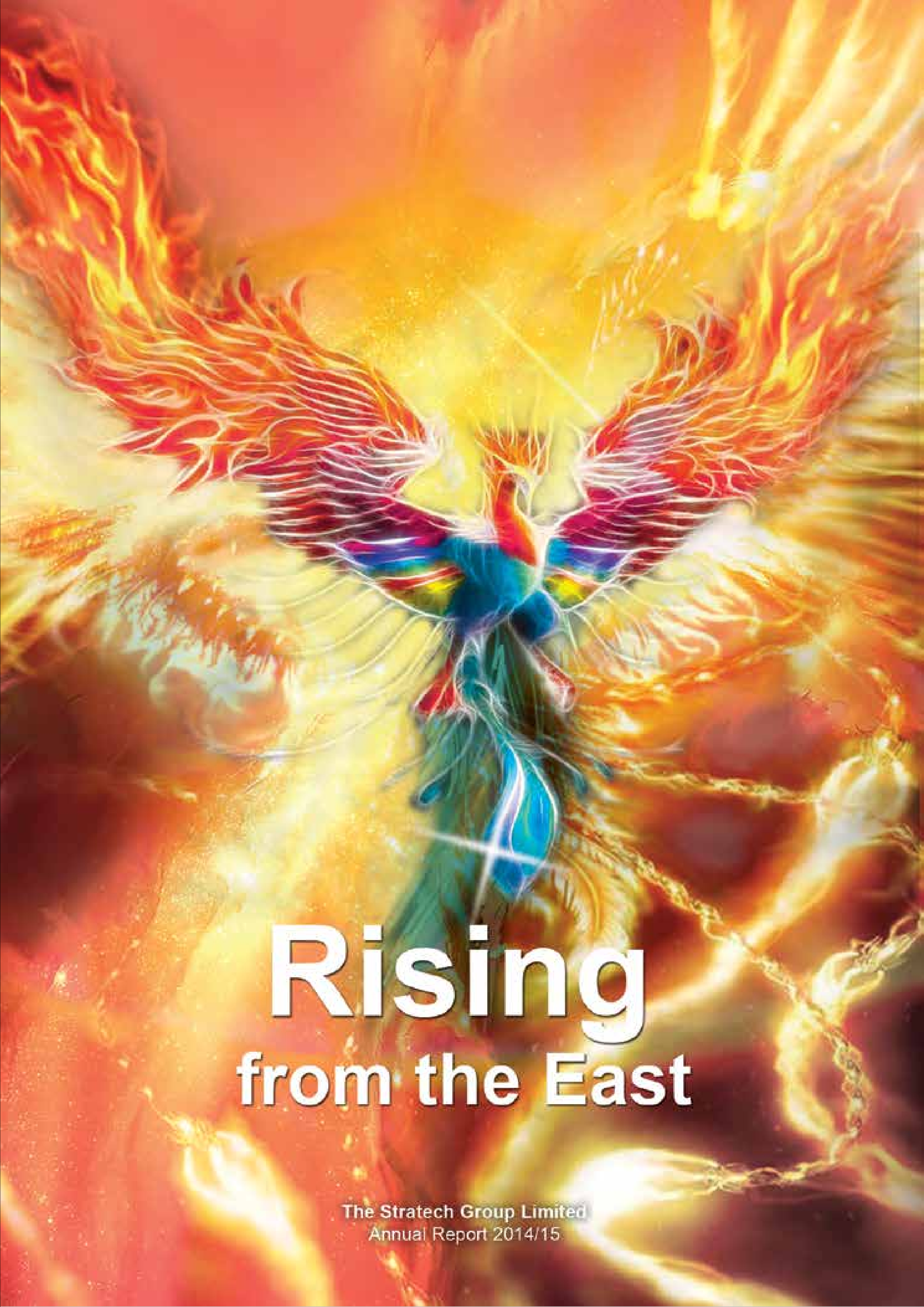


Rising
from the East

The Stratech Group Limited
Annual Report 2014/15

Vision

Towards Building a Safer and Better World

Mission

To Power Our Customers with *intelligent* Technologies
to Build a Safer and Better World

East Leads West

Contents

Corporate Profile

The Stratech Group Limited is a market leader in technology innovation, whose key breakthroughs include *intelligent* vision systems – highly sophisticated and adaptive technologies that provide precise image-processing solutions for surveillance and security. Building on its long expertise in developing mission-critical e-systems for both government and business clients, it is now making swift inroads into the aerospace sector.

In particular, the iFerret™ airfield/runway surveillance system – which can detect, track and display foreign objects and debris (FOD) in real time – has gained international recognition since it was accredited by the US Federal Aviation Administration in 2012. This accreditation opens up vast opportunities in the global civil aviation market, especially with the heightened focus on airport safety and security. Customers of this include Singapore's Changi International Airport, Dubai International Airport and Hong Kong International Airport.

The iFerret™ system was also recently selected by one of the world's top Air Forces for its airbase. The contract included iFerret™'s rapid airfield damage assessment system (RADAS), which can chart damage resulting from enemy attacks. Its passive sensor technology makes it far more suitable than conventional radar-based systems for airbase deployment.

Stratech has also designed and rolled out innovative solutions for a wide array of markets worldwide. Other premier products include the iVACS® *intelligent* Vehicle Access Control System, Super BullsEye® and the VIPS® Vessel Identification and Positioning System. iVACS® recently clinched a major contract for a Smart City Project in the Middle East.

The Group has restructured and was relisted as The Stratech Group Limited on 6 April 2015. This will enable Stratech to capture the immense opportunities opening up for its flagship products and seek out strategic equity partners for key projects in the line-up. It will further streamline its product groups into distinct operating subsidiaries, so it can accelerate plans to commercialise its technology innovations and expand in its targeted markets.

East Leads West

World firsts:

- **Super BullsEye® II** Weapons Scoring System – especially scoring on water
- **iVACS®** – First *intelligent* Under Vehicle Surveillance System/ Vehicle Access Control System
- **iFerret™** - First *intelligent* Vision based Airfield/Runway Surveillance & FOD (Foreign Object & Debris) Detection System
- **iFerret™ RADAS** - First Rapid Airfield Damage Assessment System
- **VHSS™** - First Fully Automated Vessel Height Measurement and Surveillance System

Stratech's technologies are deployed in all six continents – Asia, Australia, Europe, Africa, North America and South America

Global Leader in *intelligent* Vision

- The Group has invested more than 26 years building advanced technological solutions and state-of-the-art products.
- ***intelligent* Vision** technology is the Group's most outstanding core capabilities in computer vision. It is as though "Putting a brain behind machines that see".
- It involves Advanced Electro-optic Technologies and *intelligent* Software that processes visual images using artificial intelligence.
- Stratech has built many patented products which are systems that see, and think about what they see.

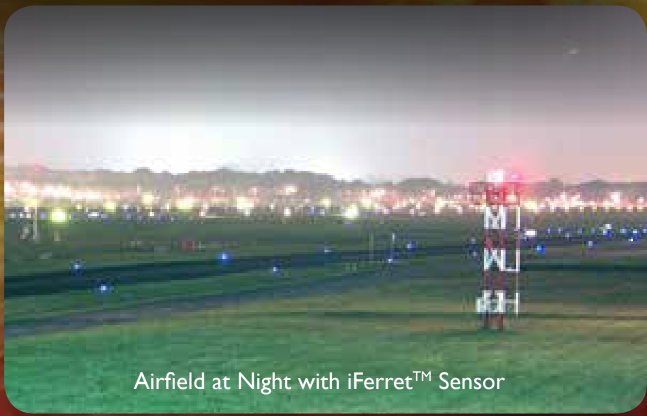
Useful applications:

- Detection
- Location/tracking
- Counting
- Matching against templates

Advantages over human effort:

- 24/7 operations possible
- Not affected by distractions, boredom, fatigue, etc.
- Wider visual spectrum/range
- Can be deployed in hazardous/dangerous situations
- Objective and consistent results

Airfield at Night under Natural Light Conditions



Airfield at Night with iFerret™ Sensor

Detection of Tyre Piece from 11 June 2015 Tiger air incident
http://shanghaiist.com/2015/06/13/tigerair_flight_broken_tire.php

Detection of Metal strip

Detection of Wildlife

Corporate Information

Directors
David Chew Khien Meow ("David K.M. Chew")
Leong Sook Ching
Sajjad Ahmad Akhtar
Chew Hai Chwee
Lim Kim Choon
Chew Heng Ching

Company Secretary
Leong Sook Ching

Registered Office
31 International Business Park
#02-02 Creative Resource
SINGAPORE 609921

Independent Auditor
Baker Tilly TFW LLP
Chartered Accountants
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Engagement Partner
Sim Guan Seng
(Appointed for the Financial Year ended 31 March 2015)

Bankers
Citibank, N.A.
United Overseas Bank
DBS Bank Ltd

Share Registrar
B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758

Chairman's Message

Dear Valued Shareholders,

Introduction

Morning has broken and the sun is fast rising from the East.

For The Stratech Group Limited (Stratech or the Group), the financial year ended 31 March 2015 (FY2015) marks a new dawn in our ongoing journey to become a market leader in providing world-class security and surveillance technology systems that can effectively support the world's ever-growing safety needs, especially in aviation and defence.

Powered by our proprietary *intelligent* Vision technology, our flagship product – the iFerret™ *intelligent* Airfield/Runway Surveillance and Foreign Object & Debris (FOD) Detection System – has gained solid acceptance at major international airports since its certification by the US Federal Aviation Administration in 2012. It has even won a seal of approval from one of the world's top air forces.

Another flagship product, the *intelligent* Vehicle Access Control System (iVACS®), has made inroads into six continents – Asia, Africa, Australia, Europe, North America and South America – and recently clinched a major contract for a Smart City Project in the Middle East. The system, which also uses *intelligent* Vision technology, screens vehicle undercarriages for potential security threats from devices such as explosives and sends out alerts when suspicious foreign objects or modifications are detected.

FY2015 Financial Performance

With growing market recognition and adoption of our innovative *intelligent* Vision technology products, Group revenue in FY2015 rose by 48.3% to S$16.5 million. This surge was underpinned by iFerret™, as we executed existing contracts and commenced work on new projects awarded by Dubai International Airport in the United Arab Emirates and Hong Kong International Airport. We also completed the installation of iFerret™ at the airbase of one of the world's top air forces.

Group net profit came in at S$0.7 million compared with S$1.5 million in FY2014. The main reason was an increase in staff expenses as we boosted headcount to meet current and future project requirements. There was also a one-time charge of S$0.6 million for the restructuring exercise completed in April 2015.

Rising from the East – Reborn, Rejuvenated, Ready

On 19 May 2015, the Singapore Exchange Securities Trading Limited (SGX-ST) granted the Group an extension of up to 12 months, until 4 June 2016, to meet the requirements for removal from the Watch-list. Having returned to the black since FY2014, we have been working hard to meet the various exit requirements. More importantly, we are determined to rechart our course and rebuild Stratech, after having weathered a difficult transition that led us to invest heavily in developing our very own *intelligent* Vision technology.

As part of our strategy to position the Group for growth, we embarked on an extensive restructuring process in October 2014, by way of a scheme of arrangement under Section 210 of the Companies Act (Chapter 50) of Singapore. Approved wholeheartedly by shareholders at the Court Meeting and Extraordinary General Meeting on 2 February 2015, the move saw Stratech Systems Limited delisted and then relisted on the Main Board of SGX-ST as The Stratech Group Limited. Under the now-revamped corporate structure, Stratech Systems and its subsidiaries are held by a recently formed intermediary that is wholly owned by the Group.

Thus, like the long-lived Phoenix, which has the innate ability to resurrect itself time after time, the recently restructured Stratech has been *Reborn*, emerging with a stronger financial position, and armed with greater flexibility to explore potential investments and new business partnerships. With its key product groups streamlined into distinct operating subsidiaries, Stratech will be able to break quickly into new markets and capture the vast opportunities unfolding for its flagship products.

The Group is also being *Rejuvenated* by its robust array of proprietary innovative technologies that are fast gaining prominence in the global arena – especially iFerret™, which has been deployed at both commercial and military airports around the world. This widespread affirmation demonstrates the superiority of our made-in-Singapore technologies, whose core design has been driven from the start by our vision of making the world a better, safer place for all.

We stand *Ready* to take our technologies from the East, where we are proudly headquartered, to every corner of the world – primed to snatch the lead from the West as we achieve market dominance and global ascendancy.

The journey has not been easy but, at Stratech, we have never faltered in our pursuit of these targets. We believe the time has come for us to begin unlocking the value of our intellectual property trove. This is the season for technology companies like Stratech to rise to the fore and stamp their mark on the world's surveillance and security industry. The moment is ripe for a pivotal shift from West to East as Asian technology innovators lead the charge across new frontiers.

Prospects & Outlook

We see exciting prospects ahead because major civil and military aviation authorities around the world, starting with the US, are moving to legislate or encourage the adoption of proven security and surveillance systems for airports and air bases. There are currently more than 7,400 commercial international airports registered with the International Air Transport Association (IATA), so we estimate that the market for FOD detection systems for runways alone (excluding taxiways and aprons) is worth at least US$67 billion.

iFerret™ is the world's first image-based system that is able to detect, track and display FOD in real time, thereby reducing the response time for FOD removal on runways, taxiways and aprons. Being a passive system, it does not interfere with airport or aircraft radar controls, and hence does not impair airport operations or efficiency. Given the high entry barriers in this segment, we believe we can build on iFerret™'s first-mover advantage to deepen and widen our reach in key targeted markets.

Acknowledgments & Appreciation

On behalf of the Board, we would like to thank both management and staff for the dedication they have shown and their tireless efforts to turn the company around. We are also grateful to our shareholders, business partners and customers for their faith in our ability to rise above every challenge. We will count on your continued support as we push ahead with our strategies for growth in FY2016.

Sincerely,

David K.M. Chew
Executive Chairman

Our Products

The Future of Airfield Safety and Security

iFerret™

Approved by the US Federal Aviation Administration (FAA), iFerret™ is the world's first *intelligent* Vision-based airfield surveillance and FOD (Foreign Object & Debris) detection system, providing real-time, automated FOD detection, location, classification, measurement and recording. It can be deployed in civil airports as well as military air bases, to help prevent potential aircraft damage and fatalities caused by FOD.

In July 2005, the International Civil Aviation Organisation (ICAO) upgraded FOD safety from recommended practice to standard. The system underwent a trial with the Singapore Changi International Airport, and was subsequently awarded a contract to deploy iFerret™ on both the airport's runways in 2008. The system was commissioned in the airport in 2009. iFerret™ was later also installed in Chicago International Airport in the U.S. for the FAA performance assessment.

iFerret™ underwent intensive rounds of tests in both Changi International Airport and Chicago International Airport, which finally culminated in the system receiving US FAA approval in 2012. This was the equivalent of a pharmaceutical product that had received FDA (Food and Drug Administration) approval, and was now officially licensed for sale. This was followed by the FAA granting iFerret™ the Buy American Waiver.

Previously, there had been no technology, financing or regulations for automated FOD detection, and airports relied on the FAA or ICAO mandated daily manual sweeps, which are inadequate and inefficient. In recent years the FAA has begun providing directions on specifications and funding of FOD detection systems, and these have subsequently been adopted as the de-facto standards by many airports globally.

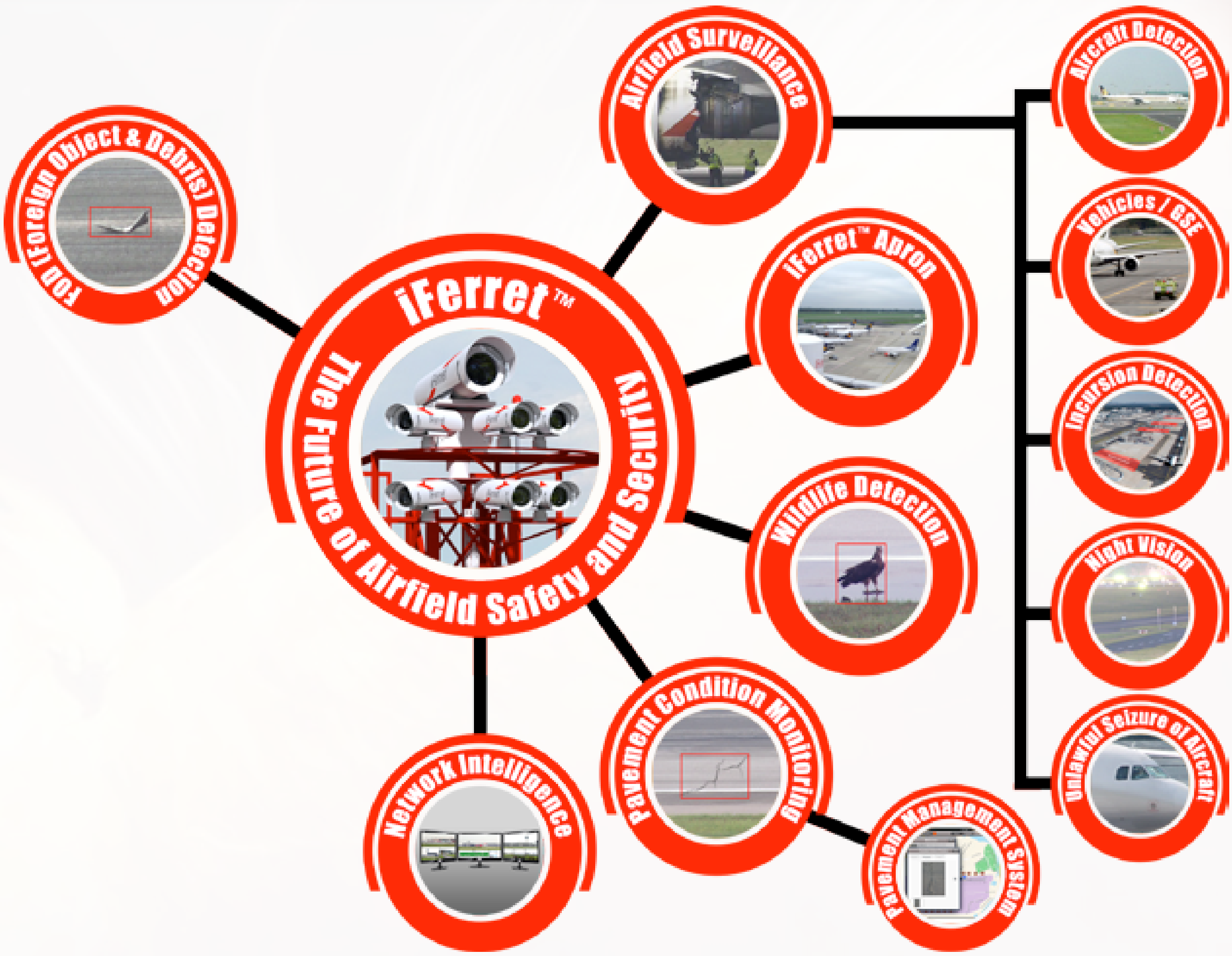
With these developments, iFerret™ was ready to take off in the international market.

With more than 7,400 IATA-registered commercial international airports in the world, the estimated market for FOD detection systems on runways is worth at least US$67 billion. This figure could further increase by 50% to more than 100% when iFerret™ is deployed beyond the runways and upgraded for other airfield surveillance capabilities.

iFerret™ is future-proof. Designed to operate passively with zero emissions, the system does not interfere with existing airport and aircraft systems. Most importantly, it will also not interfere with future expansions and airport improvements. Operating away from the runway, detached from other mission-critical systems and infrastructure, there is no need for runway closures during installation and maintenance of the system. These qualities ensure uninterrupted flight operations, which are critical for busy airports.

The system also comes with additional capabilities, some of which are optional augmentations, to enhance safety and security in the airport's airfield environment. These include: Airfield surveillance, Incursion detection, Night vision, Surveillance of unlawful seizure of aircraft, Apron monitoring, Wildlife detection, Pavement condition monitoring, and Network intelligence, for example.

iFerret™ has seen encouraging adoption by the world's major commercial airline hubs, including Singapore's Changi Airport and Dubai International Airport in the United Arab Emirates. Hong Kong International Airport has awarded a contract worth HK$280 million (approximately US$36.88 million). The system has also been selected by one of the world's top Air Forces for its air base.


iFerret™
The Future of Airfield Safety and Security
FOD [Foreign Object & Debris] Detection
Airfield Surveillance
iFerret™ Apron
Wildlife Detection
Pavement Condition Monitoring
Pavement Management System
Network Intelligence
Aircraft Detection
Vehicles / GSE
Incursion Detection
Night Vision
Unlawful Seizure of Aircraft


1 Dedicated Inspection
2 FOD Detection
3 Real-Time Alert
4 Visual Verification
5 Remote Alert
6 FOD Removal

Our Products

The Future of Airfield Battle Damage Assessment

iFerret™ RADAS

In September 2013, iFerret™ was selected for deployment by one of the world's top Air Forces. This marks the first time that iFerret™ is installed in an air base, and it marks iFerret™'s entry into a previously-untapped market. This market is the military air base market.

Airfield safety and security in an Air Force context is arguably even more critical than in civil aviation. Military aircraft typically cost millions of dollars to build and due to the way they operate, they are very susceptible to FOD damage. When we also consider the fact that many of these aircraft might be carrying large amounts of explosives during takeoff, the consequences of FOD incidents in a military airfield can be catastrophic.

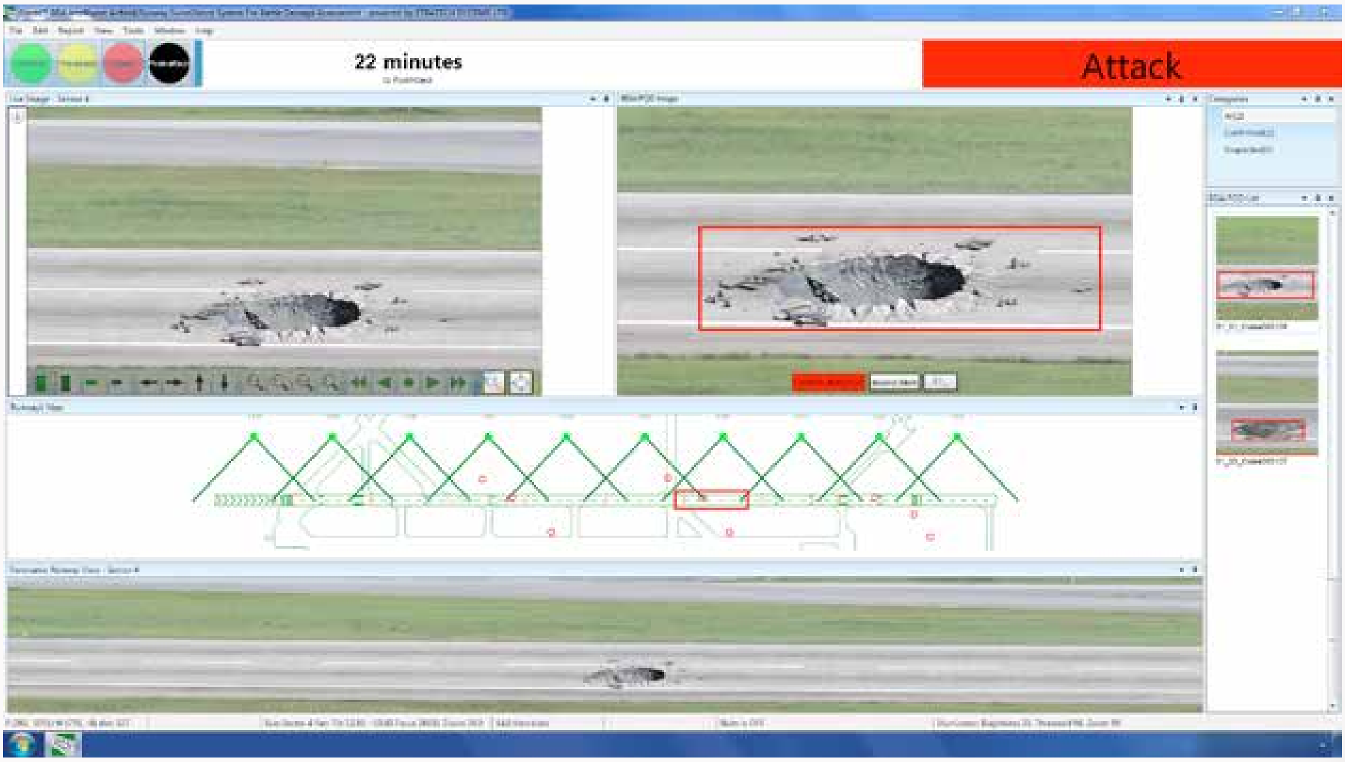
The RADAS (Rapid Airfield Damage Assessment System) capability is one of the key additional features of this particular application of iFerret™, which is the result of a synergistic fusion with Super BullsEye® II. With this additional feature, iFerret™ will be able to rapidly detect, locate, categorise and measure the severity of damages and hazards on the runways and taxiways. It can even chart the damages resulting from an enemy attack, in the event one takes place, and provide a detailed report of the damages very swiftly, which will be useful in the context of Air Force operations.

The iFerret™ hardware installed in such deployments will also be designed to withstand the relatively harsher working conditions in an air base. Additionally, the system has been designed to maintain its capabilities day and night and in all weather conditions.

Being an *intelligent* Vision-based system, iFerret™ operates with passive sensor technology, making it much more suitable for military deployment than other FOD detection systems. iFerret™ does not require assisted illumination or produce emissions, unlike other conventional radar-based systems used for FOD detection. This is important because the system will not interfere with the other sophisticated equipment used in Air Force operations, and it also eliminates the risk of the system exposing the air base's location to the enemy.

In a recent article^ entitled "New sensors expected to speed up ADR (Airfield Damage Repair) process" by the publication "Air Force Print News Today" dated 2 June 2015 on news from the Tyndall Air Force Base, United States of America, iFerret™ and its RADAS capability were mentioned.

^http://www.afcec.af.mil/news/story_print.asp?id=123449643


22 minutes
Attack

Our Products

intelligent Vehicle Access Control System

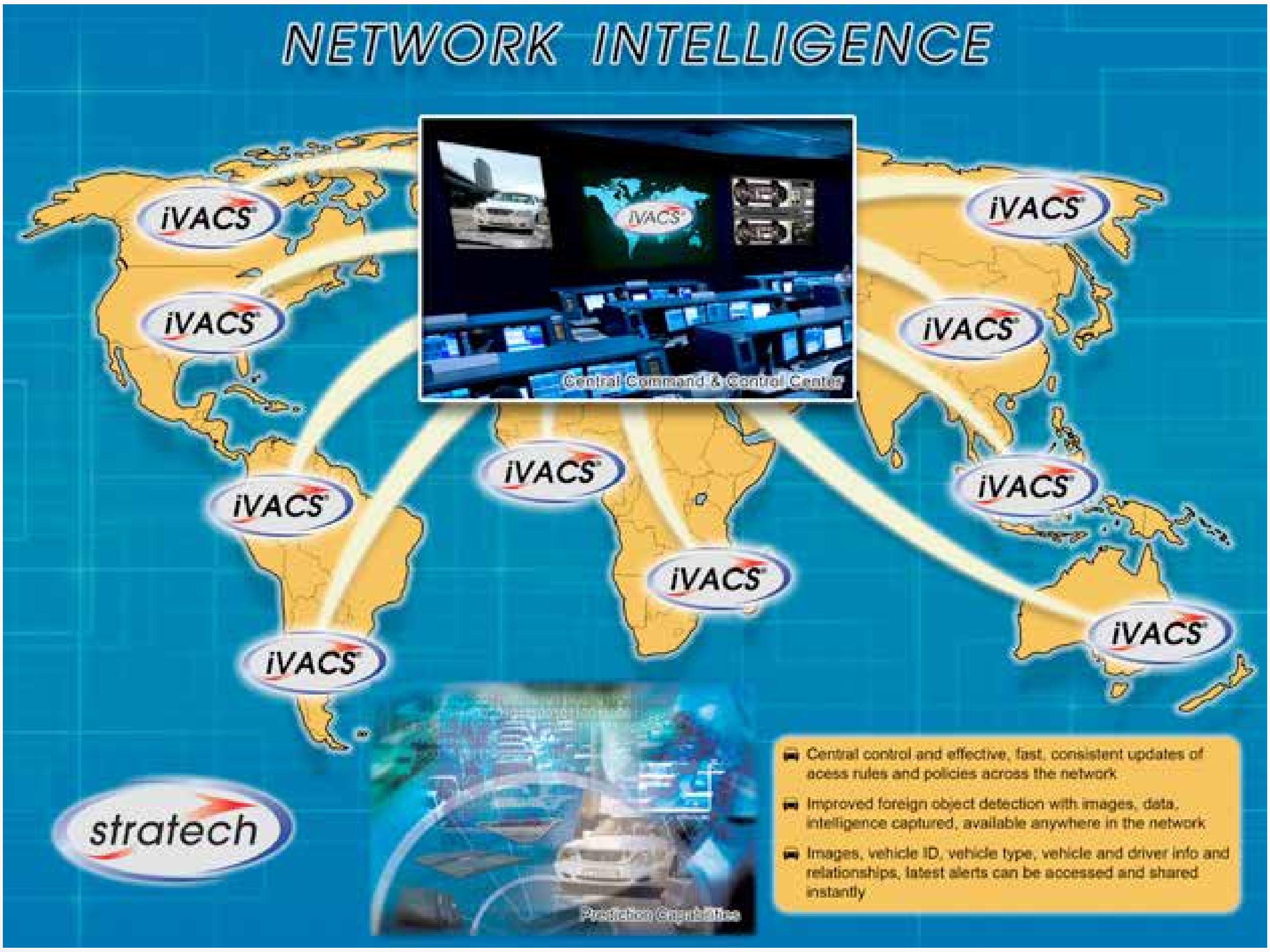
iVACS®

iVACS® screens vehicle undercarriages for potential security threats such as IEDs – improvised explosive devices. Stratech invented the original (and only true) *intelligent* under vehicle surveillance system (UVSS), which is capable of automatic inspection of vehicle undercarriages, and provides alerts when suspicious foreign objects or abnormalities are detected.

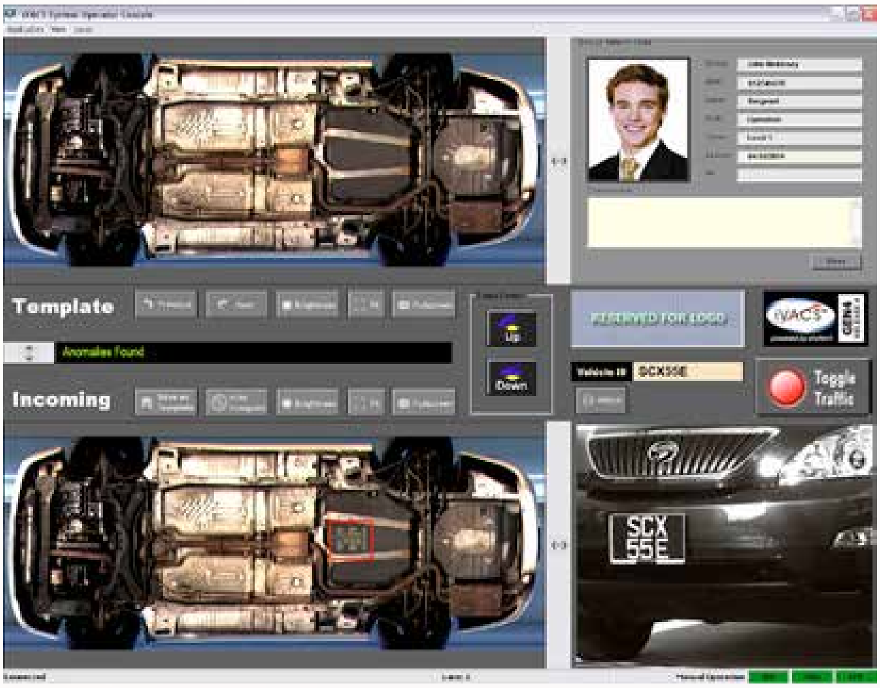
Flexible for a wide range of security applications and adaptable to potential site constraints, iVACS® is available in three configurations (Fixed Base, Mobile and Robotics) to aid security agencies in conducting quick and thorough inspections of all vehicle types.

iVACS® delivers unmatched high-resolution, photo-quality under-vehicle images in real-time. It can also adapt itself to screening the undercarriages of vehicles of varying lengths.

One of the competitive advantages of iVACS® is Network Intelligence, which is very useful for large, networked deployments such as Smart City Projects. The unique Network Intelligence capability of iVACS® is designed to tighten the security of secure facilities with multiple entrances and exits, for multiple secure facilities to share their databases, and for the command and control of these secure facilities.

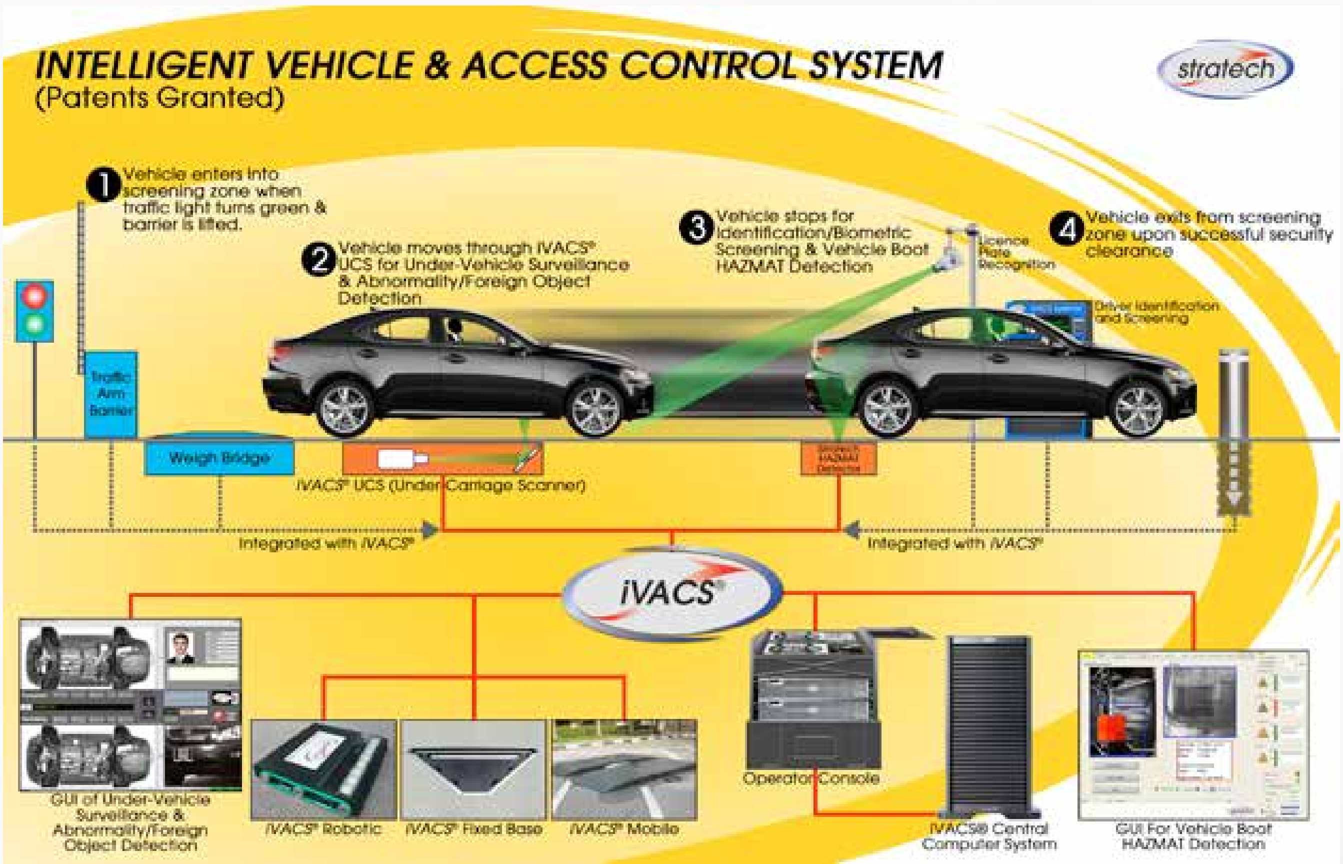


The system also comes with the option for expansion to include the capability to automatically scan vehicle trunks for hazardous materials (HAZMAT) without even needing to open the trunk. Known as iVACS® Gen. X, the system is able to perform more thorough inspections of vehicles, and also allows security officers to conduct vehicle inspections from a distance, ensuring their safety in the event the vehicles are laden with dangerous materials.



iVACS® has another application—iVACS® Rail. For iVACS® Rail, iVACS® is adapted to provide security scans on the undercarriages of trains. By employing iVACS®'s superior imaging technologies and *intelligent* software, iVACS® Rail scans, detects and allows for validation of potential threats like explosive devices planted on the underside of the train carriages.

In recent tenders for large orders of Under Vehicle Surveillance Systems, iVACS® has continually proven itself to be among the best vehicle access control solutions. In fact, the system has been deployed in highly-secure installations spanning all six continents – Asia, Australia, Europe, Africa, North America and South America.



Our Products

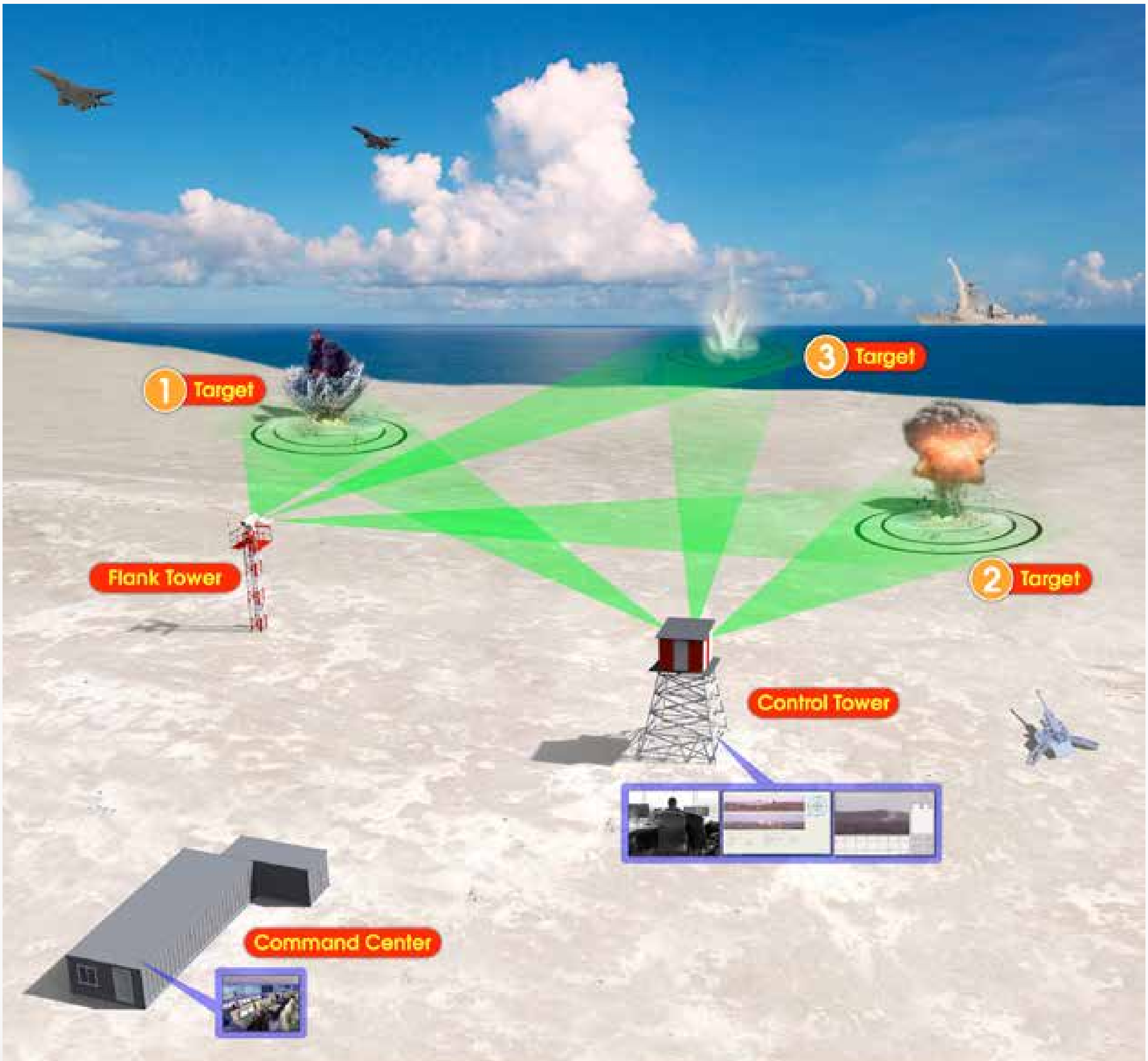
Advanced Weapons Scoring System

Super BullsEye®

Super BullsEye® is an advanced weapons scoring system which can detect and score the impacts of most known weapons and ammunitions. Over the years, the system has been continually developed to enhance its capabilities. This has resulted in Super BullsEye® II.

The system has been deployed with several military forces in the world. They include the Air, Sea and Land Forces in different countries. This is testimony to the system's capabilities and versatility.

Its distinctive ability to score over land as well as on water makes it stand out as the system that can be used by the Air, Sea and Land forces. Super BullsEye® II is able to operate both in the day and night. Furthermore, the system is able to perform scoring for most known ammunition, both for live and training rounds. These, together with its portability, allow for flexible deployment of the system in a comprehensive variety of training and assessment scenarios.



The system can automatically detect and score the impacts of missiles, rockets, bombs and small rounds with high precision, locating all visible weapon impacts to an accuracy of one metre. Be it single or multiple hits, Super BullsEye® II provides fast and accurate feedback for weapons training and defence exercises.

The Super BullsEye® II can be integrated with systems like the Electronic Warfare Training System (EWTS) and Air Combat Manoeuvring Instrumentation (ACMI) System. It can also perform firing profile and trajectory analysis, by monitoring and recording the flight path of the aircraft before, during and after the attack. Super BullsEye® II has the ability to track projectiles of varying calibres and velocities.

Our Products

Vessel Identification & Positioning System

VIPS®

Stratech's Vessel Identification & Positioning System (VIPS®) is an advanced Next Generation Vessel Traffic Management System. It enables port, naval and other maritime authorities to perform round-the-clock, all-weather coastal surveillance with remote centralised command and control management.

Automatically detecting, identifying and tracking all vessels and predicting their paths in real-time, VIPS® enhances waterside security and provides information such as length, height, shape, latitude, longitude, velocity, heading and time of vessels. It is the only maritime surveillance system in the market that is capable of automatic validation and enforcement of compliance with International Maritime Organization's Automatic Identification System (AIS). Local equivalents of the AIS can also be installed on smaller vessels which are not equipped with AIS, to facilitate surveillance and identification.

Stratech had won the contract with the Civil Aviation Authority of Singapore to provide the next-generation Vessel Height Measurement System (VHMS™), powered by VIPS®. It is now the global leader in vessel and ship height surveillance. It can perform real-time, round-the-clock measurement and computation of vessels' heights. It can be deployed to facilitate enforcement of vessel height restriction compliance, for example in areas where there are:

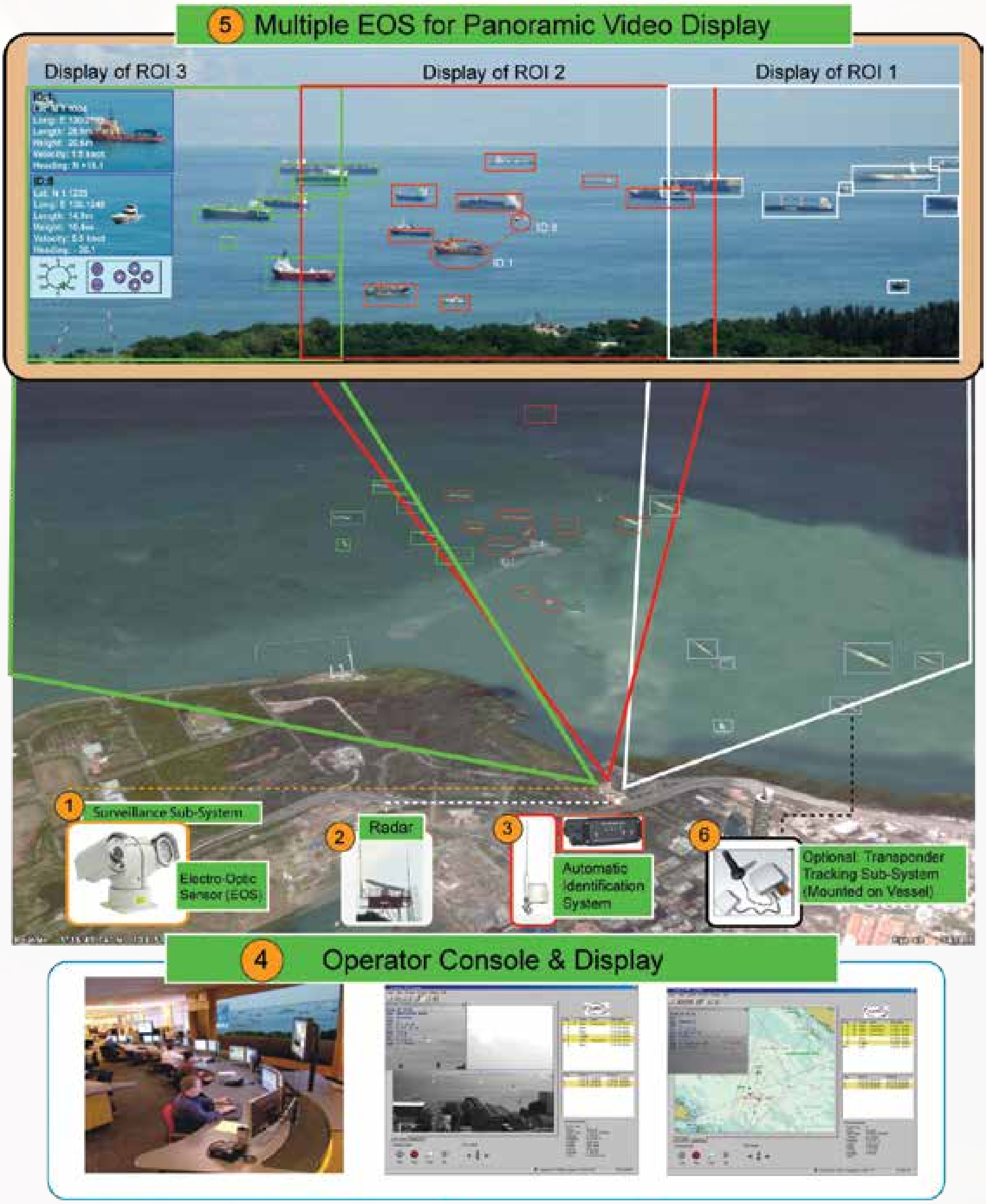
- Bridges, cables or other structures that are suspended across waterways
- Areas with aircraft takeoff or landing paths passing over water
- Other zones with low-flying aircraft

The system provides real-time maritime traffic enforcement and detection of intrusions, and is able to determine vessel length, height and identity. It offers reliable detection and incident alerts. VIPS® also tracks the target vessels' latitude, longitude, velocity and heading in real-time, as well as recording all the information for future review. It can also automatically track vessels with its PTZ (Pan, Tilt, Zoom) Electro Optic Sensor control.

The Automatic Vessel Prediction feature provides early warning to aid in the prevention of collisions, by sending out alerts when it detects vessels on crossed paths or heading towards low-lying infrastructure. VIPS® also performs vessel data logging, capturing and recording information on static, dynamic and voyage-specific vessel information. Zoomed-in images of vessels that have been tracked and monitored are also stored, allowing for video replay and scene reconstruction.

Other VIPS® applications include:

- Vessel height surveillance
- Coastal/waterway surveillance
- Anti-piracy for ships
- Ship perimeter security and surveillance
- Ship collision avoidance
- Offshore asset protection
- Hydro-electric dam security and surveillance



Operations Review

Pursuant to the Restructuring Exercise which was completed on 6 April 2015 (the "Restructuring Exercise") as announced to SGX-ST, Stratech Systems Limited was delisted and became an indirect wholly-owned subsidiary of The Stratech Group Limited, which was relisted on the Mainboard of the SGX-ST effective on 6 April 2015.

As the Restructuring Exercise was completed subsequent to the financial year ended 31 March 2015, accordingly, this Operations Review and the accompanying audited consolidated financial statements and notes thereto comprise those of Stratech Systems Limited and its subsidiaries for the financial year then ended.

Revenue

Revenue of the Group amounted to S$16.50 million. The increase of S$5.37 million or 48.29% compared to FY2014 was attributed to higher level of activities during the year arising from work done for newly secured contracts in addition to existing contracts.

Gross Profit and Gross Margin

Gross profit was S$9.64 million at 58.42% gross margin for FY2015, compared to S$9.27 million at 83.26% gross margin for FY2014. The lower percentage of gross margin was due to higher percentage of third party components recognised as revenue in FY2015.

Administrative expenses

Administrative expenses increased from S$4.48 million in FY2014 to S$5.73 million in FY2015, mainly attributed to professional fees, including, among others, the one-off fees and related costs in relation to the recently concluded Group Restructuring exercise amounting to about S$0.60 million and staff costs of S$0.32 million in line with higher level of business activities during the year.

Other Operating Expenses

Other operating expenses reduced by 19.84% from S$2.87 million in FY2014 to S$2.30 million in FY2015 mainly due to reduction of amortisation expenses by $0.64 million as certain intangible assets have since been fully amortised in FY2014. Such reduction was partially offset by increase in depreciation by S$0.06 million due to plant and equipment acquired in FY2015.

Finance Costs

Finance costs reduced from S$0.61 million in FY2014 to S$0.38 million in FY2015 due to lower interest expense incurred in FY2015.

Financial Position

The financial position for FY2015:

	FY2015	FY2014
	S$'000	S$'000
Current assets	12,694	14,502
Current liabilities	(9,552)	(13,155)
Net current assets	3,142	1,347
Non-current assets	3,593	4,710
Non-current liabilities	(166)	(114)
Net assets	6,569	5,943

The Group recorded Net Assets of S$6.57 million as at 31 March 2015. This is mainly attributed to profits recorded in FY2015.

Increase in the revenue
compared to FY2014

S$5.37million
(48.29%)

Board of Directors

Executive Chairman
DAVID K.M. CHEW

Executive Director and
Chief Corporate Officer
LEONG SOOK CHING

Independent Director
SAJJAD AHMAD AKHTAR

Independent Director
CHEW HAI CHWEE

Non-Execcutive and
Non-Independent Director
LIM KIM CHOON

Independent Director
CHEW HENG CHING

1

David K.M. Chew is the Founder and Executive Chairman of the Stratech Group. With 30 years of experience in the industry, Dr. Chew has played an integral role in the development and success of Stratech. He was awarded the Rotary-ASME Entrepreneur of the Year in 1999 and in the same year put the Company on the Enterprise 50 list of most enterprising privately-held corporations in Singapore. Dr. Chew was a member of the National University of Singapore Mechanical Engineering Departmental Consultative Committee and the Singapore ONE Steering Committee which was instrumental in the development of the world's first nationwide broadband network. He was also a Founding Member of the Board of Directors of the Intellectual Property Office of Singapore (IPOS), where he served for three terms.

2

Leong Sook Ching is the Executive Director and Chief Corporate Officer. She joined the company in 1995 to form and helm the Corporate and Legal Affairs Department. Currently, the Corporate Office under her direction includes Legal, Finance, Administration, Human Resource, Corporate Secretariat, Intellectual Property Management, Quality & Excellence, Procurement & Facilities, Logistic Management, and Corporate Communications. She is also responsible for corporate strategic planning and review, organisational planning and the formulation of general Company policies as well as policies for the departments that she manages. Ms. Leong was in private legal practice from 1989 to 1995 and was made a partner in 1993. She has a Bachelor of Laws from the National University of Singapore.

3

Sajjad Ahmad Akhtar, an independent director of the Company, is currently the Managing Partner of PKF-CAP LLP, an accounting and business advisory services firm. He has more than 30 years of experience providing attest, financial and business consulting services to large multinationals and small and medium enterprises in UK and across Asia Pacific. Mr. Sajjad is a Fellow of the Singapore Institute of Directors and he sits on its regulatory committee. In addition, he sits on the Board of Directors of other companies, government bodies and civic organisations. Mr. Sajjad holds an MBA from the Booth School of Business, University of Chicago. He is a Fellow of the Institute of Certified Public Accountants of Singapore, the Institute of Chartered Accountants in England and Wales, and the Singapore Institute of Arbitrators.

4

Chew Hai Chwee, an independent director of the Company, sits on the Board of Directors of several public-listed companies and privately held companies, including his current position as an Independent Director and member of the AC committee of the SGX-listed Pacific Andes. His illustrious career includes having held the positions of Independent Director and Chairman of the AC committee and later as Executive Director of United Fibre System Limited, and as Executive Director of NASDAQ listed Pacific Internet Limited, one of the largest telco-independent Internet Communications Service Providers in Singapore. He is currently a member of the Singapore Institute of Directors and several public associations. Mr. Chew is a member of the WWF Singapore Board and Council member of Red Cross Singapore and Chairman, Committee for Humanitarian Assistance and International Relief. He is also a member of the Board of UNLV-S (University of Las Vegas-Singapore) which runs the Singapore campus of UNLV and is Chairman of the AC. In addition, he is a member of the Board of Advisors of Kemin Asia Pte Ltd, a US family held global life science company that makes human and animal innovations.

Mr. Chew holds a Masters in Business Administration and a Bachelor of Science in Accounting with first class Honors from University of South Alabama, USA.

5

Lim Kim Choon (MG (R) Lim), a Non-Executive and Non-independent director of the Company, has over 30 years of aviation and air navigation experience in both civil and military aviation. A qualified F16 pilot, MG (R) Lim held many principal appointments in the Republic of Singapore Air Force (RSAF) including the Head of Air Intelligence Department, Head of Air Operations Department and Commander of Tengah Air Base. In 1998, he was appointed Chief of Staff (Air Staff) of the RSAF, and subsequently as the Chief of Air Force from April 2001 to March 2006. He later joined the Civil Aviation Authority of Singapore (CAAS) as its Senior Deputy Director General in May 2006, and took over as Director General and Chief Executive Officer in July 2007. MG (R) Lim holds a Master of Science (Management) degree from the Massachusetts Institute of Technology and graduated from the University of Loughborough, United Kingdom with a 2nd Upper Honours in Bachelor of Science. In 2009, he attended the Advance Management Program in Harvard University. He has received numerous commendations and foreign awards for his outstanding contributions and distinguished military career.

6

Chew Heng Ching assumed the role of Independent Director of the Company on 29 March 2014. He has more than 30 years of senior management experience in both the public and private sectors.

In corporate life, Mr. Chew is the founding President of the Singapore Institute of Directors and was Past Chairman of its Governing Council. He was the Chairman/CEO of various public and private companies in the past. He now sits on the board of various publicly listed companies in Singapore and chairs the various Board committees. He was a Member of the Council on Corporate Disclosure and Governance. He is also a Board member and Past Chairman of the Singapore International Chamber of Commerce. He was a Council Member of the Singapore Business Federation.

In public life, Mr. Chew was a Member of Parliament from 1984 to 2006 and a former Deputy Speaker of the Singapore Parliament. He currently serves on the Board of various charities.

A Colombo Plan scholar, Mr. Chew is a graduate in Industrial Engineering (1st Class Honours) and Economics. He also holds an Honorary Doctorate in Engineering. He is a fellow of the Singapore Institute of Directors and CPA Australia.

Management Team

Chief Financial Officer
SANDRA YOW

Sandra Yow assumed the role of Chief Financial Officer of the Company on 1 August 2014 and is responsible for the accounting and financial functions of the Company and the Group. She has more than 16 years of experience providing audit and financial consulting services to public listed companies and small and medium enterprises operating in diverse industries. She is a member of the Institute of Singapore Chartered Accountants and a fellow member of the Association of Chartered Certified Accountants.

Technical Fellow
KENNEDY K.M. CHEW

Kennedy K. M. Chew is the Director of Alliances and Technical Fellow. He tracks and analyses market trends and developments, and helps chart new business and technology directions for the Company. He plays a key role in large-scale, mission-critical systems design and development, including the creation of related intellectual property rights. He has also previously held other portfolios including CTO and System Architect in the Company. Formerly, Dr. Chew worked at the R&D arm of National Computer Board (NCB) of Singapore (presently the Infocomm Development Authority or iDA) as Chief Architect and a member of the Technical Staff. Dr. Chew was awarded NCB's undergraduate scholarship to study Computer Science at the University of Toronto, Canada. He later undertook NCB's postgraduate scholarship and was conferred a PhD in Computer Science by the University of Texas at Austin, USA.

Chief Operating Officer,
Stratech Aerospace
GRANT C. BISHOP

Grant C. Bishop is the Stratech Aerospace Chief Operations Officer. Bringing 30 years of experience as a combat fighter pilot and advanced technology innovator, Mr. Bishop has played an integral role in the early development and success of Stratech Aerospace. He was a multi-award winning commander in the USAF, including the Bronze Star and Air Medal. After earning a Master's Degree from Kings College London and transitioning to industry, he was awarded a US patent for an FCC approved mobile radar system which earned the Most Innovative Product of the Year award in 2010 from CONNECT. He has been involved with numerous R&D projects for the FAA and serves as the Chairman for the Geospatial Transportation Mapping Association's Aviation Committee to help advance new technologies for mapping and management of airfields and their infrastructure. Mr. Bishop is a Google Glass Explorer and continues to develop and merge new technologies to improve safety in the transportation industry.

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Corporate Governance Report

The Board of Directors (the "Board") of The Stratech Group Limited (the "Company" and together with its subsidiaries, the "Group") is, in all its dealings, committed to maintaining and upholding the highest standards of corporate governance to enhance and safeguard the interests of all shareholders. It, therefore, recognises the importance of corporate governance and good business practices and has adopted measures and practices in line with the Code of Corporate Governance 2012 (the "Code"), which forms part of the continuing obligations under the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").

Pursuant to the Restructuring Exercise which was completed on 6 April 2015 ("the Restructuring Exercise") as announced to SGX-ST, Stratech Systems Limited ("SSL") was delisted and became an indirect wholly-owned subsidiary of the Company, which was relisted on the Mainboard of the SGX-ST effective on 6 April 2015, and all Board members of SSL were appointed to the Board of the Company. Accordingly, this report, in setting out the corporate governance practices of the Company and its subsidiaries, describes the corporate practices of SSL and its subsidiaries ("SSL Group") in place during the financial year ended 31 March 2015 ("FY2015") and those subsequently adopted by the Company since its listing, with specific reference to the Code, where applicable.

The Group confirms that, for FY2015, it has generally adhered to the principles and guidelines set out in the Code where they are applicable, relevant and practicable to it and has explained areas of non-compliance.

1. THE BOARD'S CONDUCT OF AFFAIRS (Principle 1)

The Board, in addition to its statutory responsibilities, is collectively responsible for the long-term success of the Company and has the duty to protect and enhance long-term shareholders' value. It sets the overall strategy for the Group and supervises the management of the Company ("Management"). Members of the Board are expected to act in good faith and exercise independent judgement in the best interests of the Group.

The principal functions of the Board are to:

(1) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(2) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including addressing financial, operational, compliance and information technology controls and the risk management systems, and safeguarding of shareholders' interests and the Company's assets;

(3) review Management performance;

(4) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; and

(5) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met.

The Board will consider including sustainability issues such as environmental and social factors as part of its strategic formulation from time to time.

The Board has delegated the day-to-day management and operation of the Company to the Management team led by the Executive Chairman, David K.M. Chew, and the Executive Director, Leong Sook Ching (Chief Corporate Officer), while reserving certain key issues and policies for its approval.

Matters requiring the Board's approval include those involving a conflict of interest for a substantial shareholder or a Director, interested person transactions, ("IPT") matters which are likely to have a material impact on the Group's operating units and/or financial positions, matters other than in the ordinary course of business, raising of funds and capitals through share issuance, convertible bonds and/or rights issue, granting of performance shares and options for employees, dividends and other returns to shareholders. All Directors act objectively to discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

Upon appointment, new directors are provided with a formal appointment letter, setting out the Director's duties and obligations, together with other relevant documents such as the terms of reference of the Board and Board Committees, the Company's Annual Report and product brochures. All Directors, including newly appointed Directors are briefed and given an orientation by Management to familiarise themselves with the businesses and operations of the Group. Directors who do not have prior experience or are not familiar with the duties and obligations required of a listed company in Singapore, will undergo the necessary training and briefing.

The Directors also have the opportunity to visit the Group's operating facilities and meet with the Management to gain a better understanding of the Group's business operations and governance practices. The Directors may join institutes and group associations of specific interests, and attend relevant training seminars or informative talks from time to time to apprise themselves of legal, financial and other regulatory developments. As an ongoing exercise, the Directors will also be briefed during Board meetings or at separate seminars on amendments and requirements of the Listing Manual of the SGX-ST ("SGX-ST Listing Manual") and other statutory and regulatory changes which may have an important bearing on the Company and the Directors' obligations to the Company.

The Board has established three Board committees ("Board Committees"), namely the Audit and Risk Management Committee ("ARMC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), to assist it in the detailed consideration of various issues at hand, to facilitate a more effective decision-making, to discharge its responsibilities and to enhance the Group's Corporate Governance framework.

All Board Committees are chaired by an Independent Director and all members of the Board Committees are Non-Executive. Each Committee is governed and regulated by clearly defined terms of reference which set out the scope of duties and responsibilities, rules and regulations, and procedures governing the manner in which each Board Committee is to operate and how decisions are to be taken. The Board accepts that while the Board Committees have the delegated power to make decisions, execute actions and/or make recommendations to the Board in their specific areas respectively, the ultimate responsibility for the decisions and actions rests with the Board.

The Board conducts regular scheduled meetings and ad-hoc meetings are convened to address significant issues or approve major transactions. The members of the Board are provided with regular updates on the Company's business operations and, as the case may be, are briefed on matters to be discussed at Board meetings so that they can effectively provide strategic direction and guidance to the Company. In addition to physical meetings, the Board and Board Committees also circulate written resolutions for approval by the relevant Board and members of the Board Committees, as and when required. The Company's Articles of Association provides for telephone and audio-visual communication conferences at meetings of the Board.

Directors are welcome to request for further explanation, briefing or discussion on any aspect of the Group's operations or business from the Management. When circumstances require, members of the Board exchange views outside the formal environment of meetings of the Board.

The attendances of the Directors of SSL at its meetings and at meetings of its Board Committees as well as the number of meetings held (excluding management meetings) in FY2015 are disclosed below.

Directors' Attendance at Meetings of the Board and Board Committees of SSL in FY2015								
	Board		ARMC		NC		RC	
Names of Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended
David K.M. Chew	4	4	7(1)	7(1)	2(1)	2(1)	4(1)	4(1)
Leong Sook Ching	4	4	7(1)	7(1)	2(1)	2(1)	4(1)	4(1)
Lim Kim Choon	4	4	7(1)	5(1)	2(1)	1(1)	4(1)	1(1)
Sajjad Ahmad Akhtar	4	4	7	6	2	2	4	4
Chew Hai Chwee	4	4	7	7	2	2	4	4
Chew Heng Ching	4	4	7	7	2	2	4	4

Note: Directors who were not members of the Board Committees have attended some of the meetings of the Board Committees by invitation.

2. BOARD COMPOSITION AND GUIDANCE (Principle 2)

There is a strong and independent element on the Board of SSL and the Company. In FY2015, the board of SSL consisted of six (6) Directors, four (4) of whom were Non-Executive Directors and two (2) were Executive Directors. Out of the four (4) Non-Executive Directors, three (3) were Independent Directors. Upon the relisting of the Group as The Stratech Group Limited, all Directors of SSL consented to act as and were appointed as Directors of the Company.

The Non-Executive Directors of SSL (in FY2015) and of the Company contribute to the Board processes by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business and they bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities. They also constructively challenge and help develop proposals on the Company's strategy.

The composition of the Board and Board Committees, and the information of the Directors are as follows:

Name of Director	**Date of first appointment to SSL Board**	**Date of appointment to the Company's Board**	**ARMC**	**RC**	**NC**
David K.M. Chew *(Executive Chairman)*	19 Nov 1996	9 Oct 2014	-	-	-
Leong Sook Ching *(Executive Director)*	19 Nov 1996	9 Oct 2014	-	-	-
Lim Kim Choon *(Non-Executive and Non-Independent Director)*	19 May 2011	28 Jan 2015	-	-	-
Sajjad Ahmad Akhtar *(Independent Director)*	31 Oct 2002	28 Jan 2015	*M*	*C*	*M*
Chew Hai Chwee *(Independent Director)*	30 May 2006	28 Jan 2015	*C*	*M*	*M*
Chew Heng Ching *(Independent Director)*	29 Mar 2014	28 Jan 2015	*M*	*M*	*C*

C - Chairman
M - Member

Chew Hai Chwee is also a Director of Pacific Andes Resources Development Limited, and Chew Heng Ching is a Director of Huan Hsin Holdings Ltd, Bonvests Holding Limited, Chosen Holdings Limited, Pharmesis International Ltd., Spindex Industries Limited, Ausgroup Limited and Sinopipe Holdings Limited.

The independence of each Director is reviewed annually by the NC based on the Code's definition of independent Director and guidelines as to relationships which would deem a Director not to be independent. The NC also reviews the appointment and independence of any Director who has served on the Board for more than nine (9) years from the date of his/her first appointment with particular rigour, taking into account the need for progressive refreshing of the Board.

The size and composition of the Board is reviewed annually by the NC to ensure that there is an appropriate balance and diversity of skills, expertise, experience and knowledge of the Company so as to facilitate effective decision-making. The review will also ensure that members of the Board collectively possess the relevant and necessary skills sets and core competencies which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies.

The NC, with the concurrence of the Board, is of the view that the current composition of the Board and Board Committees of the Company is appropriate and balanced, comprising persons who as a group, provide core competencies in the areas of finance, legal, commercial and domain knowledge, and business management, strategic planning and customer-based experience. The diversity of the Directors' experience allows for useful exchange of ideas and views. In addition, the NC also considered the Board size of six (6) Directors to be adequate and effective, taking into account the size, nature and scope of the Group's business. Key information regarding the Directors is set out on pages 20 to 21 of the Annual Report.

The composition of the Board complies with the Code's guideline that Independent Directors make up at least half of the Board where inter alia the Chairman and the Chief Executive Officer is the same person, part of the management team and not an Independent Director.

The Non-Executive Directors meet and/or hold discussions regularly without the presence of Management to facilitate a more effective check on Management.

3. CHAIRMAN & CHIEF EXECUTIVE OFFICER ("CEO") (Principle 3)

David K.M. Chew, founder of the Group, is the Executive Chairman and assumes the role of CEO of the Company. He plays a key role in developing the business of the Group and provides the Group with leadership and vision. He is responsible for the business strategies and directions, formulation of the Group's corporate plans and policies. As Chairman of the Board, David K.M. Chew is also responsible for the effective working of the Board such as setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues and that meetings of the Board are held as and when necessary, assisting in ensuring compliance with the Company's guidelines and promoting high standards of corporate governance and a culture of openness and debate at the Board, acting as a facilitator at meetings of the Board for the effective contribution of Non-Executive Directors, maintaining regular dialogue with Management on all operational matters and effective communication with shareholders of the Company.

The Company currently has no plans to separate the roles of Chairman of the Board and CEO. Although this is a deviation from the recommendation of the Code, the Board with the concurrence of the NC believes that vesting the roles of both Chairman and CEO on the same person who is knowledgeable in the business of the Group, provides the Group with a strong and consistent leadership and allows for more effective planning and execution of long-term business strategies.

The Board is of the opinion that there is a strong independent element on the Board to enable independent exercise of objective judgment on the corporate affairs of the Group and that there is a good balance of power and authority. All major decisions are reviewed and approved by the Board. The performance of the Executive Chairman is reviewed annually by the NC and his remuneration packages by the RC including the renewal of his service agreement upon the expiry of his term in office. Both the NC and RC are chaired by Independent Directors. The Board with the concurrence of the NC believes that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is independent and based on collective decision making without any individual exercising any considerable concentration of power of influence.

Although the Code recommends that every company should appoint an Independent Director to be the Lead Independent Director where *inter alia* the Chairman and CEO is the same person, part of the management team and not an Independent Director, the NC is of the view that it is not necessary for the appointment of a Lead Independent Director as the Board is small and cohesive. In addition, there is a strong element of independence with the Independent Directors making up at least half of the Board.

Notwithstanding the above, the Independent Directors meet and/or hold discussions periodically without the presence of the Executive Directors and any feedback would be provided to the Chairman accordingly.

The NC will review the need to separate the roles and/or the appointment of Lead Independent Director from time to time and make its recommendations accordingly.

4. BOARD MEMBERSHIP (Principle 4)

The Company established the NC to ensure that there is a formal and transparent process for the appointment and re-appointment of Directors to the Board. The NC is regulated by a set of written terms of reference and comprises three members, all of whom are independent Directors, including the Chairman. The Chairman of the NC is not associated with any substantial shareholder.

The members are as follows:

(1) Chew Heng Ching – Chairman

(2) Sajjad Ahmad Akhtar – Member

(3) Chew Hai Chwee - Member

The key terms of reference of the NC are as follows:

- The NC shall be appointed by the Board from amongst its members, and shall comprise at least three (3) members.
- A majority of members shall be independent. The lead independent Director, if any, shall be a member.
- The NC Chairman shall be elected by members and shall be independent.
- A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least one (1) month's notice or such shorter period as may be agreed by the Board.
- NC meetings will be held as the NC deems appropriate, however, NC meetings should be held at least once a year. A meeting may be called, at any other time, by the Chairman or any member.
- The quorum shall be two (2) members, including at least one independent Director.

The NC's main functions include:

(1) evaluating and making recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including disclosure on the search and nomination process;

(2) regularly reviewing the Board structure, size and composition and making recommendations to the Board with regard to any adjustments that are deemed necessary to ensure a balanced Board;

(3) making recommendations to the Board on the nomination of retiring Directors and those appointed during the year standing for re-election at the annual general meeting ("AGM"), having regard to the Directors' contribution and performance such as attendance, preparedness, participation and candour;

(4) evaluating the effectiveness of the Board as a whole and contributions of each Director, identifying the skills, expertise and capabilities needed for the effective functioning of the Board;

(5) in respect of a Director who has multiple board representations on various companies, reviewing and evaluating whether the said Director is able to and has been adequately carrying out his/her duties as a Director, having regard to competing time commitments;

(6) reviewing Board succession plans for Directors, in particular, the Chairman and CEO and progressive renewal of the Board by considering each Director's competencies, commitment, contribution and performance such as attendance, preparedness, participation and candour;

(7) reviewing on an annual basis the independence of Directors, bearing in mind the circumstances set forth in the Code and any other salient factors;

(8) making recommendations to the Board on the review of training and professional development programs for the Board.

From time to time, new Directors may be identified for appointment to the Board whereupon the NC will evaluate and assess their suitability, based on their qualifications, working experience and expertise, to determine if they are able to fit into the overall competency matrix of the Company's Board before recommending them to the Board for its approval.

To ensure that there is a formal and transparent process for the appointment of new Directors to the Board, all Directors of the Company are required to submit themselves for re-election at regular intervals of at least every 3 years. Article 114 of the Articles of Association of the Company requires at least one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not lesser than one-third) to retire by rotation at every AGM. Article 118 of the Articles of Association of the Company requires any person appointed as a Director of the Company to hold office only until the next AGM following their appointment and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The NC, having considered the attendance, preparedness, participation and candour of the Directors at meetings of the Board and Board Committees of SSL in FY2015 and of the Company since its listing on 6 April 2015, in particular, each of their competencies, commitment, contributions to the business and operations of the Company as well as Board processes and performance, had recommended to the Board the re-election of Chew Hai Chwee, Chew Heng Ching, Lim Kim Choon and Sajjad Ahmad Akhtar who will be retiring in accordance with Article 118, and David K.M. Chew and Leong Sook Ching who will be retiring in accordance with Article 114 of the Company's Articles of Association at the forthcoming AGM.

The Board had accepted the NC's recommendation and accordingly all six of the directors will be offering themselves for re-election at the forthcoming AGM. Each member of the NC abstains from voting on any resolution and making any recommendation and/or participating in respect of his re-election as a Director. Accordingly, Chew Hai Chwee, Chew Heng Ching, David K.M. Chew, Leong Sook Ching, Lim Kim Choon and Sajjad Ahmad Akhtar, being interested, had abstained from all deliberations and decisions on the matter in respect of their own re-election.

The NC has also reviewed the independence of the members of the Board with reference to the guidelines set out in the Code. Each Non-Executive Director is required to complete a confirmation stating his independence and whether he considers himself independent despite having any of the relationships identified in the Code which would deem him not to be independent, if any.

Based on the Non-Executive Directors' confirmations and NC's review, the NC has determined Chew Heng Ching to be independent and free from any of the relationships outlined in the Code.

The NC has noted that the provision of the Code requires the Board to consider the independence of any Director who has served for a period of nine years from the date of his first appointment and that such Director be subject to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. In view of the above, the NC is of the view that although Sajjad Ahmad Akhtar has served beyond nine years as an Independent Director since 31 October 2002 and Chew Hai Chwee has served as an Independent Director since 30 May 2006, each of them continues to express his individual viewpoints, debate issues and objectively and constructively challenge Management's proposals and/or decisions on business activities and transactions involving conflicts of interest and other complexities. The NC has determined that Sajjad Ahmad Akhtar's and Chew Hai Chwee's respective tenures in office have not affected their independence and ability to bring independent and considered judgment to bear in their discharge of duties as members of the Board and Board Committees.

Pursuant to a Consultancy Agreement, Lim Kim Choon receives consultancy fees for providing consultancy services to Stratech Aerospace Pte Ltd ("Stratech Aerospace"), an indirect wholly-owned subsidiary of the Company. He is also a Non-Executive Director of Stratech Aerospace and Stratech iVision Pte. Ltd, another member of the Group.

The NC had reviewed and was satisfied that Lim Kim Choon's role as a consultant of Stratech Aerospace is purely for the subsidiary to draw upon his experience and knowledge with respect to his domain expertise, namely in the aerospace and defence industries for the purpose of the development of its products, market and business, whereas his role as its Director is strictly non-executive in nature. As such, he does not participate in the Group's executive and/or operational matters or issues. In view of the interested person transaction, Lim Kim Choon is deemed as non-independent.

The Board concurred with the NC's views after having considered the confirmation of independence forms submitted by the Non-Executive Directors.

A Director with multiple board representations is expected to ensure that sufficient time and attention is given to the affairs of the Group. To allow for flexibility, there will not be a fixed maximum number of listed company board representations which Directors may hold as the NC and the Board are of the view that the number of directorships a Director can hold and his principal commitment should not be prescriptive as the time commitment for each board membership may vary. While the NC and the Board will not stipulate the maximum number of listed company board representations each Director should be involved in, it will continue to monitor the contributions and the performance of each Director and to assess whether he/she has devoted sufficient time and attention to the affairs of the Group. The NC, having considered the confirmations received from Chew Hai Chwee, Chew Heng Ching, Lim Kim Choon, Sajjad Ahmad Akhtar and the list of Directorships and attendance recorded at the meeting of the Board and Board Committees of SSL in FY2015, is of the view that such multiple board representations do not hinder the Directors from carrying out their duties in the Company. The NC is also satisfied that sufficient time and attention have been accorded by these Non-Executive Directors to the affairs of the Company. The Board concurred with the NC's views.

5. BOARD PERFORMANCE (Principle 5)

The NC of SSL conducted an annual assessment of the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board. In pursuance thereto, the SSL NC implemented a set of objective performance criteria, approved by its Board, to evaluate the performance of its Directors. Besides their attendance at Board and Board Committees meetings, the Directors' abilities to provide strategic networking to enhance its business, availability for guidance and advice outside the scope of formal Board meetings, and contributions in specialised areas are also factors relevant in assessing the contributions of the Directors. The Company's NC has adopted, approved by the Company's Board, the same process to evaluate the performance of its Directors and the Board as a whole.

The assessment also evaluates the Directors' feedback on the size and composition of the Board, information flow to the Board, Board procedures and accountability, matters concerning CEO and Senior Management, standard of conduct of its Board members, and other comments and suggestions from the Directors. The findings are collated, analyzed and discussed with the NC and the Board respectively.

During the year, an evaluation of the performance of the SSL Board for FY2015 as a whole had been conducted. The NC is generally satisfied with the results of the SSL Board Performance Evaluation for FY2015 which indicated areas of strengths and those that require improvement. No significant problems were identified. The NC had discussed the results with the Board members who agreed to work on those areas that require improvements. No external facilitator was used in connection with the said evaluation.

The NC had not conducted any annual assessment of the effectiveness of each Board Committee and each Director, in view of the Board size and cohesiveness when considering/reviewing matters brought up for discussion.

The NC would continue to evaluate the process for such review from time to time.

6. ACCESS TO INFORMATION (Principle 6)

The Directors are furnished with complete and adequate information in a timely manner concerning the Company and its operations to enable them to make informed decisions to discharge their duties and responsibilities. Information provided include, where applicable, board papers and related materials, background or explanatory information relating to matters brought before the Board, copies of disclosure documents, budgets, forecasts, monthly internal financial statements and details of any material variance between the projections and actual results. The Directors are entitled to request from Management additional information to be provided as needed to make informed decisions. The Directors also have full and independent access to all members of the Management team and have been provided with the telephone numbers and e-mail addresses of the Company's Management and Company Secretary to facilitate access.

Should Directors, whether as a group or individually, need independent professional advice, the Company Secretary will, upon direction of the Board, appoint a professional advisor selected by the Group or the individual to render the advice. The cost of such professional advice will be borne by the Company.

The Company Secretary attends all board meetings and is responsible for ensuring that Board procedures are followed. It is the Company Secretary's responsibility to ensure that the Company complies with the requirements of the Companies Act and Listing Manual of the SGX-ST. Together with the Management staff, the Company Secretary is responsible for the compliance with all other rules and regulations which are applicable to the Company. The appointment and removal of the Company Secretary are subject to the approval of the Board.

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (Principle 7)

The RC was formed to provide the Board with an independent assessment and review of the Directors' remuneration. It also reviews from time to time the remuneration framework and strategy for executive compensation.

The RC members are:

(1) Sajjad Ahmad Akhtar – Chairman

(2) Chew Hai Chwee – Member

(3) Chew Heng Ching – Member

The RC, regulated by a set of written terms of reference, comprises wholly of Non-Executive Directors, all of whom are independent of Management, so as to ensure that the members are able to exercise their independent judgment and to minimise the risk of any potential conflict of interest.

The key terms of reference of the RC are as follows:

- The RC shall be appointed by the Board from amongst its members, and shall comprise at least three (3) members.
- All RC members shall be Non-Executive Directors of the Company, a majority of whom shall be independent.
- The RC Chairman shall be elected by members and shall be independent.
- A member who wishes to retire or resign from the RC shall notify the Board in writing, giving at least one (1) month's notice or such shorter period as may be agreed by the Board.
- RC meetings will be held as the RC deems appropriate. RC meetings shall be held at least once a year and meetings should be organised so that attendance is maximised. RC meeting may be called, at any other time, by the RC Chairman or any member.
- The quorum shall be two (2) members, including at least one independent Director.

The RC, which also administers The Stratech Group Limited Employee Share Option Scheme 2014 and The Stratech Group Limited Performance Share Scheme 2014, and administered the Stratech Share Option Scheme and Stratech Performance Share Scheme of SSL, performs the following main duties:

(1) reviews and recommends to the Board in consultation with Management and the Chairman of the Board, a general framework of remuneration and the specific remuneration packages and terms of employment for each of the Executive Directors and key management personnel/senior executives/divisional directors (those reporting directly to the Executive Chairman) including those employees related to the Executive Directors and controlling shareholders of the Company;

(2) in the case of service agreements, considers what compensation commitments in the Directors and key management personnel's service agreements, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance;

(3) carries out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time;

(4) recommends a formal and transparent policy for determining all aspects of remuneration, including Directors' fees for Non-Executive Directors of the Company, salaries, allowances, bonuses, options and benefits-in-kind; and

(5) approves the participants and determines the quantum of options to be granted under The Stratech Group Limited Employee Share Option Scheme 2014 and determine the number of shares to be awarded under The Stratech Group Limited Performance Share Scheme 2014 to reward Directors and employees of the Company.

In the discharge of its responsibilities, the RC has, from time to time, sought expert advice from a human resource consultancy firm to conduct salary benchmarking of the executive Management team, considered the National Wage Council guidelines and recommendations and made various comparisons with similar listed companies within the same industry on the shares to be awarded.

8. LEVEL AND MIX OF REMUNERATION (Principle 8)

In recommending to the Board the remuneration packages for the Company's Executive Directors and officers, the RC's objective is to achieve a level of remuneration that would be appropriate to attract, retain and motivate the Directors and officers needed to run the Company successfully and at the same time avoid incurring excessive payments for this purpose. In setting a remuneration package, the RC will consider the pay and conditions of employment within the industry and comparable companies accordingly.

With respect to the Executive Directors, the RC commissioned an independent consultant to conduct a remuneration benchmarking survey for the purpose of determining and negotiating their respective service agreements, which were entered into on 1 October 2012 for a term of 3 years. As the service agreements would expire in September 2015, the RC is in the process of selection of an independent consultant to conduct a fresh remuneration benchmarking survey for the purpose of the negotiation of renewal of the service agreements with the Executive Directors. For FY2015, the RC is satisfied that the Executive Directors' remuneration were in line with the terms of their service agreements.

The RC reviews the framework of remuneration for key officers of the Group annually. The remuneration packages of the key personnel comprise fixed salaries, allowances, benefits, short term and long term incentives.

Although the service agreements of the Executive Directors and key officers do not have any contractual provisions to allow the Company to reclaim incentive components of remuneration where there have been exceptional circumstances of misconduct or misstatement of financial results resulting in financial loss to the Company, Management, with the concurrence of the RC, was of the opinion that the legislation overrides such provisions and hence, there is no need to include such provisions.

The structure for the payment of SSL Directors' fees for Non-Executive Directors, who are appointed pursuant to and hold office in accordance with the Articles of Association, is based on a framework comprising annual fee, additional fees for serving on Board Committees and undertaking additional services for the Group, as follows:

(1) Chairman of ARMC – 50% of annual fee

(2) Member of ARMC – 50% of ARMC Chairman's fee

(3) Chairman of other Board Committees – 25% of annual fee

(4) Member of other Board Committees – 50% of Board Committee Chairman's fee

In addition, an attendance fee of S$1,000 per meeting of the Board or Board Committees and S$500 for attendance at meetings via teleconference were payable to each Non-Executive Director. Board and/or Board Committees meetings held on the same day are considered as one attendance.

The fees are established annually for the Non-Executive Directors, taking into consideration, amongst others, the performance of the Company, size and complexity of the Company's operations, achievements of the Company, workload requirements of Directors and comparison with industry peers. The Company's Board of Directors, at the recommendation of the RC, has adopted the same framework.

At the AGM of SSL held on 31 July 2014, the shareholders of SSL approved the payment of S$144,000 as Directors' Fee for FY2015 at S$36,000 to each Non-Executive Director payable monthly in arrears. Pursuant to the fee structure of SSL, the additional fees proposed for Non-Executive Directors of SSL for FY2015 amount to S$100,000. Subject to the approval at the Company's AGM for the additional fees for attending at the meetings of the Board Committees of SSL, the Non-Executive Directors of SSL will be paid Directors' Fees totalling S$244,000 for FY2015. The total Directors' fees paid by SSL for FY2014 was S$229,500.

The RC has decided that going forward, with effect from FY2016, there will be no fee for attendance but the annual fee will be adjusted to compensate for the abolition of the attendance fee. Subject to approval at the Company's AGM for the annual fee for FY2016 to be fixed at $48,000 per director, the total directors' fee (the aggregate of annual fees and fees for participation in Board Committees) for FY2016 is expected to be $288,000 compared with S$244,000 for FY2015.

The Executive Directors do not receive any Director's fees for their Board directorship with the Company. No Director is involved in deciding his or her own remuneration. The Non-Executive Directors are eligible for options under The Stratech Group Limited Employee Share Option Scheme 2014 and The Stratech Group Limited Performance Share Scheme 2014.

The RC will continue to develop and refine the structure of the remuneration packages as and when necessary.

9. DISCLOSURE OF REMUNERATION (Principle 9)

Remunerations

Breakdown of remuneration received by the Directors for FY2015 is as follows:

	FY2014				FY2015			
Name	Fees %	Salary %	Others %	Total %	Fees %	Salary %	Others %	Total %
$0 to $250,000								
Chew Hai Chwee	100			100	100			100
Chew Heng Ching	100			100	100			100
Sajjad Ahmad Akhtar	100			100	100			100
Lim Kim Choon	55		45	100	49		51	100
$250,000 to $500,000								
Leong Sook Ching		88.8	11.2	100		85	15	100
$500,000 to $750,000								
David K.M. Chew		97.3	2.7	100		93	7	100

Breakdown of remuneration received by the top Key Management Personnel is as follows:

Name of Top Key Management Personnel of the Group (in accordance with joining date)	Salary[1] %	Others[2] %	Total %
Below $250,000			
Kennedy K.M. Chew	88	12	100
Nwee Kok Thai Peter	86	14	100
James Balasubramaniam Rathakrishna	86	14	100
Grant C. Bishop	95	5	100
Sandra Yow	86	14	100
Koh Tiong Chie Eric	89	11	100

Notes:
1) Salaries include Employers' CPF contribution
2) "Others" Includes Transport, medical and insurance, bonus, allowances and other benefits.
3) Value of share options granted under the Company's Share Option Scheme is not included in the above table.
4) The key management personnel are employees of subsidiaries of the Group as a whole.

The aggregate total remuneration of the key management personnel FY2015 is S$0.87 million.

The remuneration of the Executive Directors and the key management personnel comprised fixed salaries, short-term and long term incentives in the form of bonuses, share options and grants of performance shares conditional upon achievement of performance targets and the Group's performance, allowances and benefits. Key performance indicators are set annually and may be updated periodically, to be in line with the Group's strategies and goals. No share options or performance shares were granted to the Executive Directors in FY2015.

For confidentiality reasons, the Company is disclosing the remuneration of the Directors and Key Management Personnel in bands of S$250,000, with a breakdown in percentage of the remuneration earned through fees, salary, and others.

Save for Kennedy K.M. Chew, who is the brother of David K.M. Chew, Executive Chairman and brother-in-law of Leong Sook Ching, Executive Director of the Company, there are no employees within the Group who are immediate family members of a Director or the CEO and whose remuneration exceeds S$50,000 for FY2015. Kennedy's remuneration is in the band of S$50,000 to S$100,000.

The Company has in place an Employee Share Option Scheme and a Performance Shares Scheme.

The Stratech Group Limited Employee Share Option Scheme 2014 ("Stratech ESOS 2014")

SSL adopted an employee share option scheme pursuant to a shareholders' mandate obtained at a general meeting held on 29 July 2011 ("Stratech ESOS 2011") for a maximum term of 10 years from the date of adoption, to replace the Stratech ESOS 2000 adopted on 14 July 2000. Pursuant to the Restructuring Exercise, Stratech ESOS 2011 was terminated and Stratech ESOS 2014 was adopted in its place at an Extraordinary General Meeting held on 25 February 2015. The shareholders also approved the novation of rights and obligations in respect of all outstanding options granted under Stratech ESOS 2011 which were not yet exercised from SSL to the Company, so that all holders of such options would continue to enjoy the same position and benefits as they would have done under the Stratech ESOS 2011.

The terms of Stratech ESOS 2014 were essentially the same as the terms of Stratech ESOS 2011. The Stratech ESOS 2014 will expire on 28 July 2021, i.e. 10 years from the date of adoption of SSL ESOS 2011.

The Stratech ESOS 2014 was adopted to acknowledge the contributions made by the employees and Directors of the Company to the success and development of the Company and to motivate employees and Directors to optimise their performance standards, dedication and efficiency. The scheme is also a strong incentive to attract and recruit new employees with abilities and expertise which are crucial to the long-term growth and profitability of the Company.

The Stratech ESOS 2014 is administered by the RC, which determines the terms and conditions of the grant of options, the vesting periods (which may be over and above the minimum vesting periods prescribed by the Listing Manual of the SGX-ST). The number of shares which may be offered to an employee or eligible Director of the Company is determined by taking into account criteria such as rank, performance, years of service and the potential for future development of the particular employee or Director.

Under the Stratech ESOS 2014, the RC has the ability to grant options to confirmed employees of the Group who have attained the age of 18 on or before the date of grant and eligible Directors including Controlling Shareholders and their Associates. Pursuant to the SGX-ST Listing Manual, the grant of options to Controlling Shareholders and their Associates requires the approval of the independent shareholders of the Company at a general meeting.

It is provided in the Stratech ESOS 2014 that the Board may make grants to Non-Executive Directors, as it recognised that the Non-Executive Directors, although not employed within the Group and not involved in the day-to-day running of the Group's business, work closely with the Company and by reason of their relationship with the Company are in a position to provide valuable input and contribute their experience, knowledge and expertise to the development of the Group. The Company deems it desirable for share options to be granted to Non-Executive Directors to form part of the Directors' remuneration and the RC has established a framework approved by the Board for the determination of the number of shares to be granted to the Directors. The annual grants to each of the Non-Executive Directors shall comprise shares not exceeding 0.4% of the total shares available under the scheme in any one year and a grant of 500,000 shares shall be made to each Non-Executive Director upon joining the Board. This number of shares is insignificant and will not affect the Non-Executive Directors' independence or judgment in their decision-making or Board Committees functions.

The total number of shares, which may be granted under the Stratech ESOS 2014, taking into consideration (a) the number of shares issued or issuable and/or transferred or transferable in respect of all options granted under the Stratech ESOS 2014 and any other share schemes of the Company; (b) the number of ordinary shares in the capital of SSL previously issued and/or transferred in respect of all exercised options granted under the Stratech ESOS 2011; and (c) the number of shares issued or issuable and/or transferred or transferable in respect of all options (if any) varied pursuant to the Restructuring Exercise, shall not exceed 15% of the issued capital of the Company on the date immediately preceding the grant of an option under the Stratech ESOS 2014. Not more than 25% of the total number of these shares may be offered or granted to Controlling Shareholders and their Associate. The number of shares may be granted to each Controlling Shareholder and his Associate shall not exceed 10% of the shares available under the Stratech ESOS 2014.

The options granted under the scheme may be granted at the market price ("Market Price") or at a discount to the Market Price, provided that the maximum discount shall not exceed 20% of the Market Price. The Market Price is calculated based on the average of the last dealt prices per share for the 3 consecutive market days in which trades are done immediately prior to the date of an offer to grant such option.

Shares allotted and issued on the exercise of an option rank pari passu in all respects with the then existing issued shares in the capital of the Company except for any dividends, rights (including voting rights), allotments or other distributions, the record date for which falls prior to the date of issue or transfer (as the case may be) of the said shares. Details of options granted in FY2015 are provided in the Directors' Report.

The Stratech Group Limited Performance Share Scheme 2014 ("Stratech PSS 2014")

On 4 June 2007, the shareholders approved the implementation of a performance share scheme ("Stratech PSS 2007") in addition to the Stratech ESOS 2011 to increase the Group's flexibility and effectiveness in its continuing efforts to reward, motivate and retain employees to achieve superior performance, and to further strengthen the Group's competitiveness in attracting and retaining superior local and foreign talent.

Pursuant to the Restructuring Exercise, Stratech PSS 2007 was terminated and Stratech PSS 2014 was adopted in its place at an Extraordinary General Meeting held on 25 February 2015. The terms of the Stratech PSS 2014 are essentially the same as the terms of the Stratech PSS 2007 and will expire on 3 June 2017.

Unlike Options granted under the Stratech ESOS 2014, the Stratech PSS 2014 contemplates the award of fully-paid shares (the "Awards") to eligible employees after the pre-determined performance target(s) has been achieved. In addition, the option schemes have vesting periods which are normally imposed before the options can be exercised, while such vesting periods are not applicable to performance shares granted under the performance share scheme, save that the employees shall be obliged to hold these shares awarded to them for a period of 9 months from the date of grant.

The Stratech PSS 2014 is not intended to replace the Stratech ESOS 2014, but to complement it. The Stratech PSS 2014 differs from the Stratech ESOS 2014 in that it allows the Company to target specific performance objectives and to provide an incentive for participants to achieve these targets. The Company believes that with the scheme in place, it will be more effective than merely having pure cash performance bonuses in place to motivate employees to work towards determined goals and to foster a greater ownership culture amongst key senior management and employees.

The Stratech PSS 2014 is administered by the RC and the performance shares given to a particular participant under the Stratech PSS 2014 will be determined at the discretion of the RC, who will take into account factors such as the participant's capability, scope of responsibility, skill and vulnerability to leaving the employment of the Group. In addition, the RC will also consider the compensation and/or benefits to be given to the participant under other share-based incentive schemes of the Company, if any.

The aggregate number of shares which may be awarded pursuant to the Stratech PSS 2014, taking into consideration (a) the number of shares issued or issuable and/or transferred or transferable in respect of all share awards granted under the Stratech PSS 2014 and any other share schemes of the Company; and (b) the number of ordinary shares in the capital of SSL previously issued and/or transferred in respect of all share awards granted under the Stratech PSS 2007, shall not exceed 15% of the issued shares of the Company on the date immediately preceding the date of grant.

No performance shares were issued for the FY2015.

10. ACCOUNTABILITY (Principle 10)

Management presents to the Board quarterly financial and business updates, half-year and full-year financial statements with such explanation and information as are necessary to the ARMC and the Board for review. The Board reviews and approves the Group's financial results, interim and other price sensitive public reports, reports to regulators (if required) and announcements before they are released to the SGX-ST and the media. In presenting the financial statements and other reports, the Board aims to provide the shareholders and regulators with a balanced and understandable assessment of the Company's performance, position and prospects.

To ensure compliance with legislative and regulatory requirements, including requirements under the SGX-ST Listing Rules, the Board, through Management, reviews the relevant compliance reports.

In line with the requirements of the SGX-ST Listing Manual, the Board provides a negative assurance statement to the shareholders in the Group's financial results confirming to the best of the Board's knowledge that nothing has come to its attention that may render the results to be false or misleading. In addition, the Group has also kept its shareholders abreast of material developments of the Group in its periodic announcement of its financial results.

11. RISK MANAGEMENT, INTERNAL CONTROLS & INTERNAL AUDIT (Principles 11 & 13)

The Company strives continually to identify gaps, develop, improve and enforce compliance of internal controls procedures. This is to improve the overall internal controls in order to safeguard shareholders' investment and the Company's assets. The Board, through the ARMC, reviews the Company's internal controls, including financial, operational and compliance risk areas, existing risk management policies and systems established by Management and their adequacy on an annual basis.

Following a review in FY2013 by independent consultants, WLA Regnum Advisory Services ("WLA Regnum" or "Internal Auditors"), to identify key risks faced by the SSL Group and a walk-through of key controls in connection with the key risks identified for selected business processes, SSL's ARMC engaged WLA Regnum to review and conduct audits of the controls and processes of the key risk areas of the SSL Group over a 2-year period commencing FY2014 in accordance with audit plan approved by SSL's ARMC. The Internal Auditors carried out a review of the SSL Group's processes, controls and compliances of selected risk areas based on the approved audit plan, objectives and scope. As part of the agreed reporting process, an Internal Audit Report documenting the findings, recommendations and management comments for the audit carried out for FY2015 was presented to the ARMC. It was noted no material non-compliance and internal control weaknesses were observed during the audit, save for the salient observations and their respective recommendations, which had been reported to the ARMC. The ARMC is in the process of working with the Internal Auditors to develop the audit program for the Group the next 3 years. The ARMC is satisfied that the internal audit function is staffed with persons with relevant qualifications and experience, who carried out the work guided by the International Standards for Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors and that the Internal Auditors had the full co-operation of the Management and staff for access to information and documents to carry out the audit and full access to the ARMC.

The Group's Quality & Excellence department ("Q&E") is responsible for the review of the operational controls and processes of the Group. It schedules audits of the various departments for each financial year and submits a report to the ARMC. The Q&E also ensures that the Company pass the ISO9001 surveillance audit annually. There were no non-compliances noted in the ISO9001 surveillance audit conducted this year. Q&E has unfettered access to all the Group's documents, records, properties and personnel, including access to the ARMC.

The ARMC reviews the Internal and External Auditors' comments to ensure that there are adequate internal controls in the Group and that follow-up actions from the audit reviews are implemented. It also annually reviews the adequacy and effectiveness of the internal audit function.

The Board, with the assistance of the Internal and External Auditors and Q&E, will continue to review the adequacy and effectiveness of the Group's risk management and internal control system, and work to improve the system and mitigate any risk identified.

The Board recognises that no internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The review of the Group's internal control systems is a concerted and continuing process.

In view of the above, the Board, with the concurrence of the ARMC, is of the opinion that the SSL Group's internal controls addressing financial, operational, compliance and information technology controls, and risk management systems were adequate for FY2015. As recommended by the SGX-ST, an opinion of the Board, with the concurrence of the ARMC, pursuant to Rule 1207(10) of the SGX-ST Listing Manual is set out in the Directors' Report under page 47 of the Annual Report.

The Board has received assurance from the Executive Chairman and the Chief Financial Officer (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the SSL's operations and finances; and (b) regarding the effectiveness of the SSL's risk management and internal control systems.

12. AUDIT AND RISK MANAGEMENT COMMITTEE (Principle 12)

The ARMC, regulated by a set of written terms of reference, comprises the following three (3) members, all of whom are Independent Directors:-

(1) Chew Hai Chwee – Chairman

(2) Sajjad Ahmad Akhtar – Member

(3) Chew Heng Ching – Member

The key terms of reference of the RC are as follows:

- The ARMC shall be appointed by the Board from amongst its members and shall comprise at least three (3) members.
- All the members shall be Non-Executive Directors of the Company, a majority of whom shall be independent.
- The ARMC Chairman shall be elected by members and shall be independent.
- A member who wishes to retire or resign from the Committee shall notify the Board in writing, giving at least three (3) months' notice or such shorter period as may be agreed by the Board.
- ARMC meetings shall be held at least three (3) times a year until such time the Company is required to release announcements of its quarterly results. In such an event, meetings shall be held at least four (4) times a year.
- The quorum shall be two (2) members, including at least one (1) independent Non-Executive Director.

The Board has reviewed and is satisfied that the members of the ARMC are appropriately qualified, having the necessary accounting or related financial management expertise and experience as the Board interprets such qualification to discharge their responsibilities.

The ARMC is granted full authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any Director or member of the Management team to attend its meetings. It also has full access to the Company's Auditors, finance and accounts department without the presence and interference of the Executive Management and Senior Management. The ARMC is entitled to reasonable resources to enable it to discharge its functions properly.

As a Committee of the Board, the ARMC provides a channel of communication between the Board, Management, and Auditors on matters arising out of the external audits.

The overall objective of the ARMC is to ensure that Management has created and maintained an effective control environment in the Company and that Management demonstrates and stimulates the necessary respect of the internal control structure amongst all parties.

The duties of the ARMC include:

(1) review of the audit plan, scope and results of the external audit, and the independence and objectivity of the external auditors;

(2) review of the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company' financial performance;

(3) review of the Group's quarterly performance, half-year and full-year financial statements before submission to the Board for approval, focusing in particular, on:

- changes in accounting policies and practices
- major risk areas
- significant adjustments resulting from the audit
- the going concern statement
- compliance with accounting standards
- compliance with the SGX-ST and other statutory/regulatory requirements

(4) review of any suspected fraud, irregularity or suspected infringement of any Singapore law, rules or regulations which has or is likely to have a material impact on the Company's operating results or financial position and Management's response;

(5) review of transactions falling within the scope of Chapter 9 (Interested Person Transactions) of the SGX-ST Listing Manual and potential matters of conflicts, if any;

(6) provide oversight of the review of the Group's business and operational activities to identify areas of significant business risks as well as of appropriate measures to control and mitigate these risks within the Group's policies and strategies;

(6) review of the scope, procedure and results of internal audits and the effectiveness of the Company's internal audit function;

(7) review of and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;

(8) consideration of and recommendation to the Board on the proposals to the shareholders on the appointment, re-appointment or removal of the Auditors and the approval of the fees and terms of engagement of the Auditors;

(9) meet with the external and internal auditors, in each case without the presence of Management, at least annually.

The ARMC has adopted a Whistle-Blowing Policy to provide a channel to report and raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters to the ARMC.

The Group's financial risk management is disclosed in the Notes to Financial Statements of this Annual Report.

At the AGM of SSL on 31 July 2014, Baker Tilly TFW LLP ("Baker Tilly" or the "Auditors"), an independent member of Baker Tilly International and registered with the Accounting and Corporate Regulatory Authority was appointed as the external auditors of SSL and its subsidiaries for FY2015. The Company confirms that the SSL Group had complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the appointment of a suitable auditing firm to meet its audit obligations and the appointment of the same auditing firm based in Singapore to audit its accounts, its Singapore-incorporated subsidiaries and, its foreign-incorporated subsidiaries for FY2015. The SSL Group's subsidiaries and associated companies are disclosed in Financial Statements of this Annual Report.

During FY2015, the ARMC has met with the Auditors without the presence of the Management with respect to the audit of the SSL Group's financial results. The Auditors confirmed that they had full access to and the full cooperation and assistance of Management. The ARMC has reviewed and is satisfied with the independence and objectivity of the Auditors. No non-audit services were provided by the Auditors in the financial year. The audit fees for FY2015 of the SSL Group are $140,000. The Board, at the recommendation of the ARMC, is pleased to propose to the shareholders the appointment of Baker Tilly as external auditors of the Company for FY2016 at the forthcoming AGM.

The ARMC has reviewed the SSL IPTs for FY2015 and was satisfied that the SSL IPTs for FY2015 were below the threshold limits set out under Chapter 9 of the SGX-ST Listing Manual. In view thereof, no announcement or shareholders' approval was required. The Board concurred with the ARMC's views.

The Auditors and the CFO have kept the ARMC abreast of changes to accounting standards and issues, if any, which have a direct impact on financial statements through updates and/or reports from time to time, where applicable and relevant. In addition, the ARMC is entitled to seek clarification from Management or the Auditors, or obtain independent professional advice, or attend relevant seminars, informative talks at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

13. SHAREHOLDER RIGHTS, COMMUNICATIONS WITH SHAREHOLDERS & CONDUCT OF SHAREHOLDER MEETINGS (Principles 14, 15 & 16)

The Company's corporate governance practices respect and promotes the fair and equitable treatment of all shareholders. Pertinent and relevant information is regularly communicated to shareholders on a timely basis, so that shareholders can be sufficiently informed of any changes in the Company or its business which would likely affect the price or value of the Company's shares. Communication with shareholders is conducted through announcements disseminated through the SGXNET, followed by press releases, press and media briefings, if any, and the posting of announcements and releases on the Company's regularly updated website at www.TheStratechGroup.com. Investors may send in their requests or queries to the Company through the e-mail address on the website.

The Company does not participate in selective disclosure in the communication of material information. Communication through SGXNET is handled by the Company Secretary while communication with shareholders, analysts and fund managers is handled by the Company Corporate Communications officers. In addition, the Company has responded promptly to queries from the SGX-ST on any unusual trading activities in its securities and or any queries thereto.

The Company announces its quarterly updates, half-year and full-year results via the SGXNET. Price sensitive information is publicly released via SGXNET before the Company meets with any group of investors or analysts.

In line with continuous obligations, the Company is mindful of the need for regular and proactive communication with its shareholders.

All shareholders of the Company receive the notice of Annual General Meeting (AGM) and/or Extraordinary General Meeting (EGM), if any, through the post. The notice is also advertised in the newspapers and also through SGXNET. At shareholders' meetings, shareholders are given the opportunity to air their views and pose questions to Directors or Management. The Auditors will be present to assist the Directors in addressing any relevant queries by shareholders. Each distinct issue is proposed as a separate resolution.

The Articles allow a member of the Company to appoint up to two proxies to attend and vote instead of the member, and corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies. Shareholders are duly informed at every meeting of the rules, including voting procedures, which govern the general meetings of shareholders.

All resolutions of general meetings of shareholders are put to vote by poll. Announcements of the detailed results showing the number of votes cast for and against each resolution and the respective percentages are released within the same day. Minutes of the general meetings of shareholders, including substantial and relevant comments or queries from shareholders relating to the agenda of the meeting and responses from the Board and Management are available to shareholders upon request.

The Company does not have a policy on the payment of dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, as well as projected capital requirements to pay dividends; and where dividends are not paid, the Company will disclose its reason(s) accordingly. In view of the cash flow requirements for the Group's operations and as there were no retained earnings for FY2015, no dividend was declared.

14. OTHER MATTERS

Interested Person Transactions ("IPT") Policy

The Company reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual. The following have been declared:

(a) A receivable in respect of a personal guarantee and continuing guarantee by David K.M. Chew for the recovery of outstanding from an external party trade receivable.

(b) During the financial year, Lim Kim Choon, a Non-Executive and Non-Independent Director of the Company, received consultancy fees in respect of his services rendered to a wholly-owned subsidiary amounting to S$99,600 (FY2014: S$99,600).

(c) In accordance with Rule 907 of the SGX-ST Listing Manual:

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 each)			
	Transactions not conducted under shareholders' mandate		Transactions conducted under shareholders' mandate	
	FY2015 S$'000	FY2014 S$'000	FY2015 S$'000	FY2014 S$'000
Name of interested person				
David K.M. Chew (Para 14(a))	2,383	2,304	-	-
Lim Kim Choon (Para 14(b) and Material Contracts) Provision of consultancy service	99.6	99.6	-	-

(d) Save as disclosed above, the Company does not have a general mandate from shareholders for IPTs and there was no disclosable IPTs pursuant to Chapter 9 of the SGX-ST Listing Manual.

Dealing in Securities

The Group has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors and the key employees within the Group. The Directors and the employees of the companies of the Group are not allowed to deal in the Company's shares during the period commencing two (2) weeks before the date of announcement of the financial results for each of the first three quarters of the Company's financial results and four (4) weeks before the announcement of the Company's full year financial results, and ending on the date of the announcements of the relevant results. The Directors and the employees of the companies of the Group are also not allowed to deal in the Company's shares while in possession of material price sensitive information and on short-term considerations at all times.

The Company confirms that it has complied with Rule 1207(19) of the SGX-ST Listing Manual.

Material Contracts

Lim Kim Choon was appointed as a Non-Executive Director of SSL in May 2011. Subsequently in October 2011, the Group's subsidiary, Stratech Aerospace Pte Ltd, renewed the consultancy agreement with him which was entered into in April 2010. Consultancy fees paid to him during the financial year were S$99,600 (FY2014: S$99,600).

Save as disclosed, no material contract involving the interests of any Director or Controlling Shareholders of the Company and/or SSL has been entered into by the Company and/or SSL or any of their respective subsidiary companies in FY2015 except the transaction with the Director disclosed in the Interested Person Transactions Policy on page 42.

The directors present to the members of Stratech Systems Limited (the "Company") their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 March 2015 and the statement of financial position of the Company as at 31 March 2015.

1. **Directors**

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

David Chew Khien Meow
Leong Sook Ching
Sajjad Ahmad Akhtar
Chew Hai Chwee
Lim Kim Choon
Chew Heng Ching

2. **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 object are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate, other than as disclosed under "Share Options" in this report.

3. **Directors' interests in shares or debentures**

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company or its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act Cap. 50 except as follows:

	Number of ordinary shares			
	Shareholdings registered in their own names		**Shareholdings in which a director is deemed to have an interest**	
Name of directors	**At beginning of the year**	**At end of the year**	**At beginning of the year**	**At end of the year**
David Chew Khien Meow	441,918,405	441,918,405	90,832,852	90,832,852
Leong Sook Ching	90,832,852	90,832,852	441,918,405	441,918,405
Saijad Ahmad Akhtar	855,173	855,173	–	–
Chew Hai Chwee	812,506	812,506	–	–

By virtue of Section 7(4) of the Singapore Companies Act, Cap. 50, David Chew Khien Meow and Leong Sook Ching are each deemed to have an interest in all the wholly-owned subsidiaries of the Company.

Sajjad Ahmad Akhtar, Chew Hai Chwee and Chew Heng Ching are independent directors of the Company.

The directors' interests in the shares of the Company as at 21 April 2015 were the same as those as at 31 March 2015.

4. **Directors' contractual benefits**

Since the end of previous financial year, no director has received or become entitled to receive a benefit other than as disclosed in the accompanying consolidated financial statements and this report by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

5. **Share options**

The Company's Employee Share Option Scheme ("ESOS") is administered by the Remuneration Committee whose members are:

Sajjad Ahmad Akhtar, Chairman (independent director)
Chew Hai Chwee, Member (independent director)
Chew Heng Ching, Member (independent director)

(a) ESOS 2000 Scheme

Options to take up the unissued shares

In the prior financial years, the Company had a share option scheme for all employees of the Company (the "Employee Stock Option Scheme 2000" or the "ESOS 2000"). The ESOS 2000 had expired on 31 March 2010 and was terminated and replaced by the Employee Share Option Scheme 2011 (ESOS 2011) pursuant to the shareholders' approval obtained at the Company's extraordinary general meeting held on 29 July 2011. Nevertheless, options which were granted under ESOS 2000 Scheme remain valid until they are exercised, forfeited or expired.

Unissued shares under options and options exercised under the ESOS 2000 Scheme

The number of outstanding options under the ESOS 2000 Scheme as at 31 March 2015 were as follows:

Expiry Date	Exercise Price ($)	Number of Options
22 January 2016	0.076	695,000

(b) ESOS 2011 Scheme

At the Company's extraordinary general meeting held on 29 July 2011, the Company obtained a shareholders' mandate for the ESOS 2011 Scheme for granting of non-transferrable options to eligible employees and directors, including certain executive directors who are also controlling shareholders of the Company. Options are granted for terms of up to 10 years to purchase the Company's ordinary shares ("shares") at the prevailing market price or at a discount of up to but not exceeding 20% of the prevailing market price of the Company's share on the relevant date of the grant of the options. The options, upon payment of its exercise price, are exercisable in numbers or percentages according to each grant made, beginning on the first or second anniversary and subsequent relevant anniversaries of the date of each grant or other option periods as granted by the Company. Options granted with a discount under the ESOS 2011 Scheme are subject to a longer vesting period (two (2) years) than those granted at the Market Price (one (1) year).

5. **Share options (cont'd)**

(b) ESOS 2011 Scheme (cont'd)

Options to take up unissued shares

Pursuant to the ESOS 2011 scheme, the Company had, during the current financial year, granted to:

(i) Chew Heng Ching, a Director of the Company, 500,000 share options exercisable for 500,000 shares. These share options are exercisable from 22 April 2015 to 21 April 2024 at an exercise price of $0.017 per share option.

(ii) Grant Carl Bishop, the Chief Operating Officer of a wholly-owned subsidiary, 4,000,000 share options exercisable for 4,000,000 shares. These share options are exercisable from 25 April 2015 to 24 April 2024 at an exercise price of $0.017 per share option.

(iii) Sandra Yow Geok Kein, the Chief Financial Officer of the Company, 4,000,000 share options exercisable for 4,000,000 shares. These share options are exercisable from 6 August 2015 to 5 August 2024 at an exercise price of $0.0176 per share option.

(iv) Eric Koh Tiong Chie, Director of Operations (Aerospace) of the Company, 4,000,000 share options exercisable for 4,000,000 shares. These share options are exercisable from 3 October 2015 to 2 October 2024 at an exercise price of $0.017 per share option.

Unissued shares under options and options exercised under the ESOS 2011 Scheme

The number of outstanding options under the ESOS 2011 Scheme as at 31 March 2015 were as follows:

Expiry Date	Exercise Price ($)	Number of Options
01 September 2021	0.0187	13,118,300
10 November 2021	0.0166	500,000
25 February 2023	0.0290	4,000,000
21 April 2024	0.0170	500,000
24 April 2024	0.0170	4,000,000
5 August 2024	0.0176	4,000,000
2 October 2024	0.0170	4,000,000

Further particulars of the options granted under the ESOS 2000 and 2011 Scheme are set out in Note 21 to the financial statements.

6. **Performance Share Scheme**

The Company established a performance share scheme (the "PSS") on 4 June 2007 to increase the Group's flexibility and effectiveness in its continuing efforts to reward, motivate and retain employees to achieve superior performance, and to further strengthen the Group's competitiveness in attracting and retaining superior local and foreign talent. The performance share given to a particular participant under the PSS will be determined at the discretion of the Remuneration Committee, who will take into account factors such as the participant's length of service, capability, scope of responsibility, skill, and vulnerability to leaving the employment of the Group.

During the current financial year ended 31 March 2015 and the previous financial year ended 31 March 2014, there were no performance shares awarded to employees.

The scheme is administered by the Remuneration Committee.

7. **Audit and Risk Management Committee ("ARMC")**

The ARMC, regulated by a set of written terms of reference, comprises 3 members, all of whom are non-executive directors.

The members of the ARMC were as follows:

Chew Hai Chwee - Chairman (independent director)
Sajjad Ahmad Akhtar - Member (independent director)
Chew Heng Ching - Member (independent director)

The ARMC carried out its function in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the ARMC reviewed:

(i) the effectiveness of the Group's internal audit procedures and internal controls, including financial, operational, compliance and risk management;

(ii) the audit plan of the Company's independent auditor and any recommendations on internal accounting control arising from the statutory audit;

(iii) the assistance given by the Company's management to the independent auditor;

(iv) to review and discuss with the external auditor any suspected fraud, irregularity or suspected infringement of any Singapore law, rules or regulations which has or is likely to have a material impact on the Company's operating results or financial position and Management's response;

(v) the statement of financial position of the Company and the consolidated financial statements of the Group, before approval by the Board, and to review significant accounting and reporting issues and also their impact on financial statements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance and recommend to the Board the acceptance of such financial statements;

The duties and functions performed by the ARMC are explained in more detailed in the Corporate Governance Report set out in the Annual Report of the Company.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board of Directors that the auditor, Baker Tilly TFW LLP, be nominated for re-appointment as auditor of the Company of the forthcoming Annual General Meeting.

8. **Compliance with Rule 1207(10) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")**

The Board, with the concurrence of the ARMC, after carrying out a review, is of the opinion that the internal controls of the Group are adequate to address operational, financial and compliance risks. In arriving at the opinion, the Board is of the view that there is reasonable assurance in the internal controls of the Group to achieve the objectives set out below:

(a) effectiveness and efficiency of operations;

(b) reliability of financial reporting; and

(c) compliance with applicable laws and regulations.

With regards to the Company's internal control system, the Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human errors, losses, fraud or other irregularities.

The Board, together with the ARMC and management, will continue to enhance and improve the existing internal control framework to identify and mitigate these risks.

9. **Independent auditor**

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

David Chew Khien Meow Director	Leong Sook Ching Director

30 June 2015

Statement by Directors

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 51 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 March 2015 and of the results, changes in equity and cash flows of the Group for the financial year then ended in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards; and

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

On behalf of the directors

David Chew Khien Meow Director	Leong Sook Ching Director

30 June 2015

Independent Auditor's Report

TO THE MEMBERS OF STRATECH SYSTEMS LIMITED
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

Report on the Financial Statements

We have audited the accompanying financial statements of Stratech Systems Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 51 to 95, which comprise the statements of financial position of the Group and the Company as at 31 March 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and Company as at 31 March 2015 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Other matter

The financial statements for the financial year ended 31 March 2014 were audited by another independent auditor whose report dated 4 July 2014 expressed an unmodified opinion on those financial statements.

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 subsidiaries incorporated in Singapore of which we are the auditors, have been properly kept in accordance with the provisions of the Act.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

30 June 2015

Consolidated Statement of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Note	2015 $'000	2014 $'000
Revenue	4	**16,505**	11,130
Costs of goods and services sold		**(6,862)**	(1,863)
Gross profit		**9,643**	9,267
Other operating income	5	**692**	1,220
Selling and distribution expenses		**(1,192)**	(1,056)
Administrative expenses		**(5,732)**	(4,484)
Other operating expenses		**(2,304)**	(2,874)
Finance costs	6	**(375)**	(613)
Profit before income tax	7	**732**	1,460
Income tax expense	9	–	–
Net profit for the year		**732**	1,460
Other comprehensive loss for the year, net of tax			
Item that may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(179)**	(17)
Total comprehensive income for the year		**553**	1,443
Net profit attributable to equity holders of the Company		**732**	1,460
Total comprehensive income attributable to equity holders of the Company		**553**	1,443
Earnings per share attributable to equity holders of the Company (Cents)			
- basic and diluted	10	**0.05**	0.09

The accompanying notes form an integral part of these financial statements.

Statements of Financial Position

AS AT 31 MARCH 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Non-current assets					
Plant and equipment	11	**571**	467	**571**	467
Investments in subsidiaries	12	**–**	–	**876**	876
Intangible assets	13	**3,022**	4,243	**3,022**	4,243
Total non-current assets		**3,593**	4,710	**4,469**	5,586
Current assets					
Inventories	14	**355**	1,219	**355**	1,219
Trade and other receivables	15	**8,098**	7,208	**7,724**	6,287
Fixed deposits	16	**4,092**	4,086	**4,092**	4,086
Cash and bank balances	16	**149**	1,989	**79**	1,808
Total current assets		**12,694**	14,502	**12,250**	13,400
Total assets		**16,287**	19,212	**16,719**	18,986
Non-current liability					
Borrowings	17	**166**	114	**166**	114
Current liabilities					
Borrowings	17	**1,835**	33	**1,835**	33
Trade and other payables	18	**6,026**	10,588	**5,449**	10,271
Provisions	19	**1,691**	2,534	**1,691**	2,534
Total current liabilities		**9,552**	13,155	**8,975**	12,838
Total liabilities		**9,718**	13,269	**9,141**	12,952
Net assets		**6,569**	5,943	**7,578**	6,034
Equity attributable to equity holders of the Company					
Share capital	20	**112,709**	112,709	**112,709**	112,709
Share option reserve	22(a)	**347**	485	**347**	485
Currency translation reserve	22(b)	**65**	244	**–**	–
Accumulated losses		**(106,552)**	(107,495)	**(105,478)**	(107,160)
Total equity		**6,569**	5,943	**7,578**	6,034

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	Share capital $'000	Share option reserve $'000	Currency translation reserve $'000	Accumulated losses $'000	Total equity $'000
Group					
At 1 April 2013	109,184	520	261	(108,850)	1,115
Total comprehensive income for the year	–	–	(17)	1,460	1,443
Issuance of new shares	3,525	–	–	–	3,525
Share issuance expenses	–	–	–	(213)	(213)
Reversal of equity-settled share options	–	(108)	–	108	–
Employees' share option expenses	–	73	–	–	73
At 31 March 2014	112,709	485	244	(107,495)	5,943
Total comprehensive income for the year	–	–	(179)	732	553
Reversal of equity-settled share options	–	(211)	–	211	–
Employees' share option expenses	–	73	–	–	73
At 31 March 2015	**112,709**	**347**	**65**	**(106,552)**	**6,569**

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

	2015 $'000	2014 $'000
Cash flow from operating activities		
Profit before income tax	**732**	1,460
Adjustments:		
Amortisation of intangible assets	**2,074**	2,709
Depreciation of plant and equipment	**212**	150
Equity-settled share option expenses granted to directors and employees	**76**	105
Reversal of equity-settled share option expenses granted to directors and employees	**(3)**	(32)
Reversal of provision for litigation costs	–	(766)
Plant and equipment written off	–	1
Patents and trademarks written off	–	16
Interest income	**(6)**	(28)
Finance costs	**375**	613
Operating cash flow before working capital changes	**3,460**	4,228
Inventories	**864**	(1,130)
Trade and other receivables	**(884)**	(1,290)
Trade and other payables and provisions	**(3,827)**	4,565
Cash (used in)/generated from operations	**(387)**	6,373
Interest paid	**(375)**	(613)
Interest received	**6**	25
Net cash (used in)/generated from operating activities	**(756)**	5,785
Cash flow from investing activities		
Additions to intangible assets	**(853)**	(975)
Purchases of plant and equipment	**(158)**	(2)
Net cash used in investing activities	**(1,011)**	(977)

The accompanying notes form an integral part of these financial statements.

	2015 $'000	2014 $'000
Cash flow from financing activities		
Repayment of obligations under finance leases	**(54)**	(31)
Decrease on amount due to a director-cum-shareholder	**(251)**	(90)
Repayment of loan from financial institution	–	(10,570)
Fixed deposit pledged as security for banking facilities	**(6)**	7,650
Proceeds from issuance shares	–	1,175
Proceeds from short-term loans	**1,250**	–
Repayment of short-term loans	**(1,005)**	–
Share issue expenses	–	(213)
Redemption of convertible bonds	–	(759)
Net cash used in financing activities	**(66)**	(2,838)
Net (decrease)/increase in cash and cash equivalents	**(1,833)**	1,970
Cash and cash equivalents at beginning of the year	**1,989**	37
Effect of exchange rate changes on cash and cash equivalents	**(7)**	(18)
Cash and cash equivalents at end of the year (Note 16)	**149**	1,989

Non-cash transaction

During the financial year, the Group acquired plant and equipment with an aggregate cost of $316,000 (2014: $2,000) of which $158,000 (2014: Nil) was financed by means of finance lease. Cash payment of $158,000 (2014: $2,000) was made to purchase those plant and equipment.

The accompanying notes form an integral part of these financial statements.

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. **General information**

The Company (Registration No. 199608251Z) is incorporated and domiciled in Singapore with its principal place of business and registered office at 31 International Business Park, #02-02 Creative Resource, Singapore 609921. The Company is listed on the mainboard of the Singapore Exchange Limited.

The principal activities of the Company are design, development, integration, implementation, maintenance and project management of information technology and advanced technology systems. The Company (together with its subsidiaries, the "Group") delivers large-scale complex, real-time, mission critical systems in areas of intelligent Vision, intelligent Transport Systems and e-Systems for governments and businesses, serving industries such as aerospace and defence, financial services, government, healthcare, homeland security and transportation (air, sea and land).

The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

In connection with the Restructuring Exercise which was completed on 6 April 2015 as announced, the Company was delisted and became an indirect wholly-owned subsidiary of The Stratech Group Limited. The Stratech Group Limited was relisted on the Mainboard of the Singapore Exchange Limited effective on 6 April 2015.

2. **Summary of significant accounting policies**

(a) **Basis of preparation**

The consolidated financial statements of the Group and the statement of financial position of the Company, are presented in Singapore dollar (“$”) (rounded to the nearest thousand except when otherwise stated), which is the Company’s functional currency. The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“FRS”) and under the historical cost convention except as disclosed in the accounting policies below.

The preparation of the consolidated financial statements in conformity with FRS requires the use of estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The areas involving a higher degree of judgment in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3 to the financial statements.

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

(a) **Basis of preparation (cont'd)**

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

In the current financial year, the Group has adopted all the new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new/revised FRS and INT FRS did not have any material effect on financial results or position of the Group and the Company except as disclosed below:

FRS 110 Consolidated Financial Statements

As a result of FRS 110 Consolidated Financial Statements, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. This change has been made to the Group's accounting policy. However, the change had no significant impact on the financial statements of the Group and the Company.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 March 2015 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group and the statement of financial position of the Company except as disclosed below:

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 'Revenue', FRS 11 'Construction contracts' and other revenue related interpretations. It applies to all contracts with customers, except for leases, financial instruments and insurance contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2017. The Group will reassess its contracts with customers in accordance with FRS 115.

FRS 109 Financial Instruments

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

(b) **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at the end of the report period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

(b) **Basis of consolidation (cont'd)**

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for inaccordance with the accounting policy for goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

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 (ie transactions with owners in their capacity as owners) and therefore, no gain or loss is recognised in profit or loss.

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill, non-controlling interest and other components of equity related to the subsidiary are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific FRS.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

(c) **Subsidiaries**

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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

(d) **Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services, net of goods and service tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised to the extent that it is probable that the economic benefits associated with the transactions will flow to the entity, and the amount of revenue and related costs can be reliably measured.

Sale of goods

Revenue from sale of goods is recognised when goods are delivered and tittle has been passed to the customer.

Revenue from projects

Revenue from projects is recognised in the financial statements by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured by the percentage of actual manpower cost to the estimated total manpower cost required for the project; and in respect of third party component, revenue is recognised equivalent to the cost without any mark up when goods related to the projects are delivered, installed, or used in the project.

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as revenue to the extent of costs incurred.

Rendering of services

Revenue from maintenance services is recognised when services are rendered.

Interest income

Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

(e) **Government grants**

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

(f) **Plant and equipment**

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing an asset to its working condition and location for intended use less any trade discounts and rebates.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the assets when it is probable that future economic benefits will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised in profit or loss, during the financial year when it is incurred.

On disposal of plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

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

(f) **Plant and equipment (cont'd)**

Depreciation is calculated on a straight line basis to write off the cost of the plant and equipment over their estimated useful lives. The estimated useful lives are as follows:

	No. of years
Office equipment	5
Renovation	Lease term of office premises up to 3
Computers	5
Furniture and fittings	5
Motor vehicles	10

Depreciation of asset commences only when the asset is ready for its intended use.

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at the end of the reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

(g) **Intangible assets**

Development expenditure

Expenditure on software and/or product development activities is recognised as an expense in the period in which it is incurred. It is recognised in the statements of financial position only if all of the following conditions are met:

- It is technically feasible for the Group to complete the intangible asset so that it will be available for use or sale;

- Group intends to complete the intangible asset and use or sell it;

- Group has the ability to use or sell the intangible asset;

- The intangible asset will generate probable future economic benefits for the Group;

- The Group has adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- Group has the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Software and/or product development expenditure are amortised on a straight-line basis over their estimated useful lives of 3 to 5 years.

Patents and trademarks

Patents and trademarks acquired are initially recognised at cost and subsequently carried at cost less accumulated amortisation and accumulated impairment loss, if any. These costs are amortised to profit or loss using the straight-line basis over an estimated useful life of 1 to 5 years, which is the shorter of their estimated useful lives and periods of contractual rights.

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

(h) **Impairment of non-financial assets excluding goodwill**

Intangible assets, plant and equipment and investments in subsidiaries

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount (ie. the higher of fair value less costs to sell and value in use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash generating unit ("CGU") to which the asset belongs. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is recognised in other comprehensive income up to the amount of any previous revaluation.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A previously recognised impairment loss for an asset is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(i) **Financial assets**

Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables (excluding prepayments)", "fixed deposits" and "cash and bank balances" on the statements of financial position.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

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

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

Recognition and derecognition (cont'd)

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is also transferred to profit or loss.

Initial measurement

Loans and receivables are initially recognised at fair value plus transaction costs.

Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method, less impairment.

Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account, and the amount of the loss is recognised in profit or loss. The allowance amount is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

If in subsequent periods, the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversed date.

(j) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. Cost comprises direct materials and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses.

(k) **Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value and net of bank overdrafts. Bank overdrafts are presented as current borrowings on the statements of financial position.

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

(l) **Trade and other payables**

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

(m) **Loans and borrowings**

Loans and borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case they are presented as non-current liabilities.

Loans and borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(n) **Borrowing costs**

Borrowing costs are recognised in profit or loss using the effective interest method.

(o) **Provisions for other liabilities**

Provisions are recognised when the Group has a present legal obligation or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

(p) **Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against retained profits/accumulated losses.

(q) **Leases**

Finance leases

Leases of plant and equipment where the Group assumes substantially all the risks and rewards incidental to ownership at end of the reporting period are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of fair value of the leased asset or the present value of the minimum lease payments. Each lease payment is allocated between reduction of the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities. The interest element of the finance cost is taken to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The asset acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

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

(q) **Leases (cont'd)**

Operating leases

Leases where a significant portion of the risks and rewards incidental to ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to profit or loss on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period expires, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(r) **Employee benefits**

Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

Share-based compensation

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options granted on the date of the grant. This cost is recognised in profit or loss, with a corresponding increase in the share option reserve, over the vesting period. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At the end of the reporting period, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued. Upon expiry of the options, the balance in the share option reserve is transferred to retained earnings.

(s) **Income taxes**

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity.

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years.

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

(s) **Income taxes (cont'd)**

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

A deferred income tax liability is recognised on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred income tax is measured:

(i) at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period; and

(ii) based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period to recover or settle the carrying amounts of its assets and liabilities.

Deferred income tax is recognised in profit or loss except to the extent that it relates to items which is recognised, directly in equity.

(t) **Foreign currencies**

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the "functional currency"). The financial statements of the Group and the Company are presented in Singapore dollars, which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings for foreign operations, which are included in the currency transaction reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

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

(t) **Foreign currencies (cont'd)**

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments, are taken to foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

(u) **Segment reporting**

A business segment is a distinguishable component of the Group engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of the Group engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

For management purposes, the Group is organised into operating segments based on their products and services. Additional disclosures on each of these segments are shown in Note 27, including factors used to identify the reportable segments and the measurement basis of segment information.

3. **Critical accounting judgments and key source of estimation uncertainty**

Estimates and assumptions concerning the future are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are amended on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

3. **Critical accounting judgments and key source of estimation uncertainty (cont'd)**

3.1 Critical judgments in applying the accounting policies

3.1.1 Revenue recognition

Revenue from projects is recognised in the financial statements by reference to the stage of completion of the contract activity at the end of the reporting period, which is measured by the percentage of actual manpower cost to the estimated total manpower cost required for the project (Note 2(d)).

Where the outcome of a contract cannot be reliably estimated, contract costs are recognised as revenue to the extent of costs incurred.

Management has exercised its best judgment based on its industry experience and expertise in arriving at the revenue recognised as measured above. The contract revenue recognised during the current financial year is $14.41 million (2014: $8.21 million) as disclosed in Note 4.

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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

3.2.1 Capitalisation of development expenditure, patents and trademarks

As described in Note 2(g), it is the Group's policy to capitalise development expenditure, patents and trademarks related to its advanced technology systems. Management is satisfied that it is probable that the expenditure so capitalised will generate future economic benefits and meets the definition, and recognition and measurement criteria of intangible assets as stated in FRS 38 *Intangible Assets*.

The carrying amounts of development expenditure and patents and trademarks at the end of the reporting period are $2.96 million (2014: $4.12 million) and $0.06 million (2014: $0.12 million), respectively as disclosed in Note 13.

3.2.2 Impairment and useful lives of tangible and intangible assets

Management considered the recoverability of the Group's tangible and intangible assets at the end of the reporting period. Changes in the expected level of usage, technological development, level of competition, and economic climate could impact the economic useful lives and the recoverable amounts of these assets and, therefore, future depreciation and amortisation charges could be revised or impairment charges could be recorded.

There was no impairment of tangible and intangible assets during the financial year.

3.2.3 Allowances for receivables

The policy for allowances for bad and doubtful receivables of the Group is based on management's evaluation of collectability and aging analyses of accounts. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current credit-worthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

3. **Critical accounting judgments and key source of estimation uncertainty (cont'd)**

3.2 Key sources of estimation uncertainty (cont'd)

3.2.4 Provision for foreseeable loss (Note 19)

The provision for foreseeable project loss of $1.28 million (2014: $1.28 million) made in a previous financial year was in respect of provision for liquidation damages of a project which was derived based on management's best estimates taking into consideration commercial practices and the probable quantum of future cash outlay to settle the liabilities. The management is of the view that the provision of $1.28 million (2014: $1.28 million) is adequate as at the end of the reporting period.

4. **Revenue**

	Group	
	2015	2014
	$'000	$'000
Sale of goods	**508**	741
Rendering of services	**1,590**	2,177
Project revenue	**14,407**	8,212
	16,505	11,130

5. **Other operating income**

	Group	
	2015	2014
	$'000	$'000
Exchange gain, net	**239**	49
Government grant	**209**	363
Interest income from bank fixed deposits	**6**	28
Write back of trade and other payables	**178**	–
Write back of provision for litigation costs	**–**	766
Others	**60**	14
	692	1,220

In 2014, included in the government grant was an amount of $0.30 million received in respect to certain one-off professional fees incurred in prior period on potential acquisition which was subsequently aborted.

6. **Finance costs**

	Group	
	2015	2014
	$'000	$'000
Interest on borrowings	**153**	311
Interest on obligations under finance lease (Note 17)	**11**	11
Other interest charges	**211**	291
	375	613

7. **Profit before income tax**

Profit before income tax is arrived at after charging / (crediting) the followings:

	Group	
	2015	2014
	$'000	$'000
Amortisation of intangible assets	**2,074**	2,709
Audit fees payable/paid to auditors of the Company	**140**	140
Depreciation of plant and equipment	**212**	150
Plant and equipment written-off	**–**	1
Patents and trademarks written off	**–**	14
Provision for litigation costs (Note 19)	**78**	–
Reversal of provision for litigation costs (Note 19)	**–**	(766)
Salaries and related costs (Note 8)	**5,430**	4,469
Rental of office premises	**610**	364

There is no fee for non-audit services payable/paid to auditors of the Company.

8. **Salaries and related costs**

	Group	
	2015	2014
	$'000	$'000
Directors' fees	**301**	281
Salaries and bonuses	**4,286**	3,269
Employer's contribution to defined contribution plans	**401**	401
Equity-settled share option expenses granted to directors and employees	**76**	105
Other related expenses	**366**	413
	5,430	4,469

9. **Income tax expense**

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore statutory rate of income tax to profit before income tax due to the following factors:

	Group	
	2015	2014
	$'000	$'000
Profit before income tax	**732**	1,460
Tax calculated at tax rate of 17% (2014: 17%)	**124**	248
Effects of different tax rates in other countries	**12**	5
Expenses not deductible for tax purposes	**491**	205
Utilisation of previously unrecognised tax losses	**(627)**	(458)
	–	–

9. **Income tax expense (cont'd)**

As of the end of the reporting period, the Group has unutilised tax losses and unabsorbed capital allowances of approximately $69.02 million (2014: $76.20 million) and $0.18 million (2014: $0.22 million) respectively available for offset against future taxable profits subject to compliance with certain provisions of the Singapore Income Tax Act and agreement with the Inland Revenue Authority of Singapore.

No deferred tax asset has been recognised in respect of the above unutilised tax losses and unabsorbed capital allowance due to unpredictability of future profit streams.

10. **Earnings per share**

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following:

	Group	
	2015	2014
	$	$
Profit before income tax ($'000)	**732**	1,460
Weighted average number of ordinary shares ('000)	**1,567,000**	1,565,000
Earnings per share - basic and diluted (Cents)	**0.05**	0.09

Basic and diluted earnings per share amounts are calculated by dividing profit for the financial year attributable to equity holders of the Company by the number of ordinary shares in issue during the financial year.

Diluted earnings per share is same as basic earnings per share as the employee share options do not have dilutive effect.

11. **Plant and equipment**

	Office equipment $'000	Renovation $'000	Computers $'000	Furniture and fittings $'000	Motor vehicles $'000	Total $'000
Group and Company						
At cost						
At 1 April 2013	186	502	1,294	204	391	2,577
Addition	–	–	1	1	–	2
Written off	(17)	–	(271)	(44)	–	(332)
At 31 March 2014	169	502	1,024	161	391	2,247
Addition	23	34	250	9	–	316
Written off	(34)	–	(134)	(14)	–	(182)
At 31 March 2015	**158**	**536**	**1,140**	**156**	**391**	**2,381**
Accumulated depreciation:						
At 1 April 2013	183	113	1,276	204	185	1,961
Depreciation charge	1	100	10	– #	39	150
Written off	(16)	–	(271)	(44)	–	(331)
At 31 March 2014	168	213	1,015	160	224	1,780
Depreciation charge	5	136	30	2	39	212
Written off	(34)	–	(134)	(14)	–	(182)
At 31 March 2015	**139**	**349**	**911**	**148**	**263**	**1,810**
Net carrying amount:						
At 31 March 2014	1	289	9	1	167	467
At 31 March 2015	**19**	**187**	**229**	**8**	**128**	**571**

At 31 March 2015, the net carrying amount of plant and equipment of the Group and Company held under a finance lease amounted to $0.27 million (2014: $0.17 million).

# Denotes less than $1,000

12. **Investments in subsidiaries**

	Company	
	2015	2014
	$'000	$'000
Unquoted equity shares, at cost	**8,558**	8,558
Impairment on investment	**(7,682)**	(7,682)
At end of the year	**876**	876

Details of the Company's subsidiaries as at 31 March 2015 were as follows:

Name of subsidiary	Country of incorporation and operations	Proportion (%) of ownership interest and voting power held		Principal activities
		2015	2014	
Stratech Aerospace Pte Ltd*	Singapore	**100**	100	Design and development of Aerospace information technology system services
Stratech Aerospace Inc.^	United States of America	**100**	100	Dormant
Safe-Ex Global Pte Ltd^	Singapore	**100**	100	Under members' voluntary liquidation
Stratech Systems Inc. #	United States of America	**100**	100	Design and development of Aerospace information technology system services
Stratech Systems (Shanghai) Co., Ltd ^	People's Republic of China	**100**	100	Dormant
Strategic Technologies Pte Ltd *	Singapore	**100**	100	Dormant
Stratech iVision Pte Ltd *	Singapore	**100**	100	Dormant

* Audited by Baker Tilly TFW LLP.
\# Audited by Baker Tilly TFW LLP for the purpose of consolidation of the Group.
^ Not required to be audited.

The subsidiaries, except for Stratech Systems Inc., were dormant or inactive during the year.

13. **Intangible assets**

	Development expenditure $'000	Patents and trademarks $'000	Total $'000
Group and Company			
At cost			
At 1 April 2013	16,719	1,162	17,881
Addition	861	114	975
Written off	–	(479)	(479)
At 31 March 2014	17,580	797	18,377
Addition	783	70	853
Written off	–	(98)	(98)
At 31 March 2015	**18,363**	**769**	**19,132**
Accumulated amortisation			
At 1 April 2013	11,084	804	11,888
Amortisation	2,372	337	2,709
Written off	–	(463)	(463)
At 31 March 2014	13,456	678	14,134
Amortisation	1,945	129	2,074
Written off	–	(98)	(98)
At 31 March 2015	**15,401**	**709**	**16,110**
Net carrying amount:			
At 31 March 2014	4,124	119	4,243
At 31 March 2015	**2,962**	**60**	**3,022**

The intangible assets included above have finite useful lives, over which the assets are amortised. Development expenditure and patents and trademarks incurred on the Company's advanced technology systems are amortised over their estimated useful lives of 3 to 5 years and 1 to 5 years respectively.

The amortisation expense included in other operating expenses in profit or loss amounted to $2.07 million (2014: $2.71 million).

14. **Inventories**

	Group and Company	
	2015 $'000	2014 $'000
Inventories	**355**	566
Goods-in-transit	**–**	653
	355	1,219

The cost of inventories recognised as an expense and included in cost of goods and services sold amounted to $4.51 million (2014: $0.50 million).

15. **Trade and other receivables**

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Trade receivables	15(a)	**2,995**	3,365	**2,177**	2,626
Less: Allowance for impairment		**(1,120)**	(1,004)	**(1,120)**	(1,004)
Net trade receivables		**1,875**	2,361	**1,057**	1,622
Accrued revenue		**4,422**	2,605	**4,422**	2,605
Less: Allowance for impairment		**(343)**	(343)	**(343)**	(343)
Net accrued revenue		**4,079**	2,262	**4,079**	2,262
Other receivables	15(b)	**1,069**	1,486	**1,067**	1,484
Less: Allowance for impairment		**(556)**	(509)	**(556)**	(509)
Net other receivables		**513**	977	**511**	975
Amounts due from subsidiaries	15(c)	**–**	–	**2,012**	1,385
Prepayments		**67**	44	**65**	43
Receivable in respect of a personal guarantee from director-cum-shareholder	15(d)	**1,564**	1,564	**–**	–
Current trade and other receivables		**8,098**	7,208	**7,724**	6,287

Movement in allowance for impairment of trade and other receivables are as follows:

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Trade receivables				
At beginning of the year	**1,004**	1,004	**1,004**	1,004
Allowance made	**7**	–	**7**	–
Currency translation difference	**109**	–	**109**	–
At end of the year	**1,120**	1,004	**1,120**	1,004
Other receivables				
At beginning of the year	**509**	509	**509**	509
Currency translation difference	**47**	–	**47**	–
At end of the year	**556**	509	**556**	509

15. **Trade and other receivables (cont'd)**

(a) Trade receivables

Included in trade receivables of the Group is an amount of US$0.59 million equivalent to $0.82 million (2014: $0.73 million) due from an external party trade debtor, the recovery of which was and still is guaranteed by David Chew Khien Meow, a director-cum-shareholder of the Company. The Group's subsidiary commenced legal proceedings in Singapore against the said debtor and judgment was awarded by the High Court of the Republic of Singapore in favour of the Group on 9 December 2002. The amount awarded then was approximately US$1.57 million equivalent to $2.18 million (2014: $1.94 million), excluding interest. The Group has registered the judgment in several jurisdictions. The management is continuing to make efforts to enforce the judgment by tracing the debtor's assets worldwide.

(b) Other receivables

Other receivables include cash collateral of $0.30 million (2014: $0.27 million) as performance bonds and bankers' guarantee for certain revenue projects.

(c) The amounts due from subsidiaries were unsecured, interest-free and repayable on demand.

(d) $1.56 million (2014: $1.56 million) relates to a receivable in respect of a personal guarantee that David Chew Khien Meow, a director-cum-shareholder of the Company, has given to the Group to make good any part of a debt owing by others to the Group (Note 15(a)). The receivable in respect of a personal guarantee from a director-cum-shareholder is unsecured, interest-free and repayable on demand.

16. **Cash and cash equivalents**

	Group		**Company**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Short-term bank fixed deposits	**4,092**	4,086	**4,092**	4,086
Cash and bank balances	**149**	1,989	**79**	1,808
	4,241	6,075	**4,171**	5,894

The Company has short-term bank fixed deposits of $4.09 million (2014: $4.09 million) at the end of the reporting period that are pledged in relation to the security granted for certain bank facilities (Note 17). These deposits are readily available to reduce those bank borrowings.

The short-term bank fixed deposits of $4.09 million (2014: $4.09 million) at the end of the reporting period had a maturity period up to 12 months (2014: 9 to 12 months) from the end of the reporting period. The weighted average effective interest rates of the short-term bank fixed deposits at the end of the reporting period ranged from 0.15% to 0.47% per annum (2014: 0.15% to 0.32% per annum).

For the purpose of presenting the consolidated statement cash flows, the cash and cash equivalents comprised the following:

	Group	
	2015	2014
	$'000	$'000
Short-term bank fixed deposits and cash and bank balances (as above)	**4,241**	6,075
Less: Fixed deposits pledged for banking facilities (Note 17(b))	**(4,092)**	(4,086)
Cash and cash equivalents in consolidated statement of cash flows	**149**	1,989

17. **Borrowings**

	Group and Company	
	2015	2014
	$'000	$'000
Non-current		
Finance lease liabilities (a)	**166**	114
Current		
Bank overdraft (b)	**1,749**	–
Finance lease liabilities (a)	**86**	33
	1,835	33

(a) Finance lease liabilities

	Group and Company			
	2015		2014	
	Minimum lease payments $'000	**Present value $'000**	Minimum lease payments $'000	Present value $'000
Not later than one financial year	**97**	**86**	41	33
Later than one financial year but not later than five financial years	**174**	**166**	124	114
Total minimum lease payments	**271**		165	
Less: Future finance charges	**(19)**	**–**	(18)	–
Present value of finance lease liabilities	**252**	**252**	147	147
Representing finance lease liabilities:				
Current	**86**		33	
Non-current	**166**		114	
	252		147	

The net carrying amount of plant and equipment acquired under finance lease agreements are disclosed in Note 11.

17. **Borrowings (cont'd)**

(a) Finance lease liabilities (cont'd)

The average effective rates for the finance lease liabilities of the Group and the Company ranged from 2.02% to 5.69% (2014: 5.84%) per annum. The leases were on a fixed repayment basis and no arrangement was entered into for any contingent payment. The lease obligations were denominated in Singapore Dollars and the fair value of the Group's and the Company's lease obligations approximately the net carrying amount at the end of the reporting period.

(b) Bank overdraft

The bank overdraft was secured by the Company's short-term bank fixed deposits (Note 16).

18. **Trade and other payables**

	Group		**Company**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Trade payables	**729**	1,797	**729**	1,797
Accruals	**2,054**	2,246	**1,665**	1,956
Deferred income	**348**	4,154	**348**	4,148
Amount due to director-cum-shareholder (a)	**1,519**	1,771	**1,503**	1,756
Other payables (b)	**1,376**	620	**1,204**	614
	6,026	10,588	**5,449**	10,271

(a) The loan due to a director-cum-shareholder is unsecured, interest-free and repayable on demand.

(b) Included in other payables is a loan of $0.50 million (2014: $0.25 million) from a third party which is unsecured, bears interest of 18% (2014: 18%) per annum and has been fully repaid subsequent to the financial year ended 31 March 2015. The 18% interest charged is due to the relatively short-term and unsecured nature of the loan.

19. **Provisions**

	Group		**Company**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Litigation	**416**	1,259	**416**	1,259
Foreseeable project loss (Note 3.2.4)	**1,275**	1,275	**1,275**	1,275
	1,691	2,534	**1,691**	2,534

19. **Provisions (cont'd)**

	Group and Company	
	2015	2014
	$'000	$'000
Movement in provision for litigation is as follows:		
At beginning of the year	**1,259**	2,062
Reversal during the year (Note 5)	**–**	(766)
Settlement during the year	**(1,038)**	(37)
Provision made during the year	**78**	–
Currency translation difference	**117**	–
At end of the year	**416**	1,259

Litigation

The provision for litigation made in prior financial years was in respect of a legal suit in Hong Kong and was derived based on the SGD equivalent for damages (denominated in HKD8.72 million) plus interest and estimated legal costs awarded by the High Court of Hong Kong SAR.

In the current financial year, the legal and interest costs have been concluded and progressive payments have been made. The provision at end of the reporting period of $0.42 million represents the unpaid balance of the concluded legal and interest costs.

20. **Share capital**

	Group and Company			
	2015		2014	
	No. of shares	**$'000**	No. of shares	$'000
Issued and fully paid:				
At beginning of the year	**1,567,183,371**	**112,709**	1,417,183,371	109,184
Placement shares	**–**	**–**	150,000,000	3,525
At end of the year	**1,567,183,371**	**112,709**	1,567,183,371	112,709

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

All newly issued shares rank pari passu in all respects with the previously issued shares.

21. Share-based payments

Equity-settled share option scheme

The Company has an employee stock option scheme ("ESOS") to reward contributions made by employees and directors to the success and development of the Group and to motivate employees and directors to optimise their performance standards, dedication and efficiency. The Scheme is also a strong incentive to attract and recruit new employees with abilities and expertise which are crucial to the long-term growth and profitability of the Group. The ESOS Scheme is administered by the Remuneration Committee, which determines the terms and conditions of the grant of options and vesting periods (which may be over and above the minimum vesting periods prescribed by the Listing Manual of the SGX-ST). The number of shares which may be offered to an employee or eligible director of the Company is determined by taking into account criteria such as rank, performance, years of service and the potential for future development of the particular employee or director. Options are exercisable at a price based on (a) the market price or (b) a price which is set at a discount to the market price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the market price of the shares of the Company listed on the Singapore Exchange Limited.

Options granted at an Exercise Price which is at a discount to the market price may only be exercised after two (2) years from the grant date. Options which are granted at market price may be exercised after one (1) year from the grant date. The option is exercisable commencing after the first or second anniversary of the grant date of the option (as may be prescribed under the Scheme) and expiring on the tenth anniversary of the grant date of the option. The vesting period is one, two, three and/or four years. If the options remain unexercised after ten (10) years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group.

ESOS 2000 Scheme

In the prior financial years, the Company had a share option scheme for all employees of the Company (the "Employee Stock Option Scheme 2000" or the "ESOS 2000"). The ESOS 2000 had expired on 31 March 2010 and was terminated and replaced by the Employee Share Option Scheme 2011 (ESOS 2011) pursuant to the shareholders' approval obtained at the Company's extraordinary general meeting held on 29 July 2011. Nevertheless, options which were granted under ESOS 2000 Scheme remain valid until they are exercised, forfeited or expired.

ESOS 2011 Scheme

At the Company's extraordinary general meeting held on 29 July 2011, the Company obtained a shareholders' mandate for the ESOS 2011 Scheme for granting of non-transferrable options to eligible employees and directors, including certain executive directors who are also controlling shareholders of the Company. Options are granted for terms of up to 10 years to purchase the Company's ordinary shares ("shares") at the prevailing market price or at a discount of up to but not exceeding 20% of the prevailing market price of the Company's share on the relevant date of the grant of the options. The options, upon payment of its exercise price, are exercisable in numbers or percentages according to each grant made, beginning on the first or second anniversary and subsequent relevant anniversaries of the date of each grant or other option periods as granted by the Company. Options granted with a discount under the ESOS 2011 Scheme are subject to a longer vesting period (two (2) years) than those granted at the Market Price (one (1) year).

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21. **Share-based payments (cont'd)**

Equity-settled share option scheme (cont'd)

ESOS 2000 (cont'd)

Details of the ESOS 2000 movements in the number of unissued ordinary shares under option and their exercise price are as follows:

	At beginning of the year	Expired during the year	Forfeited during the year	At end of the year	Exercisable at end of the year	Exercise price $	Exercise period
Group and Company							
2015							
20 May 2004 Options	960,000	(960,000)	–	–	–	–	
03 January 2005 Options	1,288,000	(1,288,000)	–	–	–	–	
23 January 2006 Options	695,000	–	–	695,000	695,000	0.076	First 50%: 23.01.2007 – 22.01.2016 Next 30%: 23.01.2008 – 22.01.2016 Last 20%: 23.01.2009 – 22.01.2016
	2,943,000	**(2,248,000)**	–	**695,000**	**695,000**		

21. **Share-based payments (cont'd)**

Equity-settled share option scheme (cont'd)

ESOS 2000 (cont'd)

Details of the ESOS 2000 movements in the number of unissued ordinary shares under option and their exercise price are as follows:

	At beginning of the year	Expired during the year	Forfeited during the year	At end of the year	Exercisable at end of the year	Exercise price $	Exercise period
Group and Company							
2014							
09 July 2003 Options	436,000	(436,000)	–	–	–	–	
20 May 2004 Options	960,000	–	–	960,000	960,000	0.143	First 50%: 20.05.2005 – 19.05.2014 Next 30%: 20.05.2006 – 19.05.2014 Last 20%: 20.05.2007 – 19.05.2014
03 January 2005 Options	1,288,000	–	–	1,288,000	1,288,000	0.060	First 50%: 03.01.2006 – 02.01.2015 Next 30%: 03.01.2007 – 02.01.2015 Last 20%: 03.01.2008 – 02.01.2015
23 January 2006 Options	695,000	–	–	695,000	695,000	0.076	First 50%: 23.01.2007 – 22.01.2016 Next 30%: 23.01.2008 – 22.01.2016 Last 20%: 23.01.2009 – 22.01.2016
	3,379,000	(436,000)	–	2,943,000	2,943,000		

21. **Share-based payments (cont'd)**

Equity-settled share option scheme (cont'd)

ESOS 2011

Details of the ESOS 2011 movements in the number of unissued ordinary shares under option and their exercise price are as follows:

	At beginning of the year	Granted during the year	Forfeited during the year	At end of the year	Exercisable at end of the year	Exercise price $	Exercise period
Group and Company							
2015							
02 September 2011 Options	13,118,330	–	–	13,118,330	13,118,330	0.0187	First 50%: 02.09.2012 – 01.09.2021 Next 30%: 02.09.2013 – 01.09.2021 Last 20%: 02.09.2014 – 01.09.2021
11 November 2011 Options	500,000	–	–	500,000	375,000	0.0166	First 25%: 11.11.2012 – 10.11.2021 Next 25%: 11.11.2013 – 10.11.2021 Next 25%: 11.11.2014 – 10.11.2021 Last 25%: 11.11.2015 – 10.11.2021
31 January 2013 Options	6,000,000	–	(6,000,000)	–	–	–	
26 February 2013 Options	4,000,000	–	–	4,000,000	2,000,000	0.0290	First 25%: 26.02.2014 – 25.02.2023 Next 25%: 26.02.2015 – 25.02.2023 Next 25%: 26.02.2016 – 25.02.2023 Last 25%: 26.02.2017 – 25.02.2023
Balance carried forward	23,618,330	–	(6,000,000)	17,618,330	15,493,330		

21. **Share-based payments (cont'd)**

Equity-settled share option scheme (cont'd)

ESOS 2011 (cont'd)

	At beginning of the year	Granted during the year	Forfeited during the year	At end of year	Exercisable at end of the year	Exercise price $	Exercise period
Group and Company							
2015							
Balance brought forward	23,618,330	–	(6,000,000)	17,618,330	15,493,330		
22 April 2014 Options	–	500,000	–	500,000	–	0.017	First 50%: 22.04.2015 – 21.04.2024 Next 30%: 22.04.2016 – 21.04.2024 Last 20%: 22.04.2017 – 21.04.2024
25 April 2014 Options	–	4,000,000	–	4,000,000	–	0.017	First 25%: 25.04.2015 – 24.04.2024 Next 25%: 25.04.2016 – 24.04.2024 Next 25%: 25.04.2017 – 24.04.2024 Last 25%: 25.04.2018 – 24.04.2024
06 August 2014 Options	–	4,000,000	–	4,000,000	–	0.0176	First 25%: 06.08.2015 – 05.08.2024 Next 25%: 06.08.2016 – 05.08.2024 Next 25%: 06.08.2017 – 05.08.2024 Last 25%: 06.08.2018 – 05.08.2024
03 October 2014 Options	–	4,000,000		4,000,000	–	0.017	First 25%: 03.10.2015 – 02.10.2024 Next 25%: 03.10.2016 – 02.10.2024 Next 25%: 03.10.2017 – 02.10.2024 Last 25%: 03.10.2018 – 02.10.2024
	23,618,330	**12,500,000**	**(6,000,000)**	**30,118,330**	**15,493,330**		

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FOR THE FINANCIAL YEAR ENDED 31 MARCH 2015

21. **Share-based payments (cont'd)**

Equity-settled share option scheme (cont'd)

ESOS 2011 (cont'd)

Details of the ESOS 2011 movements in the number of unissued ordinary shares under option and their exercise price are as follows:

	At beginning of the year	Granted during the year	Forfeited during the year	At end of the year	Exercisable at end of the year	Exercise price $	Exercise period
Group and Company							
2014							
02 September 2011 Options	13,118,330	–	–	13,118,330	10,494,664	0.0187	First 50%: 02.09.2012 – 01.09.2021 Next 30%: 02.09.2013 – 01.09.2021 Last 20%: 02.09.2014 – 01.09.2021
02 September 2011 Options	12,500,000	–	(12,500,000)	–	–	–	–
11 November 2011 Options	500,000	–	–	500,000	250,000	0.0166	First 25%: 11.11.2012 – 10.11.2021 Next 25%: 11.11.2013 – 10.11.2021 Next 25%: 11.11.2014 – 10.11.2021 Last 25%: 11.11.2015 – 10.11.2021
31 January 2013 Options	6,000,000	–	–	6,000,000	1,500,000	0.0200	First 25%: 31.01.2014 – 30.01.2023 Next 25%: 31.01.2015 – 30.01.2023 Next 25%: 31.01.2016 – 30.01.2023 Last 25%: 31.01.2017 – 30.01.2023
26 February 2013 Options	4,000,000	–	–	4,000,000	1,000,000	0.0290	First 25%: 26.02.2014 – 25.02.2023 Next 25%: 26.02.2015 – 25.02.2023 Next 25%: 26.02.2016 – 25.02.2023 Last 25%: 26.02.2017 – 25.02.2023
	36,118,330	–	(12,500,000)	23,618,330	13,244,664		

21. **Share-based payments (cont'd)**

In the previous financial years, the fair values of the Company's share options under ESOS 2011 as at the date of grant were computed using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used are shown below:

Date of grant	**02 September 2011**	**11 November 2011**	**26 February 2011**
Share price	$0.0180	$0.0180	$0.0290
Exercise price	$0.0187	$0.0166	$0.0290
Expected volatility	132%	131%	81%
Expected option life	10 years	10 years	10 years
Expected dividend yield	–	–	–
Risk-free interest rate	2.25%	2.25%	2.52%

During the current financial year, the fair values of the Company's share options under ESOS 2011 as at the date of grant determined by an independent professional valuer were computed using the Binomial Option Pricing model, taking into account the terms and conditions upon which the options were granted.

The inputs to the model used are shown below:

Date of grant	**22 April 2014**	**25 April 2014**	**06 August 2014**	**03 October 2014**
Share price	$0.0170	$0.0170	$0.0170	$0.0160
Exercise price	$0.0170	$0.0170	$0.0176	$0.0170
Expected volatility	128%	128%	128%	127%
Expected option life	10 years	10 years	10 years	10 years
Expected dividend yield	–	–	–	–
Risk-free interest rate	2.46%	2.42%	2.41%	2.39%

The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The expected option life used is based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. No other features of the option were incorporated into the measurement of fair value.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

Equity-settled performance share scheme

The Company established a performance share scheme (the "PSS") on 4 June 2007 to increase the Group's flexibility and effectiveness in its continuing efforts to reward, motivate and retain employees to achieve superior performance, and to further strengthen the Group's competitiveness in attracting and retaining superior local and foreign talent. The performance share given to a particular participant under the PSS will be determined at the discretion of the Remuneration Committee, who will take into account factors such as the participant's length of service, capability, scope of responsibility, skill, and vulnerability to leaving the employment of the Group.

During the current financial year ended 31 March 2015 and the previous financial year ended 31 March 2014, there were no performance shares awarded to employees.

The scheme is administered by the Remuneration Committee.

22. **Other reserves**

(a) Share option reserve

	Group and Company	
	2015	2014
	$'000	$'000
At beginning of the year	**485**	520
Employees' share option expenses	**76**	105
Reversal of equity-settled share options to profit or loss	**(3)**	(32)
Reversal of equity-settled share options within equity	**(211)**	(108)
At end of the year	**347**	485

(b) Currency translation reserve

	Group	
	2015	2014
	$'000	$'000
At beginning of the year	**244**	261
Net currency translation differences of financial statements of foreign subsidiaries	**(179)**	(17)
At end of the year	**65**	244

Currency translation reserve arises from the translation of foreign subsidiaries' financial statements whose functional currencies are different from the presentation currency of the Group.

23. **Operating lease commitments**

The operating lease payments represent rental payable by the Group and Company for their office premises and certain equipment. The office rental lease is not subject to re-pricing and the remaining non-cancellable lease term at end of the reporting period is 34 (2014: 10) months.

Commitments in relation to non-cancellable operating leases contracted for at the end of the reporting period, but not recognised as liabilities, are as follows:

	Group and Company	
	2015	2014
	$'000	$'000
Not later than one financial year	**571**	463
Later than one financial year but not later than five financial years	**1,037**	23
	1,608	486

24. **Related party transactions**

(a) In addition to the information disclosed elsewhere in the financial statements, the following related party transactions took place between the Group and related parties, who are not members of the Group, during the financial year on terms agreed by the parties concerned.

	Group	
	2015	2014
	$'000	$'000
Transactions with a director		
Lim Kim Choon		
Provision of consultancy service to a subsidiary	**99**	99
Director's fee of a subsidiary	**57**	57
Transactions with other related party other than the directors		
Salaries paid to other related party	**68**	68

Other related party consists of an individual who is a close family member of a controlling shareholder of the Company.

(b) Key management personnel compensation

The remuneration of directors and other members of key management during the year are as follows:

	Group	
	2015	2014
	$'000	$'000
Directors' fees	**301**	281
Salaries and bonuses	**1,588**	1,227
Employer's contribution to defined contribution plans	**74**	53
Equity-settled share option expenses granted to directors and employees	**76**	105
Other related expenses	**169**	279
	2,208	1,945

Included in the above are remuneration paid to the directors of the Company totaling $1.24 million (2014: $1.29 million).

25. **Financial instruments**

(a) **Categories of financial instruments**

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Financial assets				
Loans and receivables	**12,272**	12,801	**11,830**	11,700
Financial liabilities				
At amortised costs	**7,089**	6,026	**6,514**	5,715

25. **Financial instruments (cont'd)**

(b) **Financial risk management**

The Group's activities expose it to a variety of financial risks such as market risk (currency risk and interest rate risk) credit risk and liquidity risk. The Group's overall business strategies, tolerance of risk and general risk management philosophy are determined by directors in accordance with prevailing economic and operating conditions.

The main risks arising from the Group's financial instruments during the year were interest rate risk, liquidity risk, currency risk and credit risk. The Board reviewed and agreed policies for managing each of these risks and they are summarised below:

Foreign currency risk

The Group operates in Asia with dominant operations in Singapore. The Company and entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies") such as United States Dollar ("USD") and Euro ("EURO").

Currency risk arises when transactions are denominated in foreign currencies. The Group does not use financial derivatives to hedge foreign currency risk. To manage the currency risk, companies within the Group manage this risk as far as possible by natural hedges of matching assets and liabilities. At the same time, the Group also maintains foreign currency bank accounts for operating purposes.

At the end of the reporting period, the Group and Company have the following financial assets and financial liabilities denominated in foreign currencies based on the information provided to key management:

	USD $'000	EURO $'000
Group		
31 March 2015		
Financial assets		
Cash and bank balances	26	–
Trade and other receivables	819	526
	845	526
Financial liabilities		
Trade and other payables	(89)	–
Net currency exposure	**756**	**526**
31 March 2014		
Financial assets		
Cash and bank balances	1,121	–
Trade and other receivables	1,017	586
	2,138	586
Financial liabilities		
Trade and other payables	(85)	–
Net currency exposure	2,053	586

25. **Financial instruments (cont'd)**

(b) **Financial risk management (cont'd)**

Foreign currency risk (cont'd)

	USD $'000	EURO $'000
Company		
31 March 2015		
Financial assets		
Cash and bank balances	26	–
Trade and other receivables	–	526
	26	526
Financial liabilities		
Trade and other payables	(89)	–
Net currency exposure	**(63)**	**526**
31 March 2014		
Financial assets		
Cash and bank balances	1,121	–
Trade and other receivables	1,016	586
	2,137	586
Financial liabilities		
Trade and other payables	(76)	–
Net currency exposure	2,061	586

Sensitivity analysis

If the USD and EURO vary against the SGD by 5% (2014: 5%) with all other variables including tax rate being held constant, the effect on the profit after income tax will be as follows:

	Increase/(decrease) in profit after income tax			
	Group		**Company**	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
USD against SGD				
- Strengthened	**31**	85	**(3)**	85
- Weakened	**(31)**	(85)	**3**	(85)
EURO against SGD				
- Strengthened	**22**	24	**22**	24
- Weakened	**(22)**	(24)	**(22)**	(24)

25. **Financial instruments (cont'd)**

(b) **Financial risk management (cont'd)**

Interest rate risk

Interest rate risk is the adverse financial effect that changes in interest rates might have on the Group's financial conditions and results. The primary sources of the Group's and the Company's interest rate risk during the year were its borrowings from a bank and other financial institutions and leasing arrangements in Singapore. The Group's and the Company's policy are to obtain the most favourable interest rates available.

The Group and the Company had cash balances placed with a reputable bank at the end of the reporting period. The Group managed its interest rate risk on its interest income by placing the cash balances in applicable maturities and interest rate terms.

The financial assets and liabilities of the Group and the Company at the end of the reporting period were non-interest bearing except for cash and bank balances, borrowings and a loan of \$0.50 million (2014: \$0.25 million) from a third party.

The Group's and the Company's cash and bank balances and borrowings during the year were at variable interest rates for 6 months or less.

The Group's and the Company's borrowings at variable rates, upon which effective hedges have not been entered into, are denominated mainly in SGD. The sensitivity analysis for interest rate risk is not disclosed as the impact on the Group's and the Company's profit after income tax is not significant.

Credit risk

Credit risk is the risk that companies and other parties would be unable to meet their obligations to the Group resulting in financial loss to the Group. The Group manages such risk by dealing with a diversity of credit-worthy counterparties to mitigate any significant concentration of credit risk. Credit policy includes assessing and evaluation of existing and new customers' credit reliability and monitoring of receivable collections. The Group places its cash and cash equivalents with credit-worthy institutions.

The trade receivables of the Group and of the Company include three debtors (2014: three debtors) that individually represented 10% or more of trade receivables.

Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially debtors with good collection track records with the Group.

The carrying amount of trade receivables that are neither past due nor impaired at the end of the reporting period is \$0.15 million (2014: \$0.06 million).

Financial assets that are past due and/or impaired

Save as disclosed below, there was no other class of financial assets that was past due and/or impaired at the end of the reporting period.

25. **Financial instruments (cont'd)**

(b) **Financial risk management (cont'd)**

Credit risk (cont'd)

The aged analysis of trade receivables past due but not impaired was as follows:

	Group		Company	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Past due to < 3 months	**147**	750	**147**	750
Past due 3 to 6 months	**7**	–	**7**	–
Past due over 6 months	**2,691**	2,559	**1,872**	1,820
	2,845	3,309	**2,026**	2,570
Less: Allowance for Impairment	**(1,120)**	(1,004)	**(1,120)**	(1,004)
	1,725	2,305	**906**	1,566

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.

Prudent liquidity management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group maintains sufficient cash balances to provide flexibility in meeting its day to day funding requirements and has managed its tight cash situation via various measures including fund raising, loans and advances from directors, and others.

The Company is continuing to evaluate various strategies to improve the cash flow of the Group, which include fund raising through the involvement of strategic investors and financiers and increased efforts in obtaining new contracts.

Other than the non-current finance lease portion, the Group's trade and other payables and borrowings were payable within 12 months from the end of the reporting period.

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

	2015 $'000				2014 $'000			
	1 year or less $	**1 to 5 years $**	**Over 5 years $**	**Total $**	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Group								
Trade and other payables	**5,088**	**–**	**–**	**5,088**	5,879	–	–	5,879
Borrowings	**1,846**	**174**	**–**	**2,020**	41	124	–	165
	6,934	**174**	**–**	**7,108**	5,920	124	–	6,044
Company								
Trade and other payables	**4,513**	**–**	**–**	**4,513**	5,568	–	–	5,568
Borrowings	**1,846**	**174**	**–**	**2,020**	41	124	–	165
	6,359	**174**	**–**	**6,533**	5,609	124	–	5,733

25. **Financial instruments (cont'd)**

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

The carrying amounts of the financial assets and financial liabilities recorded in the financial statements of the Group and the Company approximate their respective fair values.

The Group and Company have no other financial instruments.

26. **Capital management**

The Group's and the Company's objectives when managing capital are:

- to safeguard the Group's and the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

- to provide an adequate return to shareholders by pricing products and services commensurable with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group and the Company monitor capital based on a gearing ratio.

The gearing ratio is calculated as net debt divided by total capital. Net debt is borrowings plus trade and other payables less fixed deposits and cash and bank balances. Total capital comprises equity plus net debt.

	Group		**Company**	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Net debt	**3,786**	4,660	**3,279**	4,524
Equity	**6,569**	5,943	**7,578**	6,034
Total capital	**10,355**	10,603	**10,857**	10,558
Gearing ratio	**36.6%**	43.9%	**30.2%**	42.8%

The Group and the Company have no externally imposed capital requirements and financial covenants for the financial years ended 31 March 2015 and 31 March 2014.

27. **Segment information**

The management has determined the operating segments based on the reports reviewed by the Executive Chairman and Directors that are used to make strategic decisions.

The Group's operations are organised into two core business activities.

The first is the e-Systems project and services division comprising:

- expertise and activities as a systems and technology developer in developing, hosting and operating IT e-business projects; and

- expertise and activities in developing and providing e-business applications, services and infrastructure.

The second is the Technology-intensive IT division comprising:

- expertise and activities in computer vision systems; and

- expertise and activities in intelligent transport systems.

Some e-Business projects and services incorporate or integrate with computer vision and intelligent transport systems.

The Group's diversified business segments and related information are as follows:

(a) Business segments

Segment revenue and expense:

These are the operating revenue and expense reported in the Group's statement of comprehensive income that are directly attributable to a segment and the relevant portions of such revenue and expense, where applicable, are allocated to that segment on a reasonable and consistent basis.

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than cash and bank balances, fixed deposits, certain other receivables, and plant and equipment which are classified as unallocated assets.

Segment liabilities

The amounts provided to management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than borrowings and certain other payables which are classified as unallocated liabilities.

27. **Segment information (cont'd)**

(a) Business segments (cont'd)

	e-Systems		Technology-intensive IT		Consolidated	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Revenue						
External sales	**832**	1,470	**15,673**	9,660	**16,505**	11,130
Results						
Segment profits	**517**	991	**9,126**	8,276	**9,643**	9,267
Other operating income					**692**	1,220
Selling and distribution expenses					**(1,192)**	(1,056)
Administrative expenses					**(5,732)**	(4,484)
Other operating expenses					**(2,304)**	(2,874)
Finance costs					**(375)**	(613)
Profit before income tax					**732**	1,460
Income tax expense					**–**	–
Net profit for the year					**732**	1,460
Segment assets	**4**	152	**8,744**	9,901	**8,748**	10,053
Unallocated assets					**7,539**	9,159
Total assets					**16,287**	19,212
Segment liabilities	**–**	3	**2,175**	6,701	**2,175**	6,704
Unallocated liabilities					**7,543**	6,565
Total liabilities					**9,718**	13,269
Other information						
Capital expenditure (unallocated)					**316**	2
Intangible assets	**5**	–	**848**	975	**853**	975
Deprecation of plant and equipment	**–**	–#	**–**	–#	**–**	–#
Deprecation of plant and equipment (unallocated)					**212**	150
					212	150
Amortisation of intangible assets	**40**	67	**2,034**	2,642	**2,074**	2,709

denote less than $1,000

27. **Segment information (cont'd)**

(b) Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		Non-current assets	
	2015	2014	**2015**	2014
	$'000	$'000	**$'000**	$'000
Singapore	**1,917**	2,684	**3,593**	4,710
Hong Kong	**4,759**	–	**–**	–
United States of America	**1,082**	5,054	**–**	–
United Arab Emirates	**8,735**	3,392	**–**	–
Others	**12**	–	**–**	–
	16,505	11,130	**3,593**	4,710

Non-current assets information presented above are non-current assets as presented on the statements of financial position.

Information about major customers

Revenue of approximately $13.04 million (2014: $9.76 million) are derived from 2 (2014: 3) major external customers who individually contributed 10 percent or more of the Group's revenue, and are attributable to the contracts segment tabled below:

	Group	
	2015	2014
	$'000	$'000
Customer 1	**8,278**	3,136
Customer 2	**4,759**	–
Customer 3	**–**	5,153
Customer 4	**–**	1,470
	13,037	9,759

28. **Subsequent events**

During the current financial year, Stratech Systems Limited undertook a restructuring exercise, where a newly-incorporated investment holding company, The Stratech Group Pte. Ltd. (which was renamed "The Stratech Group Limited" on its conversion to public company status), would indirectly own 100% of the issued and paid-up share capital of the Company. Under the restructuring exercise, The Stratech Group Limited became the listed vehicle in place of the Company.

The restructuring exercise was completed on 6 April 2015 and The Stratech Group Limited was listed on the mainboard of the Singapore Exchange Limited on that date.

29. **Authorisation of financial statements**

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 March 2015 were authorised for issue in accordance with a resolution of the directors dated 30 June 2015.

Shareholders' Information

AS AT 30 JUNE 2015

Issued and fully paid-up capital	:	S$112,708,766
No. of shares issued	:	1,567,183,371 shares
Class of shares	:	Ordinary share
Voting rights	:	One vote per share

The Company does not hold any Treasury Shares.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 99	55	0.95	924	0.00
100 - 1,000	945	16.35	900,223	0.06
1,001 - 10,000	1,932	33.43	8,597,151	0.55
10,001 - 1,000,000	2,713	46.95	372,063,174	23.74
1,000,001 - and above	134	2.32	1,185,621,899	75.65
	5,779	100.00	1,567,183,371	100.00

SUBSTANTIAL SHAREHOLDERS AS AT 30 JUNE 2015

	Direct Interest	%	Deemed Interest	%
David K.M. Chew [(1)]	441,918,405	28.20	90,832,852	5.80
Leong Sook Ching [(1)]	90,832,852	5.80	441,918,405	28.20

Notes:

[(1)] *David K.M Chew is the spouse of Leong Sook Ching and they are deemed to be interested in the shares held by each other.*

Shareholders' Information

AS AT 30 JUNE 2015

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Chew Khien Meow David [1] - direct - through nominees	294,161,072 147,757,333	28.20 (total)
2.	DB Nominees (S) Pte Ltd	138,243,333	8.82
3.	Phillip Securities Pte Ltd	127,122,908	8.11
4.	Leong Sook Ching [2] - direct - through nominees	83,448,216 7,384,636	5.80 (total)
5.	DBS Nominees Pte Ltd	43,439,791	2.77
6.	Bank of Singapore Nominees Pte Ltd	30,021,523	1.92
7.	UOB Kay Hian Pte Ltd	23,884,250	1.52
8.	Ang Chin San	22,100,000	1.41
9.	United Overseas Bank Nominees Pte Ltd	20,553,662	1.31
10.	Chua Hung Peng	18,331,700	1.17
11.	Koh Kim Leng Colin	15,000,000	0.96
12.	Chew Ching Ida Mrs Ida Leong	14,000,000	0.89
13.	Raffles Nominees (Pte) Ltd	12,008,333	0.77
14.	Tan Chin Chai	10,800,000	0.69
15.	OCBC Securities Private Ltd	10,058,125	0.64
16.	Maybank Kim Eng Securities Pte Ltd	9,133,180	0.58
17.	Tay Kong Ho	9,000,000	0.58
18.	Ng Swee Cheng	8,000,000	0.51
19.	Sim Ley Ling @ Sharon	8,000,000	0.51
20.	Tan Heng Jack	8,000,000	0.51
	Total	905,306,093	57.77

(1) David K.M. Chew held 147,757,333 shares through DB Nominees (S) Pte Ltd and DBS Nominees Pte Ltd. Together with his direct shareholdings of 294,161,072 shares, David K.M. Chew held 441,918,504 shares, representing 28.20% of the issued share capital of the Company.

(2) Leong Sook Ching held 7,384,636 shares through DB Nominees Pte Ltd. Together with her direct shareholdings of 83,448,216 shares, Leong Sook Ching held 90,832,852 shares, representing 5.80% of the issued share capital of the Company.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

65.81 % of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of The Stratech Group Limited (the "Company") will be held at Function Room 1, 31 International Business Park, Level 1, Creative Resource (Main Lobby), Singapore 609921, on Wednesday, 29 July 2015 at 9:00 a.m., for the purpose of transacting the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Financial Statements for the financial period ended 31 March 2015 and the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the payment of additional Directors' fees of S$100,000 for the financial year ended 31 March 2015 by Stratech Systems Limited. **(Resolution 2)**
(See Explanatory Note)

3. To approve the payment of Directors' fees of S$192,000 for the financial period ending 31 March 2016. [FY2015: S$244,000] **(Resolution 3)**
(See Explanatory Note)

4. To re-elect the following Directors, who are retiring pursuant to Article 118 of the Company's Articles of Association:

   (i) Mr Sajjad Ahmad Akhtar (See Explanatory Note) **(Resolution 4)**
   (ii) Mr Chew Hai Chwee (See Explanatory Note) **(Resolution 5)**
   (iii) Mr Lim Kim Choon **(Resolution 6)**
   (iv) Mr Chew Heng Ching (See Explanatory Note) **(Resolution 7)**

   (Detailed information on these Directors can be found under "Board of Directors", "Corporate Governance Report" and "Directors' Report" in the Company's Annual Report 2014/15. Save as disclosed in the foregoing reports, there are no relationships including immediate family relationships between each of the Directors and the other Directors, the Company or its 10% shareholders.)

5. To re-elect the following Directors, who are retiring pursuant to Article 114 of the Company's Articles of Association:

   (i) Mr David K. M. Chew **(Resolution 8)**
   (ii) Ms Leong Sook Ching **(Resolution 9)**

   (Detailed information on these Directors can be found under "Board of Directors", "Corporate Governance Report" and "Directors' Report" in the Company's Annual Report 2014/15. Save as disclosed in the foregoing reports, there are no relationships including immediate family relationships between each of the Directors and the other Directors, the Company or its 10% shareholders.)

6. To re-appoint Messrs Baker Tilly TFW LLP as Auditors and to authorise the Directors to fix their remuneration. **(Resolution 10)**

SPECIAL BUSINESS

To consider and, if thought fit, to pass, with or without modifications, the following Ordinary Resolution:-

7. That pursuant to Section 161 of the Companies Act (Chapter 50) (the "Companies Act") and in accordance with the listing rules of Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors to: **(Resolution 11)**

(a) (i) allot and issue shares in the capital of the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion, deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

PROVIDED THAT

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares in the capital of the Company, excluding treasury shares, (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed twenty per cent. (20%) of the total number of issued shares in the capital of the Company, excluding treasury shares, (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation and adjustments as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares in the capital of the Company, excluding treasury shares, at the time this Resolution is passed, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and

(ii) any subsequent bonus issue, consolidation or subdivision of the shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier.

(See Explanatory Note)

8. THAT, pursuant to Section 161 of the Companies Act the Directors of the Company be authorised to: **(Resolution 12)**

   (a) offer and grant options in accordance with the provision of The Stratech Group Limited Employee Share Option Scheme 2014 (the "ESOS Scheme") and/or grant awards in accordance with the provisions of The Stratech Group Limited Performance Share Scheme 2014 (the "PSS Scheme") (the ESOS and PSS Scheme together the "Schemes"); and

   (b) allot and issue from time to time such number of shares as may be required to be issued pursuant to the exercise of options under the ESOS Scheme and/or such number of fully paid shares as may be required to be issued pursuant to the vesting of awards under the PSS Scheme,

   PROVIDED ALWAYS THAT the aggregate number of shares to be issued pursuant to the Schemes shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

   (See Explanatory Note)

OTHER BUSINESS

9. To transact any other business that may be properly transacted at the Annual General Meeting of the Company.

BY ORDER OF THE BOARD

Leong Sook Ching
Company Secretary
Singapore
13 July 2015

THE STRATECH GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Co. Reg. No. 201430212R)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT

1. For investors who have used their CPF monies to buy The Stratech Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to vote should contact their CPF Approved Nominees.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative (s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

I/We____

of ____

being a member/members of The Stratech Group Limited (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Function Room 1, 31 International Business Park, Level 1, Creative Resource (Main Lobby), Singapore 609921 on Wednesday, 29 July 2015 at 9:00 a.m., and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific directions as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against with a tick [√] within the box provided)

No.	Resolutions Relating To:	For*	Against*
1.	Audited Financial Statements, Directors' Report and Auditors' Report for the financial period ended 31 March 2015		
2.	Approval for the payment of additional Directors' fees for the financial period ended 31 March 2015 by Stratech Systems Limited		
3.	Approval for the payment of Directors' fees for the financial period ending 31 March 2016 by the Company		
4.	Re-election of Sajjad Ahmad Akhtar as a Director		
5.	Re-election of Chew Hai Chwee as a Director		
6.	Re-election of Lim Kim Choon as a Director		
7.	Re-election of Chew Heng Ching as a Director		
8.	Re-election of David K.M. Chew as a Director		
9.	Re-election of Leong Sook Ching as a Director		
10.	Re-appointment of Messrs Baker Tilly TFW LLP as Auditors		
11.	Share Issue Mandate		
12.	Authority to offer and grant options and/or awards and to allot and issue shares under The Stratech Group Limited Employee Share Option Scheme 2014 and The Stratech Group Limited Performance Share Scheme 2014		

**Delete where inapplicable*

Total No. of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Dated this _______ day of _________________ 2015

____

Signature(s) of Member(s) or
Common Seal of Corporate Member

IMPORTANT: PLEASE READ NOTES TO PROXY FORM OVERLEAF

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/ her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 31 International Business Park #02-02, Creative Resource, SINGAPORE 609921 not less than 48 hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be 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 seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

6. 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 Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the 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. In addition, in the case of 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 Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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