AVI-TECH ELECTRONICS LIMITED

POWERING INTO THE FUTURE

DRIVING MOBILITY, ENABLING CONNECTIVITY

2017 ANNUAL REPORT

CONTENTS

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 and engineering services for the semiconductor, electronics and life sciences industries.

Our core business segments comprise Burn-in Services, Manufacturing and Printer Circuit Board Assembly ("PCBA") Services, and Engineering Services. Our customers are global leaders, including Original Equipment Manufacturers ("OEMs") of semiconductor automotive, cloud networking and industrial products.

OUR MARKET PRESENCE

Located in Singapore, our headquarters and production facility support all our business segments and is equipped with advanced burn-in systems, many of which are designed and fabricated in-house.

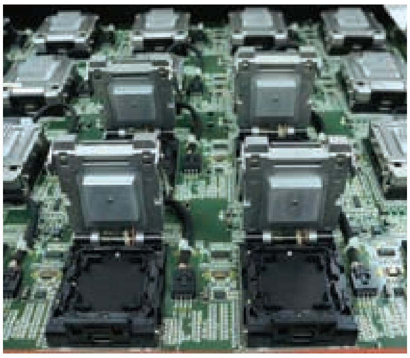
Our market presence has expanded beyond Singapore to Malaysia, Thailand, the Philippines, Taiwan, the People's Republic of China ("China"), Japan, the United States of America ("US") and Europe to support our global customers.

OUR AWARDS AND ACHIEVEMENTS

We are proud to have been conferred the prestigious Singapore Quality Award ("SQA") by the SQA Governing Council in 2008 for achieving world-class standard of performance excellence which reaffirms our already strong credentials in the international market.

In recognition of our commitment towards business excellence and quality assurance, we also garnered the Singapore Quality Class award by SPRING Singapore in 1998 (with award renewals in 2001, 2003 and 2005) and won the Enterprise 50 award (Ranking: 1st) by the Singapore Economic Development Board in 1999. In addition, we have achieved ISO 9001, ISO 14001 and ISO 13485 certifications. We also achieved conformance to the Electronic Industry Citizenship Coalition ("EICC") Code of Conduct requirements.

BUSINESS SEGMENTS



BURN-IN SERVICES

We provide Static Burn-In, Dynamic 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 for automotive and networking 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.

MANUFACTURING AND PCBA SERVICES

We are involved in the design and manufacture 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 qualified and licensed to build Burn-In boards for high power devices and 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 manufacturing, 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.


HONING OUR
EXPERTISE,
DEVELOPING NEW
Capabilities, Progressing with
Technology – We are Geared Up
for the Lap Ahead

LETTER TO SHAREHOLDERS

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

DEAR SHAREHOLDERS

The financial year ended 30 June 2017 ("FY17") has closed on a high note as Avi-Tech (or "the Group") marked the 10th anniversary of our listing on the SGX-ST and delivered yet another strong set of financials, registering double-digit revenue and profit growth of 17.8% to S$40.0 million (FY16: S$33.9 million) and 13% increase to S$7.0 million in FY17 (FY16: S$6.2 million) respectively.

All our business divisions performed well with higher revenue contribution from Manufacturing and PCBA Services business segment and consistent revenue contribution from Burn-In Services and Engineering Services business segments. Our full-year gross profit margin remained constant at around 30%. Our improved profitability came on the back of higher revenue coupled with focused cost management, streamlined business processes, increased automation and sound financial stewardship.

We continued to maintain a strong balance sheet and cash balance with positive cash flow performance in every quarter. As at 30 June 2017, the Group had a positive working capital of S$28.6 million and net asset value per share of 28.62 cents. Our cash position stood at S$31.8 million, which included cash and bank balances, fixed and call deposits and held-to-maturity financial assets.

FOCUSING ON SHAREHOLDER VALUE CREATION

Since 2QFY17, in keeping with the Group's commitment to enhancing shareholder value, we adopted a dividend policy of distributing not less than 30% of the Group's consolidated net profit after tax and non-controlling interest ("PATNCI") excluding non-recurring, one-off and exceptional items, for the financial year[1].

For FY17, with the Group's profitability and sound financial position, the Board is proposing a final dividend of 1.0 cent per share and a special dividend of 0.8 cents per share, to be paid on 29 November 2017, subject to shareholders' approval at the upcoming annual general meeting. The proposed final dividend and special dividend is on top of the interim dividend of 1.0 cent per share paid out in May this year. This brings our total dividend to 2.8 cents per share for the year (dividend yield of 6.2%[2]) or pay-out of 68% of the Group's PATNCI excluding non-recurring, one-off and exceptional items, which surpasses our dividend policy of 30% payout.

Our continuous efforts to improve our performance and to maximise shareholder value have been recognised by the market. In 2017, Avi-Tech was listed as RHB Research Institute's 25 Jewels 2017, which singled out 25 companies listed on the SGX-ST that offered good investor returns. The Group was also one of the 30 SGX-ST listed finalist companies in online media STORM.SG's Charger Award 2017 which highlighted companies with strong growth prospects and viewed favourably by investors.

As a public-listed company, it is also important that we widen our shareholder base by showcasing our investment merits. To this end, we have undertaken outreach efforts to new investors both in Singapore and Malaysia through our participation

Avi-Tech was listed as RHB Research Institute's 25 Jewels 2017 in investor roadshows to actively communicate Avi-Tech's competitive strengths and growth prospects. We are encouraged by the improvement in our share price by more than 100% compared to the previous year, which is a reflection of the market's confidence in our improved performance and value creation. We will continue to work hard in communicating with the investment community in the year ahead.

POWERING INTO THE FUTURE: DRIVING MOBILITY, ENABLING CONNECTIVITY

Semiconductors are the building blocks of modern technology and as a solutions and services provider for some of the leading global semiconductor companies, we have benefited from the global trends in manufacturing which are harnessing technologies to improve products, processes and outcomes, particularly for automotive and cloud networking.

The essential ramp up in automotive and networking semiconductor chips brought about by the innovation of major semiconductor players has fuelled the need for new and different types of burn-in boards. We have been able to design and produce new burn-in boards to our customers' requirements, given our expertise in this area. This has enabled our Manufacturing and PCBA Services business segment to grow not only in terms of revenues, but also in capabilities, thus positioning us for future opportunities.

Similarly, our Burn-in Services business segment has been called to meet the increasing burn-in requirements and dynamics of these market segments where fail-poof devices are vital for safety and efficiency. The Engineering Services business segment, while not directly impacted by the megatrends which are shaping the automotive and data technologies industries, is also riding on technological innovation and the demand for newer devices. It has succeeded in widening its networks and customer base in the European market which affords good opportunities, given the improving economic situation there.

DRIVING TO CONTINUED AND SUSTAINED SUCCESSES

There is no turning back from the major global trends impacting the semiconductor sectors in which we have built competencies. In the march towards fully driverless vehicles, there will be an ever-increasing number of sensors, microcontrollers and power management components. Additionally, regulations pertaining to carbon dioxide emissions, electrification of cars, advanced vehicle safety and comfort systems and the increased demand for vehicles in the developing markets are other factors that will carry the automotive semiconductor sector forward in the near-term. It is estimated that the global automotive semiconductor market will reach an estimated US$45.9 billion by 2022 and it is forecasted to grow at a compound annual growth rate of 6.4% from 2017 to 2022[3]. Another significant semiconductor driver is cloud computing, big data and smart cities which are pushing demand for servers and data centres exponentially.

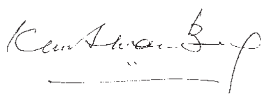
For the Group, it will mean increased opportunities for board manufacturing and burn-in services as newer and more powerful microprocessors come on board. With a strong foothold in these sectors and close partnerships forged over the years with major semiconductor innovators in these spheres, Avi-Tech has benefited from, and will continue to leverage on this growth uptrend.

However, it is not sufficient for us to passively take advantage of these uptrends. We must therefore also position ourselves for the next growth opportunity, to keep the growth momentum going. As such, we will need to look to the future drivers of innovation in semiconductors, namely the area of emerging technology referred to as the Internet of Things ("IoT"). It is estimated that the installed base of IoT semiconductor devices will increase by about 15-20% annually over the next few years to 26-30 billion units by 2020[4].

We will continue to deepen our capabilities to take advantage of opportunities in these high growth sectors as well as in areas such as life sciences, medical imaging and industrial applications. Automation, with or without the help of public sector schemes, re-engineering of systems and processes and focus on sustainable business practices will be areas of importance to us as we chart the way forward. We also remain committed and open to exploring other profitable businesses including projects and accretive mergers and acquisitions, which present a synergistic fit with our service offerings.

OUR APPRECIATION TO ALL

In closing, we would like to thank our talented management and staff, supportive business partners, associates and customers, dedicated Board of Directors and loyal shareholders for their unwavering support. We hope you will continue to be an integral part of Avi-Tech's journey in the year ahead and beyond.



Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

1 The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligates the Company to declare a dividend at any time or from time to time.

2 Based on closing share price of S$0.45 as at 30 June 2017.

3 $45.9 billion growth opportunities in the global automotive semiconductor market, 2022 – Research and Markets. http://www.businesswire.com/news/home/20170406006014/en/45.9-Billion-Growth-Opportunities-Global-Automotive-Semiconductor.

4 Semiconductor industry outlook – April 2017. http://www.nasdaq.com/article/semiconductor-industry-outlook-april-2017-cm780023.

CORPORATE HISTORY AND MILESTONES

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

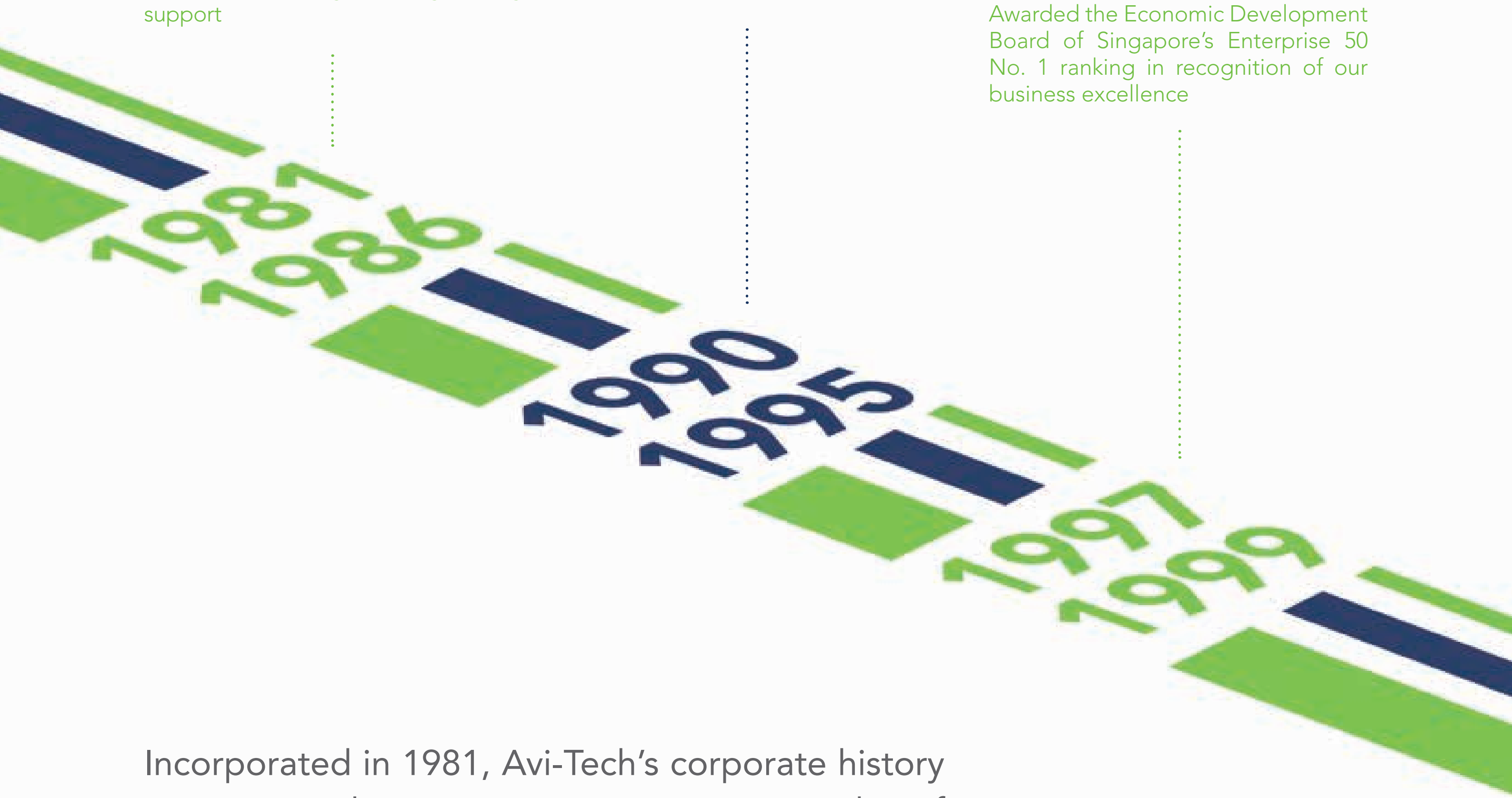
Expanded our business to include the provision of engineering services to design and build semiconductor Burn-In Systems

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)

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 were 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 manufacturing and PCBA services, and engineering services. We are proud of the many achievements we have garnered and the resilience we have shown through the years.

CORPORATE HISTORY AND MILESTONES

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

Conferred the prestigious Singapore Quality Award

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

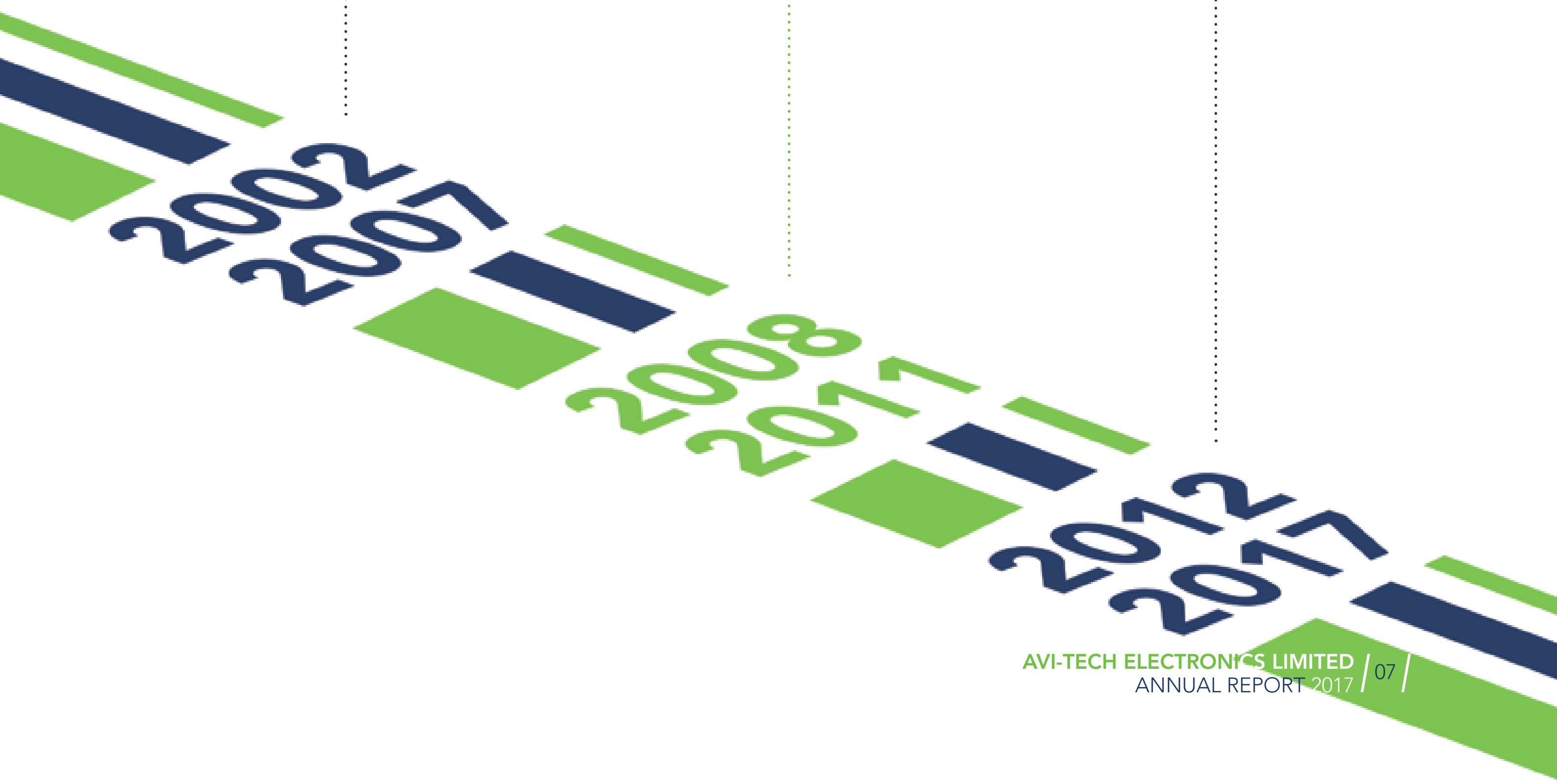
Established subsidiary Avi-Tech, Inc. in the US to meet the upsurge in demand for burn-in boards

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

Achieved conformance to 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

L-R: Mr Lim Eng Hong, Mr Khor Thiam Beng, Mr Goh Chung Meng, Mr Michael Grenville Gray

Mr Khor Thiam Beng

Non-Executive Chairman and Independent Director

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.

Date of last re-election as a director

27 October 2016

Shares in the Company or related corporations

90,000 shares in the Company (Direct Interest)

Committee Memberships

- *Audit and Risk Committee*
- *Nominating Committee*
- *Remuneration Committee*

Academic & Professional Qualifications

- *Bachelor of Laws, University of Singapore*

Present Directorships (as at 30 June 2017)

Listed Companies (excluding the Company)

- *NIL*

Other Non-Listed Companies (excluding Subsidiaries and Associates of the Company)

- *HB Media Holdings Pte Ltd*
- *Khor Law LLC*
- *Khor Holdings Pte Ltd*

Major Appointments (other than Directorships)

- *Messrs Khor Law LLC (formerly known as Messrs Khor Thiam Beng & Partners) (Director)*

Past Directorships in listed companies over the last 3 years

(excluding Subsidiaries and Associates of the Company)

- *NIL*

MR LIM ENG HONG

Chief Executive Officer and Executive Director

Mr Lim Eng Hong is the founder of our Group. 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.

Shares in the Company or related corporations

59,371,875 shares in the Company (Direct & Deemed Interest)

Committee Memberships

- *NIL*

Academic & Professional Qualifications

- *Diploma in Telecommunication Engineering, Singapore Polytechnic*
- *Diploma in Management Studies, Singapore Institute of Management*

Present Directorships (as at 30 June 2017)

Listed Companies (excluding the Company)

- *NIL*

Other Non-Listed Companies (excluding Subsidiaries and Associates of the Company)

- *NIL*

Major Appointments (other than Directorships)

- *School Advisory Committee, Pei Ying Primary School (Chairman) (since 2010)*

Past Directorships in listed companies over the last 3 years

(excluding Subsidiaries and Associates of the Company)

- *NIL*

MR GOH CHUNG MENG

Non-Executive and Independent Director

Mr Goh began his career in 1982 with the management consulting arm of Deloitte & Touche in Singapore. 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 an insolvency unit during the 1985 recession. In 1990, he joined Carr Indosuez Asia (Merchant Banking unit of Credit Agricole and formerly known as Banque Indosuez) and in 1995, he joined a US$200 million Asian Venture Capital Fund known as Suez Asia Holdings, where 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), a drug discovery company which has completed three global phase 3 human clinical trials in Alzheimer's disease and bvFTD in neurodegenerative diseases. He has been a pioneer board member of the TauRx Group since its founding as a startup in 2002. Mr Goh is also a director of ACE Investment Management Pte Ltd, a 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 (from 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.

Date of last re-election as a director

27 October 2015

Shares in the Company or related corporations

190,000 shares in the Company (Direct Interest)

Committee Memberships

- *Audit and Risk Committee*
- *Nominating Committee (Chairman)*
- *Remuneration Committee (Chairman)*

Academic & Professional Qualifications

- *Bachelor of Business Administration, National University of Singapore*

Present Directorships (as at 30 June 2017)

Listed Companies (excluding the Company)

- *NIL*

Other Non-Listed Companies (excluding Subsidiaries and Associates of the Company)

- *TauRx Pharmaceuticals Ltd*
- *ACE Investment Management Pte Ltd*

Major Appointments (other than Directorships)

- *Tower Club (Founding Member)*
- *Singapore Institute of International Affairs (Member)*

Past Directorships in listed companies over the last 3 years

(excluding Subsidiaries and Associates of the Company)

- *NIL*

BOARD OF DIRECTORS

MR MICHAEL GRENVILLE GRAY

Non-Executive and Independent Director

Mr Gray spent ten years in the shipping industry before training as a Chartered Accountant with Coopers & Lybrand in the United Kingdom in 1973. 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).

Date of last re-election as a director

28 October 2014

Shares in the Company or related corporations

870,000 shares in the Company (Direct Interest)

Committee Memberships

- *Audit and Risk Committee (Chairman)*
- *Nominating Committee*
- *Remuneration Committee*

Academic & Professional Qualifications

- *Bachelor of Science in Maritime Studies, Plymouth University, United Kingdom*
- *Master of Arts in South East Asian Studies, National University of Singapore*
- *Fellow of Institute of Chartered Accountants in England & Wales*
- *Fellow of Institute of Singapore Chartered Accountants*
- *Fellow of Singapore Institute of Directors*
- *Fellow of Chartered Institute of Transport & Logistics*

Present Directorships (as at 30 June 2017)

Listed Companies (excluding the Company)

- *FSL Trust Management Pte Ltd*
- *GSH Corporation Limited*

Other Non-Listed Companies (excluding Subsidiaries and Associates of the Company)

- *TGY Property Investments Pte Ltd*
- *Tras Street Property Investment Ltd*
- *UON Singapore Pte Ltd*
- *Vietnam Hospitality Ltd*

Major Appointments (other than Directorships)

- *PAVE (President)*
- *Singapore Grand Prix (Secretary of the Event)*

Past Directorships in listed companies over the last 3 years

(excluding Subsidiaries and Associates of the Company)

- *Ascendas Property Fund Trustee Pte Ltd*
- *VinaCapital Vietnam Opportunity Fund Limited*

Awards

- *Public Service Star (Bar) – B.B.M. [L] (2010)*

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, 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 (US 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 sales and marketing, and managing operations, Mr Lim was later promoted to oversee the Burn-In Board Manufacturing and Engineering Services manufacturing operations divisions. He expanded the Board Manufacturing division to serve customers in niche PCBA services. In May 2013, Mr Lim was appointed Chief Operating Officer of our Group. With his training in lean manufacturing, Mr Lim is constantly working with the team to improve productivity through automation and adopting smart manufacturing in propelling the Group forward to the next lap of growth.

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 board-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 entire Group 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.

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 ISO 9001 and ISO 14001 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 and 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 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 of the 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 and Manufacturing and PCBA Services, both locally and overseas. Mr Sutedjo is also in charge of the 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

FY17 revenue increased to S$40.0 million, a 17.8% improvement from S$33.9 million in the financial year ended 30 June 2016 ("FY16"). This was attributable to the Manufacturing and PCBA Services (formerly known as "Burn-In Boards and Board Manufacturing") business segment which registered higher revenue, while the Burn-In Services and Engineering Services business segments continued to deliver consistent revenue as compared to the same period last year. Gross profit rose by 7.7% to S$11.8 million as compared to FY16's gross profit of S$11.0 million. Gross profit margin, however, fell marginally from 32.3% in FY16 to 29.5% in FY17. The Group achieved a net profit of S$7.0 million, a 13.0% improvement as compared to S$6.2 million in the previous financial year. The improved net profit was attributed to the higher revenue registered, successful planning and ongoing cost control measures.

In terms of segmental performance, Burn-In Services business segment reported revenue of S$9.1 million as compared to S$9.0 million in FY16. The Manufacturing and PCBA Services business segment's revenue surged to S$19.7 million as compared to S$13.7 million in FY16. The Engineering Services business segment's revenue dipped slightly to S$11.2 million from S$11.3 million in FY16.

Our Singapore and US operations led in terms of revenue contribution accounting for 55.3% and 17.9% respectively. Malaysia contributed 11.0% and the other regions made up the remaining 15.7%.

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.

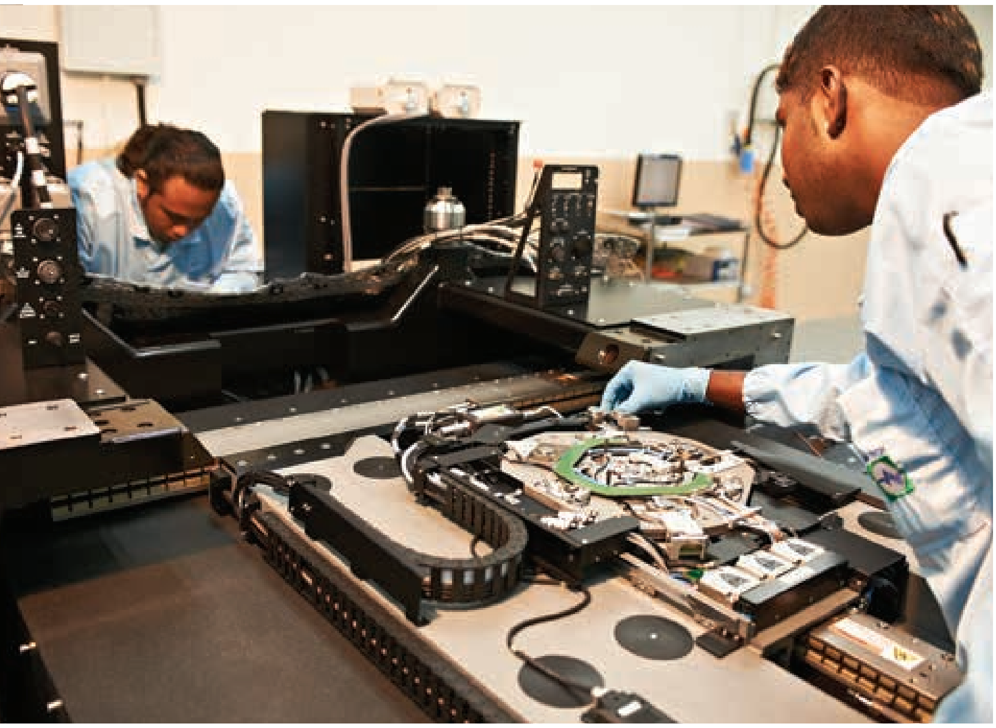
The Burn-In Services business segment contributed 22.7% of the Group's revenue as compared to 26.4% in FY16. The performance of the segment was driven largely by the increase in demand for burn-in services for automotive, cloud computing, security chips and data centre semiconductor chips, as these sectors continue to enjoy good growth.

Key initiatives undertaken during the year included introducing automated equipment with advanced features and improved capabilities for new products from key customers. This has enabled us to ensure on-time delivery of quality parts to our customers. We also expanded our services to the development of prototypes for new customers on joint-projects with key academic institutions.

Improving our efficiency and productivity remained an area of focus as we continue to address the challenges of a tight labour market. Automation played a key role in improving productivity, freeing up more time for innovation, re-engineering and re-design of equipment and processes in accordance with customer requirements. We installed

new automated equipment, such as the auto-loader/unloader, to support the increase in volume of output and to reduce reliance on labour.

Our focus in the year ahead is to further deepen our capabilities so as to continue to effectively serve our customers. We will seek ways to expand our reach into new markets and extend our customer base with the aim of increasing and diversifying our revenue stream. The automotive, data



centre and networking end-markets are forecasted to enjoy good growth. With increasing semiconductor content per car, notably in the areas of advanced driver-assistance systems ("ADAS"), connectivity, and power management, the need for high power burn-in services will be sustained. The rise in data centres with the proliferation of cloud computing and related technologies will also see sustained demand for our services from this sector. Emerging trends of which we need to be mindful in order to capitalise on their growth include applications and devices connected with IoT. The semiconductor and sensor markets for IoT alone are projected to be $114.2 billion in 2025 compared to $27.6 billion in 2015, with a compound annual growth rate of 15.3%[1].

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 qualified and licensed to build Burn-In boards which are catered for high power devices. We also provide niche 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 49.3% of the Group's revenue as compared to 40.4% in FY16. This increase in the segment's revenue was attributed to existing customers, new customers and PCBA services. The increased demand for our services was brought about by the growth in the automotive, cloud computing, security chips and data centre sectors as well as the mobile communications and medical sectors. We enhanced our design capability through adoption of a new design platform that allows us to take on more sophisticated design work. To achieve a high quality end product and maintain a competitive position in the market, we are constantly updating and aligning ourselves to an industry-wide standard certification which increases our capability and know-how to undertake more complex requirements.

Our PCBA services enjoyed good growth in the fields of electronics, aviation and mobile communications and our inspection solution started to gain momentum with strong demand for inspection requirement from our aviation and electronics customers. In fact, the business segment undertook a name change to better reflect the range of services offered, of which PCBA services is steadily increasing. Through process enhancement, automation and the leveraging of IT, we improved our productivity. We also strengthened our existing partnerships and built new ones through the establishment of new contacts and competitive sourcing.

We anticipate that further developments in the industrial, medical, consumer and internet sectors will lead to the introduction of even more high efficiency power semiconductors and smaller single chips for devices such as AC/DC or DC/DC converters and various sensors[2]. We will hone our expertise in board design and manufacturing to position ourselves to take advantage of these and other opportunities brought about by new technologies.

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

OPERATIONS REVIEW

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.

The Engineering Services business segment's revenue contributed 28.0% to the Group's revenue in FY17 as compared to 33.2% in FY16. Our demand from existing customers and new customers was fairly consistent. Our foray into the European market in the financial year ended 30 June 2015 has gained traction. With the European Union economies steadily improving, we see potential to further expand our footprint in this market.

HUMAN RESOURCE AND CORPORATE DEVELOPMENT

Our people form the core of our organisation. As a signatory of the Employers' Pledge of Fair Employment Practices with the Tripartite Alliance for Fair Employment Practices ("TAFEP"), we abide by the principles which stand for diversity and inclusion and are against discrimination of any kind. Our staff of around 180 are made up of various races, nationalities, age groups and gender who are given equal opportunities for training and progression within the Group.

Our continued ability to recruit, retain and develop experienced personnel and managers is particularly important given the strong, ongoing competition for skills within the sector. In FY17, selected staff were sent for external training and development programmes in areas pertinent for their job scope such as advanced designer training for PCB designers, payroll courses for human resource department personnel and equipment and tools management courses for production operators. Our senior management attended courses such as developing strategies for career planning, ISO 13485:2016 Medical Devices Internal Auditor Training and WSQ Establish Lean Six Sigma Methodology.

In terms of operational excellence, we implemented the requirements of the new ISO 14001:2015. We plan to implement the requirements of the new ISO 13485:2016 and to be certified in the financial year ending 30 June 2018.

CORPORATE SOCIAL RESPONSIBILITY

We take our responsibility to be a good corporate citizen seriously and as such, endeavour to contribute towards the betterment of society and the disadvantaged. Bright Vision Hospital, a 318-bed community hospital offering intermediate and long-term holistic care for about 1,500 new patients annually is an organisation that we have been supporting since December 2015. 20 of our staff, including senior management, took part in our corporate outreach programme there. In October 2016, 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 that month. We also participated in their Charity Carnival in December 2016.

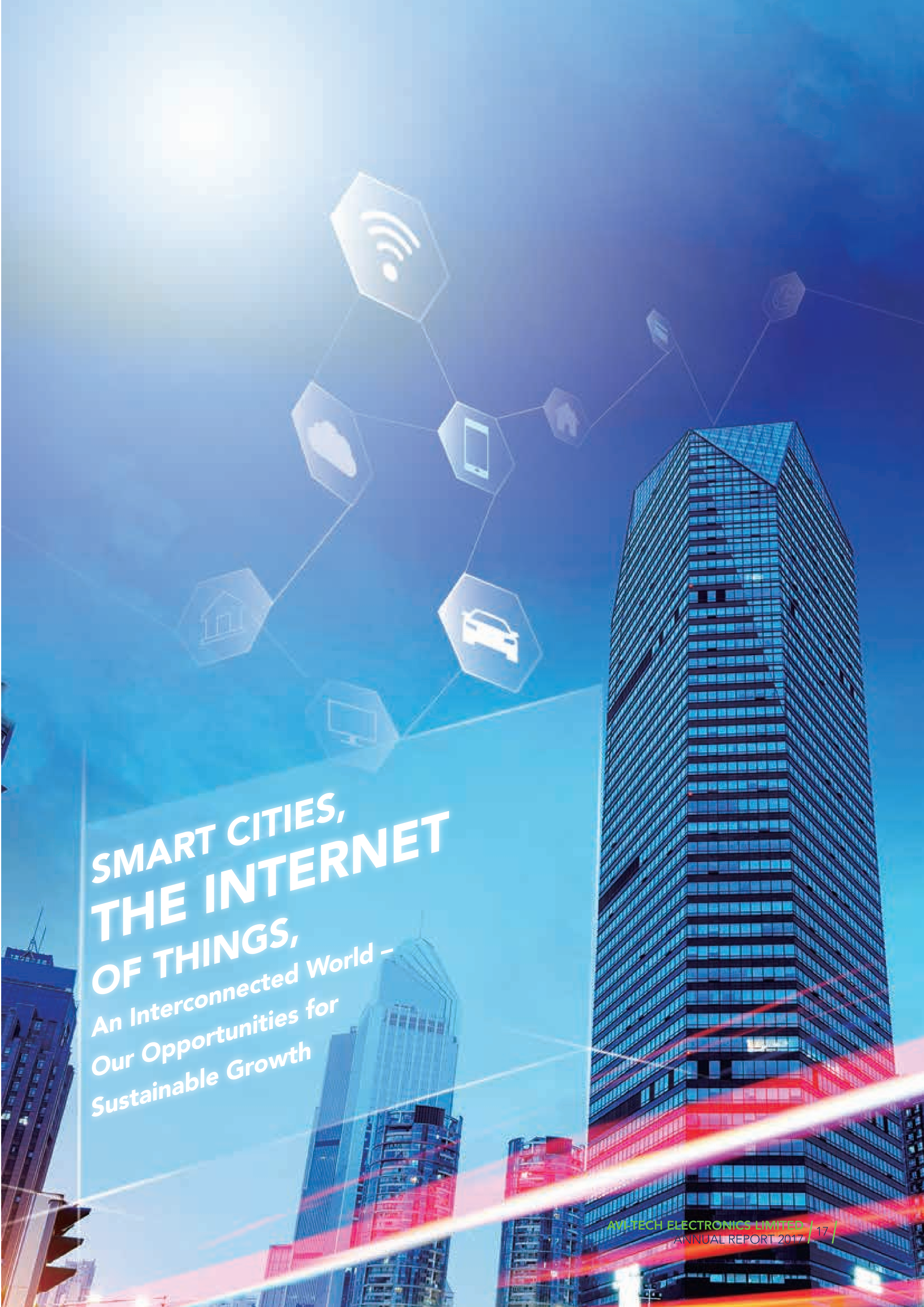
OUTLOOK

Barring unforeseen circumstances, the outlook for all our business segments appears positive given the continuing developments in technology in the segments in which we serve, particularly in the high growth area of automotive, data centres, cloud computing, networking, mobile communications and aviation. There will be another wave of demand for burn-in, board design and manufacturing and related services brought about by the advent of the IoT.

The Group will continue to work tirelessly to improve and widen our capabilities, adopt smart manufacturing to improve productivity, manage our processes and finances and seek new avenues for sustained growth in complementary and synergistic areas.

[1] Whitepaper: The semiconductor industry from 2015-2025. http://www.semi.org/en/node/57416.

[2] $45.9 Billion Growth Opportunities in the Global Automotive Semiconductor Market, 2022 - Research and Markets. BusinessWire. http://www.businesswire.com/news/home/20170406006014/en/45.9-Billion-Growth-Opportunities-Global-Automotive-Semiconductor.



SMART CITIES, THE INTERNET OF THINGS,

An Interconnected World – Our Opportunities for Sustainable Growth

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

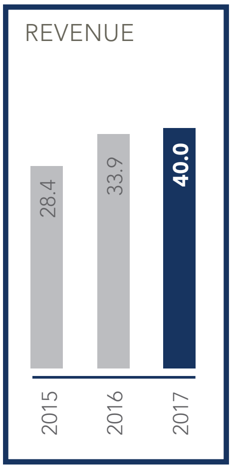
PRINCIPAL BANKERS

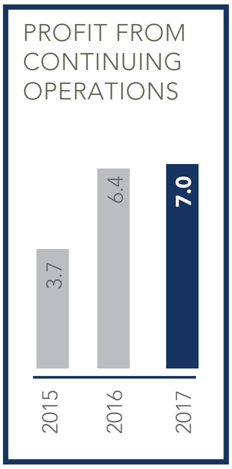
Standard Chartered Bank
6 Battery Road
Singapore 049909

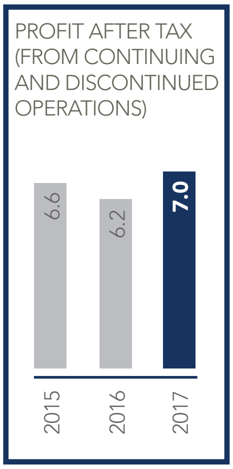
United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

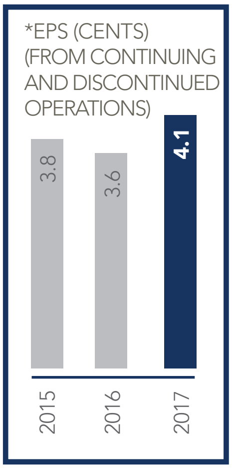
FINANCIAL HIGHLIGHTS

PROFIT AND LOSS ($'M)



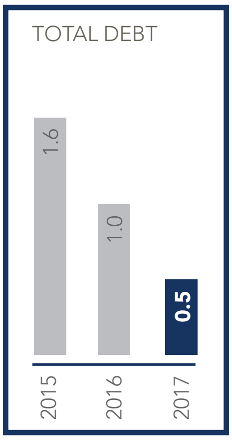


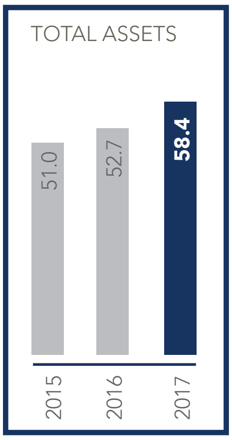


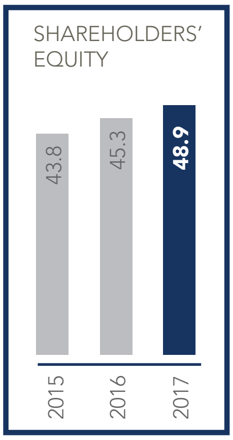


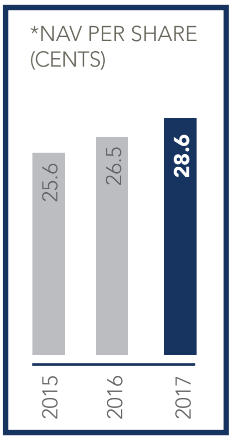
* Restated after share consolidation

BALANCE SHEET ($'M)



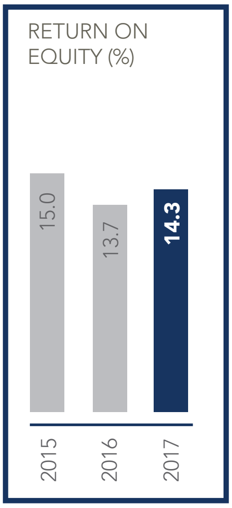


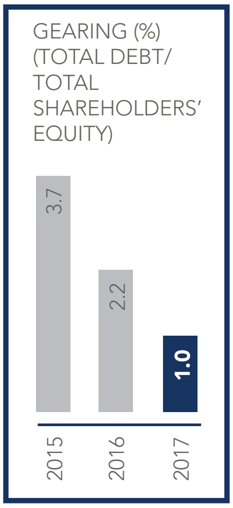




* Restated after share consolidation

KEY FINANCIAL RATIOS





FINANCIAL REVIEW

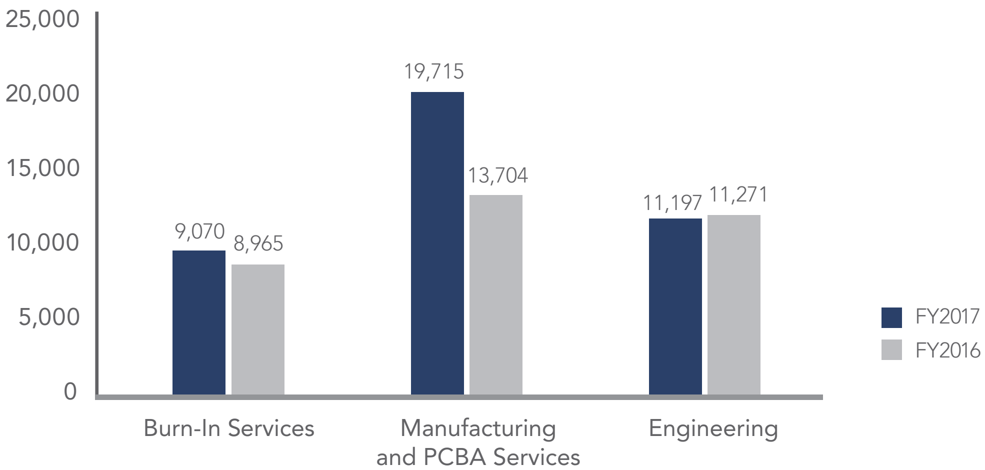
CONSOLIDATED FINANCIAL PERFORMANCE ($'000)

	FY2017	FY2016	Change %
Continuing Operations			
Revenue	39,982	33,940	17.8
Cost of sales	(28,180)	(22,983)	22.6
Gross profit	11,802	10,957	7.7
Administrative expenses	(4,951)	(4,595)	7.7
Profit before income tax	8,021	7,854	2.1
Income tax expenses	(990)	(1,476)	(32.9)
Profit for the year from continuing operations	7,031	6,378	10.2
Discontinued Operations			
Loss for the year from discontinued operations	–	(153)	n.m.
Profit for the year from both continuing and discontinued operations	**7,031**	**6,225**	**13.0**

n.m.: not meaningful

For the financial year ended 30 June 2017 ("FY2017"), the Group reported a profit of $7.0 million as compared to $6.2 million for the financial year ended 30 June 2016 ("FY2016"). The increase in profit for the comparative periods was mainly attributed to the higher revenue achieved by Manufacturing and PCBA Services business segment with steady revenue contributed by Burn-In Services and the Engineering Services business segments.

REVENUE BY BUSINESS SEGMENTS ($'000)



Burn-in Services which contributed 22.7% of the Group's revenue in FY2017 (FY2016: 26.4%) reported a marginal increase of $0.1 million or 1.2% in revenue.

Manufacturing and PCBA Services which contributed 49.3% of the Group's revenue in FY2017 (FY2016: 40.4%) reported revenue for the year of $19.7 million, an increase of $6.0 million or 43.9%. The increase is contributed by the higher sales from key customers.

Engineering Services which contributed 28.0% of the Group's revenue in FY2017 (FY2016: 33.2%) reported a consistent revenue of $11.2 million in FY2017 (2016: $11.3 million).

COST OF SALES ($'000)

	FY2017	FY2016	Change %
Cost of sales	28,180	22,983	22.6
Include in cost of sales:			
Cost of material and equipment	19,584	14,650	33.7
Salary cost	6,434	6,299	2.1
Depreciation	622	699	(11.0)
Electricity	467	400	16.8
Other direct overheads	1,215	935	29.9

GROSS PROFIT ($'000)

	FY2017	FY2016	Change %
Gross Profit	11,802	10,957	7.7
Gross Margin	29.5%	32.3%	(8.6)

The Group reported a gross profit of $11.8 million for FY2017, an increase of $0.8 million or 7.7% as compared to $11.0 million for FY2016. Gross profit margin over that period remained fairly constant at around 30%.

ADMINSTRATIVE EXPENSES ($'000)

	FY2017	FY2016	Change %
Administrative expenses	4,951	4,595	7.7
Include in administrative expenses:			
Salary and related cost	2,512	2,500	(0.1)
Foreign currency exchange gain	(45)	(232)	(80.6)
Depreciation	480	326	47.2

Administrative expenses increased by $0.4 million from $4.6 million in FY2016 to $5.0 million in FY2017. The increase is primarily due to the lower foreign currency exchange gain of $0.1 million and depreciation on property, plant and equipment assets used for general and administrative purposes of $0.5 million incurred in the current year as compared with the prior year.

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

	FY2017	FY2016	Change %
Profit for the year from continuing operations	7,031	6,378	10.2
Loss for the year from discontinued operations	–	(153)	n.m.
Profit for the year from continuing and discontinued operations	7,031	6,225	13.0

The Group reported a profit of $7.0 million for FY2017 as compared to $6.2 million for FY2016. The increase in profit for the comparative periods was mainly attributed to the higher revenue achieved by Manufacturing and PCBA Services business segment with steady revenue contributed by Burn-In Services and the Engineering Services business segments.

LIQUIDITY AND CAPITAL RESOURCES ($'000)

	FY2017	FY2016	Change %
Cash flow from:			
Operating activities	8,169	7,952	2.7
Investing activities	(3,069)	(8,386)	(63.4)
Financing activities	(4,080)	(5,464)	(25.3)
Net change in cash and cash equivalents	1,026	(5,933)	(117.3)
Cash and cash equivalents at end of year	7,509	6,483	15.8

The Group generated net cash from operating activities of $8.2 million for FY2017.

Net cash used in investing activities was $3.1 million, which was mainly due to the purchase of held-to-maturity financial assets, additions to property, plant and equipment and fixed deposits placed with financial institutions with over three-month tenures upon maturity.

Net cash used in financing activities was $4.0 million, primarily due to dividend payment and repayment of bank loan.

Cash and cash equivalents increased by $1.0 million in FY2017. Included in cash and cash equivalents are cash and bank balances.

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 Group has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, we have provided the rationale, where appropriate.

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.	Guideline 1.1
All our Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.	Guideline 1.2
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 are set out in this report.	Guideline 1.3

The Board conducts regularly scheduled meetings on a quarterly basis to coincide with the announcement of the Group's quarterly, half-year 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 constitution of the Company (the "**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 legal advisors without the presence of the executive Director(s) and management.	Guideline 1.4

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 FY17	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

Notes:

(1) By Invitation

The Board has adopted internal guidelines setting forth the matters which are specifically reserved to the Board for approval, including the following:	Guideline 1.5

- 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.

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 areas such as accounting, legal and 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 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 will fund Directors' attendance at any course or training programme in connection with their duties as directors. In the financial year under review, all the Directors and management attended the seminar on "Exercising Risk Oversight for Boards and Management" organised by Deloitte Singapore Centre for Corporate Governance and the Singapore Accountancy Commission. The seminar discussed topics such as how boards and management could fulfill their roles and responsibilities in risk governance and risk oversight, increasing risk-related responsibilities impacted by country-specific regulations and global practices regarding board-level risk committees. Mr Michael Grenville Gray also attended, *inter alia*, an accounting update session organised by the Institute of Chartered Accountants in England and Wales, an audit committee update session organised by the SID and a session on "Asean Corporate Governance Scorecard" organised by the SID. He was also part of the Board Guide review panel for the launch of the SID's Board Guide in 2016.	Guideline 1.6
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.	Guideline 1.7

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 2016	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

Notes:

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

The Board comprises more than one-third independent Directors who offer alternative views of the Group's business and corporate activities. There is a strong and independent element on the Board, capable of exercising objective judgement on corporate affairs independently of the Group. The Board's 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 and determined by the NC annually based on guidelines set forth in the Code and individual Director's declarations. Each Director is requested to disclose to the Board if there are any 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 the Director's independent business judgement with a view to the best interests of the Company (the "**Associated Relationships**"), as and when it arises.	Guidelines 2.1 & 2.3
It is a requirement of the Code that independent directors should make up at least half of the board where the chairman of the board is: (i) also the CEO of the Company (or equivalent); (ii) an immediate family member to the CEO; (iii) part of the management team; or (iv) not an independent director. Although we are not required to comply with this requirement of the Code as the Chairman of our Board is: (i) not the CEO of the Company (or equivalent); (ii) not an immediate family member to the CEO; (iii) not part of the management team; and (iv) an independent Director, the independent Directors do in fact make up more than half of the Board.	Guideline 2.2

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. As such, the Board rigorously reviewed their independence, including determining whether any of the Directors have any Associated Relationships. The Board also took into consideration and is highly conscious that these Directors have in their conduct and in the discharge of their duties throughout their respective appointment, continuously and constructively challenged management on business decisions, continued to demonstrate strong independence in character and judgement and have remained objective in the discharge of their respective duties and responsibilities. It is a requirement of the Code that the Board should state its reasons if it determines that a director is independent notwithstanding the existence of an Associated Relationship. After taking into consideration the views of the NC and the Board's review, which determined that none of these Directors has any Associated Relationships, the Board considers each of these Directors to be an independent Director. Neither Mr Khor Thiam Beng, Mr Michael Grenville Gray nor Mr Goh Chung Meng took part in the review of his own independence. The NC recognises that for long tenured independent Directors, there is a need for a higher standard of review, through a particularly rigorous review, compared to that of the normal review of the independence of Directors. Accordingly, the NC and the Board will be instituting more rigorous tests, processes, procedures and/or assessments to improve the assessment of the independence of these Directors, taking into account both quantitative and qualitative factors in assessing the independence of these Directors.	Guidelines 2.3 & 2.4
The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies, knowledge of the Company and experience for the Group. The Board considers its present composition appropriate, taking into account the nature and scope of the Group's operations, requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The Board also considers the current size ideal for effective debate and decision-making. The Directors bring with them a wide spectrum of industry knowledge and skills, experience in accounting, finance, legal and business strategies, management expertise, customer-based experience, knowledge of the Group and objective perspective to effectively lead and direct the Group. Profiles of the Directors are set out in this Annual Report.	Guidelines 2.5 & 2.6

Balance and Diversity of the Board

Core Competencies	**Number of Directors**	**Proportion of the Board**
Accounting or finance related	1	25%
Business and management experience	1	25%
Legal or corporate governance	1	25%
Strategic planning experience	1	25%
Gender Diversity		
Male	4	100%
Female	–	–

The Board is of the view that there is sufficient diversity in skills, experience and knowledge of the Company in its current Board composition to maximise effectiveness. The Board recognises the importance and value of gender diversity and will take into consideration the skill sets and experience including gender diversity for any future Board appointments. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new directors and Board succession planning.

In order to maintain or enhance its balance and diversity, the Board will take the following steps:

- annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and will enhance the efficacy of the Board; and

- annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board.

The NC will consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

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, constructively challenge and help develop proposals on company strategy, review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. In the financial year under review, the non-executive Directors met without the presence of management and the executive Director a total of four (4) times, which were attended by all non-executive Directors.

Guidelines 2.7 & 2.8

Principle 3: Chairman and Chief Executive Officer	
The Code advocates that the Chairman and the CEO 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 immediate family members. There is a clear separation of the roles and responsibilities between the Chairman and the CEO in order to maintain effective oversight.	Guideline 3.1
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.	Guideline 3.2
It is a requirement of the Code that if the chairman of the board is: (i) the CEO of the Company; (ii) an immediate family member to the CEO; (iii) part of the management team; or (iv) not an independent director, the Company should appoint an independent director to be a lead independent director who is required to lead the independent directors to meet periodically without the presence of the other directors and provide feedback to the chairman after such meetings. We are not required to appoint a lead independent director as the Chairman of our Board is: (i) not the CEO of the Company; (ii) not an immediate family member to the CEO; (iii) not part of the management team; and (iv) an independent Director.	Guidelines 3.3 & 3.4

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.	Guideline 4.1
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; • 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; • review of training and professional development programmes for the Board; • 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 • developing a process for evaluation of the performance of the Board as a whole, its Board committees and the contribution by each Director and proposing objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the same. 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; the development of a process for evaluation of the performance of the Board, its Board committees and Directors; the review of training and professional development programmes for the Board; and the appointment and re-appointment of directors (including alternate directors, if applicable).	Guidelines 4.2 & 4.6

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. The Directors submit themselves for re-nomination and re-election at regular intervals of at least once in three (3) years. The Constitution provides that one-third of the Board is to retire from the office annually by rotation at the AGM. Retiring Directors are eligible to offer themselves for re-election. The NC has recommended the nomination of Mr Michael Grenville Gray 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 Thiam Beng, Mr Michael Grenville Gray and Mr Goh Chung Meng, the NC has, *inter alia*, taken into consideration that each of them has no Associated Relationships.	Guideline 4.3
The NC determines annually whether each Director with multiple board representations or other principal commitments outside of the Group is able to and has been adequately carrying out his or her duties as a Director of the Company. The NC takes into account the attendance and contributions of the Directors at Board's and Board committee's meetings, level of commitment required of the Director's other principal commitments, degree of complexity of the other listed companies where the Director holds directorships, expectations of the Director's obligations in the capacity as director in other organisations, results of the assessment of the effectiveness of the Board as a whole and Board committees, and the respective Directors' actual conduct and participation on the Board and its Board committees, in making the determination. In respect of the financial year under review, the NC was of the view that each Director has given sufficient time and attention to the affairs of the Company and has been able to discharge his duties as director effectively. The NC noted that based on the attendance of Board and Board committee meetings during the financial year under review, all the Directors were able to participate in at least a substantial number of such meetings to carry out their duties. The NC is satisfied that all the Directors have been able to and had adequately carried out their duties notwithstanding their multiple board representations where applicable and other principal commitments. Nonetheless, to ensure that the Directors continue to give sufficient time and attention 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). If the NC considers it necessary, it shall make recommendations to the Board on the guidelines to be implemented to address the competing time commitments faced by Directors serving on multiple boards.	Guideline 4.4

No alternate directors have been appointed to the Board.	Guideline 4.5
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.	Guideline 4.6
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 Annual Report. The shareholdings in the Company of the Directors are set out in the Directors' Statement.	Guideline 4.7
Principle 5: Board Performance	
The NC has implemented a formal Board evaluation process to be carried out annually to assess the effectiveness of the Board as a whole and its Board committees, namely, the ARC, NC and RC. For the financial year under review, an evaluation of the performance of the Board and its Board committees, and the contribution by each Director to the effectiveness of the Board and its Board committees, 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. No external facilitator has been used for the said evaluation. 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.	Guideline 5.1
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, Board effectiveness and training, the provision of information to the Board, 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 shareholder value. The performance criteria allows for comparison with industry peers and do not change from year to year 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.	Guideline 5.2

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. Where appropriate, the Chairman will act on the results of such evaluation and, in consultation with the NC and if necessary, propose new members to be appointed to the Board or seek the resignation of directors. The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board committees have operated efficiently, the Board has met its performance objectives and each Director has contributed to the overall effectiveness of the Board in the financial year under review. 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.	Guideline 5.3
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 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 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. Management provides such additional information to the Board in a timely manner.	Guideline 6.1
The information provided by the CFO includes Board papers and related materials, 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.	Guideline 6.2

The Directors also have separate and independent access to the Company Secretary, and can seek independent 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 the responsibilities of the Company Secretary include: • advising the Board on all governance matters; • attending all Board and Board committee meetings and preparing the minutes of these meetings; • ensuring adherence to Board procedures and compliance with 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; • working with management to ensure good information flows within the Board and the Board committees and between senior management and non-executive Directors; and • facilitating orientation and assisting with professional development as required.	Guidelines 6.3 & 6.5
The appointment and the removal of the Company Secretary is a matter for the Board to decide as a whole.	Guideline 6.4
Principle 7: Procedures for Developing Remuneration Policies	
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 management personnel 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 shareholder value.	Guideline 7.1

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 management personnel, and determining the specific remuneration packages for each Director as well as for the key management personnel. Such recommendations should cover all 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 management personnel with those of shareholders and link rewards to corporate and individual performance; and • considering whether Directors should be eligible for benefits under long-term incentive schemes. During the financial year under review, the RC reviewed and made recommendations in relation to the general remuneration framework for the Board as well as regarding the specific remuneration packages of the Directors and key management personnel and submitted them for endorsement by the entire Board. Each member of the RC will abstain from voting and discussing on any resolutions in respect of his own remuneration package.	Guideline 7.2
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 management personnel in accordance with the terms of reference duly adopted by the Board. No external remuneration consultants were appointed for the financial year under review. However, in reviewing and recommending to the Board the appropriate remuneration framework for the Board and key management personnel, the RC had reviewed remuneration surveys published by consulting groups and the government. As and when deemed appropriate by the RC, independent expert advice on remuneration of Directors will be sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.	Guideline 7.3
The RC reviews the Company's obligations arising in the event of termination of the executive Director's and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the executive Director and key management personnel.	Guideline 7.4

Principle 8: Level and Mix of Remuneration	
The annual review of compensation is carried out by the RC to ensure that the remuneration components of the executive Director and key management personnel, i.e. annual fixed cash, annual performance incentives and the long-term incentives, are market competitive and commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The annual fixed cash component comprises the annual basic salary plus fixed allowances which the Company benchmarks against 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 to include benchmarking performance against 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 RC exercises broad discretion and independent judgement in ensuring that the amount and mix of compensation is aligned with the interests of shareholders and promotes the long-term success of the Company. The mix of fixed and variable reward is considered appropriate for the Group and for each individual role. The performance-related remuneration structure is directly linked to corporate and individual performance. The RC also recognises the need for a reasonable alignment between risk and performance-related remuneration to discourage excess risk taking. As such, in determining the performance-related remuneration structure, the RC had taken into account the risk policies and risk tolerance of the Group, and whether such remuneration was symmetric with risk outcomes and sensitive to the time horizon of risks.	Guideline 8.1
In the financial year under review, the Avi-Tech Employee Share Option Scheme ("**ESOS**") was the Group's 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. The executive and non-executive Directors (including independent Directors of the Company) and employees of the Group and associated companies, who are eligible to participate in the ESOS, are encouraged to hold their shares for the long term, subject to the need to finance any cost of acquiring the shares and associated tax liability.	Guideline 8.2

The ESOS, of which the duration is ten (10) years, has recently expired on 5 July 2017. The Board has, in consultation with the RC, considered and weighed the benefits of implementing another employee stock option scheme against the costs and other charges to the Company of such a long-term incentive plan and has, after taking into account various factors, including but not limited to, the past 10-year performance on the effectiveness of the ESOS, in aligning the long-term interest of various stakeholders (including employees, management and ultimately the shareholders of the Company) and influencing significant growth potential improvement, determined that it may be more beneficial to consider other more effective alternatives of long-term incentive implementation including share award schemes, to promote better alignment of interests between various stakeholders and contributing to the long-term success of the Group.	
The non-executive Directors are paid Directors' fees based on their level of contributions, taking into account factors such as effort and time spent, and responsibilities on the Board and Board committees. The RC will ensure that the independent Directors are not over-compensated to the extent that their independence may be compromised. The recommendations made by the RC in respect of the non-executive Directors' fees are subject to shareholders' approval at the AGM. Non-executive Directors are able to participate in the ESOS and hold shares in the Company so as to better align their interests with the interests of shareholders.	Guideline 8.3
The Company is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of the executive Director's remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company, as the executive Director owes a fiduciary duty to the Company and the Company should be able to avail itself of remedies against the executive Director in the event of such breach of fiduciary duties. The Company is of the view that the variable component of the remuneration packages of the key management personnel is moderate. At present, there is no necessity for the Company to institute contractual provisions in the service agreements to reclaim incentive components of remuneration paid in prior years from the key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.	Guideline 8.4
Principle 9: Disclosure on Remuneration	
The RC has recommended to the Board an amount of S$150,000 as Directors' fees for the financial year ended 30 June 2017. This recommendation will be tabled for shareholders' approval at the forthcoming AGM.	Guideline 9.1

A breakdown, showing the level and mix of each individual Director's remuneration for the financial year ended 30 June 2017, is as follows:	Guidelines 9.1 & 9.2

Directors	Fee[1]	Salary	Variable Bonus & Profit Sharing	Benefits in kind	Total
Band D[2]	%	%	%	%	%
Lim Eng Hong	0	43	52	5	100
Band A[3]					
Khor Thiam Beng	100	0	0	0	100
Goh Chung Meng	100	0	0	0	100
Michael Grenville Gray	100	0	0	0	100

Notes:
(1) These fees are subject to the shareholders' approval at the forthcoming AGM.
(2) Band D means from S$750,000 up to S$999,999.
(3) Band A means from S$0 up to S$249,999.

A breakdown, showing the level and mix of the top key management personnel's remuneration (in bands of S$250,000) for the financial year ended 30 June 2017, is as follows:	Guideline 9.3

Top Key Management Personnel	Salary	Variable Bonus	Benefits in kind	Total
Band A[1]	%	%	%	%
Kwok Wai San, Philip	81	16	3	100
Lau Toon Hai	82	18	0	100
Lim Tai Meng, Alvin[2]	79	18	3	100
Joseph Wang Nin Choon	81	19	0	100

Notes:
(1) Band A means from S$0 up to S$249,999.
(2) Mr Lim Tai Meng, Alvin is the son of Mr Lim Eng Hong, our CEO, Director and controlling shareholder.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company believes that such disclosure above as well as in the financial statements of the Company provides sufficient overview of the remuneration of the Group, and in view of confidentiality, the Board is of the opinion that it is not in the best interests of the Company to disclose the exact remuneration of Directors and key management personnel due to the sensitive nature of this information and to prevent solicitation of key management personnel by the Company's competitors. 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 the financial year under review. The total remuneration paid to the above top key management personnel is not more than S$750,000 in the financial year under review.	
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 S$50,000 in the financial year under review. In respect of Mr Lim Tai Meng, Alvin's total remuneration in incremental bands of S$50,000, he falls within the S$150,000 to S$199,999 band. "Immediate family" means a spouse, child, adopted child, step-child, brother, sister or parent.	Guideline 9.4
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.	Guideline 9.5

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.

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 set out below:

Name of Participant Employee	Options granted during financial year under review	Aggregate Options granted since commencement of the ESOS to end of financial year under review	Aggregate Options exercised since commencement of the ESOS to end of financial year under review	Aggregate Options outstanding as at end of financial year under review
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	–

Note:

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

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.

The ESOS, of which the duration is ten (10) years, has recently expired on 5 July 2017. No further options were granted thereafter and the subsisting unexercised options granted will continue to be valid and exercisable as per the terms of the ESOS, and will expire upon the tenth anniversary from the date of offer.

The remuneration components of the executive Director and key management personnel comprise the annual fixed cash, annual performance incentives and the long-term incentives. The annual fixed cash component comprises the annual basic salary plus fixed allowances which the Company benchmarks against 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 to include benchmarking performance against 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. In the financial year under review, the Avi-Tech ESOS was the Group's long-term incentive plan. 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. The ESOS, of which the duration is ten (10) years, has recently expired on 5 July 2017. For the financial year under review, the performance conditions for the short-term and long-term incentives were generally met. 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 executive Director does not receive any Directors' fee.	Guideline 9.6
Principle 10: Accountability	
The Board is accountable to shareholders and ensures that all material information is fully disclosed in a timely manner to shareholders in compliance with statutory and regulatory requirements. The Board provides shareholders with quarterly, half-year and full-year financial reports within the legally-prescribed 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, prospects 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). Financial and other price sensitive public information are primarily disseminated to shareholders on a timely basis through announcements via SGXNET and may also be disseminated through press releases, the Company's website, media and analyst briefings. The Company's annual report is sent to all shareholders and is also accessible on the Company's website.	Guideline 10.1

With the objective of enhancing corporate performance and accountability, as well as protecting the interests of stakeholders, 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. The independent Directors in consultation with management will request for management's consideration for the establishment of written policies for any particular matter that is deemed to be essential to form part of management control. The Board also reviews legislation and regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements, including requirements under the rules of the Listing Manual of the SGX-ST, with the assistance of the Group's legal advisors.	Guideline 10.2
Management provides all members of the Board with management accounts, consisting of, amongst other things, the consolidated profit and loss accounts, analysis of sales, operating profit, pre-tax and attributable profit with variance analyses, so as to present a balanced and informed assessment of the Company's and Group's performance, position and prospects on a monthly basis and as the Board may require from time to time. 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. As and when circumstances arise, the Board can request management to provide any necessary explanation and/or information on the management accounts of the Group. The Board approves the results announcements after review and authorises their release to the shareholders via the SGXNET.	Guideline 10.3
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.	Guideline 11.1

The Board is committed to maintaining a robust and effective system of internal controls to safeguard shareholders' interests and investments, and the Group's assets. The Board recognises the importance of sound internal controls and risk management practices for good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems, including financial, operational, compliance and information technology controls, on an annual basis. The Board is responsible for risk governance, establishing risk management policies and tolerance strategies that set the appropriate tone and direction, and also overseeing the implementation of risk management framework to ensure that risks are identified and managed. On an ongoing basis, the Board needs to continuously monitor and assess the adequacy of the risk management systems that it has put in place, the system of internal controls and ensure that management takes the appropriate steps to manage and mitigate risks. The Company's Risk Governance and Internal Control ("**RGIC**") framework was developed to realise the value of risk management by providing an integrated enterprise-wide perspective of the risks involved in the Company's businesses, and institutionalising a systematic risk assessment methodology for the identification, assessment, management, reporting and monitoring of risks on a consistent and reliable basis. The RGIC Manual sets out, *inter alia*, the Board's approved Risk Appetite and Risk Tolerance guidance, Authority and Risk Control Matrix, Key Control Activities and Key Reporting and Monitoring Activities to manage and mitigate risks. The Company's RGIC framework is constantly refined, ensuring relevance in a dynamic operating environment. The Company keeps abreast of the latest developments and best practices by participating in industry seminars and interacting with risk management practitioners. Continuous training to build risk awareness and competencies, as well as systems and tools to operationalise the risk management framework are put in place to support the Company's RGIC framework. During the financial year under review, the Board reviewed the adequacy and effectiveness of the Group's internal controls and risk management framework and systems, conducted dialogue sessions with the management to understand the process, and to identify, assess, manage and monitor risks within the Group. In addition, the Board also engaged RSM Risk Advisory Pte Ltd., the outsourced internal auditor for the Group, during the financial year under review to conduct an internal audit on selected key risk areas of the Group and to make recommendations to enhance the internal controls and risk management framework and systems.	Guidelines 11.2 & 13.5

Management updated the ARC and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas: • identification of specific "risk owners" who are responsible for the risks identified; • assessment of the Group's key risks by major business units and risk categories; • description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an ongoing basis; • ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps; • status and changes in plans undertaken by the management to manage key risks; and • description of the risk monitoring and escalation processes and also systems in place. The Board also considered any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year under review.	
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, review of the internal audit plan and the internal auditors' evaluation of the system of internal controls and reviews performed by management, various Board committees and the Board, the Board, with the concurrence of the ARC, is of the opinion that the Group's risk management and internal controls are adequate and effective as at 30 June 2017 to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its current business scope and environment. 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 2017. 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.	Guideline 11.3

The ARC has been established by the Board to assist the Board in carrying out its responsibility of overseeing the Company's risk management framework and policies.	Guideline 11.4
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. 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.	Guideline 13.1
Following the review of the internal audit plan, the internal auditors' resources to conduct the internal audit plan and taking into account that the internal auditors have access to all the Company's documents, records, properties and personnel, including access to the ARC and having the co-operation of management, the ARC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Group.	Guidelines 13.2 & 13.5
In considering the hiring, removal, evaluation and compensation of the internal auditors, the ARC has considered and is satisfied with the adequacy of the qualifications and experience of the internal auditors.	Guideline 13.3
RSM Risk Advisory Pte Ltd. performs its work in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	Guideline 13.4
Principle 12: Audit 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.	Guideline 12.1
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.	Guideline 12.2
The ARC has full access to, and co-operation from the management, and has full discretion to invite any Director, executive officer of the Company or other persons to attend its meetings. It may require any such Director, executive officer or other person in attendance to leave the meeting (temporarily or otherwise) to facilitate open discussion should they have an interest in the matter under discussion. The ARC also has explicit authority to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense. The ARC has reasonable resources to enable it to discharge its functions properly. The members of the ARC also take measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements as and when it, or the Board or the Company, deems necessary and appropriate.	Guideline 12.3

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 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. During the financial year under review, the ARC performed the following main functions (amongst other duties) in accordance with its written terms of reference: • reviewing the terms of reference for the ARC annually; • recommending to the Board the appointment or re-appointment of the internal and/or external auditors, and approving the remuneration and terms of engagement of the internal and/or external auditors, after taking into account, amongst other things, the auditors' performance for the financial year under review and the requirements of the Group; • reviewing the scope and results of the external audit as well as the internal audit plan and process to determine that it meets the requirements of the Group; • evaluating the independence and objectivity of the external auditors;	Guidelines 12.1, 12.4 & 12.8

• reviewing the Group's quarterly, half-year and full-year financial statements and related notes and announcements relating thereto, accounting principles adopted, and the external auditors' reports to ensure proper disclosure and compliance prior to recommending to the Board for approval; • reviewing and evaluating, having regard to input from external and internal auditors, the adequacy and effectiveness of the Group's system of internal controls and risk management functions, which include internal financial controls, operational, compliance and information technology controls and risk management policies and systems; • reviewing the nature, scope, extent and cost-effectiveness of any non-audit services provided by the external auditors and ensuring that these do not affect the independence and objectivity of the external auditors; • reviewing any significant financial reporting issues and judgments and estimates made by the management, so as to ensure the integrity of the financial statements of the Group; and • reviewing the adequacy and effectiveness of the Group's internal audit functions. 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 meets annually with the Group's external and internal auditors, in each case without the presence of management, in order to have free and unfiltered access to information that it may require, to discuss the results of their examinations and the evaluation of the Group's system of risk management and internal controls, and to discuss any problems and concerns which they may have.	Guideline 12.5
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:	Guideline 12.6

Service Category	Fees Paid/Payable S$'000
Audit Services	127.5
Non-Audit Services	10.5
Total	138

The ARC has reviewed the non-audit services provided by the external auditors, Deloitte & Touche LLP for the financial year under review, 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 Accounting and Corporate Regulatory Authority. 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 policy. This policy will provide arrangements by which staff can raise concerns on financial improprieties and other reporting matters. The whistle-blowing policy enables staff of the Group and any other persons, in confidence, to raise concerns about possible improprieties in matters of financial reporting and questionable accounting practices or other matters such as criminal offences, unlawful acts, fraud, corruption, bribery and blackmail, failure to comply with legal or regulatory obligations, unsafe work practices or substantial wasting of Company resources, and concealment of any of the foregoing. The whistle-blowing policy is intended to conform to the guidance set out in the Code and aims to: (i) support the Group's values and help detect and address unacceptable conduct; (ii) provide an avenue for Directors, employees and contractors of the Group and their staff to raise concerns without fear of suffering retribution and offer reassurance that staff of the Group and any other persons making such reports will be treated fairly and protected from reprisals for whistle-blowing in good faith within the limits of the law; and (iii) provide a transparent and confidential process for dealing with concerns. The ARC exercises the overseeing functions over the administration of the whistle-blowing policy. All reports including unsigned reports, reports weak in details and verbal reports will be considered. Such reports will be directed to the CEO or the Chairman of the ARC and the ARC will be informed immediately of any whistle-blowing reports received. To ensure independent investigation into such matters and for appropriate follow-up action, all whistle-blowing reports are reviewed by the ARC. In the event that the whistle-blowing report is about a Director, that Director shall not be involved in the review and any decisions with respect to that whistle-blowing report. Periodic reports will be submitted by the ARC to the Board stating the number and the complaints received, the results of the investigations, follow-up actions and the unresolved complaints.	Guideline 12.7

The ARC has reviewed and has ensured that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. Details of the whistle-blowing policy have also been made available to the Directors, employees and contractors of the Group and their staff. There were no whistle-blowing reports received by the ARC in the financial year under review.	
The ARC 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 2017 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. 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. Changes to the various accounting standards are monitored closely by management. Where these changes have an important bearing on the Company's disclosure obligations, the Directors (including members of the ARC) are kept informed of such changes from time to time through circulation of the relevant changes which are also tabled during Board meetings. In the review of the financial statements, the ARC considered the report from the external auditors, including their findings on the key audit matter which is set out in the "Independent Auditor's Report" found in this Annual Report as well as the reasonableness of the key sources of estimation uncertainty used as disclosed in this Annual Report.	Guideline 12.8
The ARC's terms of reference restricts any former partner or director of the Company's existing auditing firm or auditing corporation from acting as a member of the Company's ARC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation. Currently, none of the Directors of the Company are former partners or directors of the Company's existing external and/or internal auditors.	Guideline 12.9
Principle 14: Shareholder Rights **Principle 15: Communication with Shareholders** **Principle 16: Conduct of Shareholder Meetings**	
All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Listing Manual of the SGX-ST and the Companies Act, Cap. 50 of Singapore (the "**Companies Act**"), the Board's policy is that all shareholders should be sufficiently informed in a comprehensive manner and on a timely basis of all material developments that impact the Group. 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.	Guideline 14.1

The Board also recognises that it is accountable to shareholders for the Group's performance, believes in transparency and strives towards timeliness in the dissemination of material information to the Company's shareholders and the public. The information, including a review of the Group's performance and prospects in the quarterly, half-year and full-year results announcements, are disseminated to shareholders through the SGXNET system and press releases.	
In order to provide ample notice to shareholders, the notice of general meeting, together with the relevant annual report or circular, is despatched to all shareholders before the scheduled date of the general meeting. The notice of general meeting is also advertised in the newspaper and made available via SGXNET and on the Company's website. 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 or management on matters affecting the Group. Shareholders will be informed of the rules, including voting procedures that govern general meetings of shareholders. According to the Constitution, 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 general meetings.	Guideline 14.2
The Constitution 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) may appoint more than two (2) proxies to speak, attend and vote at general meetings.	Guideline 14.3
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 and in particular, changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares. All announcements including the quarterly, half-year and full-year financial results, distribution of notices, press releases, presentations, announcements on major developments are communicated to our shareholders through public announcements via SGXNET and the Company's website, as well as news releases where appropriate and annual reports or circulars that are sent to all shareholders and notices of general meeting are advertised. The Company does not practice 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.	Guidelines 15.1 & 15.2

The Board endeavours to establish and maintain regular dialogue with shareholders (including institutional and retail investors), to solicit and understand their views or gather inputs, and address shareholders' concerns. The Company has undertaken regular analyst briefings to provide market updates on the Group's business and plans.	Guidelines 15.3 & 15.4
The Company has announced to shareholders on 8 February 2017 the current policy on payment of dividends, which will see the Company distributing in respect of any one financial year, a total annual dividend amount of not less than 30% of the Company's consolidated net profits after tax and non-controlling interest and excluding non-recurring, one-off and exceptional items, for that financial year, on condition of a regular operating environment and taking into account the Company's earnings, financial position, capital expenditure requirements, cash flow, future expansion, investment plans, and other factors which the Board may deem appropriate. Dividends declared are subject to shareholders' approval (where applicable), applicable laws and the Constitution. The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividends and/or in no way obligates the Company to declare a dividend at any time or from time to time. The dividend policy is not indicative in any way of, and should not be construed in any manner as, a forecast statement or projection made by the Company or the Board on the future financial results and performance of the Company. In particular, no inference should or can be made from any of the foregoing statements as to the actual future profitability of the Company or the ability of the Company to pay dividends in any of the periods discussed. In the past where dividends are not paid, the Company has communicated to shareholders in the relevant annual report the reasons why dividends were not paid.	Guideline 15.5
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.	Guideline 16.1
The Company practices having separate resolutions at general meetings on each substantially separate issue. "Bundling" of resolutions will be done only where resolutions are interdependent and linked so as to form one significant proposal.	Guideline 16.2
The Company requires all Directors (including the respective chairman of the Board committees) to be present at all general meetings of shareholders to address shareholders' queries at these meetings, unless of exigencies. The external auditors are also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report.	Guideline 16.3

Minutes of general meetings are prepared by the Company and available to shareholders upon their request in accordance with applicable laws. The minutes of these general meetings include substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting and responses from the Board and management.	Guideline 16.4
According to the Constitution, all resolutions at general meetings shall be voted by poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET and made available on the Company's website after the conclusion of the general meetings. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of shareholders, amongst other factors.	Guideline 16.5
BUSINESS ETHICS POLICY The Group has adopted a Business Ethics Policy 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 management personnel 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. **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 under review 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 (including loans) of the Group involving the interests of the CEO, any Director or controlling shareholder which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous 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 recognises the importance of corporate social responsibility and continues 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 S$29.0 million from its initial public offering ("**IPO**") on 25 July 2007. As at 30 June 2017, the total net proceeds of approximately S$26.7 million (after deducting the IPO expenses of approximately S$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.

The following is a summary of disclosures made in response to the express disclosure requirements in the Corporate Governance Disclosure Guide issued by the Singapore Exchange on 29 January 2015:

Guideline	Questions	Page reference in the Annual Report
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	24
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate. (c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	27 and 28
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	30 to 32
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	25
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	31

Guideline	Questions	Page reference in the Annual Report
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	32 and 33
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	26
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	26 and 27
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	27
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	38

Guideline	Questions	Page reference in the Annual Report
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	38 and 39
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	39
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	41
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	33
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	45

Guideline	Questions	Page reference in the Annual Report
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	44
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	47 and 48
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	50 and 51
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	51

FINANCIAL
CONTENTS
2017 ANNUAL REPORT

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 2017.

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 67 to 113 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 2017 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 2017**	**At beginning of the year**	**At end of the year**	**At 21 July 2017**
The Company (Ordinary shares)						
Lim Eng Hong	44,318,175	46,176,875	46,176,875	13,195,000	13,195,000	13,195,000
Goh Chung Meng	90,000	190,000	190,000	–	–	–
Khor Thiam Beng	90,000	90,000	90,000	–	–	–
Michael Grenville Gray	–	870,000	870,000	870,000	–	–

By virtue of Section 7 of the Singapore Companies Act, as at 30 June 2017, Mr Lim Eng Hong was deemed to have an interest in all the ordinary shares of the subsidiaries of the Company.

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, of which the duration is ten (10) years, has recently expired on 5 July 2017. No further options were granted thereafter and the subsisting unexercised options granted will continue to be valid and exercisable as per the terms of the Scheme, and will expire upon the tenth anniversary from the date of offer.

The Scheme is administered by the following members:

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 01.07.2016	Granted	Exercised	Cancelled/ Lapsed	Balance at 30.06.2017	Exercise price per share	Exercisable period
16.11.2012	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.

4 SHARE OPTIONS (CONTINUED)

(a) Options to take up unissued shares (Continued)

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

The following are participant(s) 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
Lim Tai Meng Alvin*	–	45,000	–	–	45,000

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

Details of the options granted and exercised since commencement of the Scheme to the end of the financial year by the other participants who received options amounting to 5% or more of the total number of options available under the Scheme are not disclosed here as there were no movements in options granted and exercised and such details are disclosed in the Annual Report.

(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 AND RISK COMMITTEE

The Audit and Risk 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 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;

5 AUDIT AND RISK COMMITTEE (CONTINUED)

(d) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company 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

28 September 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVI-TECH ELECTRONICS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 113.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Allowance for slow-moving and obsolete inventories

[Refer to Note 11 to the financial statements]

Background:

As at 30 June 2017, the Group's inventories of $3,876,000 accounted for approximately 11% of total current assets of the Group. Allowance for inventory obsolescence as at 30 June 2017 amounted to $326,000.

Out of the total inventories balance of $3,876,000, inventories aged more than two years amounted to $717,000 and relate to items which are generic, not exposed to technological obsolescence and are still in demand for on-going production.

Management's assessment of allowance for slow-moving and obsolete inventories involves significant estimation with specific consideration in relation to possible future use of the aged inventory items as well as the demand for on-going production.

Our response:

We obtained an understanding of the inventory profile, distinguishing generic inventories which can be readily used in production and specific inventories purchased for assembly of equipment based on customer orders.

We evaluated management's assumptions used in the inventory allowance and checked the calculations supporting the allowance, testing the integrity of the ageing reports used as a basis to assess the allowance. We also discussed with management on controls over inventory levels, purchasing policy and expected usage for ongoing production.

We assessed the reasonableness of management's estimation of the inventory allowance, focusing on inventories which are aged more than two years but not impaired, by performing a retrospective review of the utilisation rate of these inventories in production.

We made enquiries with warehouse personnel during the physical inventory count regarding the presence of damaged or obsolete inventories. On a sample basis, we tested the valuation of inventories by comparison with latest purchase and selling prices.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Shariq Barmaky.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

28 September 2017

STATEMENTS OF FINANCIAL POSITION

30 JUNE 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
ASSETS					
Current assets					
Cash and bank balances	6	**4,725**	3,758	**4,486**	3,679
Fixed and call deposits	7	**18,784**	20,769	**18,784**	20,769
Trade receivables	9	**8,916**	7,212	**8,885**	7,212
Other receivables and prepayments	10	**340**	428	**339**	427
Inventories	11	**3,876**	3,074	**3,876**	3,074
Held-to-maturity financial assets	12	**251**	1,763	**251**	1,763
Total current assets		**36,892**	37,004	**36,621**	36,924
Non-current assets					
Fixed and call deposits	7	**6,000**	3,000	**6,000**	3,000
Held-to-maturity financial assets	12	**2,036**	–	**2,036**	–
Subsidiaries	13	**–**	–	**–**	–
Property, plant and equipment	14	**13,475**	12,701	**13,475**	12,701
Total non-current assets		**21,511**	15,701	**21,511**	15,701
Total assets		**58,403**	52,705	**58,132**	52,625
LIABILITIES AND EQUITY					
Current liabilities					
Bank loan	15	**384**	612	**384**	612
Trade payables	16	**4,911**	2,586	**5,086**	2,870
Other payables	17	**2,318**	2,354	**2,308**	2,339
Finance leases	18	**54**	19	**54**	19
Income tax payable		**624**	490	**624**	490
Total current liabilities		**8,291**	6,061	**8,456**	6,330
Non-current liabilities					
Bank loan	15	**–**	384	**–**	384
Finance leases	18	**111**	19	**111**	19
Deferred tax liabilities	19	**1,069**	926	**1,069**	926
Total non-current liabilities		**1,180**	1,329	**1,180**	1,329
Capital and reserves					
Share capital	20	**31,732**	31,732	**31,732**	31,732
Treasury shares	20	**(983)**	(983)	**(983)**	(983)
Reserves		**18,183**	14,566	**17,747**	14,217
Total equity		**48,932**	45,315	**48,496**	44,966
Total liabilities and equity		**58,403**	52,705	**58,132**	52,625

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2017

	Note	Group 2017 $'000	Group 2016 $'000
Continuing operations			
Revenue	22	**39,982**	33,940
Cost of sales		**(28,180)**	(22,983)
Gross profit		**11,802**	10,957
Other operating income	23	**1,256**	1,589
Distribution costs		**(70)**	(69)
Administrative expenses		**(4,951)**	(4,595)
Finance costs	24	**(16)**	(28)
Profit before income tax		**8,021**	7,854
Income tax expense	25	**(990)**	(1,476)
Profit for the year from continuing operations		**7,031**	6,378
Discontinued operations			
Loss for the year from discontinued operations	26	**–**	(153)
Profit for the year	27	**7,031**	6,225
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**6**	165
Other comprehensive income for the year, net of tax		**6**	165
Total comprehensive income for the year		**7,037**	6,390
Earnings per share	28		
From continuing and discontinued operations:			
Basic (cents)		**4.11**	3.63
Diluted (cents)		**4.11**	3.63
From continuing operations:			
Basic (cents)		**4.11**	3.72
Diluted (cents)		**4.11**	3.72

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2017

			<-- Reserves	-->			
	Share capital $'000	Treasury shares $'000	Currency translation reserve $'000	Share option reserve $'000	Retained profits $'000	Total reserves $'000	Total $'000
Group							
Balance at 1 July 2015	31,732	(933)	(151)	17	13,125	12,991	43,790
Total comprehensive income for the financial year							
Profit for the financial year	–	–	–	–	6,225	6,225	6,225
Other comprehensive income for the financial year	–	–	165	–	–	165	165
Total	–	–	165	–	6,225	6,390	6,390
Transactions with owners, recognised directly in equity							
Reissue of treasury shares (Note 20)	–	68	–	–	–	–	68
Repurchase of shares (Note 20)	–	(118)	–	–	–	–	(118)
Exercise of share option (Note 21)	–	–	–	(15)	–	(15)	(15)
Dividends (Note 29)	–	–	–	–	(4,800)	(4,800)	(4,800)
Total	–	(50)	–	(15)	(4,800)	(4,815)	(4,865)
Balance at 30 June 2016	31,732	(983)	14	2	14,550	14,566	45,315
Total comprehensive income for the financial year							
Profit for the financial year	–	–	–	–	7,031	7,031	7,031
Other comprehensive income for the financial year	–	–	6	–	–	6	6
Total	–	–	6	–	7,031	7,037	7,037
Transactions with owners, recognised directly in equity							
Dividends (Note 29)	–	–	–	–	(3,420)	(3,420)	(3,420)
Balance at 30 June 2017	31,732	(983)	20	2	18,161	18,183	48,932

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2017

			<-------- Reserves -------->			
	Share capital $'000	Treasury shares $'000	Share option reserves $'000	Retained profits $'000	Total reserves $'000	Total $'000
Company						
Balance at 1 July 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 20)	–	68	–	–	–	68
Repurchase of shares (Note 20)	–	(118)	–	–	–	(118)
Exercise of share option (Note 21)	–	–	(15)	–	(15)	(15)
Dividends (Note 29)	–	–	–	(4,800)	(4,800)	(4,800)
Balance at 30 June 2016	31,732	(983)	2	14,215	14,217	44,966
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	6,950	6,950	6,950
Transactions with owners, recognised directly in equity						
Dividends (Note 29)	–	–	–	(3,420)	(3,420)	(3,420)
Balance at 30 June 2017	31,732	(983)	2	17,745	17,747	48,496

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2017

	Group	
	2017	2016
	$'000	$'000
Operating activities		
Profit (Loss) before income tax		
Continuing operations	**8,021**	7,854
Discontinued operations	**–**	(153)
Adjustments for:		
Loss on disposal of subsidiary	**–**	161
Depreciation of property, plant and equipment	**1,102**	1,025
Gain on disposal of property, plant and equipment	**(112)**	(8)
Interest expense	**16**	28
Interest income	**(462)**	(392)
Operating cash flows before movements in working capital	**8,565**	8,515
Trade receivables	**(1,704)**	(1,026)
Other receivables and prepayments	**88**	316
Inventories	**(802)**	458
Trade payables	**2,325**	(435)
Other payables	**(36)**	(29)
Cash generated from operations	**8,436**	7,799
Income tax paid	**(713)**	(211)
Interest paid	**(16)**	(28)
Interest received	**462**	392
Net cash from operating activities	**8,169**	7,952
Investing activities		
Additions to property, plant and equipment (Note A)	**(1,701)**	(1,020)
Proceeds from maturity of held-to-maturity financial assets	**2,268**	–
Proceeds from disposal of property, plant and equipment	**112**	21
Purchase of held-to-maturity financial assets	**(2,792)**	(1,763)
Placement of fixed deposits	**(956)**	(5,624)
Net cash used in investing activities	**(3,069)**	(8,386)
Financing activities		
Dividends paid	**(3,420)**	(4,800)
Exercise of share options	**–**	35
Purchase of treasury shares	**–**	(118)
Finance lease obligations	**–**	57
Repayment of finance lease obligations	**(48)**	(26)
Repayment of bank loan	**(612)**	(612)
Net cash used in financing activities	**(4,080)**	(5,464)
Net increase (decrease) in cash and cash equivalents	**1,020**	(5,898)
Cash and cash equivalents at beginning of the financial year	**6,483**	12,416
Effects of exchange rate changes on the balance of cash held in foreign currencies	**6**	(35)
Cash and cash equivalents at end of the financial year (Note 8)	**7,509**	6,483

Note A

During the year, the Group acquired plant and equipment of $175,000 (2016: $57,000) through finance lease (Note 18).

See accompanying notes to financial statements.

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 13.

During the last financial year, the Group completed the voluntary liquidation of the remaining subsidiary in the United States of America and the loss from disposal of the subsidiary had 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 2017 were authorised for issue by the Board of Directors on 28 September 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been 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 Financial Reporting Standards ("FRSs") in Singapore.

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 Payment*, 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*.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

ADOPTION OF NEW AND REVISED STANDARDS – On 1 July 2016, 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 and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*[2]
- FRS 115 *Revenue from Contracts with Customers (with clarifications issued)*[2]
- FRS 116 *Leases*[3]
- Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*[1]

1 Applies to annual periods beginning on or after 1 January 2017, with early application permitted.
2 Applies to annual periods beginning on or after 1 January 2018, with early application permitted.
3 Applies to annual periods beginning on or after 1 January 2019, with earlier application permitted if FRS 115 is adopted.

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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

On the initial application of FRS 109, management anticipates that the Group will need to account for expected credit losses and expects to use historical experience, modified by any future change such as credit risk of the customers. Additional disclosures may be made with respect of loans and receivables, including any significant judgement and estimation made. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group'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 109.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Further clarifications to FRS 115 were also issued in June 2016.

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.

Based on the existing sources of revenue as at 30 June 2017, management has made a preliminary assessment that the application of FRS 115 may not have a material impact on the Group's financial statements. Further evaluation will be undertaken should there be further updates on the application of FRS 115 or should the sources of revenue change in the year when FRS 115 becomes effective.

FRS 116 *Leases*

FRS 116 was issued in June 2016 and 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Management anticipates that the initial application of the new FRS 116 will result in changes to the accounting policies relating to operating leases, where the Group is a lessee. A lease asset will be recognised on the statement of financial position, representing the Group's right to use the leased asset over the lease term and, recognise a corresponding liability to make lease payments. Additional disclosures may be made with respect of the Group's exposure to asset risk and credit risk, where the Group is the lessor. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the Group'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 116.

IFRS Convergence in 2018

Singapore-incorporated companies listed on the SGX will be required to apply a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group will be adopting the new framework for the first time for financial year ending 30 June 2019, with retrospective application to the comparative financial year ending June 30, 2018 and the opening statement of financial position as at July 1, 2017 (date of transition).

Based on a preliminary assessment of the potential impact arising from IFRS 1 *First-time adoption of IFRS*, management does not expect any significant changes to the Group's current accounting policies or material adjustments on transition to the new framework, other than those that may arise from implementing new/revised IFRSs as set out in the preceding paragraphs.

Management is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under IFRS 1, and the preliminary assessment above may be subject to change arising from the detailed analysis.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Effective interest method

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

Cash and cash equivalents

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for 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.

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 21. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 consolidated 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 the 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 $3,876,000 (2016: $3,074,000), net of allowance amounted to $326,000 (2016: $326,000).

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Key sources of estimation uncertainty (Continued)

Allowance for doubtful debts

The Group makes allowance 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 of property, plant and equipment at the end of each reporting period. During the financial year, management determined that there were no changes to the useful lives 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 14.

Provision for income tax

In determining the provision for income tax, management is required to estimate the amount of tax deductions/allowances claimable by the Group and the Company. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amounts of the Group's and the Company's income tax and deferred tax provisions are disclosed in the statement of financial position with notes where relevant.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Financial assets				
Amortised cost				
Held-to-maturity financial assets	**2,287**	1,763	**2,287**	1,763
Loans and receivables (including cash and cash equivalents)	**38,740**	35,134	**38,470**	35,055
Financial liabilities				
Amortised cost				
Trade and other payables	**7,229**	4,940	**7,394**	5,209
Bank loans	**384**	996	**384**	996
Finance lease obligations	**165**	38	**165**	38

(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.

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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(i) Credit risk management (Continued)

The Group is exposed to concentration of credit risk (i) given that its revenue is generated mainly from four (2016: four) major customers, which accounted for 72% (2016: 64%) of the carrying amount of trade receivables (ii) $2,287,000 (2016: $1,763,000) was invested in the form of bonds by issuers, which accounted for 6% (2016: 5%) 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 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 bank loan bears variable interest rate. Details of the interest-earning and interest-bearing financial assets and financial liabilities of the Group are disclosed in Notes 7, 12, 15 and 18 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.

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 $2,000 (2016: $5,000).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(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 end of the reporting period are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollars	**9,096**	8,146	**3,935**	1,789	**8,827**	8,067	**3,935**	1,789

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 $258,000 and $245,000 (2016: $318,000 and $314,000) 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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(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	Adjustment $'000	Total $'000
Group					
2017					
Non-interest bearing	–	7,229	–	–	7,229
Fixed interest rate	2.53	60	126	(21)	165
Variable interest rate	1.74	389	–	(5)	384
Total		7,678	126	(26)	7,778
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
Company					
2017					
Non-interest bearing	–	7,394	–	–	7,394
Fixed interest rate	2.53	60	126	(21)	165
Variable interest rate	1.74	389	–	(5)	384
Total		7,843	126	(26)	7,943
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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses (Continued)

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					
2017					
Non-interest bearing	–	13,956	–	–	13,956
Fixed interest rate instruments	1.79	19,338	8,087	(354)	27,071
Total		33,294	8,087	(354)	41,027
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
Company					
2017					
Non-interest bearing	–	13,686	–	–	13,686
Fixed interest rate instruments	1.79	19,338	8,087	(354)	27,071
Total		33,024	8,087	(354)	40,757
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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT (CONTINUED)

(b) Financial risk management policies and objectives (Continued)

(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 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 15 and 18, cash and cash equivalents and equity 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 2017 and 2016.

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	
	2017	**2016**
	$'000	**$'000**
Short-term benefits	**2,209**	2,106
Post-employment benefits	**109**	97
	2,318	2,203

6 CASH AND BANK BALANCES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Cash at bank	**4,723**	3,756	**4,484**	3,677
Cash on hand	**2**	2	**2**	2
	4,725	3,758	**4,486**	3,679

7 FIXED AND CALL DEPOSITS

The deposits bear effective interest in the range of 1.10% to 1.85% (2016: 0.75% to 1.95%) per annum and mature within 1 to 24 months (2016: 3 to 18 months).

Included in the fixed and call deposits are $2,784,000 (2016: $2,725,000) with maturity of less than 3 months (Note 8).

Included in the fixed and call deposits are $16,000,000 (2016: $18,044,000) with maturity of more than 3 months.

Included in the fixed and call deposits are $6,000,000 (2016: $3,000,000) with maturity of more than 12 months.

8 CASH AND CASH EQUIVALENTS IN THE CONSOLIDATED STATEMENT OF CASH FLOWS

	Group	
	2017	2016
	$'000	$'000
Cash and bank balances (Note 6)	**4,725**	3,758
Fixed and call deposits that are readily convertible to a known amount of cash (Note 7)	**2,784**	2,725
Cash and cash equivalents in the consolidated statement of cash flows at end of year	**7,509**	6,483

9 TRADE RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Outside parties	**8,916**	7,212	**8,885**	7,212

The average credit period on sale of goods is 60 days (2016: 60 days). No interest is charged on the overdue trade receivables.

9 TRADE RECEIVABLES (CONTINUED)

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 good credit quality. Of the trade receivables balance at the end of the reporting period, $6,410,000 (2016: $4,596,000) is due from four major customers.

Included in the Group's and Company's trade receivables balance are debtors with a carrying amount of $1,448,000 and $1,448,000 (2016: $1,339,000 and $1,339,000) 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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Not past due and not impaired	**7,468**	5,873	**7,437**	5,873
Past due but not impaired[(i)]	**1,448**	1,339	**1,448**	1,339
Total trade receivables, net	**8,916**	7,212	**8,885**	7,212

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

	Group and Company	
	2017	**2016**
	$'000	**$'000**
< 6 months	**1,448**	1,339

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Deposits	**3**	3	**3**	3
Prepaid expenses	**25**	33	**24**	32
Others	**312**	392	**312**	392
	340	428	**339**	427

11 INVENTORIES

	Group and Company	
	2017	2016
	$'000	$'000
Work-in-process	**840**	390
Raw materials	**3,036**	2,684
	3,876	3,074

12 HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Company	
	2017	2016
	$'000	$'000
Bonds, at amortised cost:		
Current	**251**	1,763
Non-current	**2,036**	–
	2,287	1,763

The bonds have nominal value amounting to $2,250,000 (2016: $1,750,000) with coupon rates ranging from 4.25% to 6.00% (2016: 3.50% to 6.20%) per annum and maturity dates ranging from 19 March 2018 to 7 July 2019 (2016: 25 January 2017 to 8 May 2017).

The fair value of the bonds is $2,284,000 (2016: $1,758,000) based on the quoted prices in active markets (Level 1).

13 SUBSIDIARIES

	Company	
	2017	2016
	$'000	$'000
Unquoted equity shares, at cost[1]	**–**	–

(1) Less than one thousand.

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 2017 %	2016 %	Principal activity
Avi-Tech, Inc.[1]	United States of America ("USA")	**100**	100	Marketing and selling burn-in Boards
AVT Connect Pte. Ltd.[2]	Singapore	**100**	100	Business support activities

(1) Not required to be audited by law in its country of incorporation.
(2) Audited by Deloitte & Touche LLP, Singapore.

14 PROPERTY, PLANT AND EQUIPMENT

	Building and leasehold improvements[(1)] $'000	Plant and equipment $'000	Computer software $'000	Total $'000
Group and Company				
Cost:				
At 1 July 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
Additions	–	1,736	140	1,876
Disposals	–	(663)	–	(663)
At 30 June 2017	14,931	27,093	722	42,746
Accumulated depreciation:				
At 1 July 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
Depreciation for the year	251	761	90	1,102
Disposals	–	(663)	–	(663)
At 30 June 2017	4,621	23,505	512	28,638
Impairment:				
At 1 July 2015, 30 June 2016 and 30 June 2017	–	633	–	633
Carrying amount:				
At 30 June 2016	10,561	1,980	160	12,701
At 30 June 2017	10,310	2,955	210	13,475

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

The Group and the Company have certain plant and equipment with carrying amount of $370,000 (2016: $86,000) under finance lease agreement (Note 18).

The Group and the Company's building and leasehold improvements are mortgaged as security for a bank loan (Note 15).

15 BANK LOAN

	Group and Company	
	2017	2016
	$'000	$'000
Current	**384**	612
Non-current	**–**	384
	384	996

The bank loan bears an effective interest rate of 1.74% (2016: 1.86%) per annum, is secured by a legal mortgage on the Company's building (Note 14) 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 fair value as the loan bears variable interest rate determined based on a margin over the bank's swap rate.

16 TRADE PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Outside parties	**4,911**	2,586	**4,910**	2,579
Subsidiaries (Note 5)	**–**	–	**176**	291
	4,911	2,586	**5,086**	2,870

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 (2016: 45 days). No interest is payable on the overdue trade payables.

17 OTHER PAYABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Deposits received	**77**	117	**77**	117
Accrued expenses	**1,586**	1,597	**1,576**	1,582
Accrued directors' fees and accrued bonus to directors	**652**	636	**652**	636
Others	**3**	4	**3**	4
	2,318	2,354	**2,308**	2,339

18 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2017	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000
Group and Company				
Amounts payable under finance leases:				
Within one year	**60**	20	**54**	19
In the second to fifth year inclusive	**126**	20	**111**	19
	186	40	**165**	38
Less: Future finance charges	**(21)**	(2)	**–**	–
Present value of lease obligations	**165**	38	**165**	38
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(54)**	(19)		
Amount due for settlement after 12 months	**111**	19		

The effective rates of interest for finance leases are from 2.28% to 2.78% (2016: 2.28% 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.

19 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	
	2017	2016
	$'000	$'000
Balance at beginning of the year	**926**	151
Charged to profit or loss (Note 25)	**143**	775
Balance at end of the year	**1,069**	926

20 SHARE CAPITAL

	Group and Company			
	2017	**2016**	**2017**	**2016**
	'000	**'000**	**$'000**	**$'000**
	Number of ordinary shares			
Issued and paid up:				
At the beginning of year	**175,200**	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**	175,200	**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			
	2017	**2016**	**2017**	**2016**
	'000	**'000**	**$'000**	**$'000**
	Number of ordinary shares			
At beginning of the year	**4,199**	7,978	**983**	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**	4,199	**983**	983

(a) 290,000 treasury shares had 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 last financial year. The total amount paid to acquire the shares had been deducted from shareholders' equity and the shares are held as "treasury shares".

21 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:

	2017		2016	
	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	**45**	**0.12**	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**	45	0.12
Exercisable at the end of the year	**45**	**0.12**	45	0.12

The options outstanding at the end of the year have a weighted average remaining contractual life of 5 years (2016: 6 years).

22 REVENUE

	Group	
	2017 $'000	2016 $'000
Sale of goods	**30,912**	24,975
Rendering of services	**9,070**	8,965
	39,982	33,940

23 OTHER OPERATING INCOME

	Group	
	2017	2016
	$'000	$'000
Gain on disposal of plant and equipment	**112**	8
Interest income	**462**	392
Rental income	**419**	752
Royalty income	**131**	105
Reversal of accrued expenses	**–**	233
Others	**132**	99
	1,256	1,589

24 FINANCE COSTS

	Group	
	2017	2016
	$'000	$'000
Interest expense to non-related companies:		
Bank loan	**12**	27
Finance leases	**4**	1
	16	28

25 INCOME TAX EXPENSE

	Group	
	2017	2016
	$'000	$'000
Current income tax	**847**	701
Deferred tax (Note 19)	**143**	775
	990	1,476

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2016: 17%) to profit before income tax as a result of the following differences:

	Group	
	2017	2016
	$'000	$'000
Profit before tax from continuing operations	**8,021**	7,854
Tax at the domestic income tax rate of 17% (2016: 17%)	**1,364**	1,335
Tax effect of:		
(Income) Expenses not (taxable) deductible in determining taxable profit	**(330)**	161
Effect of tax exemption	**(36)**	(46)
Others	**(8)**	26
	990	1,476

26 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 for the year from the discontinued operations is analysed as follows:

	Group	
	2017	**2016**
	$'000	**$'000**
Loss of Imaging Equipment and Energy Efficient Products operations for the year	–	(153)

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

	Group	
	2017	**2016**
	$'000	**$'000**
Other operating income	–	8
Administrative expenses	–	(161)
Loss before tax	–	(153)
Income tax expense	–	–
Loss for the year	–	(153)

27 PROFIT FOR THE YEAR

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

	Group	
	2017	**2016**
	$'000	**$'000**
Employee benefits expense (including directors' remuneration)	**8,946**	8,799
Costs of defined contribution plans (included in employee benefits expense)	**619**	639
Directors' remuneration	**912**	867
Directors' fees	**150**	150
Depreciation of property, plant and equipment	**1,102**	1,025
Gain on disposal of property, plant and equipment	**(112)**	(8)
Foreign currency exchange gain – net	**(45)**	(232)
Audit fees:		
Auditors of the Company	**120**	118
Non-audit fees:		
Auditors of the Company	**11**	11
Other auditors	**12**	25
Cost of inventories recognised as expense	**19,584**	14,650

28 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	
	2017	**2016**
	$'000	**$'000**
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**7,031**	6,225
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**171,001**	171,273
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**171,046**	171,463

	Group	
	2017	**2016**
Earnings per share (cents)		
– Basic	**4.11**	3.63
– Diluted	**4.11**	3.63

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	
	2017	**2016**
	$'000	**$'000**
Profit for the year	**7,031**	6,225
Less: Loss for the year from discontinued operations	**–**	153
Earnings for the purposes of basic and diluted earnings per share from continuing operations	**7,031**	6,378

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

28 EARNINGS PER SHARE (CONTINUED)

From continuing operations (Continued)

	Group 2017	Group 2016
Earnings per share (cents)		
– Basic	**4.11**	3.72
– Diluted	**4.11**	3.72

From discontinued operations

In 2016, basic and diluted loss per share for the discontinued operations was 0.09 cents per share based on the loss for the year from the discontinued operations of $153,000 and the denominators detailed above for both basic and diluted loss per share.

29 DIVIDENDS

	Group and Company 2017 $'000	Group and Company 2016 $'000
Dividends on ordinary shares in respect of the financial year ended 30 June 2015:		
– Final one-tier tax exempt dividend of 0.6 cents per share	–	1,027
– Special one-tier tax exempt dividend of 1.4 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
– Final one-tier tax exempt dividend of 1.0 cent per share	**1,710**	–
Dividends on ordinary shares in respect of the financial year ended 30 June 2017:		
– Interim one-tier tax exempt dividend of 1.0 cent per share	**1,710**	–
	3,420	4,800

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 and a special one-tier tax exempt dividend of 0.8 cents per ordinary share totalling $1,376,000 in respect of the financial year ended 30 June 2017.

30 LIQUIDATION OF SUBSIDIARY

In 2016, the Group completed the voluntary liquidation of Verde Designs, Inc.

Details of the disposal are as follows:

Book values of net assets over which control was lost

	Group 2016 $'000
Current assets	
Cash and bank balances	41
Other receivables	2
Total current assets	43
Current liability	
Other payables	(5)
Net assets derecognised	38
Loss on disposal:	
Consideration received/receivable	36
Net assets derecognised	(38)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control of subsidiary	(159)
Loss on disposal	(161)

In 2016, the loss on disposal of the subsidiary was recorded as part of profit for the year from discontinued operations in the statement of profit or loss and other comprehensive income.

31 OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

	Group	
	2017	2016
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	**243**	230

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

	Group and Company	
	2017	2016
	$'000	$'000
Within one year	**244**	217
In the second to fifth year inclusive	**921**	868
After five years	**7,779**	7,844
Total	**8,944**	8,929

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 $227,000 (2016: $215,000) per annum are subject to annual revision.

(b) The Group and Company as lessor

	Group	
	2017	2016
	$'000	$'000
Rental income under operating leases	**419**	752

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	
	2017	2016
	$'000	$'000
Within one year	**312**	387
In the second to fifth year inclusive	**91**	403
Total	**403**	790

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

32 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. Burn-in Boards and Board Manufacturing has been renamed to Manufacturing and PCBA Services.

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.

(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.

32 SEGMENT INFORMATION (CONTINUED)

(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	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
CONTINUING OPERATIONS										
Revenue										
External revenue	**9,070**	8,965	**19,715**	13,704	**11,197**	11,271	**–**	–	**39,982**	33,940
Inter-segment revenue	**–**	–	**1,120**	822	**–**	–	**(1,120)**	(822)	**–**	–
Total revenue	**9,070**	8,965	**20,835**	14,526	**11,197**	11,271	**(1,120)**	(822)	**39,982**	33,940
Segment results	**3,472**	3,494	**3,141**	2,248	**757**	1,004	**–**	–	**7,370**	6,746
Interest expense									**(16)**	(28)
Interest income									**462**	392
Rental income									**419**	752
Unallocated income									**390**	581
Unallocated expense									**(604)**	(589)
Profit before income tax									**8,021**	7,854
Income tax expense									**(990)**	(1,476)
Profit for the year									**7,031**	6,378

32 SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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

	Imaging		Eliminations		Total	
	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000
DISCONTINUED OPERATIONS						
Revenue						
External revenue	–	–	–	–	–	–
Segment results	–	(153)	–	–	–	(153)
Loss before income tax					–	(153)
Income tax expense					–	–
Loss for the year					–	(153)

Assets and liabilities and other segment information

	Burn-in Services		Manufacturing and PCBA Services		Engineering		Imaging (Discontinued)		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment assets										
Segment assets	**5,959**	6,072	**12,952**	9,281	**7,356**	7,634	**–**	–	**26,267**	22,987
Unallocated corporate assets									**32,136**	29,718
Total assets									**58,403**	52,705
Segment liabilities										
Segment liabilities	**1,640**	1,305	**3,565**	1,995	**2,024**	1,640	**–**	–	**7,229**	4,940
Unallocated corporate liabilities									**2,242**	2,450
Total liabilities									**9,471**	7,390
Other information										
Additions to non-current assets	**1,327**	222	**414**	719	**135**	136	**–**	–	**1,876**	1,077
Depreciation										
Allocated	**250**	271	**543**	414	**309**	340	**–**	–	**1,102**	1,025

32 SEGMENT INFORMATION (CONTINUED)

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.

	2017 $'000	2016 $'000
Revenue from external customers		
Singapore	**22,118**	18,272
USA	**7,165**	7,312
Malaysia	**4,410**	4,656
Others[1]	**6,289**	3,700
	39,982	33,940

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

	2017 $'000	2016 $'000
Carrying amount of non-current assets		
Singapore	**13,475**	12,701

Information about major customers

Included in revenues of $39,982,000 (2016: $33,940,000) are revenues of $10,420,000 (2016: $7,189,000) arising from sales to a major customer and $5,462,000 (2016: $3,943,000) arising from sales to another major customer from the Burn-in Services and Manufacturing and PCBA Services business segments, and revenues of $8,788,000 (2016: $7,027,000) arising from sales to a major customer from the Engineering business segment. The revenues account for approximately 62% (2016: 54%) of the Group's revenue.

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2017

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	11	0.78	616	0.00
100 – 1,000	196	13.99	121,496	0.07
1,001 – 10,000	535	38.19	3,228,187	1.89
10,001 – 1,000,000	632	45.11	45,138,772	26.40
1,000,001 AND ABOVE	27	1.93	122,511,970	71.64
TOTAL	**1,401**	**100.00**	**171,001,041**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LIM ENG HONG	46,176,875	27.00
2	LOH ZEE LAN NANCY	10,295,000	6.02
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,537,600	4.99
4	DBS NOMINEES (PRIVATE) LIMITED	6,775,530	3.96
5	PROVIDENCE INVESTMENTS PTE LTD	4,082,500	2.39
6	TSIA HAH TONG	4,078,350	2.38
7	FONG CHING LOON	2,900,000	1.70
8	PHILLIP SECURITIES PTE LTD	2,841,450	1.66
9	LIM WEI LING ELAINE	2,840,000	1.66
10	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,805,000	1.64
11	CHOO SIEW KHEUN	2,800,000	1.64
12	CHEW LIAN KWEI	2,700,100	1.58
13	RAFFLES NOMINEES (PTE) LIMITED	2,477,150	1.45
14	HSBC (SINGAPORE) NOMINEES PTE LTD	2,178,072	1.27
15	CITIBANK NOMINEES SINGAPORE PTE LTD	2,107,840	1.23
16	OCBC SECURITIES PRIVATE LIMITED	2,076,600	1.21
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,938,022	1.13
18	ABN AMRO CLEARING BANK N.V.	1,901,900	1.11
19	YONG SER SEN	1,768,610	1.03
20	DB NOMINEES (SINGAPORE) PTE LTD	1,710,000	1.00
	TOTAL	**112,990,599**	**66.05**

STATISTICS OF SHAREHOLDINGS
AS AT 18 SEPTEMBER 2017

SUBSTANTIAL SHAREHOLDINGS

Substantial Shareholdings

	Direct Interest	%	Deemed Interest	%
Name				
Lim Eng Hong	46,176,875	27.00	13,195,000	7.72
Loh Zee Lan Nancy	10,295,000	6.02	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 63.90% 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 ("**AGM**") of Avi-Tech Electronics Limited (the "**Company**") will be held at 19A Serangoon North Avenue 5, 6th floor, Singapore 554859 on Tuesday, 31 October 2017 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 2017 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Mr Michael Grenville Gray 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 2017. (FY2016: S$150,000)

(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 2017.

(Resolution 4)

5. To approve the special one-tier tax exempt dividend of 0.8 cents per ordinary share for the year ended 30 June 2017.

(Resolution 5)

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

(Resolution 6)

7. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

8. 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 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

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

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall be limited as follows:

(A) without prejudice to sub-paragraph (1)(B) below, the aggregate number of shares to be issued shall not exceed 50 per centum (50%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20 per centum (20%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**General Limit**");

(B) in addition to the General Limit, the aggregate number of shares to be issued by way of renounceable rights issues on a pro rata basis ("**Renounceable Rights Issues**") shall not exceed 50 per centum (50%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below) ("**Additional Limit**");

(C) where an issue of shares is to be issued by way of Renounceable Rights Issues, that issue shall first use the Additional Limit, and in the event that the Additional Limit has been fully used and is insufficient to satisfy that issue, that issue may use the General Limit, but only to the extent of the then remaining General Limit;

(D) where an issue of shares is to be issued otherwise than by way of Renounceable Rights Issue, that issue may only use the General Limit, but only to the extent of the then remaining General Limit;

(E) an issue of shares that is not for a financing purpose may only use the General Limit, but the number of such shares that may be issued shall be limited to the numerical number of the then remaining Additional Limit;

(2) the General Limit and the Additional Limit shall not, in aggregate, exceed 100 per centum (100%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(3) no shares shall be issued pursuant to this Resolution after 31 December 2018, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50 per centum (50%) of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (as calculated in accordance with sub-paragraph (4) below);

(4) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (1)(A) and (1)(B) above, the total number of issued shares (**excluding treasury shares**) shall be based on the total number of issued shares (**excluding treasury shares**) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

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

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

(6) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.
[See explanatory note (ii)]

(Resolution 7)

By Order of the Board
Adrian Chan Pengee
Company Secretary

Singapore
16 October 2017

Explanatory Notes:

(i) Resolution 2 – Detailed information about Directors of the Company 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 Michael Grenville Gray will, upon re-election as a Director of the Company, remain as Chairman of the Audit and Risk Committee and member of the 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 Michael Grenville Gray has no relationships including immediate family relationships with any of the Directors, the Company or its 10% shareholders.

(ii) Resolution 7 – If passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregated of (i) 50% of the total number of issued shares (**excluding treasury shares**) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders of the Company (the General Limit); and (ii) additional 50% for Renounceable Rights Issues, of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (the Additional Limit), provided that the total number of shares which may be issued pursuant to (i) and (ii) shall not exceed 100% of the issued shares (**excluding treasury shares**) at the time Resolution 7 is passed, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

The authority for the Additional Limit is proposed pursuant to SGX-ST Practice Note 8.3 which became effective on 13 March 2017 until 31 December 2018 by which date no further shares shall be issued pursuant to this Resolution, if on that date the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) exceeds 50% of the total number of issued shares (**excluding treasury shares**) in the capital of the Company (the "**Enhanced Rights Issue Limit**"). The Enhanced Rights Issue Limit is aimed at helping companies raise funds expediently for expansion activities or working capital. It is subject to the condition that the Company complies with applicable legal requirements including but not limited to provisions in the Companies Act requiring the Company to seek shareholders' approval and disclosure requirements under the Listing Manual on the use of the proceeds as and when the funds are materially disbursed and a status report on the use of proceeds in the annual report; and limitations in any existing mandate from shareholders.

The Board of Directors is of the view that the Enhanced Rights Issue Limit is in the interests of the Company and its shareholders as the adoption of the Enhanced Rights Issue Limit would provide the Company with the flexibility to utilise this limit in the event that the Company wishes to undertake a rights issue, and it will help the Company raise funds expediently for expansion activities and/or for working capital.

The Enhanced Rights Issue Limit will be exercised only if the Directors believe that to do so would be likely to promote the success of the Company for the benefit of shareholders as a whole.

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 & SPECIAL DIVIDENDS

NOTICE HAS BEEN GIVEN in the Company's announcement of 16 August 2017 that the Transfer Books and Register of Members of the Company will be closed on 16 November 2017 for the preparation of the one-tier tax exempt final dividend and one-tier tax exempt special dividend to be proposed at the Annual General Meeting of the Company to be held on 31 October 2017.

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 November 2017 will be registered to determine shareholders' entitlements to the one-tier tax exempt final dividend and one-tier tax exempt special dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 15 November 2017 will be entitled to the proposed dividends.

The proposed dividends, if approved at the Annual General Meeting, will be paid on 29 November 2017.

This page has been intentionally left blank

PROXY FORM

2017 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 Tuesday, 31 October 2017 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 Michael Grenville Gray as a Director		
3.	Approval of Directors' Fees		
4.	Approval of proposed final dividend		
5.	Approval of proposed special dividend		
6.	Re-appointment of Deloitte & Touche LLP as Auditors		
7.	General Mandate to Directors to issue Shares		

Dated this ______ day of ________________ 2017

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

____

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 48 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

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.

AVI-TECH ELECTRONICS LIMITED

Company Registration No. 198105976H
19A Serangoon North Avenue 5
Singapore 554859