AVI-TECH ELECTRONICS LIMITED

ANNUAL REPORT
2016

GETTING BACK ON TRACK

DELIVERING PROFITABILITY. DRIVING GROWTH.

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CORPORATE PROFILE

WHO WE ARE

Incorporated in Singapore in 1981 and listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2007, Avi-Tech Electronics Limited is a total solutions provider for Burn-In, Burn-In Board Manufacturing and Printed Circuit Board Assembly ("PCBA") and Engineering services working with global Original Equipment Manufacturers ("OEMs") in the semiconductor, electronics and life sciences industries. We also manufacture digital imaging systems for the life sciences industry.

OUR MARKET PRESENCE

We have an established market presence in Singapore, Malaysia, Thailand, the Philippines, Taiwan, the People's Republic of China ("China"), Japan, the United States of America ("US") and Europe. Our headquarters and production facility are located in Singapore. Our production facility is equipped with advanced Burn-In Systems, many of which are designed and fabricated in-house for our Burn-In Services. Our production facility also supports our Burn-In Board Manufacturing and PCBA and Engineering activities as well as manufacturing services for semiconductor, life sciences and imaging products.

OUR AWARDS & ACHIEVEMENTS

Avi-Tech was conferred the prestigious Singapore Quality Award ("SQA") by the SQA Governing Council supported by SPRING Singapore in 2008 in recognition of our attainment of a world-class standard of performance excellence and which reaffirms our already strong credentials in the international market.

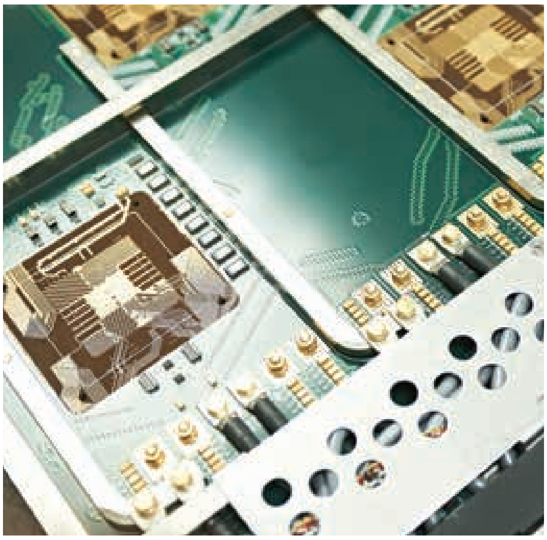
In consonance with our commitment towards business excellence and Quality Assurance, we also garnered the Singapore Quality Class Award by SPRING Singapore in 1998, with renewals for this award in 2001, 2003 and 2005. We were also awarded the Enterprise 50 Award by the Singapore Economic Development Board in 1999 (Ranking: 1st), 1998 (Ranking: 31st) and 1997 (Ranking: 41st). In addition, we received numerous customer appreciation awards for our excellence in products and have achieved ISO 9001 and ISO 14001 certifications. We have also received ISO 13485 certification for the quality management system for medical devices.

OUR BUSINESS SEGMENTS

BURN-IN SERVICES

We provide Static Burn-In, Test During Burn-In ("TDBI") and High Power Burn-In for semiconductor manufacturers, serving the segment of the industry that requires fail-safe or high reliability semiconductor devices including microprocessors and automotive products. Our portfolio of customers spans Asia-Pacific, Europe and the US and includes some of the key players in the global semiconductor industry.

Under this business segment, we also provide Tape and Reel Services which employ the use of machines that allow customers' finished products to be delivered in reel form. Currently, we have machines handling different packages ranging from BGA, TSSOP, VQFN and DSO, with round-the-clock delivery and collection services for our customers.



BURN-IN BOARD MANUFACTURING AND PCBA SERVICES

We are involved in the design and manufacturing of a wide range of Burn-In boards for the various types of Burn-In oven systems as well as boards for other types of reliability tests such as High Temperature Operating Life Test and Highly Accelerated Stress Test. We are also qualified to build Burn-In boards which are catered for high power devices.

We also provide niche PCBA services for the medical, mobile communications and aviation industries.

We are constantly challenging ourselves to raise our competencies in board design and assembly capabilities to meet the dynamic and increasingly sophisticated customer requirements.

ENGINEERING SERVICES

Our engineering services range from design, development and full turnkey outsourced manufacturing and system integration of semiconductor equipment and lab automation systems for the life sciences and biotech industries. We also recommend enhancements and improvements to our customers' designs as a value-added service to them.

One of our competitive strengths is the provision of system integration services for refrigeration-based High Power Burn-In Systems and Lithography Tool for semiconductor front-end applications. We have significantly expanded our engineering services in this area of specialisation since 2006. Currently our integration projects also include Charged Coupled Device ("CCD") cameras for astronomy and life sciences applications, digital imagers as well as customised LED drivers and products for various applications. In addition, we distribute and service third-party Mixed Signal Testers used in the semiconductor industry.

LAYING THE FOUNDATION FOR SUCCESS

Strengthening our competencies, we stayed on the course of profitability and on track for our year-end targets

LETTER TO SHAREHOLDERS

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

DEAR SHAREHOLDERS

We are pleased to present to you our annual report for the financial year ended 30 June 2016 ("FY16"). The Group succeeded in delivering another year of profitability. This marks eight consecutive quarters of profitability since our turnaround in the financial year ended 30 June 2015 ("FY15"). Our sound financial performance was attributable to our unwavering focus on increasing profitability, containing costs and enhancing productivity. This singular focus resulted in our Burn-In Services and Engineering Services business segments achieving revenue gains with our Burn-In Board Manufacturing and PCBA Services business segment continuing to contribute positively to the growth of the Group and our Group enjoying a surge in profit from continuing operations.

Our achievement is all the more significant given the difficult economic conditions in Singapore and globally. For 2015, Singapore's economy grew by 2.0% as compared with 3.3% in 2014. The plunge in oil prices, volatile stock market and slowing economic growth in China and in the developed economies had a negative impact on the domestic front. Despite the external factors weighing down on us, we have leveraged on the opportunities presented to us, used our competencies to great advantage and succeeded in keeping on a growth trajectory.

GROUP FINANCIAL REVIEW

The Group achieved revenue of S$33.9 million, a 19.5% increase over revenue of S$28.4 million in FY15. The higher revenue was attributed to improved revenues from the Burn-In Services and Engineering Services business segments. Revenue contributions from Singapore operations continued to lead, accounting for 53.8% of Group revenue, followed by the US at 21.5% and the other regions making up the rest.

The Group's improved revenue, coupled with ongoing cost control and productivity enhancement measures, positively impacted gross profit and gross profit margin. Gross profit grew by 59.2% to S$11.0 million over FY15's gross profit of S$6.9 million. Gross profit margin, likewise, improved to 32.3% from 24.2% in FY15.

We registered a 5.0% marginal decrease in net profit of S$6.2 million as compared to S$6.6 million in FY15 on account of no further gains being registered in the discontinued operations of the US subsidiaries as well as foreign exchange rates contributing to higher administrative expenses. Nevertheless, excluding discontinued operations, profit from continuing operations increased by 71.4% to S$6.4 million from S$3.7 million in FY15.

Earnings per share (diluted) based on the weighted average number of ordinary shares for the continuing operations was 3.72 cents (2.17 cents in FY15) with net asset value at 26.50 cents per share in FY16 (25.58 cents per share in FY15).[1]

On our balance sheet, we continued to maintain a robust position with working capital of S$30.9 million as at 30 June 2016 (30 June 2015: S$32.3 million). The Group generated net cash from operations of S$8.0 million in FY16 from higher profit generated from the continuing operations as compared to the previous year. Our cash and cash equivalents as at the end of FY16 was S$6.5 million. Our trade receivables balance stood at S$7.2 million with no bad debt provision made due to the fact that historically, we have a good record in trade credits being honoured.

It is notable that our financial achievements have been given external validation when we were listed as one of the two best performing semiconductor stocks in 2016 in an SGX Market Update.[2]

GETTING BACK ON TRACK; DELIVERING ON PROFITABILITY AND GROWTH

A key focus for the Group in the year under review was to exit the Singapore Exchange Securities Trading Limited (the "SGX-ST") Watch-List in accordance with Rule 1314 of the Listing Manual. Pursuant to this goal, with the discontinuance of operations of our loss-making subsidiaries, we steadily kept on an ascending path of profitability. In line with the financial criteria under Rule 1314 for removal from the SGX-ST Financial Watch-List, we applied to the SGX-ST and were given in-principle approval for removal from the SGX-ST Financial Watch-List with effect from 16 September 2016.

LETTER TO SHAREHOLDERS

Our financial performance was underpinned by the stellar efforts of our business segments. We serve leading semiconductor companies whose spending patterns may be broadly determined by the demand for electronic components. One of the growing and resilient segments which has seen an increase in demand for such electronic components is the automotive industry. With the use of more automotive sensors in the automotive industry with its relentless march towards driverless cars, fail-safe electronic components requiring burn-in services have provided the growth momentum for the Burn-In Services business segment. This segment is now able to offer burn-in services for a wider range of devices to cater to our changing customer needs. Our expanded capabilities also included printed circuit board assembly services for the medical, mobile communications and aviation industries.

Our Burn-In Board Manufacturing and PCBA Services business segment, likewise, capitalised on the demand for new critical components requiring different types of burn-in boards. The division expanded its range of competencies in board design and manufacturing. The Engineering Services business segment was impacted by the slowdown in demand from the life sciences sector. It, nonetheless, demonstrated its mettle despite the economic headwinds and succeeded in securing a major order from an existing customer. It is also gradually building up its networks in the European market to further widen its customer base.

DISRUPTIVE TECHNOLOGIES A WAY FORWARD FOR SUSTAINABLE GROWTH

While technological changes have the ability to obliterate certain industries, they also pave the way for new industries and offer a second wind of growth for once struggling sectors. Even as the personal computer market registers a slowdown and the mobile phone industry levels off, the semiconductor market is now being driven by the automotive, networking devices and communications industries as well as the rising demand for energy efficient and secure data centres.[3] In general, the Internet of Things ("IoT") is anticipated to benefit a wide range of industries, in particular, the semiconductor industry.[4] This bodes well for our business segments. We are poised to leverage on our abilities and expertise in providing a suite of burn-in, board design and manufacturing services as well as services relating to the design, development and outsourced manufacturing and system integration of semiconductor equipment and automation systems for a widening range of industries, which will increasingly include those driven by the IoT.

Overall, we remain optimistic of the Group's continued improved performance, provided that demand in the sectors we serve remains strong and assuming there are no unforeseen economic or other factors which may impact the Group's performance.

OUTLOOK

The economy has been softening since the start of 2016 and the forecasted growth for the year is now pegged at 1.0% to 2.0%,[5] given the weak global conditions. The uncertainty and potential fallout brought about by the United Kingdom's 'Brexit' referendum, the impending United States elections and its far-reaching consequences, China's continued economic restructuring with the risk of a sharp slowdown and other geopolitical factors could derail the economic predictions. As such, we will continue with our prudent financial management, productivity improvement and operational processes enhancement to ensure that we are poised to leverage on opportunities brought about by new technologies, untapped markets and resurgent industries. Automation, with the help of government tax schemes, will continue to feature prominently in our enhanced operations. We also remain open to initiatives such as synergistic and complementary investments, mergers and acquisitions and other types of business transactions that will value-add to our business and ultimately our shareholder returns.

REWARDING SHAREHOLDERS

In light of our improved financial position and in appreciation of our shareholders' trust and confidence in our Group and management, we are proposing a final dividend of 1.0 cent per share subject to shareholders' approval at the upcoming Annual General Meeting ("AGM"). The proposed final dividend will be paid in December 2016 shortly after the AGM. An interim dividend of 0.8 cents per share had previously been declared and paid. Should approval of the proposed final dividend be given, we will have paid a total of 1.8 cents per share in dividends for FY16.

OUR APPRECIATION TO ALL

It goes without saying that our achievements were only made possible by the valuable input and guidance from our Board of Directors and the hard work, focus and dedication of our management and staff. We would like to express our thanks to all business partners, associates and customers for their steadfast loyalty through the years. Lastly but most importantly, our most heartfelt appreciation goes out to our shareholders for their unwavering belief in us in good and difficult times.

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

1 Adjusted to reflect the share consolidation of every two existing ordinary shares into one ordinary share effected on 23 November 2015
2 SGX Market Updates, Singapore's Semiconductor Sector Averaged 4% Gain in 2016 YTD [http://www.sgx.com/wps/wcm/connect/sgx_en/home/newsflash/mu_12042016_1%20]
3 Nasdaq, Semiconductor Industry Outlook – May 2016 [http://www.nasdaq.com/article/semiconductor-industry-outlook-may-2016-cm621071]
4 McKinsey & Company, The Internet of Things: Opportunities and challenges for semiconductor companies. October 2015 [http://www.mckinsey.com/industries/semiconductors/our-insights/internet-of-things-opportunities-and-challenges-for-semiconductor-companies]
5 Ministry of Trade and Industry, MTI narrows 2016 GDP Growth Forecast to 1.0 to 2.0 Per Cent [https://www.mti.gov.sg/ResearchRoom/SiteAssets/Pages/Economic-Survey-of-Singapore-Second-Quarter-2016/PR_2Q16.pdf]

CORPORATE HISTORY AND MILESTONES

1981 1986

Incorporated in Singapore

Commenced operations with 23 personnel and three Burn-In Systems with a total area of 782 sq. m.

Qualified by our two largest customers, Texas Instruments Singapore and National Semiconductor Pte Ltd, as a burn-in service provider due to our fast turnaround and good engineering support

1990 1995

Expanded our business to include the provision of engineering services to design and build semiconductor Burn-In Systems

Formed strategic alliance with Motay Electronics (which was acquired by Unisys Corporation, a US company providing system integration, network engineering, project management, and technical support services)

1997 1999

Extended our capabilities to provide Tape and Reel Services to semiconductor manufacturers

Relocated to our own building with a total built up area of approximately 12,000 sq. m. and equipped with advanced Burn-In Systems, many of which are designed and fabricated in-house

Awarded the Economic Development Board of Singapore's Enterprise 50 No. 1 ranking in recognition of our business excellence

Incorporated in 1981, Avi-Tech's corporate history spans over thirty years starting as a provider of burn-in solutions. Today, we have extended the breadth of our solutions to include burn-in board manufacturing, PCBA and engineering services. We are proud of the many achievements we have garnered and the resilience we have shown weathering the numerous technological cycles and economic challenges over the years.

CORPORATE HISTORY AND MILESTONES

2002 2007

Expanded our services to provide distribution of third party Burn-In and test-related equipment for use in the semiconductor testing environment and provided Test During Burn-In services

Started a new project with Unisys Corporation which significantly expanded our engineering services in the area of system integration of High Power Burn-In Systems

Entered into an agreement with another technology partner in system integration of High Power Burn-In Systems

Mainboard listing on the Singapore Exchange Securities Trading Limited

2008 2011

Conferred the prestigious Singapore Quality Award

Successfully ventured into the US for Burn-In Boards business and system integration for the life sciences industry

Established subsidiary Avi-Tech, Inc. in the US to meet the upsurge in demand for burn-in boards

Incorporated Avi-Tech Verde, Inc. in the US (now known as Verde Designs, Inc.), a design and manufacturing company specialising in solid-state lighting ("SSL") solutions for industrial and commercial sectors

Incorporated Aplegen, Inc in the US which acquired the business and assets, including the intellectual property of the Santa Barbara Instrument Group ("SBIG"), a leading global supplier of cameras and instrumentation for the scientific community

Formed a new business segment, the Imaging Equipment and Energy Efficient Products business segment, comprising Verde Designs, Inc. ("Verde") and Aplegen, Inc. ("Aplegen").

Secured our first front-end semiconductor customer with the award of a multi-million dollar contract for system integration of lithography equipment

2012 2016

Aplegen entered into a licence and supply agreement with Labnet International, a leading worldwide supplier of laboratory equipment and a subsidiary of Corning Incorporated, to develop, manufacture and supply a line of proprietary imaging systems

Aplegen launched two life sciences products, the Enduro Gel documentation system and the Omega Lum G

SBIG launched our STF camera line for both the astronomy and the life sciences markets

Verde launched two new AC Driver product lines, VeraDim and VeraWatt

Achieved conformance to Electronic Industry Citizenship Coalition ("EICC") Code of Conduct requirements and was invited by our customer, IBM, to participate in their Social Responsibility Programme and benchmarking EICC Code of Conduct standard

Diversified into the provision of printed circuit board assembly services for the medical, mobile communications and aviation industries

Acquired new customers in the Digital Imaging Systems space

BOARD OF DIRECTORS

Mr Khor Thiam Beng is our Non-Executive Chairman and Independent Director. He was appointed to our Board on 30 October 2006. Mr Khor is an Advocate and Solicitor of the Supreme Court of Singapore and is a member of both the Law Society of Singapore and the Singapore Academy of Law. He has been in private practice for more than 40 years and is currently a director of Messrs Khor Law LLC. Mr Khor's areas of practice include real estate, corporate and banking matters.

Mr Khor holds a Bachelor of Laws Degree from the University of Singapore.

Current Directorships in Other Listed Companies	
Organisation/Company	*Title*
NIL	
Principal Commitments	
Organisation/Company	*Title*
Messrs. Khor Thiam Beng & Partners	*Managing Partner (cessation of business at 30 June 2015)*
Messrs. Khor Law LLC	*Director*
Directorships in Other Listed Companies in the past 3 years	
Organisation/Company	*Title*
NIL	

Mr Lim Eng Hong is the founder of our Group and is also our CEO. He has been appointed to our Board since 1984. He has more than 40 years of experience in the semiconductor industry and has been the main driving force behind the growth and business expansion of the Group. Mr Lim oversees the Group's overall business activities and is particularly involved in the development of the strategies behind the Group's diversification into other related business areas. Prior to setting up our Company, Mr Lim was the test manager in charge of semiconductor testing and Burn-In in National Semiconductor, part of a USA multinational corporation.

Mr Lim is active in the community and has been sitting on the School Advisory Committee (SAC) of Pei Ying Primary School since 1987, the last ten years of which he served as Chairman.

Mr Lim holds separate Diplomas in Telecommunication Engineering from the Singapore Polytechnic and Management Studies from the Singapore Institute of Management.

Current Directorships in Other Listed Companies	
Organisation/Company	*Title*
NIL	
Principal Commitments	
Organisation/Company	*Title*
NIL	
Directorships in Other Listed Companies in the past 3 years	
Organisation/Company	*Title*
NIL	

Mr Goh Chung Meng is an Independent Director of our Group. He was appointed to our Board in 2001. After graduating from the National University of Singapore (Business School), Mr Goh began his career in 1982 with the management consulting arm of Deloitte & Touche in Singapore solving financial and management problems for USA and European clients operating in Southeast Asia. During the period from 1985 to 1990, Mr Goh worked as a senior consultant for Deloitte & Touche Management Consultants where he was involved in a wide variety of consulting assignments for MNC clients including a two-year stint helping to start up an insolvency unit during the 1985 recession.

After the economic recovery in 1987, Mr Goh refocused his consultancy assignments on corporate finance work that eventually led to mergers and acquisitions and significant equity restructuring exercises. In 1990, he was headhunted by executive search firm, Korn Ferry, to join Carr Indosuez Asia (Merchant Banking unit of Credit Agricole and formerly known as Banque

BOARD OF DIRECTORS

Indosuez). Mr Goh was subsequently invited in 1995 by the merchant bank's parent company, SUEZ, to join its newly created US$200 million Asian Venture Capital Fund known as Suez Asia Holdings. He was Director, Investments, of the Fund focusing on Southeast Asia and China private equity investments.

Mr Goh is currently a director (alternate) of TauRx Pharmaceuticals Ltd (TauRx), the holding company of a group of biomedical science companies conducting drug discovery research on neurodegenerative diseases. The TauRx group is expected to complete two global Phase 3 clinical trials for Alzheimer's disease and one global Phase 3 clinical trial for Behavioural Variant Frontotemporal Dementia (bvFTD) in late 2016 in the commercialisation phase of an experimental new drug, LMTX, which is a tau aggregation inhibitor. Mr Goh has been a pioneer board member of the TauRx Group since the Group's founding as a startup in Singapore in 2002.

Mr Goh is also a director of ACE Investment Management Pte Ltd, a boutique private equity investment company. Mr Goh was formerly a Qualified Business Angel of the National Science and Technology Board in 2001 and he had served as a Panel Member (2001 to 2008) of a Singapore government innovation and research fund, The Enterprise Challenge Unit (TEC), PS21 Office, Public Service Division, Prime Minister's Office.

Current Directorships in Other Listed Companies	
Organisation/Company	*Title*
NIL	
Principal Commitments	
Organisation/Company	*Title*
TauRx Pharmaceuticals Ltd	*Director*
ACE Investment Management Pte Ltd	*Director*
Directorships in Other Listed Companies in the past 3 years	
Organisation/Company	*Title*
NIL	

Mr Michael Grenville Gray is an Independent Director of our Group. He was appointed to the Board on 30 October 2006. Prior to his retirement at the end of 2004, Mr Gray was a partner in PricewaterhouseCoopers, Singapore and before that, Territorial Senior Partner for PricewaterhouseCoopers Indochina (Vietnam, Cambodia and Laos). He has over 30 years of experience in professional practice, most of which has been in Southeast Asia.

Mr Gray spent ten years in the shipping industry before training as a Chartered Accountant with Coopers & Lybrand in the United Kingdom. He is a Singapore citizen and has held a number of positions in Statutory Boards, grassroots organisations and Voluntary Welfare Organisations.

Mr Gray was admitted as a member to the Institute of Chartered Accountants in England and Wales (FCA) in South East 1976. Apart from being a FCA, Mr Gray has a Bachelor of Science Degree in Maritime Studies from the University of Plymouth, United Kingdom, and a Masters of Arts in South East Asian Studies from the National University of Singapore. He was also awarded an Honorary Doctor of Business from the University of Newcastle, Australia. He is a Fellow of the Chartered Institute of Logistics and Transport, a Fellow of the Institute of Singapore Chartered Accountants and a Fellow of the Singapore Institute of Directors.

Current Directorships in Other Listed Companies	
Organisation/Company	*Title*
Ascendas Property Fund Trustee Pte Ltd	*Independent Director/ Chairman of Audit Committee*
FSL Trust Management Pte. Ltd.	*Independent Director/ Chairman of Audit Committee*
GSH Corporation Limited	*Independent Director/ Chairman of Audit Committee*
VinaCapital Vietnam Opportunity Fund Limited	*Independent Director/ Chairman of Audit Committee*
Principal Commitments	
Organisation/Company	*Title*
Raffles Marina Holdings Ltd	*Independent Director*
TGY Property Investments Pte Ltd	*Director/Shareholder*
The Masonic Hall Board Ltd	*Director*
Tras Street Property Investment Ltd	*Director/Shareholder*
UON Singapore Pte Ltd	*Independent Director*
PAVE	*President*
Directorships in Other Listed Companies in the past 3 years	
Organisation/Company	*Title*
Grand Banks Yachts Limited	*Director*

EXECUTIVE MANAGEMENT

MR JOSEPH WANG NIN CHOON

Chief Financial Officer

Mr Joseph Wang Nin Choon is our Chief Financial Officer. He oversees and manages the financial and accounting functions of the Group.

Mr Wang has more than 22 years of finance, corporate treasury management, corporate banking, global market and investment banking experience. Over the course of his career, he has held senior roles as Chief Financial Officer, Treasurer and Vice President of SGX-listed entities and Singapore Temasek-linked companies such as Top Global, ST Engineering, PSA International and Singapore Technologies. He has strong banking experience, having held senior roles at Barclays Capital (Barclays Bank) and Deutsche Bank as their Vice President for client management.

In Mr Wang's previous executive roles, he was responsible for finance, corporate treasury, investments, SGX-ST reporting, planning, developing and implementing business strategies across each organisation. While with the banks, he was responsible for supporting corporate clients with a wide range of financial services and products including acquisition financing, capital market financing, loan syndications, treasury and general advisory work, to assist them effectively to manage their corporate financial risks and funding requirements.

Mr Wang holds a Bachelor of Arts (Economics) Degree from Simon Fraser University, British Columbia, Canada.

MR ALVIN LIM TAI MENG

Chief Operating Officer

Mr Alvin Lim Tai Meng is our Chief Operating Officer. He joined our Group in 2002. Mr Lim is responsible for overseeing the Group's operations for Burn-In Services, Burn-In Board Manufacturing and PCBA Services and Engineering Services. Mr Lim also develops the competitive positioning and strategies of our Group and manages our sales, marketing and business development functions.

Mr Lim was our Chief Operating Officer (USA Operations) from 2009 to 2011 and was responsible for strategising and promoting the Group's business in the market. Mr Lim started as a Sales Engineer with our Group, responsible for the sales and marketing team for our test equipment and sockets. He was subsequently promoted to Section Manager in the Engineering Services division to manage the manufacturing of System Level Test (SLT), Hybrid System Test (HST) thermal trays and Fusion system build to meet customers' needs, and thereafter became a Special Project Manager. With his vast experience in managing operations, Mr Lim was later promoted to oversee the Burn-In Board Manufacturing and PCBA Services division and Engineering Services manufacturing operations. In May 2013, Mr Lim was appointed Chief Operating Officer of our Group.

Mr Lim holds a bachelor's degree in Electrical Engineering from the University of Queensland, Australia, and a Graduate Diploma in Business Administration from the Singapore Institute of Management.

MANAGEMENT

MR PHILIP KWOK WAI SAN

Vice President of Business Development

Mr Philip Kwok Wai San is our Vice President of Business Development. He joined our Company in 1990. He is responsible for the sales and marketing of the System Integration business and is also responsible for developing the Life Sciences instrumentation business and other new businesses for the Group. In addition, he is in charge of service contract negotiations with customers and also manages the Group's purchasing function.

Mr Kwok has more than 30 years of experience in the semiconductor industry. He was previously the Director of Engineering Services of our Group, responsible for the management of the Engineering Services segment and overseas sales and marketing activities for Burn-In boards and boards-related products.

Prior to joining our Group, he was an Engineering Manager with National Semiconductor (S) Pte Ltd. Mr Kwok holds separate Diplomas in Electronic and Communications Engineering and Management Studies from the Singapore Polytechnic and the Singapore Institute of Management respectively.

MR LAU TOON HAI

Vice President of Quality Assurance

Mr Lau Toon Hai is our Vice President of Quality Assurance. He joined our Company in 1994 and is responsible for setting up and maintaining a functional quality organisation and Business Excellence System for our Group. Areas falling under his duties and responsibilities include overseeing the quality assurance aspects of our Group as a whole and driving our Group's Business Excellence Management System to keep alongside with current industrial and commercial standards such as Business Excellence, Electronic Industry Citizenship Coalition Code of Conduct, Quality, Environmental management system and our customers' requirements.

Mr Lau has over 20 years of experience in the electronics engineering industry. Prior to joining our Group, he has worked with companies including Philips (S) Pte Ltd, Archive (S) Pte Ltd and Conner Peripherals (S) Pte Ltd.

Mr Lau holds a Diploma in Electronics and Communications Engineering from the Singapore Polytechnic.

MANAGEMENT

MR DESMOND OW YANG CHIEN KHANG

Director of Operations (Services)

Mr Desmond Ow Yang is our Director of Operations (Services). He joined our Group in 1999 and oversees the Group's Burn-In operations. Mr Ow Yang is also responsible for the production, planning, engineering and maintenance support of the Group and is the internal auditor for ISO9001 and ISO14001 certifications.

Mr Ow Yang started as a Burn-In Engineer with our Group and is in charge of the set up and introduction of new products and processes in Burn-In operations to meet customers' requirements. He was promoted to Senior Engineer and subsequently, Engineering Manager, to manage the Engineering team in providing technical solutions and support to customers. During that period, he was also responsible for Sales & Customer Service for Burn-In Services, Tape and Reel, Visual Inspection and other services, for both local and overseas customers.

Mr Ow Yang holds a Bachelor of Engineering (Honours) from the University of Aberdeen, United Kingdom.

MR ALLAN NGO YU WEI

Director of Operations (Manufacturing)

Mr Allan Ngo is our Director of Operations (Manufacturing). He joined our Company in 2003 and is responsible for our Group's operations related to Burn-In Board Manufacturing and PCBA Services as well as Engineering Services.

Mr Ngo was in charge of the Burn-In Board Manufacturing Services division where he was the Production Manager managing the planning, process, manufacturing and logistics operations of the department. He was promoted to Director of Operations (Manufacturing), overseeing the operational aspects for Burn-In Board Manufacturing and PCBA Services and Engineering Services.

Mr Ngo holds a Diploma in Electronics, Computer and Communication Engineering from Nanyang Polytechnic, Singapore, and a Bachelor of Science in Business from SIM University, Singapore.

MR BAMBANG HANDOKO SUTEDJO

Director of Sales

Mr Bambang Handoko Sutedjo is our Director of Sales. He joined our Company in 1993 and is responsible for the sales and marketing of Burn-In Services, Burn-In Board Manufacturing and PCBA services both locally and overseas. Mr Sutedjo is also in charge of the Burn-In Board Manufacturing and PCBA services design team.

Mr Sutedjo has more than 20 years of experience in the semiconductor industry. He was previously the Senior Manager of Sales and Marketing of our Group, responsible for the management of Burn-In Board Manufacturing-related division's local and overseas sales. Prior to joining our Group, he was a Field Service Engineer with SETA Corporation in Charlotte, North Carolina, USA.

Mr Sutedjo holds a Bachelor of Science in Electrical Engineering from the Tennessee Technological University of Cookeville, Tennessee, USA.

OPERATIONS REVIEW

Group revenue in FY16 rose by 19.5% to S$33.9 million, which was attributable to the Burn-In Services and Engineering Services business segments which registered higher revenue. Gross profit climbed 59.2% to S$11.0 million as against FY15's gross profit of S$6.9 million, with gross profit margin rising to 32.3% from 24.2% in FY15. Profitability wise, profit from continuing operations was 71.4% higher in FY16 at S$6.4 million, as compared to S$3.7 million the previous year, resulting from the higher revenue and improved gross profit margins across the three business segments. Net profit, however, was slightly lower at S$6.2 million as compared to S$6.6 in FY15. The marginally lower net profit was attributed to no further gains being registered in the discontinued operations of the US subsidiaries, and foreign exchange rates contributing to higher administration expenses.

In terms of segmental revenue, the Burn-In Services business segment reported higher revenue of S$9.0 million as compared to S$6.7 million in FY15. The Burn-In Board Manufacturing and PCBA Services business segment's revenue of S$13.7 million was a slight dip as compared to FY15 revenue of S$13.8 million. The Engineering Services business segment's revenue improved significantly to S$11.3 million as against revenue of S$7.9 million in FY15.

Sales to our Singapore and US customers were once again the principal contributors to the Group's revenue, accounting for 53.8% and 21.5% respectively, with the other regions including Malaysia, collectively contributing 24.7% to Group revenue.

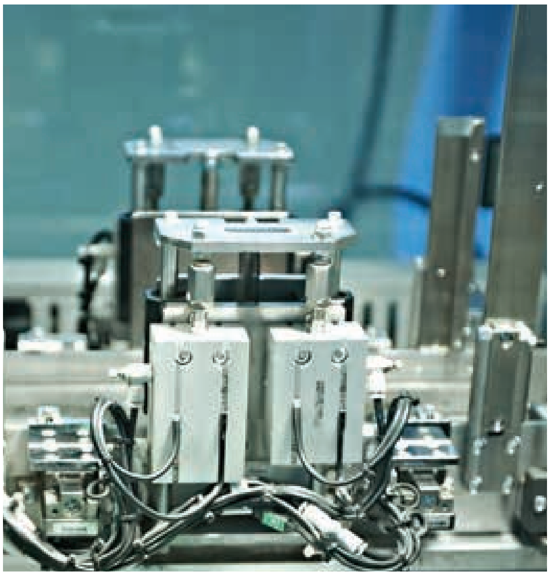
BURN-IN SERVICES

The Group provides Static Burn-In, Dynamic Burn-In, Test During Burn-In and High Power Burn-In for semiconductor manufacturers. We serve the segment of the industry that requires fail-safe or high reliability semiconductor devices, including microprocessors and automotive products. Our portfolio of customers from Asia-Pacific, Europe and the US includes some of the key players in the global semiconductor industry.

The Burn-In Services business segment contributed 26.4% of Group revenue as compared to 23.4% in FY15. The stronger performance was due to the recovery in the semiconductor industry and an increased demand for electronic components in the automotive industry as well as in the networking devices industry. In addition, many of the new products have gone into production mode, which was a key factor in this business segment's revenue improvement.

During the year, we increased our capacity and succeeded in extending our Burn-In services to new products and product transfers from existing customers, while simultaneously providing new services for new customers gained such as the provision of assembly services for the medical industry.

We operated with a lean and efficient workforce to address the ongoing issue of a tight labour market and restrictions on hiring of foreign workers. We also continued with our productivity enhancement measures to ensure that our outputs were at optimum levels. We have upgraded existing equipment through innovative re-design to enhance their capability to meet customers' technical requirement and incorporated automation in certain processes to improve productivity, quality and output.



OPERATIONS REVIEW

It is estimated that the Internet of Things ("IoT") could generate as much as US$4.0 trillion to US$11.0 trillion globally in 2025, with the semiconductor industry poised to benefit from this exponential expansion in this market. Demand for microcontrollers, sensors, connectivity and memory are specific areas of opportunities for the industry.[1] This in turn will likely result in increased demand for burn-in services, which we are ready to capitalise on. Other areas of opportunities include the growing automotive sector, including the steady progression towards self-driving vehicles,[2] and the rise in data centres. These industries will increase the demand for fail-safe devices which will require high power burn-in services.

BURN-IN BOARD MANUFACTURING AND PCBA SERVICES

We are involved in the designing and manufacturing of a wide range of Burn-In boards for the various types of Burn-In systems as well as boards for other types of reliability tests such as High Temperature Operating Life Test and Highly Accelerated Stress Test. We are also qualified and licensed to build Burn-In boards which are catered for high power devices. We also provide niche Printed Circuit Board Assembly ("PCBA") services for industries ranging from medical and mobile communications to aviation. We are constantly improving our competencies in board design, assembly and PCBA capabilities to meet the dynamic and increasingly sophisticated customer requirements.

This segment contributed 40.4% as compared to 48.8% of the Group's revenue in FY15. This segment registered relatively stable revenues due to revenue received from existing customers, new customers and PCBA services. We continued to increase our capabilities and technological know-how with the acquisition of new equipment that allowed us to cater to more technologically demanding requirements. We were able to leverage on this to extend and continue our growth towards sectors such as the mobile communications and medical sectors. Under our niche PCBA services, we developed fast turnaround solutions for our mobile communications customers that needed advanced assembly requirements and we provided the widest variety of inspection solutions for our electronics and aviation customers. We maintained our focus on productivity improvement through process enhancement, automation and the leveraging of IT. We also extended our supply chain through the establishment of new contacts and competitive sources.

We anticipate that with more sophisticated consumer, industrial, medical and other electronic devices, there will be demand for newer types of semiconductor chips which will in turn propel the demand for new burn-in boards for which we possess the design and manufacturing capabilities.

ENGINEERING SERVICES

The Group's engineering services range from design, development and full turnkey outsourced manufacturing and system integration of semiconductor equipment to lab automation systems for the life sciences and biotech industries. We also recommend enhancements and improvements to our customers' designs as a value-added service to them. One of our competitive strengths is the provision of system integration services for refrigeration-based High Power Burn-In Systems and Lithography Tool for semiconductor front-end applications. Currently, our integration projects also include Charged Coupled Device cameras for astronomy and digital imagers for life sciences applications. In addition, we distribute and service third-party Mixed Signal Testers used in the semiconductor industry.

1 McKinsey & Company, The Internet of Things: Opportunities and challenges for semiconductor companies. October 2015 [http://www.mckinsey.com/industries/semiconductors/our-insights/internet-of-things-opportunities-and-challenges-for-semiconductor-companies]

2 Self-Driving Cars Could Mean Big Growth Opportunities for NXPI [http://marketrealist.com/2016/05/self-driving-cars-mean-big-growth-opportunities-nxpi/]

OPERATIONS **REVIEW**

The Engineering Services business segment's revenue made up 33.2% of Group revenue as compared to 27.8% in FY15. The increase in revenue was derived from an increase in demand and new products from an existing semiconductor customer. Demand from all other customers remained fairly consistent as compared to the year before.

In FY15, we had also started shipping products into the European market leveraging on our experience, technology and knowledge acquired. We will continue working to extend our reach into this market to attain more customers.

HUMAN RESOURCE AND CORPORATE DEVELOPMENT

Our commitment to staff development and training stems from our belief that one of the key factors in organisational excellence is its people. In FY16, we sent selected staff for external training and development programmes to enhance their capabilities, especially in areas pertinent for their job scope. Some of our senior management staff attended training in advanced negotiation which covered areas such as creating value in negotiation and managing and valuing risks by using contingent contracts. We also sent senior management for training related to ISO 9001:2015 which spelt out the requirements for the attainment of the certification, demystified the practical tools and techniques needed to implement the requirements and set out practical guidelines on how to plan for and achieve a smooth transition.

As a socially responsible organisation, we are inspired by the principles of the Electronic Industry Citizenship Coalition Code of Conduct. We have thus tried to emulate its principles in the areas of ethics, labour and human rights, environment, workplace safety and health and supplier and customer engagement.

In terms of operational excellence, we implemented the requirements of ISO 9001:2015 and in April 2016, we achieved the conversion to the new standard from ISO 9001:2008. We will be implementing the new ISO 14001:2015 requirements this year.

CORPORATE SOCIAL RESPONSIBILITY

We take our responsibility to be a good corporate citizen to heart and as such, endeavour to do our part in providing support and help to charitable organisations. Bright Vision Hospital, a 318-bed community hospital offering intermediate and long-term holistic care for about 1,500 new patients annually is one such organisation. 20 of our staff, including senior management, took part in our corporate outreach programme there. We hosted a Patient Birthday celebration during which we organised and played games with the patients, entertained them and gave out red packets to those celebrating their birthdays in the month.

OUTLOOK

Barring unforeseen circumstances, the outlook for all our business segments appears positive given the unrelenting advances made in automation, electronics and networking devices with the advent of the IoT.

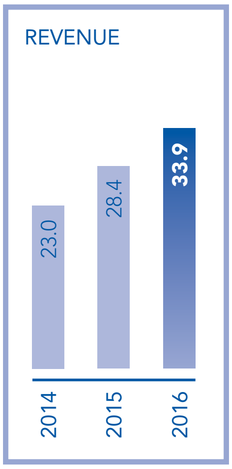
Despite having returned to profitability, the Group will continue with our prudent cost management and productivity enhancement measures, while not letting up on seeking out new avenues for sustained growth in complementary and synergistic areas.

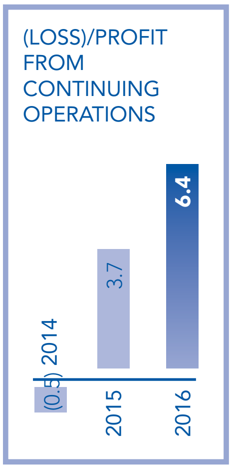
REACHING FOR OUR GOALS, READY TO SET NEW ONES

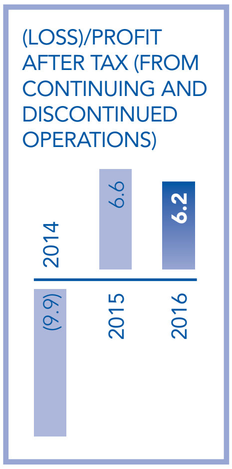
A crowning moment brought about by an unwavering commitment to success, we are now stronger, leaner, fitter, for the next lap

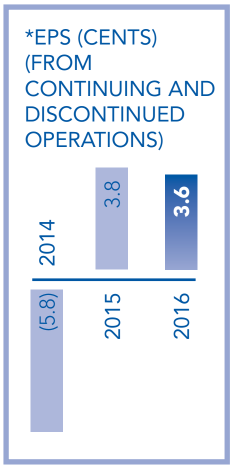
FINANCIAL HIGHLIGHTS

PROFIT AND LOSS ($'M)



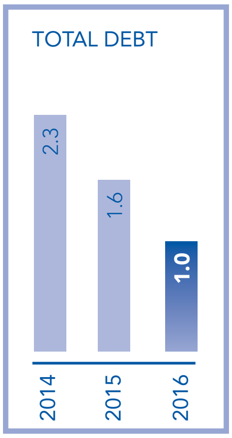


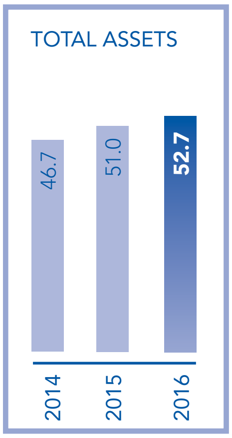


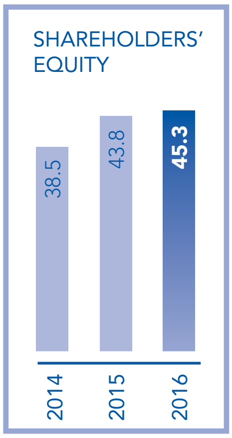


* Restated after share consolidation

BALANCE SHEET ($'M)

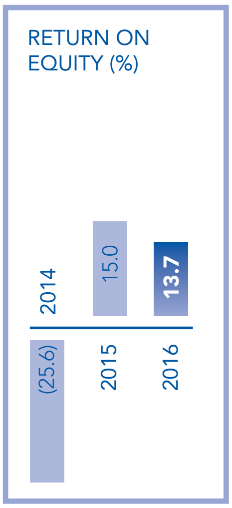






* Restated after share consolidation

KEY FINANCIAL RATIOS



FINANCIAL REVIEW

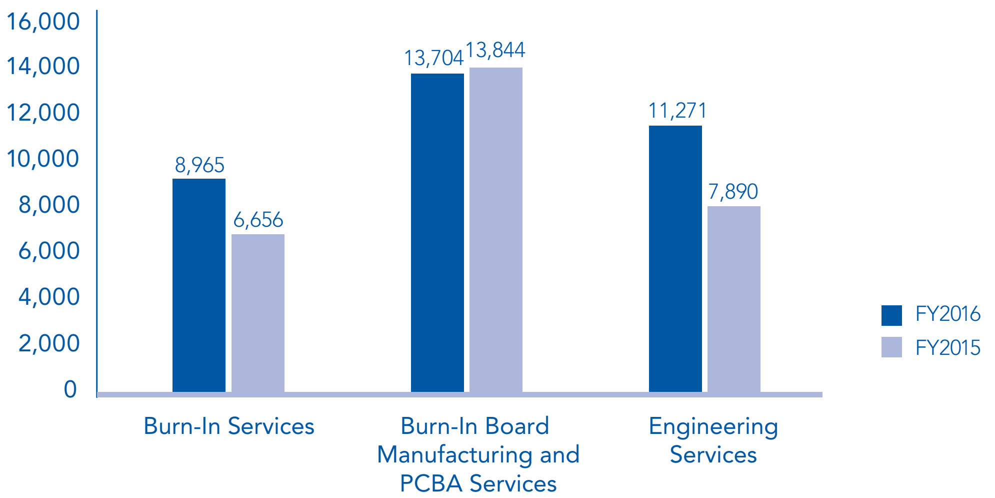
CONSOLIDATED FINANCIAL PERFORMANCE ($'000)

	FY2016	FY2015	Change %
Continuing Operations			
Revenue	33,940	28,390	19.5
Cost of sales	(22,983)	(21,509)	6.9
Gross profit	10,957	6,881	59.2
Administrative expenses	(4,595)	(4,033)	13.9
Profit before income tax	7,854	3,868	103.1
Income tax expenses	(1,476)	(146)	911.0
Profit for the year from continuing operations	6,378	3,722	71.4
Discontinued Operations			
(Loss)/Profit for the year from discontinued operations	(153)	2,828	n.m.
Profit for the year from both continuing and discontinued operations	**6,225**	**6,550**	**(5.0)**

n.m.: not meaningful

For the financial year ended 30 June 2016 ("FY2016"), the Group reported a profit of $6.2 million as compared to $6.6 million for FY2015. The marginal decrease in profit for the comparative periods was a result of no further gains being registered in the discontinued operations of the US subsidiaries, and foreign exchange rates contributing to higher administration expenses. Nonetheless, the profit from continuing operations had increased in the comparative periods due to the higher revenue and improved gross profit margins across the business segments. Overall, the Group registered a positive profit for the comparative periods.

REVENUE BY BUSINESS SEGMENTS ($'000)



Burn-in Services which contributed 26.4% of Group's revenue in FY2016 (FY2015: 23.4%) reported revenue for the year of $9.0 million, an increase of $2.3 million or 34.7%. The increase is contributed by the higher sales from key customers.

FINANCIAL REVIEW

Burn-in Board Manufacturing and PCBA Services which contributed 40.4% of Group's revenue in FY2016 (FY2015: 48.8%) reported a marginal decrease of $0.1 million or 1.0% in revenue.

Engineering Services which contributed 33.2% of Group's revenue in FY2016 (FY2015: 27.8%) reported revenue of $11.3 million, an increase of $3.4 million or 42.9%. The increase in sales revenue for Engineering Services is also attributed by the higher sales from key customers.

COST OF SALES ($'000)

	FY2016	FY2015	Change %
Cost of sales	22,983	21,509	6.9
Include in cost of sales:			
Cost of material and equipment	14,650	13,541	8.2
Salary and related cost	6,299	5,602	12.4
Depreciation	699	1,009	(30.7)
Electricity	400	517	(22.6)
Other direct overheads	935	840	11.3

GROSS PROFIT ($'000)

	FY2016	FY2015	Change %
Gross Profit	10,957	6,881	59.2%
Gross Margin	32.3%	24.2%	33.2%

The Group reported a gross profit of $11.0 million for FY2016, an increase of $4.1 million or 59.2% as compared to $6.9 million for FY2015. Gross profit margin over that period had also increased from 24.2% in FY2015 to 32.3% in FY2016. The increase in gross profit was primarily due to the higher revenue reported by the Group in addition to the ongoing cost control measures and the enhancement in productivity across all business segments.

ADMINISTRATIVE EXPENSES ($'000)

	FY2016	FY2015	Change %
Administrative expenses	4,595	4,033	13.9
Include in administrative expenses:			
Salary and related cost	2,500	2,255	10.9
Foreign currency exchange gain	(232)	(548)	(57.7)

Administrative expense increased by $0.6 million from $4.0 million in FY2015 to $4.6 million in FY2016. The increase is primarily due to the lower foreign currency exchange gain of $0.3 million incurred in current year as compared with prior year.

FINANCIAL REVIEW

PROFIT/(LOSS) FOR THE YEAR ($'000)

	FY2016	FY2015	Change %
Profit for the year from continuing operations	6,378	3,722	71.4
(Loss)/Profit for the year from discontinued operations	(153)	2,828	n.m.
Profit for the year from continuing and discontinued operations	6,225	6,550	(5.0)

The Group reported a profit of $6.2 million for FY2016 as compared to $6.6 million for FY2015. The marginal decrease in profit for the comparative periods was a result of no further gains being registered in the discontinued operations of the US subsidiaries and foreign exchange rates contributing to higher administration expenses.

LIQUIDITY AND CAPITAL RESOURCES ($'000)

	FY2016	FY2015	Change %
Cash flow from:			
Operating activities	7,952	4,713	68.7
Investing activities	(8,386)	(11,971)	(29.9)
Financing activities	(5,464)	(1,682)	224.9
Net change in cash and cash equivalents	(5,933)	(9,032)	(34.3)
Cash and cash equivalents at end of year	6,483	12,416	(47.8)

The Group generated net cash from operating activities of $8.0 million for the financial year ended 30 June 2016.

Net cash used in investing activities was $8.4 million, which is mainly due to the purchase of held-to-maturity investments and fixed deposits placed with financial institutions with over three month tenures upon maturity.

Net cash used in financing activities was $5.5 million, primarily due to dividend payment and repayment of bank loan.

Cash and cash equivalents decreased by $5.9 million in FY2016. Included in cash and cash equivalents are cash and bank balances.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Mr Khor Thiam Beng
Non-Executive Chairman and Independent Director

Mr Lim Eng Hong
Chief Executive Officer

Mr Goh Chung Meng
Independent Director

Mr Michael Grenville Gray
Independent Director

AUDIT AND RISK COMMITTEE
Mr Michael Grenville Gray
Chairman

Mr Khor Thiam Beng
Member

Mr Goh Chung Meng
Member

REMUNERATION COMMITTEE
Mr Goh Chung Meng
Chairman

Mr Khor Thiam Beng
Member

Mr Michael Grenville Gray
Member

NOMINATING COMMITTEE
Mr Goh Chung Meng
Chairman

Mr Khor Thiam Beng
Member

Mr Michael Grenville Gray
Member

COMPANY SECRETARY
Mr Adrian Chan Pengee
Lee & Lee
Advocates & Solicitors, Singapore

REGISTERED OFFICE
Avi-Tech Electronics Limited
Company Registration No. 198105976H
Address: 19A Serangoon North Avenue 5
Singapore 554859
Tel: +65 6482 6168
Fax: +65 6482 6123
Website: www.avi-tech.com.sg
Email: enquiry@avi-tech.com.sg

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2 #33-00
Singapore 068809
Partner-in-charge of the audit: Shariq Barmaky
Date of appointment: 30 October 2014

PRINCIPAL BANKERS
Standard Chartered Bank
6 Battery Road
Singapore 049909

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

CORPORATE GOVERNANCE

The Board is committed to setting and maintaining high standards of corporate governance to preserve and enhance the interests of all shareholders. The Board has adopted the recommendations of the Code of Corporate Governance 2012 (the "**Code**").

This report describes the Company's corporate governance processes and activities with specific reference to each of the principles set out in the Code. The Company confirms that it has adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Board's role is to:

- 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;
- establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- review management performance;
- identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
- set the Company's values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met; and
- consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

All our Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

In accordance with the Code, the Board has, without abdicating its responsibility, established Board committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board committees comprise the Audit and Risk Committee ("**ARC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), which have been delegated with specific authority. Each Board committee functions within its own defined terms of reference and procedures. All committees are chaired by an independent non-executive Director. All Board members objectively make decisions in the interests of the Company. The composition and description of each Board committee is set out in this report.

The Board conducts regularly scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly and full-year results and to update the Board on significant business activities and overall business environment. Ad-hoc meetings will be held as and when required to address any significant issues that may arise. The Company's Constitution provides for meetings to be held via telephone, electronic or other communication facilities which permit all persons participating in the meeting to communicate with each other simultaneously. The non-executive Directors are also encouraged to communicate amongst themselves, and with the Company's Auditors and the legal advisors of the Company without the presence of the executive Director(s) and management.

CORPORATE GOVERNANCE

Details of Directors' attendance at the Board and Board committee meetings held for the financial year under review are summarised in the table below:

Meetings of	Board	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Total held in FY16	4	4	1	1
Khor Thiam Beng	4	4	1	1
Lim Eng Hong	4	4[(1)]	1[(1)]	1[(1)]
Goh Chung Meng	4	4	1	1
Michael Grenville Gray	4	4	1	1

Note:

(1) By Invitation

The Board has adopted internal guidelines setting the matters which are specifically reserved to the Board for approval, including the following:

- material acquisitions and disposal of assets;
- corporate or financial restructuring;
- share issuances (including stock options or other equity awards), dividends and other capital transactions and returns to shareholders;
- approval of annual audited financial statements for the Group and the Directors' Statement thereto;
- any public reports or press releases reporting the results of operations; and
- matters involving a conflict or potential conflict of interest involving a substantial shareholder or a director.

Clear directions have also been given to management that such matters must be approved by the Board.

Upon the appointment of any new director, the Company will provide a formal letter to the director, setting out the director's duties and obligations. The Board ensures that all incoming directors will receive comprehensive and tailored induction on joining the Board, including briefing on their duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the Group's business and governance practices. The Company also provides training for any new first-time director (who has no prior experience as a director in a listed company) in any industry-specific knowledge as appropriate. All new first-time directors (who have no prior experience as a director in a listed company) are also required to attend appropriate SGX-SID Listed Company Director (LCD) Programmes offered by the Singapore Institute of Directors ("**SID**").

All Board members are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Board is mindful of the best practice in the Code to initiate programmes for Directors to meet their relevant training needs. In this regard, the Company is supportive of Board members in the participation of industry conferences and seminars and to fund Directors' attendance at any course

CORPORATE GOVERNANCE

or training programme in connection with their duties as directors. In FY16, some Directors attended the seminar on "Understanding how the recent changes in the Listing Manual and Companies Act will impact you" organised by the SGX Academy and the seminar on "Raising the bar on financial reporting and audit" jointly organised by SID, the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**").

Principle 2: Board Composition and Guidance

The Board currently comprises four (4) Directors, as set out below. Mr Lim Eng Hong is the only Director that holds an executive position.

Director	Board Membership	Date of First Appointment as Director	Date of Last Re-Appointment	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Khor Thiam Beng	Chairman and Independent Director	30 October 2006	27 October 2015	Member	Member	Member
Lim Eng Hong(1)	Chief Executive Officer ("**CEO**")	16 May 1984	–	–	–	–
Goh Chung Meng	Independent Director	16 October 2001	27 October 2015	Member	Chairman	Chairman
Michael Grenville Gray	Independent Director	30 October 2006	28 October 2014	Chairman	Member	Member

Note:

(1) Mr Lim Eng Hong, as CEO, is not subject to rotation as provided for in his service contract and the Constitution of the Company.

The Board comprises more than one-third independent Directors who offer alternative views of the Group's business and corporate activities. Their views and opinions often provide different perspectives to the Group's business. No individual or small group of individuals dominates the Board's decision-making. The independence of each independent Director is reviewed by the NC annually.

Each of Mr Khor Thiam Beng, Mr Michael Grenville Gray and Mr Goh Chung Meng has served on the Board for more than nine (9) years from the respective date of his first appointment. After taking into consideration the views of the NC, the Board has rigorously reviewed the independence of Mr Khor, Mr Gray and Mr Goh and considers each of them to be an independent director after having determined that each of them has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their respective independent business judgement with a view to the best interests of the Company. The Board also took into consideration that Mr Khor, Mr Gray and Mr Goh have throughout their respective appointment, continuously and constructively challenged management on business decisions and have remained objective in the discharge of their respective duties and responsibilities.

The Board considers its present composition appropriate, taking into account the nature and scope of the Group's operations and also considers the current size ideal for effective debate and decision-making of the Board. The Directors bring with them a wide spectrum of industry skills, experience in accounting, finance, legal and business

CORPORATE GOVERNANCE

strategies, management expertise and objective perspective to effectively lead and direct the Group. Profiles of the Directors are set out in this Annual Report.

At least once a year, the non-executive Directors meet without the presence of management and the executive Director(s) to review any matters that they wish to raise privately, develop proposals on company strategy, review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

Principle 3: Chairman and Chief Executive Officer

The Code advocates that the Chairman and the Chief Executive Officer should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision-making.

The Chairman of the Board is Mr Khor Thiam Beng, an independent Director. Mr Khor Thiam Beng and Mr Lim Eng Hong are not related to each other. The role of the Chairman includes:

- leading the Board to ensure its effectiveness on all aspects of its role;
- setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- promoting a culture of openness and debate at the Board;
- ensuring that the Directors receive complete, adequate and timely information;
- ensuring effective communication with shareholders;
- encouraging constructive relations within the Board and between the Board and management;
- facilitating the effective contribution of non-executive Directors in particular; and
- promoting high standards of corporate governance.

Day-to-day operations of the Group are entrusted to the CEO. He assumes full executive responsibilities over the mapping of business plans and operational decisions of the Group.

Principle 4: Board Membership

The NC is regulated by a set of written terms of reference endorsed by the Board, setting out its duties and responsibilities and comprises the following three (3) Directors, all of whom are independent: Mr Goh Chung Meng – Chairman; Mr Khor Thiam Beng – Member and Mr Michael Grenville Gray – Member.

According to its terms of reference, the responsibilities of the NC include:

- reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board;

CORPORATE GOVERNANCE

- identifying and making recommendations to the Board as to the Directors (including alternate directors, if applicable) who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company ("**AGM**");

- determining annually whether or not a Director is independent;

- deciding, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as a Director of the Company;

- identifying and nominating candidates for the approval of the Board to fill vacancies in the Board as and when they arise;

- reviewing and making recommendations to the Board regarding the Board structure, size, composition and core competencies having regard at all times to the principles of corporate governance and the Code; and

- proposing objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the effectiveness of the Board as a whole, its Board committees and the contribution by each Director to the effectiveness of the Board.

The NC makes recommendations to the Board on relevant matters relating to the review of Board succession plans for Directors, in particular, the Chairman and the CEO; and the review of training and professional development programmes for the Board.

In the selection and nomination of new Directors, the NC identifies the key attributes that an incoming Director should have, based on attributes of the existing Board and the requirements of the Group. The NC then taps on the Directors' resources for recommendations of potential candidates. Executive recruitment agencies may also be appointed to assist in the search process where necessary. The potential candidates will go through a shortlisting process. Interviews are then set up with the shortlisted candidates for the NC to assess them before a decision is made. As recommended by the NC, a new Director can be appointed by way of a Board resolution. Such Directors must present themselves for re-election at the next AGM of the Company.

Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.

Key information regarding the Directors' profiles, including directorships or chairmanships both present and those held over the preceding three (3) years in other listed companies, and other principal commitments, are set out in this report. The shareholdings in the Company of the Directors are set out in the Directors' Statement.

The Company's Constitution provides that one-third of the Board is to retire annually by rotation at the AGM. Retiring Directors are eligible to offer themselves for re-election. Mr Khor Thiam Beng was re-appointed at the previous AGM to hold office until the conclusion of the forthcoming AGM. The NC has recommended the nomination of Mr Khor Thiam Beng for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation.

The NC has also rigorously reviewed the independence of the Board members with reference to the guidelines set out in the Code and, has determined Mr Khor Thiam Beng, Mr Michael Grenville Gray and Mr Goh Chung Meng to be independent. In respect of determining the independence of Mr Khor, Mr Gray and Mr Goh, the NC has, *inter*

CORPORATE GOVERNANCE

alia, taken into consideration that each of them has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their respective independent business judgement with a view to the best interests of the Company.

To ensure that sufficient time and attention is given to the affairs of the Company, the Board has, subject to annual review, determined that the maximum number of listed company board representations which any Director may hold is five (5).

No alternate directors have been appointed by the Board.

Principle 5: Board Performance

The NC assesses the effectiveness of the Board as a whole and its Board committees, and the contribution by each Director to the effectiveness of the Board, with input from the CEO. The appraisal process focuses on a set of performance criteria which includes the evaluation of the Board composition and size, the Board process, the Board effectiveness and training, the provision of information to the Board, the Board standards of conduct and financial performance indicators. Such performance criteria are recommended by the NC and approved by the Board and they address how the Board has enhanced long-term shareholders' value. The performance criteria allow for comparison with industry peers and do not change unless circumstances deem it necessary and a decision to change them would be justified by the Board. The assessment parameters for each Director include attendance record at the meetings of the Board and the Board committees and quality of participation at meetings as well as special contributions. Where appropriate, the Chairman will act on the results of such evaluation and, in consultation with the NC, propose new members to be appointed to the Board or seek the resignation of directors.

For FY16, an evaluation of the performance of the Board and its Board committees, and the contribution by each Director to the effectiveness of the Board, was conducted. The objective of the evaluation process is to assess and identify areas for continuous improvement to the Board's overall effectiveness. The assessment of the Board as a whole is conducted by way of a Board evaluation questionnaire completed by the Directors, which assesses the Board as a whole on several parameters namely, the Board composition, maintenance of independence, Board information, Board processes, Board accountability, communication with top management and standard of conduct.

An evaluation of the performance of the Board committees was also undertaken with the assistance of self-assessment checklists completed by these committees. Directors were also required to complete appraisal forms to assess the contributions made by each of the other Directors towards the effectiveness of the Board.

The consolidated findings are reported and recommendations are made to the Board for consideration of further improvements to help the Board to discharge its duties more effectively.

Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as a Director.

Principle 6: Access to Information

Management recognises that the flow of complete, adequate and timely information on an ongoing basis to the Board is essential to the Board's effective and efficient discharge of its duties. The Chief Financial Officer ("**CFO**") provides each member of the Board with appropriate financial accounts and other information detailing the Group's performance, financial position and prospects on a regular basis and provides the Board with meeting

CORPORATE GOVERNANCE

and presentation materials in advance of each meeting unless doing so would be deemed to compromise the confidentiality of highly sensitive information. Further enquiries may be made by the Directors to discharge his duties properly. The information provided by the CFO includes background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results is disclosed and explained. The CFO and outside professionals may also be invited to attend the meetings to provide further insight on specific matters or respond to queries from the Directors.

The Directors have separate and independent access to the Company's senior management. The Board is also entitled to request from senior management and is, upon request, provided with such additional information needed to make informed decisions.

The Directors also have separate and independent access to the Company Secretary, and can seek professional advice and assistance from the Company Secretary or outsiders if necessary, and the cost of such advice and assistance will be borne by the Company.

The Company Secretary provides secretarial support to the Board and attends all Board meetings. The Company Secretary ensures adherence to Board procedures and relevant Singapore rules and regulations applicable to the Company. Where such rules and regulations relate to foreign jurisdictions, the Company Secretary facilitates liaison between foreign advisors and the Board. The Company Secretary works with management to ensure good information flows within the Board and its committees and between senior management and non-executive Directors.

The appointment and the removal of the Company Secretary is a matter for the Board to decide as a whole.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure of Remuneration

The RC is regulated by a set of written terms of reference endorsed by the Board setting out its duties and responsibilities and comprises three (3) Directors, all of whom are non-executive and independent: Mr Goh Chung Meng – Chairman; Mr Khor Thiam Beng – Member and Mr Michael Grenville Gray – Member.

The aim of the RC is to motivate and retain Directors and key executives without being excessive, and ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term shareholders' value.

According to its terms of reference, the responsibilities of the RC include:

- recommending to the Board a framework of remuneration for the Board and key executives, such recommendations to cover aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind;
- determining performance-related elements of remuneration to align interests of executive Directors and key executives with those of shareholders and link rewards to corporate and individual performance; and

CORPORATE GOVERNANCE

- considering whether Directors should be eligible for benefits under long-term incentive schemes.

While none of the members specialise in the field of executive compensation, the members of the RC do possess broad knowledge in this area and have access to external professional advice. The RC is competent in reviewing and recommending to the Board the appropriate remuneration framework for the Board and key executives in accordance with the terms of reference duly adopted by the Board. No external remuneration consultants were appointed for FY16. However, in reviewing and recommending to the Board the appropriate remuneration framework for the Board and key executives, the RC had reviewed remuneration surveys published by consulting groups.

The RC ensures that both the total remuneration as well as individual pay components, i.e. annual fixed cash, annual performance incentives and the long-term incentives, are market competitive and are performance-driven.

The annual fixed cash component comprises the annual basic salary plus fixed allowances which the Company benchmarks with the relevant industry market data, where available. The annual performance incentive variable bonus is tied to the performance of the Company, business unit and individual employee. Performance conditions to which entitlement to such annual and short-term incentives are subject include benchmarking performance to industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance vis-a-vis industry performance.

The Avi-Tech Employee Share Option Scheme ("**ESOS**") is a long-term incentive plan. The ESOS mechanism involves deferring incentive compensation over a time horizon to ensure that the employee focuses on generating shareholder value over a longer term. Conditions to entitlement to such long-term incentive include assessment and recognition of potential progressive performance and enhancement to asset value and shareholder value over time, taking into consideration current and future plans of the Company.

For the financial year under review, the performance conditions for the short and long-term incentives were not triggered.

The remuneration package of the Company's only executive Director, the CEO, is based on terms stipulated in his service contract. His remuneration includes a profit sharing scheme that is performance-related to align his interests with those of the shareholders. The CEO's service contract with the Company is for a fixed period.

The non-executive Directors are paid Directors' fees based on their contributions and responsibilities on the Board and Board committees. The recommendations made by the RC in respect of the non-executive Directors' fees are subject to shareholders' approval at the AGM.

While the use of contractual provisions to reclaim incentive components of remuneration from executives in exceptional circumstances of misstatement of financial results or of misconduct resulting in financing loss to the Company is not a common industry practice, the RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the executive Director and key executives.

The RC has recommended to the Board an amount of $150,000 as Directors' fees for the year ended 30 June 2016. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.

CORPORATE GOVERNANCE

A breakdown, showing the level and mix of each individual Director's remuneration for the year ended 30 June 2016, is as follows:

Directors	Fee(1)	Salary	Variable Bonus & Profit Sharing	Benefits in kind	Total
Band D(2)	%	%	%	%	%
Lim Eng Hong	–	44	51	5	100
Band A(3)					
Khor Thiam Beng	100	–	–	–	100
Goh Chung Meng	100	–	–	–	100
Michael Grenville Gray	100	–	–	–	100

A breakdown, showing the level and mix of the top key management personnel's remuneration (in bands of $250,000) for the year ended 30 June 2016, is as follows:

Top Key Management Personnel	Salary	Variable Bonus	Benefits in kind	Total
Band A(3)	%	%	%	%
Kwok Wai San, Philip	81	15	4	100
Lau Toon Hai	84	16	–	100
Lim Tai Meng, Alvin(4)	81	15	4	100
Joseph Wang Nin Choon	83	17	–	100

While the Company endeavours to provide adequate disclosure of its Directors', CEO's, and top key management personnel's remuneration in order to enhance transparency between the Company and shareholders, the Company, in view of the stiff competition in attracting and retaining talents in similar industry, does not wish to divulge too much information with regard to remuneration packages of its Directors and top key management personnel for its competitors to take advantage of.

The Company considers the heads of the corporate functions and the Vice Presidents to be the top key management personnel of the Company (who are not Directors or the CEO) for FY16.

The total remuneration paid to the above top key management personnel is not more than $750,000 in FY16.

Save as disclosed above, the Group did not employ any immediate family member of a Director, where the remuneration of such immediate family member exceeded $50,000 in FY16. In respect of Mr Lim Tai Meng, Alvin's total remuneration in incremental bands of $50,000, he falls within the $150,000 to $199,999 band. "Immediate family" means a spouse, child, adopted child, step-child, brother, sister or parent.

Notes:

(1) These fees are subject to the shareholders' approval at the forthcoming AGM.

(2) Band D means from $750,000 up to $999,999.

(3) Band A means from $0 up to $249,999.

(4) Mr Lim Tai Meng, Alvin is the son of Mr Lim Eng Hong, our CEO, Director and controlling shareholder.

CORPORATE GOVERNANCE

AVI-TECH EMPLOYEE SHARE OPTION SCHEME

The Company has on 6 July 2007 adopted the ESOS for eligible employees, including all Directors of the Company and the Group. The ESOS complies with the relevant rules as set out in Chapter 8 of the Listing Manual of the SGX-ST. The ESOS, which forms an integral and important component of a compensation plan, is designed to primarily reward and retain Directors and employees whose services are vital to our well-being and success. The ESOS is administered by the RC.

The aggregate number of shares over which the RC may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the ESOS and any other share option schemes of the Company, shall not exceed 15% of the issued shares of the Company (excluding treasury shares) on the day preceding the date of the relevant grant.

The options that are granted under the ESOS may have exercise prices that are set at a price (the "**Market Price**") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five (5) consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share; or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date of grant of the option. Options granted to employees of the Group under the ESOS will have a life span of ten (10) years. All other options granted under the ESOS will have a life span of five (5) years.

Under the rules of the ESOS, executive and non-executive Directors (including independent Directors of the Company) and employees of the Group and associated companies are eligible to participate in the ESOS. Subject to specific approval of independent shareholders, controlling shareholders and their associates will also be eligible to participate in the ESOS.

CORPORATE GOVERNANCE

Participants of the ESOS who: (i) are Directors of the Company; (ii) are controlling shareholders of the Company and their associates; or (iii) received options amounting to 5.0% or more of the total number of options available under the ESOS are as set out below:

Name of Participant Employee	Options granted during financial year under review[2]	Aggregate Options granted since commencement of the ESOS to end of financial year under review[2]	Aggregate Options exercised since commencement of the ESOS to end of financial year under review[2]	Aggregate Options outstanding as at end of financial year under review[2]
Lim Tai Meng, Alvin[1]	–	45,000	–	45,000
Kwok Wai San, Philip	–	45,000	45,000	–
Desmond Ow	–	40,000	40,000	–
Lau Toon Hai	–	40,000	40,000	–
Ngo Yu Wei Allan	–	40,000	40,000	–
Lee Wee Meng	–	25,000	25,000	–
Kurien P Mathews	–	25,000	25,000	–
Ng Chin Kuay	–	25,000	25,000	–
Bambang H Sutedjo	–	25,000	25,000	–
Tan Kin Poh	–	25,000	25,000	–

Notes:

(1) Mr Lim Tai Meng, Alvin is the son of Mr Lim Eng Hong, our CEO, Director and controlling shareholder.

(2) Adjusted to reflect the share consolidation of every two existing ordinary shares into one ordinary share effected on 23 November 2015.

The requirements of Rule 852(1)(c) and Rule 852(1)(d) of the Listing Manual of the SGX-ST are not applicable to the Company.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board provides shareholders with quarterly, half-year and full-year financial reports within the mandatory period. In presenting financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of the Group's performance, position and industry conditions. The responsibility to provide a balanced and understandable assessment extends to interim and other price sensitive public reports and reports to regulators (if required). The Board has also taken adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual of the SGX-ST, by establishing written policies where appropriate.

Management provides all members of the Board with management accounts which present a balanced and understandable assessment of the Company's and Group's performance, position and prospects on a monthly basis. Such reports enable the Directors to keep abreast of the Group's operating and financial performance and position. Any material variances between the projections and actual results are disclosed and explained.

CORPORATE GOVERNANCE

Principle 11: Risk Management and Internal Controls

Principle 13: Internal Audit

The Company has put in place a risk management and internal control system in areas such as financial, operational, compliance and information technology controls. Risk management and internal controls are detailed in formal instructions, standard operating procedures and financial authority limits policies. The principal aim of the internal control system is the management of business risks with a view to safeguarding shareholders' investments and the Group's assets. The management maintains the risk management and internal control systems and the Board monitors the Group's risks through the ARC and internal auditors. In designing these controls, the Company has considered the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.

The Company has outsourced the internal audit function to RSM Risk Advisory Pte Ltd. The internal auditors report to the Chairman of the ARC and the scope of work will be agreed with the ARC on an annual basis, which is generally to conduct investigations to establish if there is any fraud or irregularity, or failure of the risk management and internal control systems, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position. The internal auditors have access to all the Company's documents, records, properties and personnel, including access to the ARC. The ARC approves the hiring, removal, evaluation and compensation of the internal auditors.

The Board relies on internal audit reports and the management letter prepared by the external auditors to report on any material non-compliance or internal control weaknesses. For the financial year under review, based on the risk management systems and internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by management, various Board committees and the Board, the ARC and the Board are of the opinion that the Group's risk management and internal controls, addressing financial, operational, compliance and information technology risks, were adequate and effective as at 30 June 2016.

The Board has also received assurances from the CEO and the CFO that for the financial year under review, the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and based on the work performed by the internal and external auditors, the Group's risk management and internal controls, addressing financial, operational, compliance and information technology risks, were effective as at 30 June 2016.

The system of risk management and internal controls established by the Group is designed to manage, rather than eliminate, the risk of failure in achieving the Group's goals and objectives. The Board wishes to state that the system of internal controls provides reasonable, but not absolute, assurance as to financial, operational, compliance and information technology risks. No such system can provide absolute assurance against the occurrence of material errors and other situations not currently within the contemplation or beyond the control of the Board.

Principle 12: Audit and Risk Committee

The ARC is regulated by a set of written terms of reference endorsed by the Board, setting out its duties and responsibilities, and comprises three (3) Directors, all non-executive and all of whom are independent: Mr Michael Grenville Gray – Chairman; Mr Khor Thiam Beng – Member and Mr Goh Chung Meng – Member.

The members of the ARC are appropriately qualified to discharge their responsibilities, with Mr Michael Grenville Gray having been a former partner in PricewaterhouseCoopers, Mr Goh Chung Meng having a wide financial management experience and Mr Khor Thiam Beng being a senior practising lawyer.

CORPORATE GOVERNANCE

The ARC has explicit authority to investigate any matters within its terms of reference, full access to and the co-operation of management and full discretion to invite any Director or key executive to attend its meetings and has been given reasonable resources to enable it to discharge its functions. Each member of the ARC will abstain from voting in respect of matters in which he has an interest.

According to its terms of reference, the responsibilities of the ARC include:

- reviewing the scope and results of the external audit and the independence and objectivity of the external auditors;

- reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any formal announcements relating to the Group's financial performance;

- assisting the Board in carrying out its responsibility of overseeing and maintaining the Company's risk management framework and policies, including reviewing the Company's levels of risk tolerance and risk policies, and overseeing the management in the design, implementation and monitoring of the Company's risk management and internal control systems;

- reviewing and reporting to the Board at least annually the adequacy and effectiveness of the Company's risk management and internal control systems, including financial, operational, compliance and information technology controls;

- reviewing the effectiveness of the Company's internal audit function;

- making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement; and

- reviewing interested person transactions and providing such reports that are required by law or relevant regulations.

The ARC has reviewed the audit plan and scope of examination of the external auditors and the assistance given by the Group's officers to the auditors. No restriction was imposed by the management on the scope and extent of the external audit.

The ARC met with the Group's external and internal auditors, in each case without the presence of management, to discuss the results of their examinations and the evaluation of the Group's system of risk management and internal controls. The ARC also reviewed the Group's full-year results announcement, the financial statements of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2016 prior to its recommendations to the Board for approval. The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "Independent Auditors' Report" which is found in this Annual Report.

CORPORATE GOVERNANCE

Before confirming the external auditors' re-nomination, the ARC will conduct an annual review of the independence of the Company's external auditors and the total fees for non-audit services compared with audit services, and satisfy itself that the nature and volume of any non-audit services will not prejudice the independence and objectivity of the auditors. During the financial year under review, the remuneration paid/payable to the Company's external auditors, Deloitte & Touche LLP, is set out below:

Service Category	Fees Paid/Payable $'000
Audit Service	118
Non-Audit Service	11
Total	129

The ARC has reviewed the non-audit services provided by the external auditors, Deloitte & Touche LLP for FY16, and is of the opinion that the provision of such services did not affect the independence or, objectivity of the external auditors. The external auditors have affirmed their independence in this respect.

The ARC had recommended the re-appointment of Deloitte & Touche LLP as external auditors of the Company at the forthcoming AGM. The external auditors re-appointed for the Company's subsidiaries are set out in the notes to the financial statements found in this Annual Report.

In proposing to shareholders the re-appointment of Deloitte & Touche LLP as the external auditors to the Company and in line with Rule 712 of the Listing Manual of the SGX-ST, the Board and the ARC considered and are satisfied with the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of our Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. Deloitte & Touche LLP has confirmed that it is registered with the ACRA. The Company is also in compliance with Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of the auditors of the Company and its subsidiaries.

To achieve a high standard of corporate governance for the operations of the Group, the Group has implemented a Whistle-Blowing Programme. This programme will provide arrangements by which staff can raise concerns on financial improprieties and other reporting matters.

Before the release of the Company's quarterly results, the ARC meets to review the results announcement together with the external auditors of the Company prior to its recommendations to the Board for approval. Any changes to accounting standards and issues which have a direct impact on financial statements will be raised at such meetings.

SHAREHOLDER RIGHTS & RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Board is aware of its obligations to shareholders in providing information on changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.

CORPORATE GOVERNANCE

The AGM is the principal forum for dialogue with shareholders. The Board welcomes questions and comments relating to the Group's business or performance from shareholders at AGMs. Shareholders are given an opportunity to air their views and direct questions to the Board on matters affecting the Group. The Chairman of the Board and the respective Chairman of the ARC, NC and RC, all Directors, management and representatives of the external audit firm are normally present at the AGM to address questions from shareholders. The Constitution of the Company allows a shareholder to appoint a proxy to attend and vote in his place at AGMs. Nominee companies and relevant intermediaries (as defined in Section 181 of the Companies Act, Cap. 50 of Singapore) may appoint more than two (2) proxies. Shareholders will be informed of the rules, including voting procedures that govern general meetings of shareholders. According to the Constitution of the Company, all resolutions at general meetings shall be voted by poll. With poll voting, shareholders present in person or represented by proxy at general meetings will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for poll voting will be explained at the forthcoming AGM. Voting in absentia and by electronic mail is not presently possible and the Board is not implementing such absentia-voting methods until issues on security and integrity are satisfactorily resolved. Minutes of general meetings are prepared and available to shareholders upon their request in accordance with applicable laws.

The Board is aware of its obligations to shareholders and has devised investor relations policies to provide regular, effective and fair communication and convey pertinent information to shareholders. In line with continuous disclosure obligations of the Company pursuant to the rules of the SGX-ST, the Board's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. Information is communicated to our shareholders through public announcements via SGXNET and the Company's website, as well as news releases where appropriate and annual reports/circulars that are sent to all shareholders and notices of general meeting are advertised. The Company does not practise selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released via SGXNET before, or concurrently with, such meetings. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

The Board endeavours to establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns. To that extent, the Company has in the past undertaken regular analyst briefings to provide market updates on the Group's business and plans to reinitiate this practice.

CODE OF BUSINESS CONDUCT

The Group has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Group, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity with the law, regulations and Company policies.

SECURITIES TRANSACTIONS

In line with Rule 1207(19) of the Listing Manual of the SGX-ST, the Group has issued policies on share dealings by Directors and key officers of the Company, setting out the implications of insider trading and recommendations of best practices. Directors and all key executives are advised not to deal in the Company's shares on short-term considerations or when they are in possession of material unpublished price-sensitive information. The Company also prohibits its officers from dealing in the Company's shares, during the periods commencing at least two (2) weeks before the announcement of the Group's quarterly results and one (1) month before the announcement of the Group's full-year results and, ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group.

CORPORATE GOVERNANCE

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC. The Board confirms that there are no material interested person transactions entered into during the financial year ended 30 June 2016 which fall under Rule 907 of the Listing Manual of the SGX-ST. The Company has no shareholder mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST.

MATERIAL CONTRACTS

There are no material contracts of the Group involving the interests of any Director or controlling shareholder entered into during the financial year that is required to be disclosed under Rule 1207(8) of the Listing Manual of the SGX-ST.

CORPORATE SOCIAL RESPONSIBILITY

The Company is aware of the effects of its operations and the role it plays in preserving the environment. The Company intends to encourage a more environmentally responsible culture, including implementing policies for paper recycling, reducing the unnecessary use of paper and reducing electricity consumption.

STATUS REPORT ON USE OF IPO PROCEEDS

The Group successfully raised approximately $29.0 million from its initial public offering ("**IPO**") on 25 July 2007. As at 30 June 2016, the total net proceeds of approximately $26.7 million (after deducting the IPO expenses of approximately $2.3 million, as disclosed on page 33 of the Company's prospectus dated 11 July 2007) from the IPO were used for the following purposes:

	$ million
Expansion of our customer base and widen our portfolio of services	6.0
Potential mergers and acquisitions	2.8
Expansion of our overseas operations	3.0
Working capital	9.7
Total	**21.5**

Management has confirmed that the above use of proceeds was in line with the Company's planned utilisation of funds.

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DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2016.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 45 to 92 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and 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.

1 DIRECTORS

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

Lim Eng Hong
Goh Chung Meng
Khor Thiam Beng
Michael Grenville Gray

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES OR DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate except for the options mentioned in paragraph 4 of the Directors' Statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the names of directors			Shareholdings in which directors are deemed to have an interest		
Names of directors and company in which interests are held	**At beginning of the year**	**At end of the year**	**At 21 July 2016**	**At beginning of the year**	**At end of the year**	**At 21 July 2016**
The Company (Ordinary shares)						
Lim Eng Hong	84,469,350	44,318,175	44,318,175	26,390,000	13,195,000	13,195,000
Goh Chung Meng	180,000	90,000	90,000	–	–	–
Khor Thiam Beng	180,000	90,000	90,000	–	–	–
Michael Grenville Gray	860,000	–	–	880,000	870,000	870,000

During the year, every two existing ordinary shares was consolidated into one ordinary share.

By virtue of Section 7 of the Singapore Companies Act, as at 30 June 2016, Mr Lim Eng Hong was deemed to have an interest in all the ordinary shares of the subsidiaries of the Company.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

(a) Options to take up unissued shares

Avi-Tech Employee Share Option Scheme (the "Scheme")

Avi-Tech Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company in the financial year ended 30 June 2008.

The Scheme is administered by the Remuneration Committee whose members are:

Goh Chung Meng (Chairman)
Khor Thiam Beng
Lim Eng Hong
Michael Grenville Gray

Under the Scheme, the share option shall be exercisable after the second anniversary from the offer date of the option and before the tenth anniversary of the relevant offer date. The ordinary shares of the Company ("Shares") under option may be exercised on the payment of the exercise price. The exercise price is at a 20% discount to the average of the last dealt prices of the Shares on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the date of grant.

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. The number of outstanding share options under the Scheme is as follows:

Date of grant	Balance at 01.07.2015	Consolidated	Granted	Exercised	Cancelled/ Lapsed	Balance at 30.06.2016	Exercise price per share	Exercisable period
03.07.2012	580,000	(290,000)	–	(290,000)	–	–	S$0.12	From 03.07.2014 to 03.07.2022
16.11.2012	90,000	(45,000)	–	–	–	45,000	S$0.12	From 16.11.2014 to 16.11.2022

Holders of the above share options have no right to participate in any share issues of any other company in the Group.

DIRECTORS' STATEMENT

4 SHARE OPTIONS (CONT'D)

(a) Options to take up unissued shares (cont'd)

Avi-Tech Employee Share Option Scheme (the "Scheme") (cont'd)

The following are participants who received 5% or more of the total number of ordinary share options available under the Scheme:

Name of participant	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of the financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options cancelled/lapsed since commencement of the Scheme to the end of the financial year	Aggregate options outstanding as at the end of the financial year
Kwok Wai San Philip	–	45,000	(45,000)	–	–
Lim Tai Meng Alvin*	–	45,000	–	–	45,000
Desmond Ow	–	40,000	(40,000)	–	–
Lau Toon Hai	–	40,000	(40,000)	–	–
Ngo Yu Wei Allan	–	40,000	(40,000)	–	–
Lee Wee Meng	–	25,000	(25,000)	–	–
Kurien P Mathews	–	25,000	(25,000)	–	–
Ng Chin Kuay	–	25,000	(25,000)	–	–
Bambang H Sutedjo	–	25,000	(25,000)	–	–
Tan Kin Poh	–	25,000	(25,000)	–	–

* Options granted to an associate of the Company's controlling shareholder.

(b) Unissued shares under option and options exercised

No unissued shares, other than as disclosed above, are under options at the end of the financial year. During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares, other than as disclosed above.

5 AUDIT COMMITTEE

The Audit Committee (the "Committee") is chaired by Mr Michael Grenville Gray, an independent director, and includes Mr Goh Chung Meng, an independent director and Mr Khor Thiam Beng, a non-executive and independent director. The Audit Committee has met 4 times and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the external auditors' audit plans;

(b) the audit plan and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(c) the Group's financial and operating results and accounting policies;

DIRECTORS' STATEMENT

5 AUDIT COMMITTEE (CONT'D)

(d) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(e) the quarterly, half-yearly and annual as well as the related press releases on the results and financial position of the Group;

(f) the cooperation and assistance given by the management to the Group's external auditors;

(g) the re-appointment of the external auditors of the Group; and

(h) the independence of external auditors.

The Committee has full access to and has the cooperation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Committee.

The Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting ("AGM") of the Company.

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

……………………………………….

Lim Eng Hong

……………………………………….

Khor Thiam Beng

15 September 2016

INDEPENDENT AUDITORS' REPORT

To the Members of Avi-Tech Electronics Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Avi-Tech Electronics Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2016, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 92.

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 financial statements to maintain accountability of assets.

AUDITORS' 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 judgement, 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 and statement of changes in equity 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 financial position of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

INDEPENDENT AUDITORS' REPORT

To the Members of Avi-Tech Electronics Limited

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 have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants

Singapore
15 September 2016

STATEMENTS OF FINANCIAL POSITION

30 June 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
ASSETS					
Current assets					
Cash and bank balances	6	**3,758**	12,382	**3,679**	12,071
Fixed and call deposits	7	**20,769**	15,420	**20,769**	15,420
Trade receivables	9	**7,212**	6,177	**7,212**	6,202
Other receivables and prepayments	10	**428**	741	**427**	971
Inventories	11	**3,074**	3,532	**3,074**	3,532
Held-to-maturity financial assets	12	**1,763**	–	**1,763**	–
		37,004	38,252	**36,924**	38,196
Assets classified as held for sale and/or for distribution	13	**–**	46	**–**	–
Total current assets		**37,004**	38,298	**36,924**	38,196
Non-current assets					
Fixed and call deposits	7	**3,000**	–	**3,000**	–
Subsidiaries	14	**–**	–	**–**	–
Property, plant and equipment	15	**12,701**	12,662	**12,701**	12,662
Total non-current assets		**15,701**	12,662	**15,701**	12,662
Total assets		**52,705**	50,960	**52,625**	50,858
LIABILITIES AND EQUITY					
Current liabilities					
Bank loan	16	**612**	612	**612**	612
Trade payables	17	**2,586**	3,021	**2,870**	3,281
Other payables	18	**2,354**	2,381	**2,339**	2,346
Finance leases	19	**19**	7	**19**	7
Income tax payable		**490**	–	**490**	–
		6,061	6,021	**6,330**	6,246
Liabilities directly associated with assets classified as held for sale and/or for distribution	13	**–**	2	**–**	–
Total current liabilities		**6,061**	6,023	**6,330**	6,246
Non-current liabilities					
Bank loan	16	**384**	996	**384**	996
Finance leases	19	**19**	–	**19**	–
Deferred tax liabilities	20	**926**	151	**926**	151
Total non-current liabilities		**1,329**	1,147	**1,329**	1,147
Capital and reserves					
Share capital	21	**31,732**	31,732	**31,732**	31,732
Treasury shares	21	**(983)**	(933)	**(983)**	(933)
Reserves		**14,566**	12,991	**14,217**	12,666
Equity attributable to owners of the Company		**45,315**	43,790	**44,966**	43,465
Non-controlling interests		**–**	–	**–**	–
Total equity		**45,315**	43,790	**44,966**	43,465
Total liabilities and equity		**52,705**	50,960	**52,625**	50,858

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2016

	Note	Group 2016 $'000	Group 2015 $'000
Continuing operations			
Revenue	23	**33,940**	28,390
Cost of sales		**(22,983)**	(21,509)
Gross profit		**10,957**	6,881
Other operating income	24	**1,589**	1,115
Distribution costs		**(69)**	(64)
Administrative expenses		**(4,595)**	(4,033)
Finance costs	25	**(28)**	(31)
Profit before income tax		**7,854**	3,868
Income tax expense	26	**(1,476)**	(146)
Profit for the year from continuing operations		**6,378**	3,722
Discontinued operations			
(Loss) Profit for the year from discontinued operations	27	**(153)**	2,828
Profit for the year, attributable to owners of the Company	28	**6,225**	6,550
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**165**	(267)
Other comprehensive income (loss) for the year, net of tax		**165**	(267)
Total comprehensive profit for the year, attributable to owners of the Company		**6,390**	6,283
Earnings per share	29		
From continuing and discontinued operations:			
Basic (cents)		**3.63**	3.83
Diluted (cents)		**3.63**	3.82
From continuing operations:			
Basic (cents)		**3.72**	2.17
Diluted (cents)		**3.72**	2.17

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 30 June 2016

	Share capital $'000	Treasury shares $'000	Currency translation reserve $'000 (Reserves)	Share option reserve $'000 (Reserves)	Retained profits $'000 (Reserves)	Total reserves $'000	Equity attributable to owners of the Company $'000	Non-controlling interest[(1)] $'000	Total $'000
Group									
Balance at 1 July 2014	31,732	(933)	116	17	7,602	7,735	38,534	330	**38,864**
Total comprehensive income for the financial year									
Profit for the financial year	–	–	–	–	6,550	6,550	6,550	–	**6,550**
Other comprehensive loss for the financial year	–	–	(267)	–	–	(267)	(267)	–	**(267)**
Total	–	–	(267)	–	6,550	6,283	6,283	–	**6,283**
Transactions with owners, recognised directly in equity									
Dividends (Note 30)	–	–	–	–	(1,027)	(1,027)	(1,027)	–	**(1,027)**
Non-controlling interests relating to outstanding share-based payment transactions of a subsidiary	–	–	–	–	–	–	–	26	**26**
Non-controlling interests derecognised on disposal of a subsidiary (Note 31)	–	–	–	–	–	–	–	(356)	**(356)**
Total	–	–	–	–	(1,027)	(1,027)	(1,027)	(330)	**(1,357)**
Balance at 30 June 2015	31,732	(933)	(151)	17	13,125	12,991	43,790	–	**43,790**
Total comprehensive income for the financial year									
Profit for the financial year	–	–	–	–	6,225	6,225	6,225	–	**6,225**
Other comprehensive income for the financial year	–	–	165	–	–	165	165	–	**165**
Total	–	–	165	–	6,225	6,390	6,390	–	**6,390**
Transactions with owners, recognised directly in equity									
Reissue of treasury shares (Note 21)	–	68	–	–	–	–	68	–	**68**
Repurchase of shares (Note 21)	–	(118)	–	–	–	–	(118)	–	**(118)**
Exercise of share option (Note 22)	–	–	–	(15)	–	(15)	(15)	–	**(15)**
Dividends (Note 30)	–	–	–	–	(4,800)	(4,800)	(4,800)	–	**(4,800)**
Total	–	(50)	–	(15)	(4,800)	(4,815)	(4,865)	–	**(4,865)**
Balance at 30 June 2016	31,732	(983)	14	2	14,550	14,566	45,315	–	**45,315**

(1) Represents share option reserve of a subsidiary which had been liquidated in 2015.

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 30 June 2016

	Share capital $'000	Treasury shares $'000	Reserves: Share option reserves $'000	Reserves: Retained profits $'000	Reserves: Total reserves $'000	Total $'000
Company						
Balance at 1 July 2014	31,732	(933)	17	8,356	8,373	**39,172**
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	5,320	5,320	**5,320**
Transactions with owners, recognised directly in equity						
Dividends (Note 30)	–	–	–	(1,027)	(1,027)	**(1,027)**
Balance at 30 June 2015	31,732	(933)	17	12,649	12,666	**43,465**
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	6,366	6,366	**6,366**
Transactions with owners, recognised directly in equity						
Reissue of treasury shares (Note 21)	–	68	–	–	–	**68**
Repurchase of shares (Note 21)	–	(118)	–	–	–	**(118)**
Exercise of share option (Note 22)	–	–	(15)	–	(15)	**(15)**
Dividends (Note 30)	–	–	–	(4,800)	(4,800)	**(4,800)**
Balance at 30 June 2016	31,732	(983)	2	14,215	14,217	**44,966**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2016

	Group	
	2016 $'000	2015 $'000
Operating activities		
Profit (Loss) before income tax		
Continuing operations	**7,854**	3,868
Discontinued operations	**(153)**	2,829
Adjustments for:		
Loss on disposal of subsidiary	**161**	143
Reversal of allowance for doubtful debts	**–**	(273)
Reversal of allowance for inventories obsolescence	**–**	(2,179)
Depreciation of property, plant and equipment	**1,025**	1,432
Gain on disposal of property, plant and equipment	**(8)**	(4)
Net foreign exchange gain	**–**	(638)
Interest expense	**28**	39
Interest income	**(392)**	(180)
Operating cash flows before movements in working capital	**8,515**	5,037
Trade receivables	**(1,026)**	(1,874)
Other receivables and prepayments	**316**	(389)
Inventories	**458**	1,947
Trade payables	**(435)**	102
Other payables	**(29)**	(256)
Cash generated from operations	**7,799**	4,567
Income tax (paid) refund	**(211)**	5
Interest paid	**(28)**	(39)
Interest received	**392**	180
Net cash from operating activities	**7,952**	4,713
Investing activities		
Additions to property, plant and equipment	**(1,020)**	(1,593)
Proceeds from maturity of held-to-maturity investments	**–**	2,022
Proceeds from disposal of property, plant and equipment	**21**	20
Purchase of held-to-maturity investments	**(1,763)**	–
Placement of fixed deposits	**(5,624)**	(12,420)
Net cash used in investing activities	**(8,386)**	(11,971)
Financing activities		
Dividends paid	**(4,800)**	(1,027)
Exercise of share options	**35**	–
Purchase of treasury shares	**(118)**	–
Finance lease obligations	**57**	–
Repayment of finance lease obligations	**(26)**	(43)
Repayment of bank loan	**(612)**	(612)
Net cash used in financing activities	**(5,464)**	(1,682)
Net decrease in cash and cash equivalents	**(5,898)**	(8,940)
Cash and cash equivalents at beginning of the financial year	**12,416**	21,448
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(35)**	(92)
Cash and cash equivalents at end of the financial year (Note 8)	**6,483**	12,416

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

1 GENERAL

The Company (Registration No. 198105976H) is incorporated in Singapore with its principal place of business and registered office at 19A Serangoon North Avenue 5, Singapore 554859. The Company is listed on the mainboard of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars, which is the functional currency of the Company and presentation currency for the consolidated financial statements.

The principal activities of the Company consist of the provision of burn-in and related services, design and manufacture of burn-in boards and boards related products, engineering services and equipment distribution, and trading of imaging equipment and energy efficient products. The principal activities of its subsidiaries are set out in Note 14.

During the year, the Group has completed the voluntary liquidation of the remaining subsidiary in the United States of America and the loss from disposal of the subsidiary has been presented as discontinued operations.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2016 were authorised for issue by the Board of Directors on 15 September 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements are prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payments*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

ADOPTION OF NEW AND REVISED STANDARDS – On 1 July 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current and prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*[3]
- FRS 115 *Revenue from Contracts with Customers*[3]
- FRS 116 *Leases*[4]
- Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers*[3]
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*[1]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*[2]
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*[1]
- Improvements to Financial Reporting Standards (November 2014)[1]

1 Applies to annual periods beginning on or after January 1, 2016, with early application permitted.

2 Applies prospectively to annual periods beginning on or after January 1, 2017, with early application permitted.

3 Applies to annual periods beginning on or after January 1, 2018, with early application permitted.

4 Applies to annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply FRS 115 at or before the date of initial application of FRS 116.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Key requirements of FRS 109:

- All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss (FVTPL). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is currently estimating the effects of FRS 109 on its financial instruments in the period of initial adoption.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

In June 2016, amendments to FRS 115 was issued to provide clarifications on (i) identifying performance obligations (ii) principal versus agent considerations and (iii) licensing application guidance. The amendments also included two additional transition reliefs on contract modifications and completed contracts.

Management is evaluating the possible impact of implementing FRS 115. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the entity's financial statements in the period of initial application as the management has yet to complete its detailed assessment. Management does not plan to early adopt the new FRS 115.

FRS 116 *Leases*

FRS 116 was issued in June 2016 and it will supersede FRS 17 *Leases* and its associated interpretative guidance.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts are determined on the basis of whether there is an identified asset controlled by the customer.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17.

The Group is currently estimating the effects of FRS 116 on its financial instruments in the period of initial adoption.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

BUSINESS COMBINATIONS – Acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share- based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise cash on hand, cash at bank and demand deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Investments

Investments are recognised and derecognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction cost.

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables would include the Group's past experience of collecting payments, an increase in the number of delayed payments in portfolio past the average credit period, as well as observable changes in local or national economic conditions that come late with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment 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.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of 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 the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's policy on borrowing costs (see below).

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis, except for short-term payable when the recognition of interest would be immaterial.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

NON-CURRENT ASSETS HELD FOR SALE AND/OR DISTRIBUTION – Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Non-current assets, or disposal groups are classified as held for sale when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, an active programme to locate a buyer and complete the plan must have been initiated, and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current asset (or disposal groups) is classified as held for distribution when the entity is committed to distribute the asset (or disposal group) to the owners. The assets must be available for immediate distribution in their present condition and the distribution must be highly probable.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss.

Intangible assets and property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated.

DISCONTINUED OPERATION – A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and:

- represents a separate major line of business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

INVENTORIES – Inventories are stated at the lower of cost (weighted-average method) and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT – Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives using the straight-line method on the following basis:

Building	–	60 years
Leasehold improvements	–	5 years
Plant and equipment	–	3 to 10 years
Computer software	–	3 years

Fully depreciated assets still in use are retained in the financial statements.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in the profit or loss.

IMPAIRMENT OF NON-FINANCIAL ASSETS – At the end of each reporting period, the Group reviews 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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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 reversal of an impairment loss is recognised immediately in profit or loss.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

SHARE-BASED PAYMENTS – The Group issues equity-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 22. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rates of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in other comprehensive income.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in the Group's foreign currency translation reserve.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of 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.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of manufactured products is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of services is recognised upon completion of services.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – 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.

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in the countries where the Company and its subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

NOTES TO
FINANCIAL STATEMENTS
30 June 2016

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these 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.

Critical judgements in applying the Group's accounting policies

Management is of the view that no critical judgement was made in the process of applying the Group's accounting policies that would have a significant effect on the amounts recognised in the financial statements.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

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.

Allowance for inventories

The Group reviews the carrying value of its inventories so that they are stated at the lower of cost and net realisable value. In assessing net realisable value, management identifies inventories where there has been a significant decline in price or cost, aged inventory items and inventory items that may not be realised as a result of certain events, and estimates the recoverable amount of such inventory based on values at which such inventory items are expected to be realised at the end of the reporting period. Management also reviews the possible future use of the aged inventory items as well as the demand for on-going projects.

The carrying amount of inventories of the Group and Company at the end of the reporting period amounted to $3,074,000 (2015: $3,532,000), net of allowance amounted to $326,000 (2015: $326,000).

Allowances for doubtful debts

The Group makes allowances for doubtful debts based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful debts requires use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed.

The carrying amounts of trade and other receivables of the Group and Company at the end of the reporting period are disclosed in Notes 9 and 10 respectively.

Impairment and useful lives of property, plant and equipment

The Group assesses at the end of each reporting period whether property, plant and equipment have any indication of impairment. If there are indicators of impairment, the recoverable amount of property, plant and equipment will be determined based on higher of value in use calculations or the fair value less costs to sell.

A considerable amount of judgement is required in determining the recoverable amount of the property, plant and equipment, which among other factors, the recent transaction prices for similar assets, the condition, utility, age, wear and tear and/or obsolescence of the property, plant and equipment.

Management reviews the estimated useful lives and residual values of property, plant and equipment at the end of each reporting period. During the financial year, management determined that there were no change to the useful lives and residual values of the property, plant and equipment. The carrying amount of property, plant and equipment of the Group and Company at the end of the reporting period are disclosed in Note 15.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at end of the reporting period:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Amortised cost				
Held-to-maturity financial assets	**1,763**	–	**1,763**	–
Loans and receivables (including cash and cash equivalents, trade and other receivables classified as held for sale and/or distribution)	**35,134**	34,745	**35,055**	34,643
Financial liabilities				
Amortised cost				
Trade and other payables, including those classified as held for sale and/or distribution	**4,940**	5,404	**5,209**	5,627
Bank loans	**996**	1,608	**996**	1,608
Finance lease obligations	**38**	7	**38**	7

(b) Financial risk management policies and objectives

The Group's overall financial risk management strategy is to minimise potential adverse effects of financial performance of the Group. The board of directors reviews the overall financial risk management on specific areas, such as market risk (including foreign exchange risk, interest rate risk), credit risk, liquidity risk, use of derivative financial instruments and investing excess cash. These are reviewed quarterly by the board of directors. Risk management is carried out by the finance department under the oversight by the board of directors.

The Group may use a variety of derivative financial instruments to manage its exposure to foreign currency risk, including forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables, and firm commitments to buy or sell goods.

The Group does not hold or issue derivative financial instruments for speculative purposes.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management policies and objectives (cont'd)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Credit risk management

The Group's principal financial assets are cash and bank balances, fixed and call deposits, trade and other receivables and held-to-maturity financial assets.

The Group places its cash and fixed and call deposits with creditworthy financial institutions and invests in bonds issued by reputable issuers of good ratings.

The Group is exposed to concentration of credit risk (i) given that its revenue is generated mainly from four (2015: four) major customers, which accounted for 58.8% (2015: 51.7%) of the carrying amount of trade receivables (ii) $1,763,000 (2015: $Nil) was invested in the form of bonds by issuers, which accounted for 4.8% (2015: Nil%) of total financial assets. The Group believes that the risk of default is mitigated by the good financial standings of these customers as well as the issuers of the bonds.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables. Credit exposure is controlled by the customer credit limits that are reviewed and approved by the management regularly.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

(ii) Interest rate risk management

The Group is exposed to interest rate risk as its interest-earning and interest-bearing financial assets and financial liabilities, other than held-to-maturity financial assets and finance leases, bear variable rates of interests. Details of the fixed deposits, held-to-maturity financial assets, bank borrowings and finance leases of the Group are disclosed in Notes 7, 12, 16 and 19 to the financial statements respectively. The Group does not use derivative financial instruments to mitigate this risk.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management policies and objectives (cont'd)

(ii) Interest rate risk management (cont'd)

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's profit before tax would decrease or increase by $5,000 (2015: $8,000).

(iii) Foreign exchange risk management

The Group and Company have foreign exchange risk due to business transactions denominated in foreign currencies.

The largest currency exposure is United States Dollars.

The exposure to the foreign exchange risk is managed as far as possible by natural hedges of matching assets and liabilities.

The carrying amounts of significant monetary assets and monetary liabilities denominated in the United States Dollars at the reporting date are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
United States Dollars	**8,146**	15,685	**1,789**	2,007	**8,067**	15,389	**1,789**	2,007

Foreign currency sensitivity

For a 5% increase/decrease in Singapore Dollar against United States Dollar, the Group's and the Company's profit before tax would decrease/increase by $318,000 and $314,000 (2015: $684,000 and $669,000) respectively. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

The Group has a foreign subsidiary, whose net assets are exposed to currency translation risk. The Group does not hedge its investments that are denominated in foreign currencies.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management

The Group has sufficient cash resources and maintains adequate lines of credit to finance its activities.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate per annum %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2016						
Non-interest bearing	–	4,940	–	–	–	4,940
Fixed interest rate	2.28	20	20	–	(2)	38
Variable interest rate	1.86	620	389	–	(13)	996
Total		5,580	409	–	(15)	5,974
2015						
Non-interest bearing	–	5,404	–	–	–	5,404
Fixed interest rate	3.69	8	–	–	(1)	7
Variable interest rate	1.37	621	1,009	–	(22)	1,608
Total		6,033	1,009	–	(23)	7,019
Company						
2016						
Non-interest bearing	–	5,209	–	–	–	5,209
Fixed interest rate	2.28	20	20	–	(2)	38
Variable interest rate	1.86	620	389	–	(13)	996
Total		5,849	409	–	(15)	6,243
2015						
Non-interest bearing	–	5,627	–	–	–	5,627
Fixed interest rate	3.69	8	–	–	(1)	7
Variable interest rate	1.37	621	1,009	–	(22)	1,608
Total		6,256	1,009	–	(23)	7,242

NOTES TO FINANCIAL STATEMENTS

30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Liquidity and interest risk analyses (cont'd)

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipate that the cash flows will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial assets on the statement of financial position.

	Weighted average effective interest rate per annum %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
Group					
2016					
Non-interest bearing	–	11,365	–	–	11,365
Fixed interest rate instruments	1.65	22,674	3,035	(177)	25,532
Total		34,039	3,035	(177)	36,897
2015					
Non-interest bearing	–	19,325	–	–	19,325
Fixed interest rate instruments	0.94	15,493	–	(73)	15,420
Total		34,818	–	(73)	34,745
Company					
2016					
Non-interest bearing	–	11,286	–	–	11,286
Fixed interest rate instruments	1.65	22,674	3,035	(177)	25,532
Total		33,960	3,035	(177)	36,818
2015					
Non-interest bearing	–	19,223	–	–	19,223
Fixed interest rate instruments	0.94	15,493	–	(73)	15,420
Total		34,716	–	(73)	34,643

NOTES TO FINANCIAL STATEMENTS
30 June 2016

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT (CONT'D)

(b) Financial risk management policies and objectives (cont'd)

(v) Fair values of financial assets and financial liabilities

The carrying values of cash and cash equivalents, trade and other receivables, trade and other payables approximate their fair values due to the relatively short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

(c) Capital risk management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 16 and 19, cash and cash equivalents and equity attributable to owners of the Company, comprising share capital, reserves and retained earnings as presented in the Group's statement of changes in equity.

The Company manages its capital to ensure that it will able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The Company's management reviews the capital structure on a regular basis. As part of this review, the management considers the cost of capital and the risks associated with each class of capital.

The Group's overall strategy remains unchanged from prior year. The Group is in compliance with externally imposed capital requirements for the financial years ended 30 June 2016 and 2015.

5 RELATED PARTY TRANSACTIONS

Some of the transactions and arrangements of the Group are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. Unless otherwise stated, the balances are unsecured, interest-free and repayable on demand.

Compensation of directors and key management personnel

The remuneration of directors and key management during the year is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Short-term benefits	**2,106**	1,558
Post-employment benefits	**97**	85
	2,203	1,643

NOTES TO FINANCIAL STATEMENTS

30 June 2016

6 CASH AND BANK BALANCES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at bank	**3,756**	12,380	**3,677**	12,069
Cash on hand	**2**	2	**2**	2
	3,758	12,382	**3,679**	12,071

7 FIXED AND CALL DEPOSITS

The deposits bear effective interest in the range of 0.75% to 1.95% (2015: 0.20% to 1.25%) per annum and mature within 3 to 18 months (2015: 9 to 12 months).

Included in the fixed and call deposits are $2,725,000 (2015: $Nil) with maturity of less than 3 months (Note 8).

Included in the fixed and call deposits are $18,044,000 (2015: $15,420,000) with maturity of more than 3 months.

Included in the fixed and call deposits are $3,000,000 (2015: $Nil) with maturity of more than 12 months.

8 CASH AND CASH EQUIVALENTS

	Group	
	2016 $'000	2015 $'000
Cash and bank balances (Note 6)	**3,758**	12,382
Cash and bank balances classified as held for sale and/or distribution (Note 13)	**–**	34
Fixed and call deposits that are readily convertible to a known amount of cash (Note 7)	**2,725**	–
Cash and cash equivalents at end of year	**6,483**	12,416

9 TRADE RECEIVABLES

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Outside parties	**7,212**	6,177	**7,212**	6,161
Subsidiaries (Note 5)	**–**	–	**–**	41
	7,212	6,177	**7,212**	6,202

The average credit period on sale of goods is 60 days (2015: 60 days). No interest is charged on the overdue trade receivables.

9 TRADE RECEIVABLES (CONT'D)

Before accepting any new customers, the Group performs appropriate background checks to assess the potential customer's credit quality and defines credit limits by customers. The trade receivables that are neither past due nor impaired belong to customers who have been making regular payments to the Group and have the best credit quality. Of the trade receivables balance at the end of the reporting period, $4,239,000 (2015: $3,194,000) is due from four major customers.

Included in the Group's and Company's trade receivables balance are debtors with a carrying amount of $1,339,000 and $1,339,000 (2015: $873,000 and $895,000) respectively, which are past due at the reporting date for which the Group and Company have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The table below is an analysis of trade receivables as at the end of the reporting period:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Not past due and not impaired	**5,873**	5,304	**5,873**	5,307
Past due but not impaired (i)	**1,339**	873	**1,339**	895
Total trade receivables, net	**7,212**	6,177	**7,212**	6,202

(i) Aging of receivables that are past due but not impaired:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
< 6 months	**1,339**	873	**1,339**	895

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deposits	**3**	3	**3**	3
Prepaid expenses	**33**	21	**32**	21
Others	**392**	717	**392**	947
	428	741	**427**	971

NOTES TO FINANCIAL STATEMENTS

30 June 2016

11 INVENTORIES

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Work-in-process	**390**	703
Raw materials	**2,684**	2,829
	3,074	3,532

In 2015, the cost of inventories recognised as an expense included $2,179,000 in respect of the reversal of write-down of inventory sold at carrying amounts for the Group.

12 HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Bonds, at amortised cost:		
Current	**1,763**	–

The bonds have nominal value amounting to $1,750,000 with coupon rates ranging from 3.50% to 6.20% per annum and maturity dates ranging from 25 January 2017 to 8 May 2017.

The fair value of the bonds is $1,758,000 based on the quoted prices in active markets (Level 1).

13 ASSETS CLASSIFIED AS HELD FOR SALE AND/OR FOR DISTRIBUTION

During the financial year ended 30 June 2014, management had decided to restructure the operations of two subsidiaries in the United States of America. The assets and liabilities attributable to the operations, which were expected to be sold or distributed to the owners within twelve months, had been classified as a disposal group held for sale and/or distribution and are presented separately in the statement of financial position. The operations were included in the Group's Imaging Equipment and Energy Efficient Products segment for segment reporting purposes.

During the financial year ended 30 June 2015, the Group completed the voluntary liquidation for one of the subsidiaries.

During the financial year ended 30 June 2016, the Group has completed the voluntary liquidation of the remaining subsidiary.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

13 ASSETS CLASSIFIED AS HELD FOR SALE AND/OR FOR DISTRIBUTION (CONT'D)

The major classes of assets and liabilities comprising the disposal group were as follows:

	Group	
	2016 $'000	2015 $'000
Cash and bank balances	–	34
Trade receivables	–	9
Other receivables and prepayments	–	3
Total assets	–	46
Other payables	–	(2)
Net assets of disposal group	–	44

14 SUBSIDIARIES

	Company	
	2016 $'000	2015 $'000
Unquoted equity shares, at cost	–	1,294
Less: Impairment	–	(1,294)
	–	–

Details of the Company's subsidiaries at the end of the reporting periods are as follows:

Name of subsidiary	Country of incorporation	Proportion of ownership interest and voting power held 2016 %	2015 %	Principal activity
Avi-Tech, Inc.[1]	United States of America ("USA")	100	100	Marketing and selling burn-in Boards.
AVT Connect Pte. Ltd.[3]	Singapore	100	–	Business support activities
Verde Designs, Inc.[1][2]	United States of America ("USA")	–	100	Providing Light Emitting Diode ("LED") and high brightness LED lighting products and systems.

(1) Not required to be audited by law in its country of incorporation.

(2) Liquidated during the year (Note 31).

(3) Newly incorporated during the financial year and the subsidiary is currently dormant.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

15 PROPERTY, PLANT AND EQUIPMENT

	Building and leasehold improvements[1] $'000	Plant and equipment $'000	Computer software $'000	Total $'000
Group				
Cost:				
At 1 July 2014	14,583	24,278	391	**39,252**
Additions	217	1,352	24	**1,593**
Disposals	–	(222)	–	**(222)**
At 30 June 2015	14,800	25,408	415	**40,623**
Additions	131	779	167	**1,077**
Disposals	–	(167)	–	**(167)**
At 30 June 2016	14,931	26,020	582	**41,533**
Accumulated depreciation:				
At 1 July 2014	3,876	21,841	391	**26,108**
Depreciation for the year	244	1,186	2	**1,432**
Disposals	–	(222)	–	**(222)**
Exchange differences	–	10	–	**10**
At 30 June 2015	4,120	22,815	393	**27,328**
Depreciation for the year	250	746	29	**1,025**
Disposals	–	(154)	–	**(154)**
At 30 June 2016	4,370	23,407	422	**28,199**
Impairment:				
At 1 July 2014, 30 June 2015 and 30 June 2016	–	633	–	**633**
Carrying amount:				
At 30 June 2015	10,680	1,960	22	**12,662**
At 30 June 2016	10,561	1,980	160	**12,701**
Company				
Cost:				
At 1 July 2014	14,583	24,282	391	**39,256**
Additions	217	1,352	24	**1,593**
Disposals	–	(222)	–	**(222)**
At 30 June 2015	14,800	25,412	415	**40,627**
Additions	131	779	167	**1,077**
Disposals	–	(167)	–	**(167)**
At 30 June 2016	14,931	26,024	582	**41,537**
Accumulated depreciation:				
At 1 July 2014	3,876	21,855	391	**26,122**
Depreciation for the year	244	1,186	2	**1,432**
Disposals	–	(222)	–	**(222)**
At 30 June 2015	4,120	22,819	393	**27,332**
Depreciation for the year	250	746	29	**1,025**
Disposals	–	(154)	–	**(154)**
At 30 June 2016	4,370	23,411	422	**28,203**
Impairment:				
At 1 July 2014, 30 June 2015 and 30 June 2016	–	633	–	**633**
Carrying amount:				
At 30 June 2015	10,680	1,960	22	**12,662**
At 30 June 2016	10,561	1,980	160	**12,701**

(1) Included in the balance is an amount of $13,000 relating to leasehold improvement not separately disclosed.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

15 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The Group and the Company have certain plant and equipment with carrying amount of $86,000 (2015: $6,000) under finance lease agreement (Note 19).

The Group and the Company's building and leasehold improvements are mortgaged as security for a bank loan (Note 16).

16 BANK LOAN

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Current	**612**	612
Non-current	**384**	996
	996	1,608

The bank loan bears an effective interest rate of 1.86% (2015: 1.37%) per annum, is secured by a legal mortgage on the Company's building (Note 15) and is repayable by equal quarterly instalments of $153,000 with maturity date on 1 November 2018.

The carrying value of the bank loan approximates the fair value as the loan bears variable interest rate determined based on a margin over the bank's swap rate.

17 TRADE PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	**2,586**	3,021	**2,579**	3,014
Subsidiaries (Note 5)	**–**	–	**291**	267
	2,586	3,021	**2,870**	3,281

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The average credit period on purchases of goods is 45 days (2015: 45 days). No interest is payable on the overdue trade payables.

18 OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Deposits received	**117**	117	**117**	117
Accrued expenses	**1,597**	1,694	**1,582**	1,659
Accrued directors' fees and accrued bonus to directors	**636**	568	**636**	568
Others	**4**	2	**4**	2
	2,354	2,381	**2,339**	2,346

NOTES TO FINANCIAL STATEMENTS

30 June 2016

19 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Group and Company				
Amounts payable under finance leases:				
Within one year	**20**	8	**19**	7
In the second to fifth year inclusive	**20**	–	**19**	–
	40	8	**38**	7
Less: Future finance charges	**(2)**	(1)	**–**	–
Present value of lease obligations	**38**	7	**38**	7
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(19)**	–		
Amount due for settlement after 12 months	**19**	7		

The effective rates of interest for finance leases are from 2.28% to 3.79% (2015: 3.63% to 3.79%) per annum. The fair value of the Group and Company's lease obligations approximate their carrying amount. The Group and Company's obligations under finance leases are secured by the lessors' title to the leased assets.

20 DEFERRED TAX LIABILITIES

The deferred tax liability relates to excess of tax over book depreciation of property, plant and equipment. The movements thereon, during the current and prior reporting periods are as follow:

	Group and Company	
	2016	2015
	$'000	$'000
Balance at beginning of the year	**151**	–
Charged to profit or loss (Note 26)	**775**	151
Balance at end of the year	**926**	151

NOTES TO FINANCIAL STATEMENTS

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21 SHARE CAPITAL

	Group and Company			
	2016	2015	2016	2015
	'000	'000	$'000	$'000
	Number of ordinary shares			
Issued and paid up:				
At the beginning of year	**350,400**	350,400	**31,732**	31,732
Share consolidation of every two existing ordinary shares into one ordinary share	**(175,200)**	–	**–**	–
At the end of year	**175,200**	350,400	**31,732**	31,732

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

TREASURY SHARES

This pertains to ordinary shares of the Company bought back by the Company. The total amounts paid to acquire the shares were deducted from shareholders' equity. These shares repurchased are held as treasury shares which have no rights to dividends.

	Group and Company			
	2016	2015	2016	2015
	'000	'000	$'000	$'000
	Number of ordinary shares			
At beginning of the year	**7,978**	7,978	**933**	933
Share consolidation of every two existing ordinary shares into one ordinary share	**(3,989)**	–	**–**	–
Reissue of treasury shares[a]	**(290)**	–	**(68)**	–
Repurchase of shares[b]	**500**	–	**118**	–
At end of the year	**4,199**	7,978	**983**	933

(a) 290,000 treasury shares have been transferred in fulfillment of the exercise of employee share options under the Avi-Tech Employee Share Option Scheme.

(b) The Company acquired 500,000 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares has been deducted from shareholders' equity and the shares are held as "treasury shares".

NOTES TO FINANCIAL STATEMENTS

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22 SHARE-BASED PAYMENTS

Avi-Tech Employee Share Option Scheme (the "Scheme")

The scheme is administered by the Remuneration Committee of the Company. Options are exercisable at a price based on the average of the last dealt prices of the Shares on the Singapore Exchange Securities Trading Limited over the five consecutive trading days immediately preceding the date of grant. The vesting period is 2 years. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Options are forfeited when the employee leaves the Company before the options vest.

Details of the share options outstanding during the year are as follows:

	2016		**2015**	
	Number of share options '000	**Weighted average exercise price S$**	**Number of share options '000**	**Weighted average exercise price S$**
Outstanding at the beginning of year	**670**	**0.06**	670	0.06
Share consolidation during the year	**(335)**	**0.06**	–	–
Granted during the year	**–**	**–**	–	–
Forfeited/Cancelled during the year	**–**	**–**	–	–
Exercised during the year	**(290)**	**0.12**	–	–
Expired during the year	**–**	**–**	–	–
Outstanding at the end of the year	**45**	**0.12**	670	0.06
Exercisable at the end of the year	**45**	**0.12**	670	0.06

The options outstanding at the end of the year have a weighted average remaining contractual life of 6 years (2015: 7 years).

23 REVENUE

	Group	
	2016 $'000	**2015 $'000**
Sale of goods	**24,975**	22,296
Rendering of services	**8,965**	6,094
	33,940	28,390

24 OTHER OPERATING INCOME

	Group	
	2016 $'000	**2015 $'000**
Gain on disposal of plant and equipment (excluding discontinued operations)	**8**	3
Interest income	**392**	180
Rental income	**752**	751
Reversal of accrued expenses	**233**	–
Others	**204**	181
	1,589	1,115

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25 FINANCE COSTS

	Group	
	2016 $'000	2015 $'000
Interest expense to non-related companies:		
Bank loan	**27**	26
Finance leases	**1**	5
	28	31

26 INCOME TAX EXPENSE

	Group	
	2016 $'000	2015 $'000
Current income tax		
– Current	**701**	12
– Overprovision in respect of prior years	**–**	(17)
	701	(5)
Deferred tax		
– Current (Note 20)	**775**	151
	1,476	146

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2015: 17%) to profit before income tax as a result of the following differences:

	Group	
	2016 $'000	2015 $'000
Profit before tax from continuing operations	**7,854**	3,868
Tax at the domestic income tax rate of 17% (2015: 17%)	**1,335**	658
Tax effect of:		
Expenses not deductible in determining taxable profit	**161**	31
Effect of tax exemption	**(46)**	–
Overprovision of current tax in respect of prior years	**–**	(17)
Differential in tax rates of subsidiaries operating in other countries	**–**	12
Utilisation of deferred tax assets not recognised	**–**	(538)
Others	**26**	–
	1,476	146

NOTES TO FINANCIAL STATEMENTS

30 June 2016

27 DISCONTINUED OPERATIONS

Two subsidiaries in the United States of America which contributed to the entire Imaging Equipment and Energy Efficient Products segment in the previous years were disclosed as disposal group held for sale and/or distribution in the statement of financial position as at 30 June 2015. Accordingly, the results of these two subsidiaries were disclosed as discontinued operations in accordance with FRS 105 – *Non-current assets held for sale and discontinued operations*.

The (loss) profit for the year from the discontinued operations is analysed as follows:

	2016 $'000	2015 $'000
(Loss) Profit of Imaging Equipment and Energy Efficient Products operations for the year	**(153)**	2,828

The results of the discontinued operations, Imaging Equipment and Energy Efficient Products business segment, are as follows:

	2016 $'000	2015 $'000
Revenue	**–**	1,533
Cost of sales	**–**	948
Other operating income	**8**	982
Distribution costs	**–**	(60)
Administrative expenses	**(161)**	(566)
Finance costs	**–**	(8)
(Loss) Profit before tax	**(153)**	2,829
Income tax expense	**–**	(1)
(Loss) Profit for the year	**(153)**	2,828

During the year ended 30 June 2015, Imaging Equipment and Energy Efficient Products operations contributed $2,360,000 of the Group's net operating cash flows.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

28 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

Group

	Continuing operations		Discontinued operations		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Employee benefits expense (including directors' remuneration)	**8,799**	7,857	**–**	648	**8,799**	8,505
Costs of defined contribution plans (included in employee benefits expense)	**639**	576	**–**	49	**639**	625
Director's remuneration	**867**	809	**–**	–	**867**	809
Directors' fees	**150**	135	**–**	–	**150**	135
Depreciation of property, plant and equipment	**1,025**	1,432	**–**	–	**1,025**	1,432
Gain on disposal of property, plant and equipment	**(8)**	(3)	**–**	(1)	**(8)**	(4)
Reversal of allowance for doubtful debts	**–**	–	**–**	(273)	**–**	(273)
Reversal of allowance for inventories obsolescence	**–**	–	**–**	(2,179)	**–**	(2,179)
Foreign currency exchange gain – net	**(232)**	(548)	**–**	(704)	**(232)**	(1,252)
Audit fees:						
Auditors of the Company	**118**	118	**–**	–	**118**	118
Non-audit fees:						
Auditors of the Company	**11**	25	**–**	–	**11**	25
Other auditors	**25**	27	**–**	–	**25**	27
Cost of inventories recognised as expense	**14,650**	13,318	**–**	965	**14,650**	14,283

NOTES TO FINANCIAL STATEMENTS

30 June 2016

29 EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Group 2016 $'000	Group 2015 $'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share [profit for the year attributable to owners of the Company]	**6,225**	6,550
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**171,273**	171,211*
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**171,463**	171,546*

* Adjusted to reflect the share consolidation of every two existing ordinary shares into one ordinary share effected on 23 November 2015.

	Group 2016	Group 2015
Earnings per share (cents)		
– Basic	**3.63**	3.83
– Diluted	**3.63**	3.82

From continuing operations

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data.

Earnings figures are calculated as follows:

	Group 2016 $'000	Group 2015 $'000
Profit for the year attributable to owners of the Company	**6,225**	6,550
Less: Loss (Profit) for the year from discontinued operations	**153**	(2,828)
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**6,378**	3,722

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

29 EARNINGS PER SHARE (CONT'D)

From continuing operations (cont'd)

	Group	
	2016	**2015**
Earnings per share (cents)		
– Basic	**3.72**	2.17
– Diluted	**3.72**	2.17

From discontinued operations

Basic and diluted loss per share for the discontinued operations is 0.09 cents per share (2015: 1.65 cents earnings per share), based on the loss for the year from the discontinued operations of $153,000 (2015: profit of $2,828,000) and the denominators detailed above for both basic and diluted loss per share.

30 DIVIDENDS

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Dividends on ordinary shares in respect of the financial year ended 30 June 2015:		
– Interim one-tier tax exempt dividend of 0.6[(1)] cents per share	**–**	1,027
– Final one-tier tax exempt dividend of 0.6[(1)] cents per share	**1,027**	–
– Special one-tier tax exempt dividend of 1.4[(1)] cents per share	**2,397**	–
Dividends on ordinary shares in respect of the financial year ended 30 June 2016:		
– Interim one-tier tax exempt dividend of 0.8 cents per share	**1,376**	–
	4,800	1,027

(1) Adjusted to reflect the share consolidation of every two existing ordinary shares into one ordinary share effected on 23 November 2015.

Subsequent to the end of the reporting period, the Company proposed a final one-tier tax exempt dividend of 1 cent per ordinary share totalling $1,710,000 in respect of the financial year ended 30 June 2016.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

31 LIQUIDATION OF SUBSIDIARY

As referred to in Note 13 to the financial statements, the Group has completed the voluntary liquidation of the remaining U.S. subsidiary, Verde Designs, Inc., at the end of the reporting period.

The Group completed the voluntary liquidation of Aplegen, Inc. at the end of the financial year ended 30 June 2015.

Details of the disposal are as follows:

Book values of net assets over which control was lost

	2016 $'000	**2015 $'000**
Current assets		
Cash and bank balances	**41**	249
Trade receivables	**–**	2
Other receivables	**2**	529
Total current assets	**43**	780
Current liabilities		
Trade payables	**–**	(7)
Other payables	**(5)**	(17)
Total current liabilities	**(5)**	(24)
Net assets derecognised	**38**	756
Loss on disposal:		
Consideration received/receivable	**36**	760
Net assets derecognised	**(38)**	(756)
Non-controlling interest derecognised	**–**	356
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	**(159)**	(503)
Loss on disposal	**(161)**	(143)

The loss on disposal of the subsidiary is recorded as part of profit for the year from discontinued operations in the statement of profit or loss and other comprehensive income.

The impact of the disposal on the Group's results and cash flows in the current and prior periods is disclosed in Note 27.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

32 OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Minimum lease payments under operating leases recognised as an expense in the year	**230**	219

At the end of the reporting period, the commitments in respect of operating leases fall due as follows:

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Within one year	**217**	206
In the second to fifth year inclusive	**868**	822
After five years	**7,844**	7,434
Total	**8,929**	8,462

Operating lease payments represents rental payable by the Group and Company for its offices and warehouse premise, office equipment and staff accommodations.

Land rentals for the building of $215,000 (2015: $203,000) per annum are subject to annual revision.

(b) The Group and Company as lessor

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Rental income under operating leases	**752**	751

At the end of the reporting period, the Group and Company has contracted with customers for the following future minimum lease payments:

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Within one year	**387**	540
In the second to fifth year inclusive	**403**	75
Total	**790**	615

Operating lease income represents rental income from rental of part of the Company's premise.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

33 CAPITAL COMMITMENT

	Group and Company	
	2016	2015
	$'000	$'000
Amount committed for future capital expenditure	–	76

34 SEGMENT INFORMATION

The Group is primarily engaged in four main operating divisions namely, burn-in services, burn-in boards and boards manufacturing, engineering services and equipment distribution and imaging equipment and energy efficient products. Management monitors performance by the four main operating divisions and the division results are provided to the chief operating decision maker.

Principal activities of each reportable segment are as follows:

Burn-in and Related Services ("Burn-in Services")

Burn-in is a process whereby the individual integrated circuit ("IC") chips is stressed at high temperature to weed out any defects caused during the assembly process.

Burn-In Boards and Boards Related Products ("Manufacturing and PCBA Services")

Manufacturing comprises the design and assembly of printed circuit boards used for burn-in and reliability testing of IC chips.

Engineering Services and Equipment Distribution ("Engineering")

This includes system integration projects, equipment manufacturing, provision of technical services and distribution of third party products.

Imaging Equipment and Energy Efficient Products ("Imaging")

Imaging comprises of the businesses in life sciences systems and instrument industry, and energy efficient products-focused in the area of Light Emitting Diode and high brightness lighting products and systems. This segment is disclosed as discontinued operations (Note 27).

(a) Segment revenue and expenses

Segment revenue and expenses are revenue and expenses reported in the consolidated financial statements that either are directly attributable to a segment or can be allocated on a reasonable basis to a segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, rental income, interest revenue and interest expense, and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO FINANCIAL STATEMENTS

30 June 2016

34 SEGMENT INFORMATION (CONT'D)

(b) Segment assets and liabilities

Segment assets are all operating assets that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Segment liabilities are all operating liabilities that are employed by a segment in its operating activities and are either directly attributable to the segment or can be allocated to the segment on a reasonable basis.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the assets attributable to each segment.

All assets are allocated to reportable segments other than financial assets of cash, fixed and cash deposits, and investments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Burn-in Services		Manufacturing and PCBA Services		Engineering		Eliminations		Total	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CONTINUING OPERATIONS										
Revenue										
External revenue	**8,965**	6,656	**13,704**	13,844	**11,271**	7,890	**–**	–	**33,940**	28,390
Inter-segment revenue	**–**	–	**822**	745	**–**	91	**(822)**	(836)	**–**	–
Total revenue	**8,965**	6,656	**14,526**	14,589	**11,271**	7,981	**(822)**	(836)	**33,940**	28,390
Segment results	**3,494**	1,292	**2,248**	1,971	**1,004**	(322)	**–**	–	**6,746**	2,941
Interest expense									**(28)**	(31)
Interest income									**392**	180
Rental income									**752**	751
Unallocated income									**581**	564
Unallocated expense									**(589)**	(537)
Profit before income tax									**7,854**	3,868
Income tax expense									**(1,476)**	(146)
Profit for the year									**6,378**	3,722

NOTES TO FINANCIAL STATEMENTS

30 June 2016

34 SEGMENT INFORMATION (CONT'D)

Segment revenue and results (cont'd)

The following is an analysis of the Group's revenue and results by reportable segment:

	Imaging		Eliminations		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
DISCONTINUED OPERATIONS						
Revenue						
External revenue	**–**	1,533	**–**	–	**–**	1,533
Inter-segment revenue	**–**	–	**–**	–	**–**	–
Total revenue	**–**	1,533	**–**	–	**–**	1,533
Segment results	**(153)**	2,837	**–**	–	**(153)**	2,837
Interest expense					**–**	(8)
(Loss) Profit before income tax					**(153)**	2,829
Income tax expense					**–**	(1)
(Loss) Profit for the year					**(153)**	2,828

Assets and liabilities and other segment information

	Burn-in Services		Manufacturing and PCBA Services		Engineering		Imaging (Discontinued)		Total	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Segment assets										
Segment assets	**6,072**	5,512	**9,281**	10,635	**7,634**	6,225	**–**	46	**22,987**	22,418
Unallocated corporate assets									**29,718**	28,542
Total assets									**52,705**	50,960
Segment liabilities										
Segment liabilities	**1,305**	1,263	**1,995**	2,625	**1,640**	1,514	**–**	2	**4,940**	5,404
Unallocated corporate liabilities									**2,450**	1,766
Total liabilities									**7,390**	7,170
Other information										
Additions to non-current assets	**222**	905	**719**	586	**136**	102	**–**	–	**1,077**	1,593
Depreciation										
Allocated	**271**	335	**414**	696	**340**	401	**–**	–	**1,025**	1,432
Reversal of allowance for doubtful debts										
Allocated	**–**	–	**–**	–	**–**	–	**–**	(273)	**–**	(273)
Reversal of allowance for inventories obsolescence										
Allocated	**–**	–	**–**	–	**–**	–	**–**	(2,179)	**–**	(2,179)

NOTES TO FINANCIAL STATEMENTS

30 June 2016

34 SEGMENT INFORMATION (CONT'D)

Geographical segments

The Group operates in three principal geographical areas namely, Singapore, USA and Malaysia.

The revenue by geographical segments are based on location of customers. Segment assets (non-current assets excluding financial assets) are based on the geographical location of the assets and capital expenditure.

	2016 $'000	2015 $'000
Revenue from external customers		
Continuing operations		
Singapore	**18,272**	14,753
USA	**7,312**	6,611
Malaysia	**4,656**	2,845
Others[(1)]	**3,700**	4,181
	33,940	28,390
Discontinued operations		
USA	**–**	1,533
	33,940	29,923

(1) Includes Germany, Philippines, Thailand, Taiwan and China.

	2016 $'000	2015 $'000
Carrying amount of non-current assets		
Continuing operations		
Singapore	**12,701**	12,662
Discontinued operations		
USA	**–**	–
	12,701	12,662

Information about major customers

Included in revenues of $33,940,000 (2015: $29,923,000) are revenues of approximately $7,045,000 (2015: $7,625,000) arising from sales to a major customer of the Group, which contributed revenue to the Burn-in Services and Burn-in Board Manufacturing and PCBA Services business segments, and $6,486,000 (2015: $3,946,000) arising from sales to another major customer of the Group, which contributed revenue to the Engineering Services business segment. This accounts for about 40% (2015: 39%) of the Group's revenue.

STATISTICS OF SHAREHOLDINGS

As at 16 September 2016

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	9	0.78	486	0.00
100 – 1,000	188	16.30	121,676	0.07
1,001 – 10,000	407	35.30	2,429,607	1.42
10,001 – 1,000,000	521	45.19	44,628,179	26.10
1,000,001 AND ABOVE	28	2.43	123,821,093	72.41
TOTAL	**1,153**	**100.00**	**171,001,041**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LIM ENG HONG	44,618,175	26.09
2	LOH ZEE LAN NANCY	10,295,000	6.02
3	RAFFLES NOMINEES (PTE) LIMITED	7,406,332	4.33
4	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	7,067,500	4.13
5	PROVIDENCE INVESTMENTS PTE LTD	4,082,500	2.39
6	TSIA HAH TONG	4,078,350	2.38
7	SOESANTO LEO	3,598,500	2.10
8	FONG CHING LOON	3,550,000	2.08
9	PHILLIP SECURITIES PTE LTD	3,308,450	1.93
10	DBS NOMINEES (PRIVATE) LIMITED	3,271,664	1.91
11	CHOO SIEW KHEUN	2,975,800	1.74
12	LIM WEI LING ELAINE	2,840,000	1.66
13	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,815,222	1.65
14	KGI FRASER SECURITIES PTE. LTD.	2,725,000	1.59
15	CHEW LIAN KWEI	2,600,000	1.52
16	CITIBANK NOMINEES SINGAPORE PTE LTD	2,175,140	1.27
17	KWOK WAI SAN	2,050,000	1.20
18	YONG SER SEN	1,768,610	1.03
19	KOH CHOON NAM	1,667,300	0.98
20	ESTATE OF NG YONG HOCK, DECEASED	1,652,500	0.97
	TOTAL	**114,546,043**	**66.97**

STATISTICS OF SHAREHOLDINGS

As at 16 September 2016

SUBSTANTIAL SHAREHOLDINGS

Substantial Shareholdings

Name	Direct Interest	%	Deemed Interest	%
Lim Eng Hong	44,618,175	26.09	13,195,000	7.72
Loh Zee Lan Nancy	10,295,000	6.02	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 64.56% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

TREASURY SHARES

Number of treasury shares: 4,199,000

Percentage of treasury shares held against total number of issued shares (excluding treasury shares): 2.46%

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Avi-Tech Electronics Limited (the "**Company**") will be held at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Thursday, 27 October 2016 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 30 June 2016 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Mr Khor Thiam Beng who is retiring pursuant to Article 99 of the Company's Constitution. [See explanatory note (i)]

(Resolution 2)

3. To approve the payment of Directors' fees of S$150,000 for the year ended 30 June 2016. (FY2015: S$135,000)

(Resolution 3)

4. To approve the final one-tier tax exempt dividend of 1.0 cent per ordinary share for the year ended 30 June 2016.

(Resolution 4)

5. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

(Resolution 5)

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

7. **Authority to allot and issue shares in the capital of the Company**

   That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Companies Act**") and the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), authority be and is hereby given to the Directors of the Company to allot and issue:–

   (a) shares; or

   (b) convertible securities; or

   (c) additional securities issued pursuant to Rule 829 of the Listing Manual (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the additional securities are issued); or

   (d) shares arising from the conversion of the securities in (b) and (c) above (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the shares are to be issued),

NOTICE OF ANNUAL GENERAL MEETING

in the Company (whether by way of rights, bonus or otherwise) at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, provided that:

(i) the aggregate number of shares and convertible securities to be allotted and issued pursuant to this Resolution must be not more than 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (calculated in accordance with (ii) below), of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (calculated in accordance with (ii) below); and

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the number of shares and convertible securities that may be issued pursuant to (i) above, the percentage of issued shares shall be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for (a) new shares arising from the conversion or exercise of convertible securities; (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and (c) any subsequent consolidation or subdivision of shares.

Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this Resolution shall remain in force until the conclusion of the next Annual General Meeting of the Company ("**AGM**") or the date by which the next AGM is required by law to be held, whichever is earlier.
[See explanatory note (ii)]

(Resolution 6)

8. **Authority to allot and issue shares pursuant to the exercise of options under the Avi-Tech Employee Share Option Scheme (the "Scheme")**

That approval be and is hereby given to the Directors to offer and grant options in accordance with the provisions of the Scheme; and pursuant to Section 161 of the Companies Act, to allot and issue from time to time such number of shares in the capital of the Company (the "**Scheme Shares**") as may be required to be issued pursuant to the exercise of the options that may be granted under the Scheme provided always that the number of the Scheme Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company from time to time; the aggregate number of Scheme Shares available to participants who are controlling shareholders of the Company and their associates shall not exceed 25% of the Scheme Shares available under the Scheme and the number of Scheme Shares available to each participant who is a controlling shareholder of the Company or his associates shall not exceed 10% of the Scheme Shares available under the Scheme. [See explanatory note (iii)]

(Resolution 7)

By Order of the Board
Adrian Chan Pengee
Company Secretary

Singapore
12 October 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Resolution 2 – Detailed information about Directors can be found in the Board of Directors sections of the Company's Annual Report, including their current directorships in other listed companies and other principal commitments held. Mr Khor Thiam Beng will, upon re-election as a Director of the Company, remain as Chairman of the Board and member of the Audit and Risk, Remuneration and Nominating Committees, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Save as being an independent Director of the Company, Mr Khor has no relationships including immediate family relationships with any of the Directors of the Company, the Company or its 10% shareholders.

(ii) Resolution 6 – If passed, will empower the Directors from the date of the above Meeting until the date of the next AGM, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares in the capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro rata basis.

(iii) Resolution 7 – If passed, will empower the Directors of the Company, to allot and issue shares in the Company of up to a number not exceeding in total 15% of the issued shares in the capital of the Company from time to time pursuant to the exercise of the options under the Scheme.

Notes:

1. Save for members of the Company which are nominee companies or Relevant Intermediaries (as defined below), a member of the Company entitled to attend and vote at a meeting of the Company shall not be entitled to appoint more than two proxies to attend and vote on his behalf. Where a member of the Company (other than a Relevant Intermediary) appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

2. Pursuant to Section 181 of the Companies Act, any member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). "**Relevant intermediary**" means: (a) a banking corporation licensed under the Banking Act, Cap.19 of Singapore or its wholly-owned subsidiary which provides nominee services and who holds shares in that capacity; (b) a capital markets services license holder which provides custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore and who holds shares in that capacity; or (c) the Central Provident Fund ("**CPF**") Board, established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased on behalf of CPF investors.

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

4. The instrument appointing the proxy or proxies must be deposited at the Company's registered office at 19A Serangoon North Avenue 5, Singapore 554859, 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 his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Common Seal or under the hand of its attorney or a duly authorized officer.

Personal data privacy:

Photographic, sound and/or video recordings may be made by the Company at the meeting for record keeping and to ensure the accuracy of the minutes prepared. Accordingly, your personal data (such as your name, your presence at this meeting and any questions you may raise or motions you propose/second) may be recorded by the Company for such purpose. The Company may upon the request of any shareholder and in accordance with the Companies Act, provide such shareholder with a copy of the minutes of meeting, which may contain your personal data as explained herein. By participating in the meeting, raising any questions and/or proposing/seconding any motion, you will be deemed to have consented to have your personal data recorded and dealt with for the purposes and in the manner explained herein.

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the meeting of the Company and/or any adjournment thereof, a member of the Company thereby: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

FINAL DIVIDEND

NOTICE HAS BEEN GIVEN in the Company's announcement of 12 August 2016 that the Transfer Books and Register of Members of the Company will be closed on 16 December 2016 for the preparation of the final dividend to be proposed at the Annual General Meeting of the Company to be held on 27 October 2016.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., of 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 15 December 2016 will be registered to determine shareholders' entitlements to the one-tier tax exempt final dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 15 December 2016 will be entitled to the proposed final dividend.

The proposed one-tier tax exempt final dividend, if approved at the Annual General Meeting, will be paid on 29 December 2016.

PROXY FORM
2016 ANNUAL GENERAL MEETING

AVI-TECH ELECTRONICS LIMITED
(Company Registration Number 198105976H)
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy Avi-Tech Electronics Limited's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. A Relevant Intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see Note 3 for the definition of "Relevant Intermediary").
3. For CPF/SRS investors who have used their CPF/SRS monies to buy Avi-Tech Electronics Limited's shares, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

I/We, ____ (Name)

of ____ (Address)

being a member/members of AVI-TECH ELECTRONICS LIMITED (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Thursday, 27 October 2016 at 11.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the Meeting as indicated below. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting.

Please indicate your vote "For" or "Against" with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

No.	Resolutions relating to:	For	Against
1.	Adoption of Directors' Statement and Audited Financial Statements together with the Auditors' Report thereon		
2.	Re-election of Mr Khor Thiam Beng as a Director		
3.	Approval of Directors' Fees		
4.	Approval of proposed final dividend		
5.	Re-appointment of Messrs. Deloitte & Touche LLP as Auditors		
6.	General Mandate to Directors to issue Shares		
7.	Mandate to Directors to issue Scheme Shares		

Dated this __________ day of ____________________ 2016

Total number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

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

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 81SF of the Securities and Futures Act, Cap. 289 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 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. Save for members of the Company which are nominee companies or Relevant Intermediaries (as defined below), a member of the Company entitled to attend and vote at a meeting of the Company shall not be entitled to appoint more than two proxies to attend and vote on his behalf. Where a member of the Company (other than a Relevant Intermediary) appoints more than one proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy.

3. Pursuant to Section 181 of the Companies Act, Cap.50 of Singapore, any member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). "**Relevant intermediary**" means: (a) a banking corporation licensed under the Banking Act, Cap.19 of Singapore or its wholly-owned subsidiary which provides nominee services and who holds shares in that capacity; (b) a capital markets services license holder which provides custodial services for securities under the Securities and Futures Act, Cap. 289 of Singapore and who holds shares in that capacity; or (c) the Central Provident Fund ("**CPF**") Board, established by the Central Provident Fund Act, Cap. 36 of Singapore, in respect of shares purchased on behalf of CPF investors.

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

5. The instrument appointing the proxy or proxies must be deposited at the Company's registered office at 19A Serangoon North Avenue 5, Singapore 554859, not less than 48 hours before the time appointed for the meeting.

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

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

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

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, 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 a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument of proxy lodged if such member, being the appointor, is not shown to have shares entered against his name in the Depository Register 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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