces the Code and will apply to the annual reports covering financial years commencing from 1 January 2019. As the financial year of the Company commences after July 2019, the CGC 2018 will apply to the Company from the next financial year. The Company will review and set out the corporate practices in place to comply with the CGC 2018, where appropriate, in the next Annual Report.

BOARD MATTERS

Board's Conduct of Affairs

Effective Board to lead and control the Company (Principle 1)

There is a strong and objective Board to lead and control the Company. The Board consists of individuals from the private sector, with the right core competencies and diversity of experience and gender to enable them in their collective wisdom to contribute effectively. It is made up of a balanced mix of executive and non-executive, independent and non-independent directors.

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

Board Diversity At a Glance

Gender	Male	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.			

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

The key roles of our Board are to:–

- guide the corporate strategy and direction of the Group;
- establish a framework of prudent and effective controls which enables risk to be assessed and managed;
- ensure effective management and leadership of the highest quality and integrity; and
- provide oversight in the proper conduct of the Group's business.

The Board has delegated the day-to-day management and running of the Company to the Management headed by the Chief Executive Officer, Mr Samuel Lim Syn Soo, and the Executive Director, Mr Kenneth Tan Teoh Khoon. The Executive Directors supervise the management of the Group's operations. Together with corporate staff members, they regularly meet with the management personnel of the Group's operations to review each operation's progress in strategic directions, projects and operational performance.

In addition, to assist the Board in the consideration of the various issues at hand and to facilitate decision-making, the following Board committees have been established, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). The AC, NC and RC are governed and regulated by their own terms of reference which sets out the scope of their duties and responsibilities, rules and regulations, and procedures governing the manner in which the committees are to operate and how their decisions are to be taken.

The Board meets regularly at least five (5) times a year, and holds additional meetings as warranted by particular circumstances. Board meetings are normally an open and transparent affair. Matters requiring any decision by the Board are diligently deliberated by the Board to ensure the interests of the Company are protected. Consequently, no individual or small group of individuals may dominate the Board's decision-making. If necessary, meetings may be conducted via telephone or videoconference, as permitted by the Company's Constitution.

CORPORATE GOVERNANCE
STATEMENT

The Board is fully aware of and acts on its specifically reserved matters for decision to ensure that the direction of the Group is firmly in its hands. Matters that normally require Board's consideration and approval include annual budget, annual financial statements, review of the Group's corporate governance practices, financial performance, risk management and its internal control systems and authorisation of announcements to be made.

In between Board meetings, important matters are also discussed in person or on the telephone and are put to the Board for its decision by way of circulating resolutions in writing, together with supporting memorandum/papers (where relevant) to enable the directors to make informed decisions.

In FY2019, the Board met on five (5) occasions. Amongst other Board matters, the Board reviewed the performance of the Group and endorsed the release of the quarterly financial results, approved the annual financial statements, annual budget, the Terms of Reference of the NC and RC, corporate governance statement and Chairman's statement, authorised announcements and press releases, and deliberated on strategic plans, corporate governance practices and compliance with listing requirements.

A record of each individual Director's attendance at Board meetings and Board Committees meetings in FY2019 is set out below:

Name of Directors	Attendance at Board Meetings	
	No. of Meetings Held	No. of Meetings Attended
Samuel Lim Syn Soo	5	5
Kenneth Tan Teoh Khoon	5	5
Lim Mee Ing	5	5
Francis Lee Choon Hui	5	5
Timothy Brooks Smith	5	5
Daniel Soh Chung Hian	5	3*

Name of Directors	Attendance at Audit Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended
Daniel Soh Chung Hian	3	2*
Francis Lee Choon Hui	3	3
Lim Mee Ing	3	3
Timothy Brooks Smith	3	3

Name of Directors	Attendance at Nominating Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended
Francis Lee Choon Hui	3	3
Timothy Brooks Smith	3	3
Daniel Soh Chung Hian	3	3
Samuel Lim Syn Soo	3	3
Kenneth Tan Teoh Khoon	3	3

Name of Directors	Attendance at Remuneration Committee Meetings	
	No. of Meetings Held	No. of Meetings Attended
Francis Lee Choon Hui	3	3
Lim Mee Ing	3	3
Timothy Brooks Smith	3	3
Daniel Soh Chung Hian	3	3

* *Mr Daniel Soh Chung Hian was appointed on 3 December 2018.*

From time to time the Directors are kept informed by the Executive Directors, Management, company secretary and external auditors via circulated updates or briefings during NC, RC, AC and Board meetings about (i) issues relating to or which may affect the Group's business activities, strategic directions and governance practices; (ii) industry environment and developments affecting the businesses of the Group; (iii) changing commercial risks faced by the Group; (iv) relevant new laws and regulations; and (v) changes to the accounting standards and regulations.

The Board has an open policy for occasional training for all the Directors. Hence, a training budget has been set aside to encourage Directors to attend relevant external conferences, courses, seminars and workshop, which they deem appropriate to attend.

In FY2019, the Directors:–

- were briefed by the external auditors and Management on the changes in accounting standards and the potential impact such changes might have on the Group's financial statements as well as the implementation of the enhanced audit report;

- were updated on the developments and changes to the Code of Corporate Governance and listing requirements of the Singapore Exchange Securities Trading Ltd ("SGX-ST") at the Board meetings and via circulation of news releases and publications from the relevant regulatory authorities and professional firms; and

- attended in-house conference whereby they were briefed on the latest market and industry developments and trends, business and strategic plans of the Group, technology roadmap and marketing plans of the Group's innovative products, governance obligations and digitalisation initiatives. The Directors also have the opportunity to converse with the senior management staff to gather further information and broadly assess the Group's management resources and leadership.

A new director was appointed during FY2019 and a formal letter was issued to him, setting out his general duties and obligations as a director pursuant to the relevant legislations and regulations. The new director was also provided with a comprehensive induction programme which seeks to familiarise him with Company's principal businesses, the Company's Board processes, risk management and internal controls and governance practices.

Board Composition and Guidance (Principle 2)

The Board comprises six (6) Directors, four (4) of whom are Non-Executive. Three (3) of the Non-Executive Directors are Independent.

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

The Company has also adhered to Guideline 2.2 of the Code which recommends that Independent Directors should make up at least half of the Board where the Chairman and the CEO is the same person.

The independence of the Directors is monitored by the NC and ensured by the Board. The NC reviews the independence of the Directors with reference to the guidelines set out in the Code and, has determined to the Board that Messrs Francis Lee Choon Hui, Timothy Brooks Smith and Daniel Soh Chung Hian to be independent.

The Board considers its current size and composition to be appropriate and effective, after taking into account the nature and scope of the Group's operations.

The Board benefits from the wealth and depth of experience each Director possesses, collectively providing core competencies as set out in the Board diversity table above.

The Non-Executive Directors offer alternative views of the Group's businesses and corporate activities. They contribute to the Board's process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide different perspectives to the Group's businesses. When challenging Management's proposals or decisions, they bring independent judgement to bear on business activities and transactions. In FY2019, the Non-Executive Directors met once without the presence of Management.

Chairman and Chief Executive Officer (Principle 3)

Mr Samuel Lim holds the positions of Chairman of the Board and CEO of the Company. The Board had also set out in writing the division of roles and responsibilities between the Chairman and CEO, to establish clear responsibility and accountability.

Although the roles are combined, the Board is of the view that there are sufficient Independent Directors on the Board to ensure fair and objective deliberations at Board meetings and who are capable of exercising independent judgements. The Chairman/CEO always abstains from voting on matters, which he is directly or deemed, interested. Moreover the scale of the business does not warrant a meaningful split of these roles.

The Board also views that it is advantageous to vest the roles of both Chairman and CEO on the same person who, in the unique position as co-founder of the Company, is knowledgeable about the businesses of the Group to ensure its proper management and continued success in meeting the Company's obligations and goals. The combined role provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

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

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

Guideline 3.3 of the Code recommends that a lead independent director should be appointed where the Chairman and CEO is the same person. The Board is not making such an appointment as it is of the opinion that based on past experiences, it is remote and highly unlikely that shareholders will be unable to relate or resolve their concerns through the normal channel of the Chairman/CEO or Executive Director of the Company, or to communicate with the Independent Directors if they wished to do so.

During FY2019, the Independent Directors met once without the presence of the other directors.

Board Membership (Principle 4)
Board Performance (Principle 5)

The Board has established a NC in FY2019. The NC comprises five (5) directors, three (3) of whom including the Chairman, are Independent Directors. The members of the NC are Messrs Francis Lee Choon Hui (Chairman), Timothy Brooks Smith, Daniel Soh Chung Hian, Samuel Lim Syn Soo and Kenneth Tan Teoh Khoon.

The NC has clear written terms of reference defining its scope of authority, qualifications for membership, scope of duties and reporting requirements governing the manner in which the NC is to operate and how decisions are to be made. The key responsibilities of the NC include:–

- reviewing the character, experience, integrity, commitment, competency, qualification and track record of the proposed candidate for appointment to the Board, and in the case of a proposed nomination of an independent non-executive director, to evaluate the nominee's ability to discharge such responsibilities/functions as expected of an independent non-executive director;

- reviewing the structure, size and composition of the Board (including evaluating the mix and balance of skills, knowledge, experience and diversity), and making recommendations to the Board with regard to any changes deemed necessary;

- monitoring and evaluating the effectiveness of the Board and its committees, and developing appropriate procedures for such evaluations; and

- recommending re-appointment of Directors.

The NC met three (3) times in FY2019 and had the full attendance of the Committee. It

a) proposed the Terms of Reference and recommended to the Board for approval;

b) established the work calendar for Year 2019;

c) reviewed the size, structure and composition of the Board and the Board Committees;

d) discussed the process and reviewed the competencies and time commitment of Directors;

e) reviewed the independence of Independent Directors;

f) reviewed the training undertaken by the Board and Directors;

g) reviewed the existing process and evaluation forms used to evaluate the performance of the Board, Board Committees and individual Directors;

h) reviewed the report on the annual performance evaluation of the Board, Board Committees and Directors; and

i) recommended Directors for re-election.

The performance criteria for annual evaluation of:

- Board focuses on assessing its size and composition, independence, operations, quality of information and accountability, and the Directors' standards of conduct;

- the Chairman is based on his management of meetings as well as ensuring delivery of quality and timeliness of information to Board members, transparency and board dynamism, workload allocation and communication with shareholders;

- Board committees are assessed on its composition and relevant expertise, committee chairperson, quality and timeliness of its recommendation and communication to Board; and

- individual Director is based on their interactive skills, knowledge in business, internal control, risk management and financial literacy as well as their attendance record and participation at Board meetings.

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

The evaluations were conducted in-house via completion of relevant confidential questionnaires by Directors. The completed questionnaires were collated by the company secretary and a consolidated report prepared and presented to the NC and the Board. The Board then discussed to agree on future action plans based on the NC's recommendation.

Based on the evaluations carried out, the NC had determined to the Board that for FY2019:–

- the Board, AC, NC and RC operated effectively and each Director had contributed to the overall effectiveness of the Board and demonstrated full commitment to their roles;

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

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

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

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

The Board does not see any reason to set a limit on the number of listed companies' board representations which a Director may hold, given that time requirements for each vary, and thus should not be prescriptive. The NC and the Board has considered, and is of the opinion that the multiple board representations held by Directors of the Company has not impeded their performance in carrying out their duties of the Company as each Director is able to and has been:–

- giving sufficient time and attention to the affairs of Company;
- adequately carrying out his/her duties as a Director of the Company; and
- the Director had individually confirmed he/she is able to commit sufficient time and attention.

There is no alternate Director on the Board.

The Board recommends the re-nomination and re-appointment of retiring Directors at the Annual General Meeting ("AGM") of the Company. Pursuant to the Constitution, one-third of the Directors shall retire from office at every AGM and Directors appointed during the course of the year must submit themselves for re-election at the next AGM immediately following their appointment.

Having considered the effectiveness and contributions of Directors as well as the independence of the Independent Director, the NC has recommended and the Board has recommended the following Directors, namely: Messrs Kenneth Tan Teoh Khoon and Lim Mee Ing, who are due for retirement by rotation under Article 87 and Mr Daniel Soh Chung Hian, who is retiring under Article 94, of the Company's Constitution, to stand for re-election at the Company's forthcoming AGM.

At such time that the Board finds it requires new or additional members, the NC will assist the Board to find suitable candidates and make appropriate recommendations. In this connection, the NC and the Board will be guided by its policy on selection and appointment of new director to identify suitable candidates.

The profiles of each Director are set out under the section of "Board of Directors" of this Annual Report. In addition, the requisite information of Directors standing for re-election are set out in the "Additional Information on Directors Seeking Re-election" section of this Annual Report.

Access to Information (Principle 6)

The Board has full and unrestricted access to Management and the company secretary at all times.

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

At each meeting, apart from receiving financially oriented information from the Management, the Board is also kept updated on the activities, operations and other performance factors affecting the Group's business and performance. All Directors can and do have the opportunity to call for additional clarification and information to assist them in their decision-making.

All Directors have direct access to the company secretary. The company secretary is responsible for ensuring that Board procedures are observed. Together with senior management staff, she ensures that the Company follows and complies with applicable requirements, rules and regulations. The company secretary also ensures there is good information flows within the Board and its committees and between senior management and Non-Executive Directors. She attends all meetings of the Board and its committees.

The appointment and the removal of the company secretary is a matter for the Board as a whole.

The Directors are also able to seek independent professional advice at the Company's expense in the furtherance of their duties, if required.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies (Principle 7)
Level and Mix of Remuneration (Principle 8)

The RC was established in FY2019. It comprises four (4) Non-Executive Directors, three (3) of whom including the Chairman, are Independent Directors. The members of the RC are Messrs Francis Lee Choon Hui (Chairman), Timothy Brooks Smith, Daniel Soh Chung Hian and Lim Mee Ing.

The RC has clear written terms of reference defining its scope of authority, qualifications for membership, scope of duties and reporting requirements governing the manner in which the RC is to operate and how decisions are to be made. The key responsibilities of the RC include:–

- reviewing the Company's remuneration policy;
- recommending the remuneration structures, mix and quantum for the Directors, CEO and KMPs, to the Board for approval;
- approving performance measures and targets in the associated remuneration framework;
- obtaining, when necessary, professional advice from external independent advisers, experts or consultants on RC matters; and
- obtain information from KMPs or the company secretary of the Company when necessary.

The RC met three (3) times in FY2019 and had the full attendance of the Committee. It

a) proposed the Terms of Reference and recommended to the Board for approval;

b) established the work calendar for Year 2019;

c) reviewed the KMP for FY2019;

d) reviewed the existing remuneration structure for Directors and KMP;

e) recommended a benchmarking approach for determining fees and remuneration of Directors; and

f) reviewed the study on Non-Executive Directors' fees and recommended to the Board for approval.

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

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

In its review of the Directors' remuneration, the RC made reference to comparable companies in similar industry, market practices and the performance of the Group. Whilst the RC has the discretion to seek appropriate external remuneration expert advice on Board compensation where necessary the RC did not engage the service of an external remuneration consultant in FY2019 as it has determined this to be not necessary.

Executive Directors do not receive directors' fees from the Company. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors. The remuneration of Executive Directors consists of their salaries, bonuses and profit sharing awards conditional upon the Group achieving certain profit before tax targets. The Company has not implemented any long-term incentive plan such as employee share scheme as the Board is of the view that the current remuneration package is adequate. The Board will consider the need for such a scheme at an appropriate time.

The service contracts of the Executive Directors do not have fixed appointment period. The Company may terminate their services by written notice to them. There is also no onerous removal clauses stipulated in their service contracts.

Non-Executive Directors are paid a basic fee and additional fees for serving on Board Committees and taking on the responsibilities of committee chairmanship, in cash. In determining the quantum of such fees, factors such as the efforts and time spent, and the responsibilities of Directors are taken into account. The quantum of the fees was derived after making reference to comparable companies operating in similar industry. Such benchmarking serves to ensure that the Non-Executive Directors are fairly compensated without putting influence in their independence. In addition, such fees are subject to further approval of the shareholders. Should the Company adopts any share schemes in the future, the RC and Board will give due consideration as to whether remuneration of Non-Executive Directors should include share-based compensation.

The Board is of the view that it is currently not necessary to introduce contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and KMP in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company. The incentive components of remuneration are paid basing on the approved audited financial statements and a long established incentive scheme based on performance.

DISCLOSURE ON REMUNERATION

Clear Disclosure of Remuneration (Principle 9)

The breakdown of each individual Director's remuneration earned through fee, basic and variable remunerations for FY2019 is as follows:

	Fee ($'000)	Salary ($'000)	Other Benefits ($'000)	Total ($'000)
Non-Executive Directors				
Lim Mee Ing	55	–	–	55
Francis Lee Choon Hui	60	–	–	60
Timothy Brooks Smith	55	–	–	55
Daniel Soh Chung Hian	45*	–	–	45*

	Fee (%)	Salary (%)	Other Benefits (%)	Total (%)
Executive Directors/KMP				
S$500,000 to S$749,999				
Samuel Lim Syn Soo	–	81	19	100
Kenneth Tan Teoh Khoon	–	82	18	100

* *Mr Daniel Soh Chung Hian was appointed on 3 December 2018.*

The Company refrains from disclosing the details of the remuneration of its Executive Directors and top five (5) KMP as it believes that doing so is not in its best interests due to the sensitive and confidential nature of such information. The Company has only two (2) KMP, being its Executive Directors and the aggregate amount of their total remuneration is disclosed in Note 8 to the financial statements.

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

In FY2019, no employee was an immediate family member of any Director or the CEO of the Company.

ACCOUNTABILITY AND AUDIT

Accountability (Principle 10)

The Board is responsible to provide a balanced and meaningful assessment of the Company's and of the Group's financial performance, position and prospects. The Board discharges this responsibility through the release of quarterly results announcements of the Company, annual financial statements, the Chairman's statement in the annual report, press releases and in other price sensitive public announcements of material information. The Board is assisted by the AC to oversee the Group's financial reporting processes and the quality of its financial reporting.

To enable the Board to make such assessment, Management provides to the Board on an ongoing basis concise, adequate and timely information regularly, which include:–

(a) management accounts of the Group's performance, position and prospects on a monthly basis; and

(b) information about the Group's businesses, performance, key achievements and business directions; impact of changes/development in the economy; financial market; corporate governance; enterprise risk management, semiconductor industry; market outlook; introduction of new products and services and new provisions or changes in statutory/regulatory requirements affecting the operations of the Group, that were presented at the regular AC/Board meetings.

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

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

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

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

(d) the quarterly financial results announcements as well as the audited financial statements are reviewed by the AC prior to submission to the Board for approval;

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

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

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

Risk Management and Internal Controls (Principle 11)

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

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

The Board is assisted by Management and AC for ensuring that business unit management maintains a sound system of risk management and internal controls addressing material financial, operational, compliance and information technology risks to safeguard shareholders' investments and the assets of the Group.

Risk Management Framework

The Group has implemented an Enterprise Risk Management ("ERM") framework and related processes for identifying, evaluating and managing significant risks faced by the Group.

The Board's responsibilities for the governance of risks and controls include:–

- setting the tone and culture for effective risk management and internal control systems;
- ensuring risk management is embedded in all aspects of the Group's daily business and operational activities and processes;
- determining acceptable risk appetite; and
- reviewing the adequacy and effectiveness of risk management and internal control systems to obtain reasonable assurance that risks have been kept within tolerable levels.

Internal Control Framework

The Group has put in place an organisation structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.

The Executive Directors and senior management through their day-to-day involvement in the business operations and regular attendance at senior management level meetings, manage and monitor the Group's financial performance, key business indicators, operational effectiveness and efficiency, discuss and resolve significant business issues and ensure compliance with applicable laws, regulations, rules, directives and guidelines. These senior management meetings serve as a two-way platform for the Board, through the Executive Directors, to communicate and address significant matters in relation to the Group's business and financial affairs and provide update on significant changes in the business and the external environment which result in significant risks.

The Group's internal control procedures also encompass a series of standard operating practice manuals and business process manuals, which serve as guidance for proper measures to be undertaken, and are subject to regular review, enhancement and improvement.

The AC has, with the assistance of Management, reviewed the Group's material controls, including financial, operational, information technology and compliance controls, and risk management systems.

The Board had received assurances from the CEO and the Executive Director, who are responsible for the financial management of the Group that:

- the financial records have been properly maintained and the financial statements for the year ended 31 July 2019 gave a true and fair view of the Group's operations and finances; and

- the Group's risk management and internal control systems which addressed the material risks in the Group in its current business environment including financial, operational, compliance and information technology risks, were operating effectively.

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

Audit Committee (Principle 12)

The AC comprises four (4) Non-Executive Directors, three (3) of whom including the Chairman, are Independent Directors. The members of the AC are Messrs Daniel Soh Chung Hian (Chairman), Francis Lee Choon Hui, Lim Mee Ing and Timothy Brooks Smith, who possess relevant accounting or related financial management expertise and experience.

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

The AC has a set of terms of reference defining its scope of authority and duties. In the performance of its duties, it has explicit authority to investigate any matter falling within its terms of reference, full access to and co-operation from Management and the internal auditors, full discretion to invite anyone to attend its meetings and reasonable resources at its disposal to enable it to discharge its function properly. The external auditors also have unrestricted access to the AC.

The AC performs the functions specified in Section 201B(5) of the CA, the Listing Manual of SGX-ST and the Code. Its duties include the following:

- reviewing the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Group's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;

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

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

- meeting the internal and external auditors and Management in separate sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- reviewing legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

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

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

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

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

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

The Committee met three (3) times in FY2019. All the other Board members, the Corporate Controller and the company secretary were present at all the meetings.

During FY2019, the AC:–

a) reviewed the ERM progress report;

b) reviewed with the external auditors, their audit plan, and audit findings;

c) reviewed the audited financial statements and the external auditors' report;

d) reviewed the re-nomination of external auditors;

e) reviewed, discussed and recommended the unaudited half-yearly, third quarter and annual financial results of the Group and of the Company to be presented to the Board for approval;

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

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

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

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

The AC has conducted a review of the aggregate amount of the fees paid to the external auditors for FY2019, and the breakdown of the fees paid in total for audit and non-audit services. The AC is satisfied that the value of the non-audit services performed by the external auditors, Ernst & Young LLP, would not prejudice their independence and objectivity. The breakdown of the fees paid in respect of audit and non-audit services provided by the external auditors are disclosed in Note 8 of the audited financial statements included in this Annual Report.

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

Pursuant to the requirement in the Listing Manual of the SGX-ST, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. The current Ernst & Young LLP's audit partner for the Company took over from the previous audit partner with effect from financial year ended 31 July 2015.

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

The Company has a Whistle Blower Policy, as endorsed by the AC, by which employees of the Group may report and raise in good faith and in confidence, any concern about possible improprieties in matters of financial reporting or other matters. Details of the whistle-blowing protocols and investigation process have been made available to employees. The policy serves to facilitate independent investigation of such matters and for appropriate follow-up action.

Internal Audit (Principle 13)

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

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

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

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

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

In FY2019, the AC was assured that adequate cooperation and unrestricted access were extended to the internal auditors. Hence, separate meeting without the presence of Management was deemed unnecessary.

SHAREHOLDER RIGHTS AND COMMUNICATION

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

The Board recognises the importance of engaging in regular, effective and fair communications with its shareholders. In this regard, it strictly adheres to the disclosure requirements set out in the Listing Manual of the SGX-ST to ensure that material information is made publicly available on a timely and non-selective basis to all shareholders.

In disclosing information to shareholders, the Company aims to provide a balanced and meaningful description. Shareholders are kept informed of all major developments and performance of the Group through timely quarterly financial results announcements and the various disclosures and announcements made to the SGX-ST via the SGXNET, press releases, annual reports and circulars to shareholders.

Additionally, the shareholders' meetings are the principal forum for the Board to have face-to-face dialogue with the shareholders, to gather their views or inputs as well as to address any concerns they may have. As such, the Board always encourages shareholders' active participation at such meetings by giving them adequate opportunity and time to air their views and pose questions regarding the Group's business activities and performance.

Shareholders are notified to participate in the Company's general meetings through notices in its annual reports or circulars, as well as publication in a local newspaper and announcements made via SGXNET.

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

The Company did not provide in its Constitution to allow voting in absentia as it is felt that this would not serve the interest of shareholders.

Issues or matters requiring shareholders' approval are tabled at the general meetings of the Company in the form of separate and distinct resolutions. This is to enable the shareholders to have full understanding and evaluation of issues or matters involved.

Members of the Board, including the Chairman of the AC, are normally present at general meetings to address shareholders' questions. The external auditors are also present at AGM to assist the Directors in addressing shareholders' queries about the audited financial statements.

In support of equitable and greater transparency in voting process, the Company switched to electronic poll voting for all resolutions proposed at its AGM held in 2017. Voting rules and procedures were explained at the beginning of such meetings and independent scrutineers were also present to scrutinise the electronic voting process.

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

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

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

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

Dividend Policy

The Company has adopted a dividend policy which 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 dividend, 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 via the SGXNet on any declaration of dividend.

The Board did not recommend any dividend for FY2019 as the Company does not have profits available for declaration of dividends.

DEALINGS IN SECURITIES OF THE COMPANY

The Company has in place a policy on dealings in the Company's securities by its Directors and relevant officers of the Company and of its subsidiaries. Under the policy, they are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company financial results for each of the first three quarters of its financial year and one month before the announcement of the Group's annual financial results and ending on the date of the announcement of such results, or when they are in possession of unpublished price sensitive information of the Group. In addition, the Directors and officers are discouraged from trading in the Company's securities based on short-term considerations and to observe insider trading laws at all times.

INTERESTED PERSON TRANSACTIONS

In FY2019, the Company and its subsidiaries did not enter into any transaction that would be regarded as an interested person transaction, pursuant to Chapter 9 of the Listing Manual of SGX-ST.

FINANCIAL STATEMENTS

DIRECTORS' STATEMENT

The directors hereby 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 2019.

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 2019 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 (appointed on 3 December 2018)

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 Teh Khoon	2,130,000	2,130,000	–	–

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

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

OPTIONS

The Company does not have an employee share option plan.

AUDIT COMMITTEE

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

AUDITOR

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

On behalf of the Board of Directors:

Samuel Lim Syn Soo
Director

Kenneth Tan Teoh Khoon
Director

Singapore
27 September 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 July 2019 to the members of Sunright Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Sunright Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 July 2019, 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

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

Key audit matters

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

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

Recognition of deferred tax assets

As at 31 July 2019, the Group recognised deferred tax assets of $1,225,000, which mainly relate to other deductible temporary differences. The Group recognised deferred tax assets to the extent that it is probable that taxable profits will be available in the future to recover these deferred tax assets.

The recognition of deferred tax asset is a complex process 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.

The future taxable profits have been determined based on profit forecasts. We checked that the profit forecast was approved by management, and evaluated management's forecasting process by comparing previous forecasts to actual results, taking into consideration of events and circumstances that occurred during the financial year. Management used assumptions in respect of future market, economic conditions and technology changes, revenue growth, production costs and expenses. We evaluated these assumptions by comparing them to historical data as well as recent trends and market outlooks. Our internal tax experts supported us to review management's computation of deferred tax assets. We also reviewed supporting evidences such as relevant tax legislation, recent tax filings and correspondence with the tax authorities to corroborate our understanding on the current year taxable profit. We reviewed the adequacy of the Group's disclosures on deferred tax assets in Note 19 to the financial statements.

Impairment assessment of investment in subsidiaries

As at 31 July 2019, the Company's investment in subsidiaries amounted to $10,706,000. The Company is required to estimate the recoverable amount of its investment in subsidiaries when there is indication that such investments may be impaired. For investment in subsidiaries with indicators of impairment, management performed an impairment assessment and estimated the recoverable amount of the investment in subsidiaries using value in use calculations.

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

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

Impairment assessment of property, plant and equipment

As at 31 July 2019, the Group's property, plant and equipment amounted to $58,864,000, representing 41% of its 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 using the value in use method.

We considered this as an area of audit focus because the assessment process is based on assumptions that are judgemental.

In reviewing the impairment assessments, we evaluated the key assumptions used in the revenue growth, production cost and expenses by comparing them to the historical data, as well as current and future market or economic conditions. We assessed the reasonableness of the discount rate, growth rate and the methodology used in deriving the present value of the cash flows, with the support of our valuation experts. We performed sensitivity analysis on the key inputs of the cash flow. We also assessed the appropriateness of the disclosures in Note 10 to the financial statements.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

- 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 Philip Ng Weng Kwai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
27 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the financial year ended 31 July 2019

(In Singapore dollars)

	Note	2019 $'000	2018 $'000
Revenue	4	133,636	153,382
Other items of income			
Interest income	5	2,279	1,480
Dividend income		81	86
Net fair value gain on investment securities		–	334
Items of expenses			
Raw materials and consumables used		(35,509)	(31,798)
Changes in inventories of finished goods and work-in-progress		1,017	(1,839)
Employee benefits expense	6	(47,635)	(50,920)
Depreciation of property, plant and equipment	10	(25,988)	(27,067)
Reversal of impairment of property, plant and equipment	10	–	1,102
Operating lease expense		(1,998)	(1,704)
Net loss on disposal of investment securities		(32)	–
Net fair value loss on investment securities		(287)	–
Finance costs	7	(1,541)	(1,525)
Other expenses		(24,321)	(26,386)
(Loss)/profit before tax	8	(298)	15,145
Income tax expense	19	(1,084)	(1,511)
(Loss)/profit, net of tax		(1,382)	13,634
Other comprehensive income:			
Item that will not be reclassified to profit or loss			
Remeasurement (loss)/gain arising from net defined benefit liabilities, net of tax		(78)	10
Item that may be reclassified subsequently to profit or loss			
Foreign currency translation (loss)/gain		(1,195)	4,517
Other comprehensive income for the year, net of tax		(1,273)	4,527
Total comprehensive income for the year		(2,655)	18,161
(Loss)/profit attributable to:			
Owners of the Company		(2,525)	6,794
Non-controlling interests	11(b)	1,143	6,840
		(1,382)	13,634
Total comprehensive income attributable to:			
Owners of the Company		(3,155)	8,929
Non-controlling interests		500	9,232
		(2,655)	18,161
(Loss)/earnings per share (cents)	9	(2.1)	5.5

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

STATEMENTS OF FINANCIAL POSITION

As at 31 July 2019

(In Singapore dollars)

	Note	Group 31 July 2019 $'000	Group 31 July 2018 (Restated) $'000	Group 1 August 2017 (Restated) $'000	Company 31 July 2019 $'000	Company 31 July 2018 $'000	Company 1 August 2017 $'000
ASSETS							
Non-current assets							
Property, plant and equipment	10	58,864	74,226	79,717	1,103	719	936
Investment in subsidiaries	11	–	–	–	10,706	13,637	13,480
Deferred tax assets	19	1,225	1,082	249	–	–	–
Loans to a subsidiary	12	–	–	–	417	–	–
		60,089	75,308	79,966	12,226	14,356	14,416
Current assets							
Investment securities		2,802	3,754	3,047	585	519	496
Inventories	13	5,297	4,514	5,975	–	–	–
Prepayments		1,175	1,633	1,215	78	63	164
Tax recoverables		465	409	199	–	–	–
Trade and other receivables	14	26,396	35,571	36,027	2,654	3,974	3,844
Loans to a subsidiary	12	–	–	–	284	–	–
Cash and short-term deposits	15	93,255	87,383	68,195	20,568	20,410	20,635
		129,390	133,264	114,658	24,169	24,966	25,139
Total assets		189,479	208,572	194,624	36,395	39,322	39,555
EQUITY AND LIABILITIES							
Equity attributable to owners of the Company							
Share capital	16	35,727	35,727	35,727	35,727	35,727	35,727
Retained earnings/ (accumulated losses)		33,768	35,623	29,187	(5,352)	(3,207)	(3,305)
Other reserves	17	13,047	14,715	12,590	155	155	155
		82,542	86,065	77,504	30,530	32,675	32,577
Non-controlling interests	11(b)	61,456	61,615	53,744	–	–	–
Total equity		143,998	147,680	131,248	30,530	32,675	32,577
Non-current liabilities							
Loans and borrowings	18	5,905	16,338	12,518	391	319	301
Loan from a subsidiary		–	–	–	–	–	102
Defined benefit liabilities	21	1,356	1,049	1,033	–	–	–
Deferred tax liabilities	19	2,949	2,860	1,848	1,848	1,848	1,848
		10,210	20,247	15,399	2,239	2,167	2,251
Current liabilities							
Trade and other payables	20	16,428	20,688	34,173	1,095	1,983	2,310
Contract liabilities	4	174	405	337	–	–	–
Loans and borrowings	18	18,586	19,393	13,348	2,484	2,410	2,340
Provisions		25	20	22	–	–	–
Income tax payable		58	139	97	47	87	77
		35,271	40,645	47,977	3,626	4,480	4,727
Total liabilities		45,481	60,892	63,376	5,865	6,647	6,978
Total equity and liabilities		189,479	208,572	194,624	36,395	39,322	39,555

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 2017 (FRS framework)		131,248	77,504	35,727	46,259	(17,072)	11,730	860	(4,482)	53,744
Effect of adopting SFRS(I)	2.2	–	–	–	(17,072)	17,072	–	–	17,072	–
Opening balance at 1 August 2017 (SFRS(I) framework)		131,248	77,504	35,727	29,187	–	11,730	860	12,590	53,744
Profit for the year		13,634	6,794	–	6,794	–	–	–	–	6,840
Other comprehensive income for the year, net of tax		4,527	2,135	–	10	2,125	–	–	2,125	2,392
Total comprehensive income for the year		18,161	8,929	–	6,804	2,125	–	–	2,125	9,232
Dividends on ordinary shares	28	(368)	(368)	–	(368)	–	–	–	–	–
Dividends paid to non-controlling interests		(1,361)	–	–	–	–	–	–	–	(1,361)
Closing balance at 31 July 2018		147,680	86,065	35,727	35,623	2,125	11,730	860	14,715	61,615
Opening balance at 1 August 2018 (FRS framework)		147,680	86,065	35,727	52,695	(14,947)	11,730	860	(2,357)	61,615
Effect of adopting SFRS(I)	2.2	–	–	–	(17,072)	17,072	–	–	17,072	–
Opening balance at 1 August 2018 (SFRS(I) framework)		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	28	(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

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 2019

(In Singapore dollars)

Company	Note	Total equity $'000	Share capital $'000	Accumulated losses $'000	Capital reserve $'000
Opening balance at 1 August 2017 (FRS framework)		32,577	35,727	(3,305)	155
Effect of adopting SFRS(I)		–	–	–	–
Opening balance at 1 August 2017 (SFRS(I) framework)		32,577	35,727	(3,305)	155
Profit for the year		466	–	466	–
Total comprehensive income for the year		466	–	466	–
Dividends on ordinary shares	28	(368)	–	(368)	–
Closing balance at 31 July 2018		32,675	35,727	(3,207)	155
Opening balance at 1 August 2018 (FRS framework)		32,675	35,727	(3,207)	155
Effect of adopting SFRS(I)		–	–	–	–
Opening balance at 1 August 2018 (SFRS(I) framework)		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	28	(368)	–	(368)	–
As at 31 July 2019		30,530	35,727	(5,352)	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 2019

(In Singapore dollars)

	Note	2019 $'000	2018 $'000
Operating activities			
(Loss)/profit before tax		(298)	15,145
Adjustments for:			
Net gain on disposal of property, plant and equipment	8	(767)	(56)
Depreciation of property, plant and equipment	10	25,988	27,067
Property, plant and equipment written off		40	2
Reversal of impairment of property, plant and equipment	10	–	(1,102)
Net write-down of inventories	13	294	962
Net impairment loss on trade receivables	14	343	6
Dividend income		(81)	(86)
Net fair value loss/(gain) on investment securities		287	(334)
Net loss on disposal of investment securities		32	–
Finance costs	7	1,541	1,525
Interest income	5	(2,279)	(1,480)
Net unrealised exchange (gain)/loss		(29)	61
Operating cash flows before changes in working capital		25,071	41,710
Changes in working capital:			
(Increase)/decrease in inventories		(1,077)	499
Decrease/(increase) in prepayments and receivables		10,107	(1,673)
Decrease in payables and contract liabilities		(5,091)	(11,267)
Cash flows from operations		29,010	29,269
Income taxes paid		(1,275)	(1,534)
Interest paid		(1,602)	(1,405)
Interest received		2,236	1,213
Net cash flows from operating activities		28,369	27,543
Investing activities			
Increase in short-term deposits with maturity more than three months		(6,480)	(27,991)
Dividend income		81	86
Purchase of property, plant and equipment		(9,360)	(14,457)
Proceeds from disposal of property, plant and equipment		1,012	71
Purchase of investment securities		(691)	(560)
Proceeds from disposal of investment securities		1,285	340
Net cash flows used in investing activities		(14,153)	(42,511)
Financing activities			
Proceeds from bank loans		22,012	23,256
Repayment of bank loans		(32,596)	(15,052)
Repayment of obligations under finance leases		(2,522)	(1,913)
Dividends paid on ordinary shares		(368)	(368)
Dividends paid to non-controlling interests		(659)	(1,361)
Net cash flows (used in)/from financing activities		(14,133)	4,562
Net increase/(decrease) in cash and cash equivalents		83	(10,406)
Effect of exchange rate changes on cash and cash equivalents		(691)	1,603
Cash and cash equivalents at beginning of the year		36,627	45,430
Cash and cash equivalents at end of the year	15	36,019	36,627

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 July 2019

1. CORPORATE INFORMATION

Sunright Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

The principal activities of the Company are that of investment holding and provision of management services. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the financial year ended 31 July 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the financial year ended 31 July 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted 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 First-time adoption of SFRS(I)

These financial statements for the financial year ended 31 July 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 31 July 2019, together with the comparative period data for the financial year ended 31 July 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 August 2017, the Group's and the Company's date of transition to SFRS(I). The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 August 2018 are disclosed below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (continued)

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first–time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

(i) Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 August 2017. As a result, an amount of $17,072,000 was adjusted against the opening retained earnings as at 1 August 2017.

(ii) The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 August 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I), which are effective for annual financial periods beginning on or after 1 August 2018. Except for the impact arising from exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 Financial Instruments

On 1 August 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was not material at the date of initial application, 1 August 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (continued)

SFRS(I) 9 Financial Instruments (continued)

Classification and measurement (continued)

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 August 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 August 2018.

The Group's debt instruments have contractual cash flows that are SPPI. Debt instruments that were measured at amortised cost previously are held to collect contractual cash flows, and accordingly measured at amortised cost under SFRS(I) 9. There is no significant impact arising from measurement of these instruments under SFRS(I) 9.

SFRS(I) 9 requires all equity instruments to be carried at FVPL, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income. For equity securities, the Group continues to measure its currently held–for–trading equity securities at FVPL.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired. The initial application of SFRS(I) 9 does not have significant impact arising from impairment. The initial application of SFRS(I) 9 does not have any reclassification effect to the Group's and Company's financial statements.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018. The Group applied SFRS(I) 15 retrospectively.

There were no material adjustments to the Group's financial statements on the adoption of SFRS(I) 15, except that the Group previously included advances received from customers in trade and other payables. Upon adoption of SFRS(I) 15, the Group reclassified trade and other payables of $337,000 related to advances received from customers to contract liabilities as at 1 August 2017. The Group's statement of financial position as at 31 July 2018 was restated, resulting in recognition of contract liabilities of $405,000 and decrease in trade and other payables of $405,000. There is no significant impact arising from tax adjustments from the adoption of SFRS(I) 15.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 1 August 2017 to the balance sheet of the Group.

	Group			
	1 August 2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	1 August 2017 SFRS(I) $'000
ASSETS				
Non-current assets				
Property, plant and equipment	79,717	–	–	79,717
Deferred tax assets	249	–	–	249
	79,966	–	–	79,966
Current assets				
Investment securities	3,047	–	–	3,047
Inventories	5,975	–	–	5,975
Prepayments	1,215	–	–	1,215
Tax recoverables	199	–	–	199
Trade and other receivables	36,027	–	–	36,027
Cash and short-term deposits	68,195	–	–	68,195
	114,658	–	–	114,658
Total assets	194,624	–	–	194,624
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	35,727	–	–	35,727
Retained earnings/(accumulated losses)	46,259	(17,072)	–	29,187
Other reserves	(4,482)	17,072	–	12,590
	77,504	–	–	77,504
Non-controlling interests	53,744	–	–	53,744
Total equity	131,248	–	–	131,248

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (continued)

	Group			
	1 August 2017 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	1 August 2017 SFRS(I) $'000
Non-current liabilities				
Loans and borrowings	12,518	–	–	12,518
Defined benefit liabilities	1,033	–	–	1,033
Deferred tax liabilities	1,848	–	–	1,848
	15,399	–	–	15,399
Current liabilities				
Trade and other payables	34,510	–	(337)	34,173
Contract liabilities	–	–	337	337
Loans and borrowings	13,348	–	–	13,348
Provisions	22	–	–	22
Income tax payable	97	–	–	97
	47,977	–	–	47,977
Total liabilities	63,376	–	–	63,376
Total equity and liabilities	194,624	–	–	194,624

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (continued)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 31 July 2018 to the balance sheet of the Group.

	Group			
	31 July 2018 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	31 July 2018 SFRS(I) $'000
ASSETS				
Non-current assets				
Property, plant and equipment	74,226	–	–	74,226
Deferred tax assets	1,082	–	–	1,082
	75,308	–	–	75,308
Current assets				
Investment securities	3,754	–	–	3,754
Inventories	4,514	–	–	4,514
Prepayments	1,633	–	–	1,633
Tax recoverables	409	–	–	409
Trade and other receivables	35,571	–	–	35,571
Cash and short-term deposits	87,383	–	–	87,383
	133,264	–	–	133,264
Total assets	208,572	–	–	208,572
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	35,727	–	–	35,727
Retained earnings/(accumulated losses)	52,695	(17,072)	–	35,623
Other reserves	(2,357)	17,072	–	14,715
	86,065	–	–	86,065
Non-controlling interests	61,615	–	–	61,615
Total equity	147,680	–	–	147,680

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 First-time adoption of SFRS(I) (continued)

	Group			
	31 July 2018 (FRS) $'000	SFRS(I) 1 adjustments $'000	SFRS(I) 15 adjustments $'000	31 July 2018 SFRS(I) $'000
Non-current liabilities				
Loans and borrowings	16,338	–	–	16,338
Defined benefit liabilities	1,049	–	–	1,049
Deferred tax liabilities	2,860	–	–	2,860
	20,247	–	–	20,247
Current liabilities				
Trade and other payables	21,093	–	(405)	20,688
Contract liabilities	–	–	405	405
Loans and borrowings	19,393	–	–	19,393
Provisions	20	–	–	20
Income tax payable	139	–	–	139
	40,645	–	–	40,645
Total liabilities	60,892	–	–	60,892
Total equity and liabilities	208,572	–	–	208,572

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**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to SFRS(I) 1-28: *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to SFRS(I) 1-19: *Plan Amendment, Curtailment or Settlement*	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

Except for SFRS(I) 16 *Leases*, 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. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 *Leases* is described below.

SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 August 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 August 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 August 2019.

In addition, the Group plans to elect the following practical expedients:

(i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;

(ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 August 2019; and

(iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 on 1 August 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise right-of-use assets and lease liabilities for its leases previously classified as operating leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 11.

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

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

Profit or loss and each component of other comprehensive income are 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(b) *Business combinations and goodwill (continued)*

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.

2.6 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Functional and foreign currency (continued)

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

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

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

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

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

The residual value, useful life and depreciation method are reviewed at the end of each reporting period, and adjusted prospectively, if appropriate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 (CONTINUED)

2.10 Financial Instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes a 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 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial Instruments (continued)

(a) *Financial assets (continued)*

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

2.16 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits

(a) *Short-term benefits*

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

(b) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Companies in Malaysia make such contributions to the Employees Provident Fund ("EPF"). Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(c) *Defined benefit plans*

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

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Employee benefits (continued)

(c) *Defined benefit plans (continued)*

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

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

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

2.18 Leases

(a) *Finance lease – as lessee*

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

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

(b) *Operating lease – as lessee*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Leases (continued)

(c) *Operating lease – as 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.

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 (CONTINUED)

2.19 Revenue (continued)

(c) *Judgement and methods used in estimating revenue*

In estimating the variable consideration, the Group uses the expected value method to predict the volume, 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 (CONTINUED)

2.20 Taxes (continued)

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Taxes (continued)

(b) *Deferred tax (continued)*

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

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

(c) *Sales tax*

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

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

(ii) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.21 Derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to manage its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivative financial instruments that do not qualify for hedge accounting are taken to the profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 expenses" line item in profit or loss.

2.23 Share capital and share issuance expenses

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

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Contingencies

A contingent liability is:

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

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

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

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

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

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.

3.2 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.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.2 Key sources of estimation uncertainty (continued)

(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 $1,225,000 (31 July 2018: $1,082,000, 1 August 2017: $249,000).

(c) *Impairment of investment in subsidiaries*

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

The carrying amount of the Company's investment in subsidiaries at the end of the reporting period was $10,706,000 (31 July 2018: $13,637,000, 1 August 2017: $13,480,000).

(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.

4. REVENUE

(a) Disaggregation of revenue

	Group	
	2019	2018
	$'000	$'000
Major type of goods and services		
Sale of goods	44,138	44,654
Rendering of services	89,498	108,728
	133,636	153,382
Primary geographical markets		
Singapore	3,109	2,593
Malaysia	88,601	94,908
China	22,135	30,333
Other Asian countries*	4,096	10,205
United States	9,087	10,927
Others	6,608	4,416
	133,636	153,382

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

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

(b) Contract liabilities

	31 July 2019	31 July 2018	1 August 2017
	$'000	$'000	$'000
Contract liabilities	174	405	337

Contract liabilities primarily relate to the Group's obligations to transfer goods to customers for which the Group has received advances received 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.

4. REVENUE (CONTINUED)

(b) Contract liabilities (continued)

Significant changes in contract liabilities are explained as follows:

	Group 2019 $'000	Group 2018 $'000
Revenue recognised that was included in the contract liability balance at the beginning of the year	253	318

5. INTEREST INCOME

	Group 2019 $'000	Group 2018 $'000
Interest income from:		
– Deposits with licensed banks	2,268	1,468
– Others	11	12
	2,279	1,480

6. EMPLOYEE BENEFITS EXPENSE

	Note	Group 2019 $'000	Group 2018 $'000
Employee benefits expense (including directors):			
– Wages, salaries and bonuses		40,351	42,430
– Contributions to defined contribution plans		1,750	3,128
– Defined benefit obligations	21	98	93
– Other benefits		5,436	5,269
		47,635	50,920

7. FINANCE COSTS

	Note	Group 2019 $'000	Group 2018 $'000
Interest expense on:			
– Bank loans		1,320	1,342
– Obligations under finance leases		194	158
– Defined benefit obligations	21	27	25
		1,541	1,525

8. (LOSS)/PROFIT BEFORE TAX

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

	Note	Group 2019 $'000	Group 2018 $'000
Audit fees paid to:			
– Auditors of the Company		204	193
– Other auditors		168	175
Non-audit fees paid to:			
– Auditors of the Company		115	167
– Other auditors		96	97
Net foreign exchange loss		167	63
Net write-down of inventories	13	294	962
Net impairment loss on trade receivables	14	343	6
Net gain on disposal of property, plant and equipment		(767)	(56)
Net loss on disposal of investment securities		32	–
Other professional fees		738	698
Repairs and maintenance		7,329	8,983
Travelling and entertainment		892	851
Utilities		11,659	11,413
Directors' remuneration:			
– Directors of the Company			
• Fees		215	170
• Salaries and bonuses		1,159	2,216
• CPF and other defined contributions		18	19
– Directors of subsidiaries			
• Fees		150	419
• Salaries and bonuses		444	427

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing the (loss)/profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

The following tables reflect the (loss)/profit and share data used in the computation of basic (loss)/earnings per share for the years ended 31 July:

	Group	
	2019	**2018**
	$'000	**$'000**
(Loss)/profit attributable to owners of the Company	(2,525)	6,794
	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 (loss)/earnings per share	(2.1)	5.5

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	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 2017	14,517	1,966	12,177	251,854	1,835	8,622	290,971
Additions	–	–	1,017	15,269	416	395	17,097
Disposals	–	–	(257)	(7,383)	(235)	(712)	(8,587)
Exchange differences	118	113	(29)	10,494	27	117	10,840
At 31 July 2018 and 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

* Included in the Group's 'Renovation', 'Plant, machinery and test equipment', and 'Office equipment, furniture and fittings and computers' of $13,000 (31 July 2018: $106,000, 1 August 2017: $1,081,000), $2,926,000 (31 July 2018: $3,254,000, 1 August 2017: $10,059,000) and $37,000 (31 July 2018: $nil, 1 August 2017: $88,000) respectively, were not depreciated as they were not ready for use.

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Buildings $'000	Leasehold land $'000	Renovation $'000	Plant, machinery and test equipment $'000	Motor vehicles $'000	Office equipment, furniture and fittings and computers $'000	Total $'000
Accumulated depreciation							
At 1 August 2017	13,420	504	8,935	180,190	874	7,331	211,254
Depreciation charge for the year	797	19	1,179	24,307	248	517	27,067
Reversal of impairment	(1,102)	–	–	–	–	–	(1,102)
Disposals	–	–	(257)	(7,603)	(235)	(475)	(8,570)
Exchange differences	240	28	(52)	7,121	13	96	7,446
At 31 July 2018 and 1 August 2018	13,355	551	9,805	204,015	900	7,469	236,095
Depreciation charge for the year	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
Net carrying amount							
At 1 August 2017	1,097	1,462	3,242	71,664	961	1,291	79,717
At 31 July 2018	1,280	1,528	3,103	66,219	1,143	953	74,226
At 31 July 2019	477	1,477	2,267	52,184	1,240	1,219	58,864

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Renovation $'000	Motor vehicles $'000	Office equipment, furniture and fittings and computers $'000	Total $'000
Cost				
At 1 August 2017	47	1,049	1,865	2,961
Additions	–	–	65	65
Disposals	–	–	(2)	(2)
At 31 July 2018 and 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
Accumulated depreciation				
At 1 August 2017	47	387	1,591	2,025
Depreciation charge for the year	–	142	140	282
Disposals	–	–	(2)	(2)
At 31 July 2018 and 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	47	412	501	960
Net carrying amount				
At 1 August 2017	–	662	274	936
At 31 July 2018	–	520	199	719
At 31 July 2019	–	789	314	1,103

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets under finance leases

The carrying amount of assets held under finance leases:

	Group			Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Plant, machinery and test equipment	3,012	3,507	2,041	–	–	–
Motor vehicles	968	773	871	790	521	662
Office equipment, furniture and fittings and computers	274	157	60	258	141	22
	4,254	4,437	2,972	1,048	662	684

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

(b) Assets pledged as security

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

	Group		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Buildings	–	954	240

(c) Additions

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

	Group		Company	
	31 July 2019 $'000	31 July 2018 $'000	31 July 2019 $'000	31 July 2018 $'000
Cash payments	9,360	14,457	99	17
Finance leases	2,179	2,220	664	48
Other payables	170	420	–	–
	11,709	17,097	763	65

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Reversal of impairment

In the previous financial year ended 31 July 2018, the reversal of impairment loss of $1,102,000 was due to a valuation performed by a professional valuer which indicated that the impairment of a building was no longer required based on current market condition.

11. INVESTMENT IN SUBSIDIARIES

	Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Quoted shares, at cost	5,578	5,578	5,578
Unquoted shares, at cost	51,567	56,532	55,075
Allowance for impairment	(46,439)	(48,473)	(47,173)
	10,706	13,637	13,480

(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		
		31 July 2019 %	31 July 2018 %	1 August 2017 %
Held by the Company:				
* KEST Systems & Service Ltd (Taiwan)	Provision of burn-in services and manufacturing of electronic equipment (Taiwan)	100	100	100
^^ Kestronics (M) Sdn. Bhd. (Malaysia)	Distribution of high-technology electronic equipment and materials (Malaysia)	100	100	100
^ Kestronics (S) Pte Ltd (Singapore)	Distribution of high-technology electronic equipment and materials (Singapore)	–	100	100
ϖ KES Systems & Service (1993) Pte Ltd (Singapore)	Provision of burn-in services and manufacturing of burn-in equipment (Singapore)	100	100	100
µ Kestronics Philippines, Inc. (Philippines)	Distribution of high-technology electronic equipment and materials (Philippines)	100	100	100
ϖ♎ KES Systems & Service (Shanghai) Co., Ltd (China)	Provision of burn-in services and burn-in support services (China)	100	100	100

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion of ownership interest 31 July 2019 %	31 July 2018 %	1 August 2017 %
Held by the Company:				
ϖ٥ KES Systems, Inc. (USA)	Research and development in burn-in and test related activities and distribution of electronic equipment (USA)	100	100	100
✡ KESM Industries Berhad (Malaysia)	Investment holding and provision of semiconductor burn-in services (Malaysia)	48#	48#	48#
Held by subsidiaries:				
✡ KES Systems & Service (M) Sdn. Bhd. (Malaysia)	Provision of burn-in support services (Malaysia)	100	100	100
✡ KES International Sdn. Bhd. (Malaysia)	Manufacturing of burn-in equipment (Malaysia)	100	–	–
µ KES Systems & Service Philippines Inc. (Philippines)	Provision of product development services (Philippines)	100	100	100
✡ KESM Test (M) Sdn. Bhd. (Malaysia)	Provision of semiconductor testing services (Malaysia)	48	48	48
✡ KESP Sdn. Bhd. (Malaysia)	Provision of semiconductor burn-in services and electronic manufacturing services (Malaysia)	48	48	48
✡٥ KESM Industries (Tianjin) Co., Ltd. (China)	Provision of semiconductor burn-in and testing services (China)	48	48	48

ϖ 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.

٥ Audited for the purpose of Group consolidation.

^ Struck off from the Register of Companies on 6 May 2019.

^^ Under voluntary liquidation on 23 January 2019. Prior to that, the company made its first distribution of surplus assets.

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

The Group has the following subsidiary that has NCI that is material to the Group.

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 July 2019					
KESM Industries Berhad	Malaysia	52%	1,143	61,456	659
31 July 2018					
KESM Industries Berhad	Malaysia	52%	6,840	61,615	1,361
1 August 2017					
KESM Industries Berhad	Malaysia	52%	7,434	53,744	680

(c) Summarised financial information about subsidiaries with material NCI

	KESM Industries Berhad and its subsidiaries		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Summarised statement of financial position			
Total assets	150,019	165,932	151,025
Total liabilities	(30,962)	(46,395)	(46,656)
Net assets	119,057	119,537	104,369

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

	KESM Industries Berhad and its subsidiaries	
	2019	2018
	$'000	$'000
Summarised statement of comprehensive income		
Revenue	101,505	115,934
Profit for the year	2,073	13,040
Other comprehensive income	77	(1,330)
Total comprehensive income for the year	2,150	11,710
Summarised cash flow statement		
Net cash from operating activities	29,093	25,839
Net cash used in investing activities	(13,909)	(32,680)
Net cash (used in)/from financing activities	(14,666)	5,088
Net increase/(decrease) in cash and cash equivalents	518	(1,753)

(d) Incorporation of a new wholly-owned subsidiary

The Company's wholly-owned subsidiary company, KES Systems & Service (1993) Pte Ltd ("KES93"), 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	
	31 July 2019	31 July 2018	1 August 2017
	$'000	$'000	$'000
At beginning of the year	48,473	47,173	47,173
Charged to profit or loss	3,094	1,300	–
Written off	(4,880)	–	–
Reversal of impairment	(248)	–	–
At end of the year	46,439	48,473	47,173

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(e) Impairment testing on investment in subsidiaries (continued)

During the financial year, an impairment loss of $3,094,000 (2018: $1,300,000) was charged to profit or loss arising from an impairment assessment 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 pre-tax discount rates used were 14% to 15% (2018: 14%), with a terminal growth of 1% (2018: 1%).

12. LOANS TO A SUBSIDIARY

	Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Loans to a subsidiary (non-current)	417	–	–
Loans to a subsidiary (current)	284	–	–
Total loans to a subsidiary	701	–	–

The loans to a subsidiary bear interest rate between 3.30% to 3.50% per annum, are unsecured and repayable over remaining 2 to 3 years.

13. INVENTORIES

	Group		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Raw materials	1,840	1,984	1,345
Consumables	521	520	619
Work-in-progress	1,828	1,255	3,669
Finished goods	1,108	755	342
Total inventories (at net realisable value)	5,297	4,514	5,975

During the financial year, the Group wrote down $294,000 (2018: $962,000) of inventories which were recognised in "Other expenses" line item in the Statement of profit or loss and other comprehensive income.

14. TRADE AND OTHER RECEIVABLES

	Note	Group 31 July 2019 $'000	Group 31 July 2018 $'000	Group 1 August 2017 $'000	Company 31 July 2019 $'000	Company 31 July 2018 $'000	Company 1 August 2017 $'000
Trade and other receivables:							
– Trade receivables		24,430	33,801	34,444	–	–	–
– Sundry deposits		819	660	669	1	1	1
– Sundry receivables		1,498	1,158	1,012	109	80	104
– Derivatives	22(d)	–	–	6	–	–	–
– Amounts due from subsidiaries (trade)		–	–	–	1,305	2,017	2,832
– Amounts due from subsidiaries (non-trade)		–	–	–	1,239	1,912	1,497
		26,747	35,619	36,131	2,654	4,010	4,434
Allowance for impairment:							
– Trade receivables		(351)	(48)	(104)	–	–	–
– Amounts due from subsidiaries (trade)		–	–	–	–	–	(554)
– Amounts due from subsidiaries (non-trade)		–	–	–	–	(36)	(36)
		26,396	35,571	36,027	2,654	3,974	3,844
Add: Loans to a subsidiary	12	–	–	–	701	–	–
Add: Cash and short-term deposits	15	93,255	87,383	68,195	20,568	20,410	20,635
Total financial assets at amortised cost		119,651	122,954	104,222	23,923	24,384	24,479

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

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

(b) Receivables that are past due but not impaired

Trade receivables, including amounts due from subsidiaries, which are past due but not impaired are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group			Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
1 to 90 days	1,265	1,683	1,585	288	261	378
91 to 180 days	7	24	171	289	381	531
More than 180 days	4	–	20	–	–	–
	1,276	1,707	1,776	577	642	909

(c) Receivables that are impaired

The Group's and the Company's trade and non-trade receivables, including amounts due from subsidiaries, that are impaired at the end of the reporting period and the movement of the allowance account used to record the impairment are as follows:

	Group		Company	
	31 July 2018 $'000	1 August 2017 $'000	31 July 2018 $'000	1 August 2017 $'000
Trade receivables – nominal amounts	48	104	36	590
Less: Allowance for impairment	(48)	(104)	(36)	(590)
	–	–	–	–
At beginning of the year	104	123	590	3,211
Charge for the year	6	40	–	(8)
Written off	(65)	(61)	(554)	(2,613)
Exchange difference	3	2	–	–
At end of the year	48	104	36	590

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Receivables that are impaired (continued)

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 31 July 2019 $'000	Company 31 July 2019 $'000
Movement in allowance account:		
At beginning of the year	48	36
Charge to profit or loss	343	–
Written off	(40)	(36)
At end of the year	351	–

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

During the financial year, impairment loss of $343,000 was recognised in profit or loss of the Group.

(d) Related party receivables

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

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

	Group			Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Singapore Dollar	1,047	910	793	1,468	2,129	2,414
United States Dollar	5,088	8,818	9,078	979	968	995
Ringgit Malaysia	14,757	18,368	18,094	207	877	435
Renminbi	4,758	6,240	6,515	–	–	–
Others	746	1,235	1,547	–	–	–
	26,396	35,571	36,027	2,654	3,974	3,844

15. CASH AND SHORT-TERM DEPOSITS

	Group			Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Cash at banks and on hand	17,559	14,755	21,996	3,568	3,410	4,635
Deposits with licensed banks	75,696	72,628	46,199	17,000	17,000	16,000
Cash and short-term deposits	93,255	87,383	68,195	20,568	20,410	20,635
Less: Bank deposits with maturity more than three months	(57,236)	(50,756)	(22,765)	(15,000)	(15,000)	(11,000)
Cash and cash equivalents	36,019	36,627	45,430	5,568	5,410	9,635

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

	Group			Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Singapore Dollar	21,572	22,274	23,319	20,561	20,403	20,617
United States Dollar	3,121	2,718	5,969	7	7	18
Ringgit Malaysia	58,439	51,068	29,631	–	–	–
Renminbi	7,667	8,100	6,829	–	–	–
Others	2,456	3,223	2,447	–	–	–
	93,255	87,383	68,195	20,568	20,410	20,635

Cash at banks earns interest at floating rates based on daily bank deposits rates. Short-term deposits, other than those with maturity more than three months, are made for varying periods of between 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 2019 for the Group and the Company were 3.06% (31 July 2018: 2.43%, 1 August 2017: 2.20%) and 1.74% (31 July 2018: 1.21%, 1 August 2017: 1.45%) respectively.

Cash at banks of $7,878,000 (31 July 2018: $8,100,000, 1 August 2017: $6,829,000) held in People's Republic of China are subject to local exchange control restrictions. These regulations place restriction on the amount of currency being exported other than through dividends and trade-related transactions.

16. SHARE CAPITAL

	Group and Company					
	31 July 2019		31 July 2018		1 August 2017	
	No. of shares '000	$'000	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	122,806	35,727

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, and have no par value.

17. OTHER RESERVES

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It also includes the cumulative exchange differences arising on monetary items that form part of the Group's net investment in foreign operations.

(b) Statutory reserve fund

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

(c) Capital reserve

Capital reserve includes a legal reserve set up by the subsidiary incorporated in Taiwan. The regulation in Taiwan requires the subsidiary to set aside a legal reserve of 10% of its annual net income (less losses of prior years, if any) before it declares any part of such net profits as dividends and/or bonuses until the accumulated reserve equals the total paid up share capital.

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

18. LOANS AND BORROWINGS

	Note	Maturities	Group 31 July 2019 $'000	Group 31 July 2018 $'000	Group 1 August 2017 $'000	Company 31 July 2019 $'000	Company 31 July 2018 $'000	Company 1 August 2017 $'000
Current								
Obligations under finance leases	22(c)	2020	1,880	1,947	1,479	324	173	106
Bank loans		2020	16,706	17,446	11,869	2,160	2,237	2,234
			18,586	19,393	13,348	2,484	2,410	2,340
Non-current								
Obligations under finance leases	22(c)	2021 – 2022	954	1,256	1,072	391	319	301
Bank loans		2021	4,951	15,082	11,446	–	–	–
			5,905	16,338	12,518	391	319	301
Total loans and borrowings			24,491	35,731	25,866	2,875	2,729	2,641

(a) Obligations under finance leases – secured

The Group and the Company have finance leases for certain assets (Note 10). Obligations under finance leases of $2,834,000 (31 July 2018: $3,203,000, 1 August 2017: $2,551,000) and $715,000 (31 July 2018: $492,000, 1 August 2017: $407,000) for the Group and the Company respectively, are secured by a charge over the leased assets.

These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group and the Company by entering into these leases. Renewals are at the option of the specific entities that hold the lease.

At the end of the reporting period, the finance leases of the Group and the Company bore effective interest between 3.8% and 6.9% (31 July 2018: between 3.8% and 6.6%, 1 August 2017: between 3.8% and 6.6%), and 4.7% and 5.6% (31 July 2018: 4.7% and 5.6%, 1 August 2017: 4.7% and 5.6%) per annum respectively.

(b) Bank loans

In the previous financial year ended 31 July 2018, bank loans of $185,000 (1 August 2017: $503,000) for the Group were secured by a charge on the buildings (Note 10).

Bank loans of $479,000 (31 July 2018: $477,000, 1 August 2017: $475,000) for the Group are secured by corporate guarantee provided by the Company.

18. LOANS AND BORROWINGS (CONTINUED)

(b) Bank loans (continued)

The bank loans of the Group and the Company bore interest between 2.0% and 5.9% (31 July 2018: between 1.0% and 5.9%, 1 August 2017: between 1.7% and 5.9%), and 2.0% and 4.3% (31 July 2018: 1.0% and 3.9%, 1 August 2017: 3.1% and 3.3%) per annum respectively.

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

	1 August 2018 $'000	Cash flows $'000	Non-cash items: Acquisitions $'000	Non-cash items: 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

	1 August 2017 $'000	Cash flows $'000	Non-cash items: Acquisitions $'000	Non-cash items: Foreign exchange movement $'000	Other $'000	31 July 2018 $'000
Bank loans						
– Current	11,869	(15,052)	–	444	20,185	17,446
– Non-current	11,446	23,256	–	565	(20,185)	15,082
Obligations under finance leases						
– Current	1,479	(1,913)	–	189	2,192	1,947
– Non-current	1,072	–	2,220	156	(2,192)	1,256
Total	25,866	6,291	2,220	1,354	–	35,731

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

18. LOANS AND BORROWINGS (CONTINUED)

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

	Group			Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Singapore Dollar	2,733	2,289	1,905	1,916	1,775	1,691
United States Dollar	1,438	1,431	1,425	959	954	950
Ringgit Malaysia	15,925	27,728	22,033	–	–	–
Renminbi	4,395	4,098	–	–	–	–
Others	–	185	503	–	–	–
	24,491	35,731	25,866	2,875	2,729	2,641

19. INCOME TAX

(a) Major components of income tax expense

The major components of income tax expense for the financial years ended 31 July 2019 and 2018 are:

	Group	
	2019 $'000	2018 $'000
Statement of profit or loss and other comprehensive income		
Current income tax:		
– Current income tax	1,162	1,336
– (Over)/underprovision in respect of previous years	(32)	24
	1,130	1,360
Deferred tax:		
– Origination and reversal of temporary differences	260	249
– Overprovision in respect of previous years	(306)	(98)
	(46)	151
Income tax expense recognised in the statement of profit or loss and other comprehensive income	1,084	1,511

19. INCOME TAX (CONTINUED)

(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 2019 and 2018 is as follows:

	Group	
	2019	2018
	$'000	$'000
(Loss)/profit before tax	(298)	15,145
Tax calculated at statutory tax rate of 17% (2018: 17%)	(51)	2,575
Adjustments:		
Non-deductible expenses	606	399
Income not subject to tax	(27)	(377)
Effect of different tax rates on foreign income	(75)	1,043
Benefits from previously unrecognised deferred tax assets	(699)	(2,875)
Deferred tax assets not recognised	1,668	820
(Over)/under provision in respect of previous years		
– Current income tax	(32)	24
– Deferred tax	(306)	(98)
Income tax expense recognised in the statement of profit or loss and other comprehensive income	1,084	1,511

19. INCOME TAX (CONTINUED)

(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		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	2019 $'000	2018 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Deferred tax liabilities:								
Unremitted offshore interest income	1,848	1,848	1,848	–	–	1,848	1,848	1,848
Differences in depreciation for tax purposes	1,558	2,790	–	(1,194)	(446)	–	–	–
Unutilised reinvestment allowance	–	(1,278)	–	1,259	1,157	–	–	–
Other deductible temporary differences	(457)	(500)	–	37	289	–	–	–
	2,949	2,860	1,848	102	1,000	1,848	1,848	1,848
Deferred tax assets:								
Differences in depreciation for tax purposes	(124)	(42)	3,158	(84)	(126)	–	–	–
Unutilised reinvestment allowance	–	–	(2,326)	–	–	–	–	–
Other deductible temporary differences	(1,101)	(1,040)	(1,081)	(65)	(723)	–	–	–
	(1,225)	(1,082)	(249)	(149)	(849)	–	–	–
Deferred tax (credit)/expense recognised in the statement of profit or loss and other comprehensive income				(47)	151			

19. INCOME TAX (CONTINUED)

(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 $36,298,000 (31 July 2018: $29,662,000, 1 August 2017: $34,172,000), $12,375,000 (31 July 2018: $11,669,000, 1 August 2017: $11,421,000), and $9,411,000 (31 July 2018: $13,006,000, 1 August 2017: $19,551,000) respectively, that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

20. TRADE AND OTHER PAYABLES

		Group			Company		
	Note	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Trade and other payables:							
– Trade payables		6,153	7,212	8,780	–	–	–
– Accrued operating expenses		5,630	7,014	9,909	1,062	1,929	2,017
– Sundry payables		4,627	6,459	15,484	25	44	278
– Derivatives	22(d)	18	3	–	–	–	–
– Amounts due to subsidiaries (non-trade)		–	–	–	8	10	15
		16,428	20,688	34,173	1,095	1,983	2,310
Add: Loans and borrowings	18	24,491	35,731	25,866	2,875	2,729	2,641
Add: Loan from a subsidiary		–	–	–	–	–	102
Less: Derivatives	22(d)	(18)	(3)	–	–	–	–
Total financial liabilities carried at amortised cost		40,901	56,416	60,039	3,970	4,712	5,053

20. TRADE AND OTHER PAYABLES (CONTINUED)

(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.

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

	Group			Company		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Singapore Dollar	4,865	4,845	6,120	1,084	1,979	2,250
United States Dollar	4,139	5,669	15,102	11	4	60
Ringgit Malaysia	5,339	7,483	9,556	–	–	–
Renminbi	1,620	1,802	2,663	–	–	–
Others	465	889	732	–	–	–
	16,428	20,688	34,173	1,095	1,983	2,310

21. DEFINED BENEFIT LIABILITIES

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

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

	Group		
	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Present value of defined benefit obligations	(1,356)	(1,982)	(2,515)
Fair value of plan assets	–	933	1,482
Net defined benefit liabilities	(1,356)	(1,049)	(1,033)

21. DEFINED BENEFIT LIABILITIES (CONTINUED)

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

	Note	Group 31 July 2019 $'000	Group 31 July 2018 $'000
Balance at beginning of the year		(1,982)	(2,515)
Benefits paid		388	125
Current service costs	6	(98)	(93)
Interest costs	7	(27)	(25)
Remeasurement loss on defined benefit plans			
Actuarial loss arising from:			
– changes in financial assumptions		(78)	(19)
– experience adjustments		(53)	(18)
Effect due to plan settlement		492	603
Currency realignment		2	(40)
Balance at end of the year		(1,356)	(1,982)

Changes in fair value of plan assets are as follows:

	Group 31 July 2019 $'000	Group 31 July 2018 $'000
Balance at beginning of the year	933	1,482
Contributions by the employer	36	57
Benefits paid	(1,029)	(638)
Return on plan assets	53	47
Currency realignment	7	(15)
Balance at end of the year	–	933

21. DEFINED BENEFIT LIABILITIES (CONTINUED)

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 2019 $'000	Group 2018 $'000
Current service costs	6	(98)	(93)
Interest costs	7	(27)	(25)
Return on plan assets		149	44
		24	(74)

Remeasurement (loss)/gain recognised in other comprehensive income

	Group 2019 $'000	Group 2018 $'000
Return on plan assets	53	47
Actuarial loss arising from:		
– Changes in financial assumptions	(78)	(19)
– Experience adjustments	(53)	(18)
	(78)	10

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

	Group 31 July 2019 $'000	Group 31 July 2018 $'000	Group 1 August 2017 $'000
Discount rates	3.78% to 3.96%	0.75% to 4.82%	1.00% to 4.72%
Expected rate of future salary increases	3.00% to 5.00%	2.00% to 5.00%	2.00% to 5.00%

21. DEFINED BENEFIT LIABILITIES (CONTINUED)

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

	Increase/ (decrease)	Group 2019 $'000	Group 2018 $'000	Group 2017 $'000
Discount rates	0.25%	(20)	(28)	(45)
	(0.25%)	21	29	47
Expected rate of future salary increases	0.25%	16	32	47
	(0.25%)	(24)	(25)	(45)

The duration of the defined benefit obligations at the end of the reporting period is 5 to 12.9 years (2018: 4 to 14 years).

22. COMMITMENTS

(a) Capital commitments

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

	Group 31 July 2019 $'000	Group 31 July 2018 $'000	Group 1 August 2017 $'000
Property, plant and equipment			
– Authorised and contracted for	1,501	5,498	4,614

22. COMMITMENTS (CONTINUED)

(b) Operating lease commitments – as lessee

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

These leases have an average tenure of between 1 and 5 years with no renewal option or escalation clauses included in the contracts. There are no restrictions placed upon the Group by entering into these leases.

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

	Group		
	31 July 2019	**31 July 2018**	**1 August 2017**
	$'000	**$'000**	**$'000**
Within one year	863	689	688
After one year but not more than five years	1,936	229	552
More than five years	724	–	–
	3,523	918	1,240

(c) Finance lease commitments

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

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

Group	31 July 2019		31 July 2018		1 August 2017	
	Minimum lease payments $'000	**Present value of payments $'000**	**Minimum lease payments $'000**	**Present value of payments $'000**	**Minimum lease payments $'000**	**Present value of payments $'000**
Within one year	1,982	1,880	2,068	1,947	1,580	1,479
After one year but not more than five years	985	954	1,300	1,256	1,120	1,072
Total minimum lease payments	2,967	2,834	3,368	3,203	2,700	2,551
Less: Amounts representing finance charges	(133)	–	(165)	–	(149)	–
Present value of minimum lease payments	2,834	2,834	3,203	3,203	2,551	2,551

22. COMMITMENTS (CONTINUED)

(c) Finance lease commitments (continued)

Company	31 July 2019 Minimum lease payments $'000	31 July 2019 Present value of payments $'000	31 July 2018 Minimum lease payments $'000	31 July 2018 Present value of payments $'000	1 August 2017 Minimum lease payments $'000	1 August 2017 Present value of payments $'000
Within one year	351	324	192	173	122	106
After one year but not more than five years	406	391	337	319	327	301
Total minimum lease payments	757	715	529	492	449	407
Less: Amounts representing finance charges	(42)	–	(37)	–	(42)	–
Present value of minimum lease payments	715	715	492	492	407	407

(d) Financial instruments

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

Group	Note	31 July 2019 Assets $'000	31 July 2019 Liabilities $'000	31 July 2018 Assets $'000	31 July 2018 Liabilities $'000	1 August 2017 Assets $'000	1 August 2017 Liabilities $'000
Forward currency contracts	24(b)	–	(18)	–	(3)	6	–

As at 31 July 2019, the Group held two (31 July 2018: two, 1 August 2017: two) forward currency contracts, with total outstanding notional amounts of $1,761,000 (31 July 2018: $814,000, 1 August 2017: $820,000). The outstanding forward contracts mature in 1 to 3 months (31 July 2018: 1 to 2 months, 1 August 2017: 1 to 2 months).

The Group does not apply hedge accounting.

23. RELATED PARTY DISCLOSURES

Compensation of key management personnel

	Group	
	2019	**2018**
	$'000	**$'000**
Salaries, bonuses and fees	1,670	2,985
CPF and other defined contributions	18	19
Total compensation paid to key management personnel	1,688	3,004

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

24. FAIR VALUE OF 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 than 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 entirety 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 2019, 31 July 2018 and 1 August 2017.

24. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(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) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Total $'000
2019				
Financial assets/(liabilities):				
Equity securities at FVPL:				
– Investment securities (quoted)		2,802	–	2,802
Derivatives:				
– Forward currency contracts	22(d)	–	(18)	(18)
At 31 July 2019		2,802	(18)	2,784
2018				
Financial assets/(liabilities):				
Equity securities at FVPL:				
– Investment securities (quoted)		3,754	–	3,754
Derivatives:				
– Forward currency contracts	22(d)	–	(3)	(3)
At 31 July 2018		3,754	(3)	3,751
2017				
Financial assets:				
Equity securities at FVPL:				
– Investment securities (quoted)		3,047	–	3,047
Derivatives:				
– Forward currency contracts	22(d)	–	6	6
At 1 August 2017		3,047	6	3,053

24. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(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.

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

Loans to a subsidiary (Note 12), trade and other receivables (Note 14), trade and other payables (Note 20), cash and short-term deposits (Note 15) and loans and borrowings (Note 18)

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.

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

The following table shows an analysis of the Group's and the Company's assets and liabilities not measured at fair value and whose carrying amounts are not reasonable approximation of fair value:

		31 July 2019		31 July 2018		1 August 2017	
	Note	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Group		$'000	$'000	$'000	$'000	$'000	$'000
Financial liabilities:							
Obligations under finance leases (non-current)	18	954	943	1,256	1,065	1,072	1,064
Company							
Financial liabilities:							
Obligations under finance leases (non-current)	18	391	387	319	126	301	301

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's overall risk management programme seeks to minimise potential adverse effects on financial performance of the Group that these risks may expose.

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The Board of Directors reviews policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been, throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

The following sections provide details regarding the Group's and 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 (2018: 100) basis points higher/lower with all other variables held constant, the Group's and the Company's loss (2018: profit) before tax would have been $271,000 (2018: $279,000) and $22,000 (2018: $22,000) higher/lower (2018: lower/higher) respectively, arising mainly as a result of higher/lower interest expense on floating rate loans and borrowings.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Foreign currency risk

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

The Group has transactional currency exposures arising from sales and purchases that are denominated in currency other than the respective functional currencies of Group entities, primarily United States Dollar ("USD").

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies (Note 15) for working capital purposes.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, namely Malaysia, United States, China, Taiwan and Philippines. The Group's net investments in foreign operations are not hedged as these currency positions are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the increase/(decrease) in the Group's 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	
	2019	**2018**
	$'000	**$'000**
USD/SGD – strengthened 1% (2018: 1%)	18	20
USD/SGD – weakened 1% (2018: 1%)	(18)	(20)
USD/RM – strengthened 1% (2018: 1%)	22	14
USD/RM – weakened 1% (2018: 1%)	(22)	(14)

(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.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

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 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)
31 July 2018			
Financial assets:			
Investment securities	3,754	3,754	–
Trade and other receivables	35,571	35,571	–
Cash and short-term deposits	87,383	87,383	–
Total undiscounted financial assets	126,708	126,708	–
Financial liabilities:			
Trade and other payables	(20,688)	(20,688)	–
Loans and borrowings	(37,648)	(20,738)	(16,910)
Total undiscounted financial liabilities	(58,336)	(41,426)	(16,910)
Total net undiscounted financial assets/(liabilities)	68,372	85,282	(16,910)

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

Group	Total $'000	1 year or less $'000	1 to 5 years $'000
1 August 2017			
Financial assets:			
Investment securities	3,047	3,047	–
Trade and other receivables	36,027	36,027	–
Cash and short-term deposits	68,195	68,195	–
Total undiscounted financial assets	107,269	107,269	–
Financial liabilities:			
Trade and other payables	(34,173)	(34,173)	–
Loans and borrowings	(27,903)	(13,838)	(14,065)
Total undiscounted financial liabilities	(62,076)	(48,011)	(14,065)
Total net undiscounted financial assets/(liabilities)	45,193	59,258	(14,065)

Company	Total $'000	1 year or less $'000	1 to 5 years $'000
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/(liabilities)	20,519	20,497	22

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

Company	Total $'000	1 year or less $'000	1 to 5 years $'000
31 July 2018			
Financial assets:			
Investment securities	519	519	–
Trade and other receivables	3,974	3,974	–
Cash and short-term deposits	20,410	20,410	–
Total undiscounted financial assets	24,903	24,903	–
Financial liabilities:			
Trade and other payables	(1,983)	(1,983)	–
Loans and borrowings	(2,776)	(2,439)	(337)
Total undiscounted financial liabilities	(4,759)	(4,422)	(337)
Total net undiscounted financial assets/(liabilities)	20,144	20,481	(337)
1 August 2017			
Financial assets:			
Investment securities	496	496	–
Trade and other receivables	3,844	3,844	–
Cash and short-term deposits	20,635	20,635	–
Total undiscounted financial assets	24,975	24,975	–
Financial liabilities:			
Trade and other payables	(2,310)	(2,310)	–
Loans and borrowings	(2,693)	(2,367)	(326)
Loans from subsidiaries	(106)	–	(106)
Total undiscounted financial liabilities	(5,109)	(4,677)	(432)
Total net undiscounted financial assets/(liabilities)	19,866	20,298	(432)

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(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; and
- 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; or
- 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 recognized in profit or loss.

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

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 $1,296,000 (31 July 2018: $989,000, 1 August 2017: $689,000) relating to corporate guarantees provided by the Company to the financial institutions for the subsidiaries' bank loans and finance leases.

Credit risk concentration profile

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

Group	**31 July 2019**		**31 July 2018**		**1 August 2017**	
	$'000	**% of total**	**$'000**	**% of total**	**$'000**	**% of total**
By country:						
Singapore	124	1	724	2	1,790	5
Malaysia	15,026	62	20,122	60	21,045	61
China	5,246	22	7,217	21	7,502	22
Other Asian countries*	675	3	1,467	4	1,623	5
United States	1,094	5	2,417	7	1,265	4
Others	1,914	7	1,806	6	1,115	3
	24,079	100	33,753	100	34,340	100
By industry sectors:						
Burn-in, testing and electronic manufacturing services	24,079	100	33,753	100	34,338	100
Others	–	–	–	–	2	–
	24,079	100	33,753	100	34,340	100

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

25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Credit risk (continued)

Credit risk concentration profile (continued)

At the end of the reporting period, approximately:

(i) 84% (31 July 2018: 78%, 1 August 2017: 83%) of the Group's trade receivables were due from 5 (31 July 2018: 5, 1 August 2017: 5) major customers who are in the semiconductor industry; and

(ii) 96% (31 July 2018: 98%, 1 August 2017: 97%) of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, investment securities and derivatives are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

(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% (2018: 5%) higher/lower with all other variables held constant, the Group's and the Company's loss (2018: profit) before tax would have been $140,000 (2018: $188,000) and $29,000 (2018: $26,000) lower/higher (2018: higher/lower) respectively, arising as a result of higher/lower fair value gain on investment securities.

26. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 July 2019 and 2018.

As disclosed in Note 17, a subsidiary of the Group is required by the Foreign Enterprise Law of the People's Republic of China ("PRC") to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 July 2019 and 2018.

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	2019 $'000	2018 $'000
Total loans and borrowings (total debt)	18	24,491	35,731
Less: Cash and short-term deposits	15	(93,255)	(87,383)
Net cash		(68,764)	(51,652)
Total equity attributable to owners of the Company		82,542	86,065
Less: Statutory reserve fund		(860)	(860)
		81,682	85,205

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

27. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has the following reportable business segments:

(i) burn-in, testing and electronic manufacturing services segment is in the business of manufacturing burn-in equipment, assembly of electronic and electrical components, provision of burn-in services and research and development of burn-in and test related activities. This reportable segment has been formed by aggregating the burn-in and test related activities and assembly activities, which are regarded by management to exhibit similar economic characteristics.

27. SEGMENT INFORMATION (CONTINUED)

(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 2019 and 31 July 2018.

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

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

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**
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	25,609	379	25,988
Additions to property, plant and equipment	10,946	763	11,709

27. SEGMENT INFORMATION (CONTINUED)

	Burn-in, testing and electronic manufacturing services $'000	Others $'000	Consolidated $'000
2018			
Revenue:			
External customers	153,382	–	153,382
Results:			
Segment profit	14,848	342	15,190
Interest income			1,480
Finance costs			(1,525)
Profit before tax			15,145
Income tax expense			(1,511)
Profit for the year			13,634
Other information:			
Depreciation	26,785	282	27,067
Reversal of impairment of property, plant and equipment	(1,102)	–	(1,102)
Additions to property, plant and equipment	17,032	65	17,097

(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**		
	2019 $'000	2018 $'000	31 July 2019 $'000	31 July 2018 $'000	1 August 2017 $'000
Singapore	3,109	2,593	2,440	1,419	1,415
Malaysia	88,609	94,908	46,227	63,687	69,987
China	22,132	30,333	9,216	7,874	7,868
Other Asian countries*	4,096	10,205	957	1,231	440
United States	9,082	10,927	24	15	7
Others	6,608	4,416	–	–	–
	133,636	153,382	58,864	74,226	79,717

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

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

27. SEGMENT INFORMATION (CONTINUED)

(b) Information about major customers

The Group's customer base includes 2 (2018: 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 $74 million (2018: $94 million).

28. DIVIDENDS

	Group and Company	
	2019	2018
	$'000	$'000
Recognised during the financial year:		
– Final ordinary tax exempt (one-tier) dividend for 2018 at 0.3 cent (2017: 0.3 cent) per share	368	368
Proposed but not recognised as a liability as at 31 July:		
– Final ordinary tax exempt (one-tier) dividend for 2019 at nil (2018: 0.3 cent) per share	–	368

29. 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 had subsequently been informed that the Claimants had filed a "Notice of Suggestion of Pendency of Bankruptcy and Automatic Stay of Proceeding" with the Court to notify the Court that on 1 July 2019, Weatherford International plc, Weatherford International Ltd., and Weatherford International, LLC commenced bankruptcy cases in the United States Bankruptcy Court for the Southern District of Texas, Houston Division by filing voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code, 11 U.S.C. §§ 101-1532, et. seq..

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.

30. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 July 2019 were approved in accordance with a resolution of the directors on 27 September 2019.

SHAREHOLDERS' INFORMATION

As at 27 September 2019

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	1,104	34.45	1,083,657	0.88
1,001 – 10,000	1,677	52.32	7,732,001	6.30
10,001 – 1,000,000	408	12.73	18,572,925	15.12
1,000,001 and above	13	0.41	95,417,364	77.70
Total	**3,205**	**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	7,290,198	5.94
3.	United Overseas Bank Nominees (Private) Limited	4,330,400	3.53
4.	Ang Ah Beng	2,147,400	1.75
5.	Tan Teoh Khoon	2,130,000	1.73
6.	Maybank Kim Eng Securities Pte. Ltd.	2,013,900	1.64
7.	OCBC Nominees Singapore Private Limited	1,871,800	1.52
8.	Phillip Securities Pte Ltd	1,569,300	1.28
9.	Liu Wenying	1,500,000	1.22
10.	Goh Guan Siong (Wu YuanXiang)	1,468,800	1.20
11.	IFast Financial Pte Ltd	1,445,000	1.18
12.	OCBC Securities Private Limited	1,113,200	0.91
13.	ABN Amro Clearing Bank N.V.	1,070,700	0.87
14.	Tan Chin Wah	801,000	0.65
15.	Raffles Nominees (Pte) Limited	778,500	0.63
16.	Rajbhushan Buddhiraju Or Anshu Kumar	527,000	0.43
17.	CGS-CIMB Securities (Singapore) Pte. Ltd.	508,135	0.41
18.	Yeo Wei Huang	501,000	0.41
19.	Neo Lay Kien	364,300	0.30
20.	Wong Han Meng	360,000	0.29
	Total	**99,257,299**	**80.83**

DIRECTORS' INTEREST AS AT 21 AUGUST 2019

	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 27 September 2019, approximately 43.3% of the issued ordinary shares of the Company were held by the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of the Company will be held at SCCC Zhong Sheng Jian Recital Studio, Level 6, Singapore Chinese Cultural Centre, 1 Straits Boulevard, Singapore 018906 on Thursday, 21 November 2019 at 10:00 a.m. for the following purposes: -

ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 July 2019 and the Auditor's Report thereon. Resolution 1

2. To re-elect the following directors retiring by rotation under Article 87 of the Company's Constitution and who, being eligible, offer themselves for re-election as a Director of the Company:
   (a) Mr Kenneth Tan Teoh Khoon Resolution 2
   (b) Ms Lim Mee Ing Resolution 3

   Note: If re-appointed, Mr Kenneth Tan Teoh Khoon will remain as a member of the Nominating Committee and Ms Lim Mee Ing will remain as a member of the Audit Committee and Remuneration Committee.

3. To re-elect Mr Daniel Soh Chung Hian as director retiring under Article 94 of the Company's Constitution and who, being eligible, offer himself for re-election as a Director of the Company. Resolution 4

   Note: If re-appointed, Mr Daniel Soh Chung Hian will remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

4. To approve the payment of Directors' fees of S$215,000 (2017: S$170,000) in respect of the financial year ended 31 July 2019. Resolution 5

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

By Order of the Board

Adeline Lim Kim Swan
Company Secretary
25 October 2019

Explanatory Note

Resolutions 2 to 4 – Detailed information on these directors can be found in the Board of Directors section, Corporate Governance Statement and Additional Information on Directors Seeking Re-Election in the Annual Report 2019. Save for Ms Lim Mee Ing, who is the spouse of Mr Samuel Lim Syn Soo, there are no relationships (including immediate family relationship) between each of the directors and the other directors, the Company or its 10% shareholders.

Proxies:

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

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

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

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

3. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy:

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

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING RE-ELECTION

at the 2019 AGM on Thursday, 21 November 2019
[pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director	**Kenneth Tan Teoh Khoon**	**Lim Mee Ing**	**Daniel Soh Chung Hian**
Date of Appointment	12 January 1994	19 February 1990	3 December 2018
Date of last re-appointment	18 November 2016	17 November 2017	–
Age	62	67	65
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this re-appointment	The re-election of Mr Kenneth Tan as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration his outstanding service as an Executive Director, his wide industry and institutional knowledge, his qualifications and experience, and his strong contributions to the Group. (He had abstained from deliberating on his own nomination.) Upon re-election, Mr Kenneth Tan will continue to serve as a member of the Nominating Committee.	The re-election of Ms Lim Mee Ing as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration her cumulative knowledge and understanding of the Group's businesses, her qualifications and experience, and overall contributions to the Group. (She had abstained from deliberating on her own nomination.) Upon re-election, Ms Lim Mee Ing will continue to serve as a member of the Audit Committee and Remuneration Committee.	The re-election of Mr Daniel Soh as Director, was recommended by the Nominating Committee and approved by the Board; after taking into consideration his qualifications, professional expertise and experience, and his contributions since he joined the Board. (He had abstained from deliberating on his own nomination.) Upon re-election, Mr Daniel Soh will continue to serve as Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee.
Whether appointment is executive, and if so, the area of responsibility	Executive 1. General management responsibilities. 2. Business Management in joint ventures, product line acquisitions and divestments, legal and contract negotiations. 3. Corporate, financial and treasury functions. 4. Board level functions and strategy development. 5. Corporate affairs and investor relations.	Non-Executive	Non-Executive

Name of Director	Kenneth Tan Teoh Khoon	Lim Mee Ing	Daniel Soh Chung Hian
Job Title (e.g. Lead ID, AC Chairman, AC Member, etc.)	– Executive Director – Member of Nominating Committee	– Non-Independent Non-Executive Director – Member of Audit Committee – Member of Remuneration Committee	– Independent Non-Executive Director – Chairman of Audit Committee – Member of Nominating Committee – Member of Remuneration Committee
Professional qualifications	Bachelor of Accountancy Degree from the National University of Singapore and a Fellow Member of the Institute of Singapore Chartered Accountants	Diploma from the Institute of Bankers	Bachelor of Accountancy from the then University of Singapore, Master of Business Administration from The International Management Centres of the United Kingdom and a Fellow Member of the Institute of Singapore Chartered Accountants
Working experience and occupation(s) during the past 10 years	Company Director	Company Director	Company Director and Audit Partner
Shareholding interest in the listed issuer and its subsidiaries	Sunright Limited – 2,130,000 shares	Sunright Limited – deemed interest of 67,466,666 shares	Nil
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	Nil	Spouse of Mr Samuel Lim Syn Soo	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING RE-ELECTION

at the 2019 AGM on Thursday, 21 November 2019
[pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director	**Kenneth Tan Teoh Khoon**	**Lim Mee Ing**	**Daniel Soh Chung Hian**
Other principal commitments including directorships			
Past (for the last 5 years):	– KES Systems & Service Costa Rica Sociedad Anónima (Liquidated) – KESU Systems & Service, Inc. (Merged) – KES (USA) Inc. (Merged) – Kestronics (Thailand) Co., Ltd. (Liquidated) – Kestronics (S) Pte Ltd (Struck-Off) – Kestronics (M) Sdn. Bhd. (In Liquidation)	–	– Eu Yan Sang International Ltd – QAF Limited – JDJ Investment Pte Ltd (Struck-off)
Present:	– KES Systems & Service (1993) Pte Ltd – KES Systems & Service (M) Sdn. Bhd. – KES Systems & Service Philippines Inc. – KES Systems & Service (Shanghai) Co., Ltd – KES Systems, Inc. – KEST Systems & Service Ltd – KES International Sdn. Bhd. – Kestronics Philippines, Inc. – KESM Industries Berhad – KESM Test (M) Sdn. Bhd. – KESP Sdn. Bhd. – KESM Industries (Tianjin) Co., Ltd	– KESM Industries Berhad – KES Systems & Service (Shanghai) Co., Ltd	– British and Malayan Holdings Limited – British and Malayan Trustees Limited – Lum Chang Holdings Limited – Agency For Integrated Care Pte Ltd – Vicom Ltd

Name of Director	Kenneth Tan Teoh Khoon	Lim Mee Ing	Daniel Soh Chung Hian
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	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	No

Name of Director	Kenneth Tan Teoh Khoon	Lim Mee Ing	Daniel Soh Chung Hian
(c) Whether there is any unsatisfied judgment against him?	No	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	No
(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	No

Name of Director	Kenneth Tan Teoh Khoon	Lim Mee Ing	Daniel Soh Chung Hian
(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	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	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	No

ADDITIONAL INFORMATION

ON DIRECTORS SEEKING RE-ELECTION

at the 2019 AGM on Thursday, 21 November 2019
[pursuant to SGX-ST Listing Manual – Rule 720(6) and Appendix 7.4.1]

Name of Director	Kenneth Tan Teoh Khoon	Lim Mee Ing	Daniel Soh Chung Hian
(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	No
(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	No	No	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	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	No

Name of Director	Kenneth Tan Teoh Khoon	Lim Mee Ing	Daniel Soh Chung Hian
(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, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No
(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	No

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

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT

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

I/We ______________________________ (Full Name in Block Letters)

NRIC/Passport/Company Registration No. ______________________ of ______________________

______________________________ (Address)

being a member/members of Sunright Limited, hereby appoint

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

and/or (delete as appropriate)

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

or failing either or both of the persons referred to above, the Chairman of the Annual General Meeting, as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the 41st Annual General Meeting of the Company to be held at SCCC Zhong Sheng Jian Recital Studio, Level 6, Singapore Chinese Cultural Centre, 1 Straits Boulevard, Singapore 018906 on Thursday, 21 November 2019 at 10.00 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, my/our proxy/proxies may vote or abstain from voting at his/her discretion.

No.	**Resolutions**	**No. of Votes For***	**No. of Votes Against***
	Ordinary Business		
1.	To receive and adopt the Directors' Statement, Audited Financial Statements and Auditor's Report		
2.	Re-election of Mr Kenneth Tan Teoh Khoon as Director		
3.	Re-election of Ms Lim Mee Ing as Director		
4.	Re-election of Mr Daniel Soh Chung Hian as Director		
5.	Approval of Directors' fees		
6.	Re-appointment of Auditor		

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

Dated this ______________ day of ________________ 2019

Total Number of Shares Held (see Note 3)	

IMPORTANT: PLEASE READ NOTES OVERLEAF

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

IMPORTANT: PLEASE READ THE FOLLOWING NOTES.

Notes:

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

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

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

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

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

4. The instrument appointing a proxy or proxies must be lodged at the office of the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place #32-01 Singapore Land Tower, Singapore 048623 not less than 72 hours before the time appointed for the Annual General Meeting.

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

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

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

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

9. In the case of joint holders of shares, any one of such persons may vote, but if more than one of such persons be present at the Annual General Meeting, the person whose name stands first on the Register of Members or in the Depository Register (as the case may be) shall alone be entitled to vote.

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

General:

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

SUNRIGHT LIMITED
(COMPANY REG. NO. 197800523M)

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