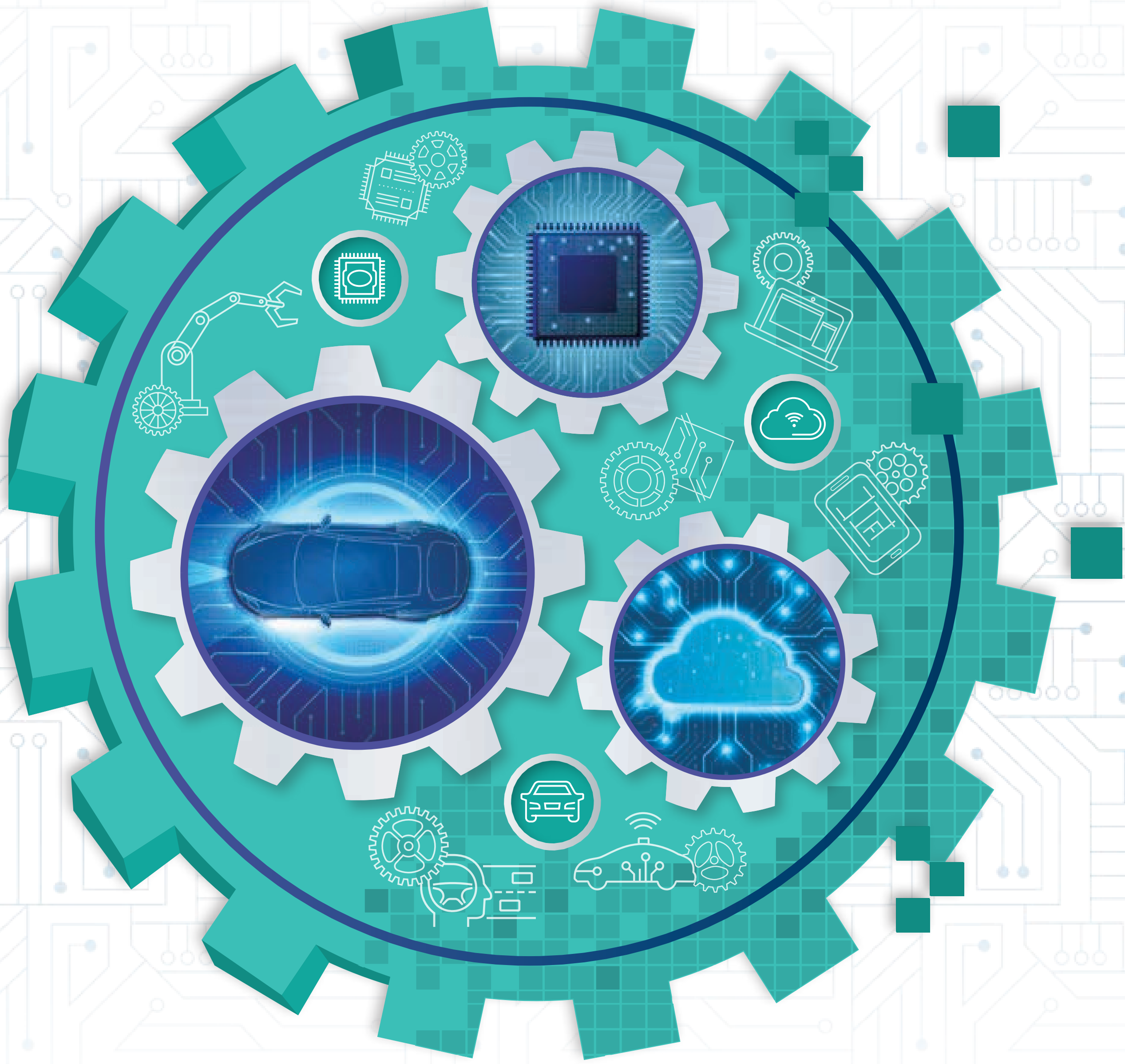
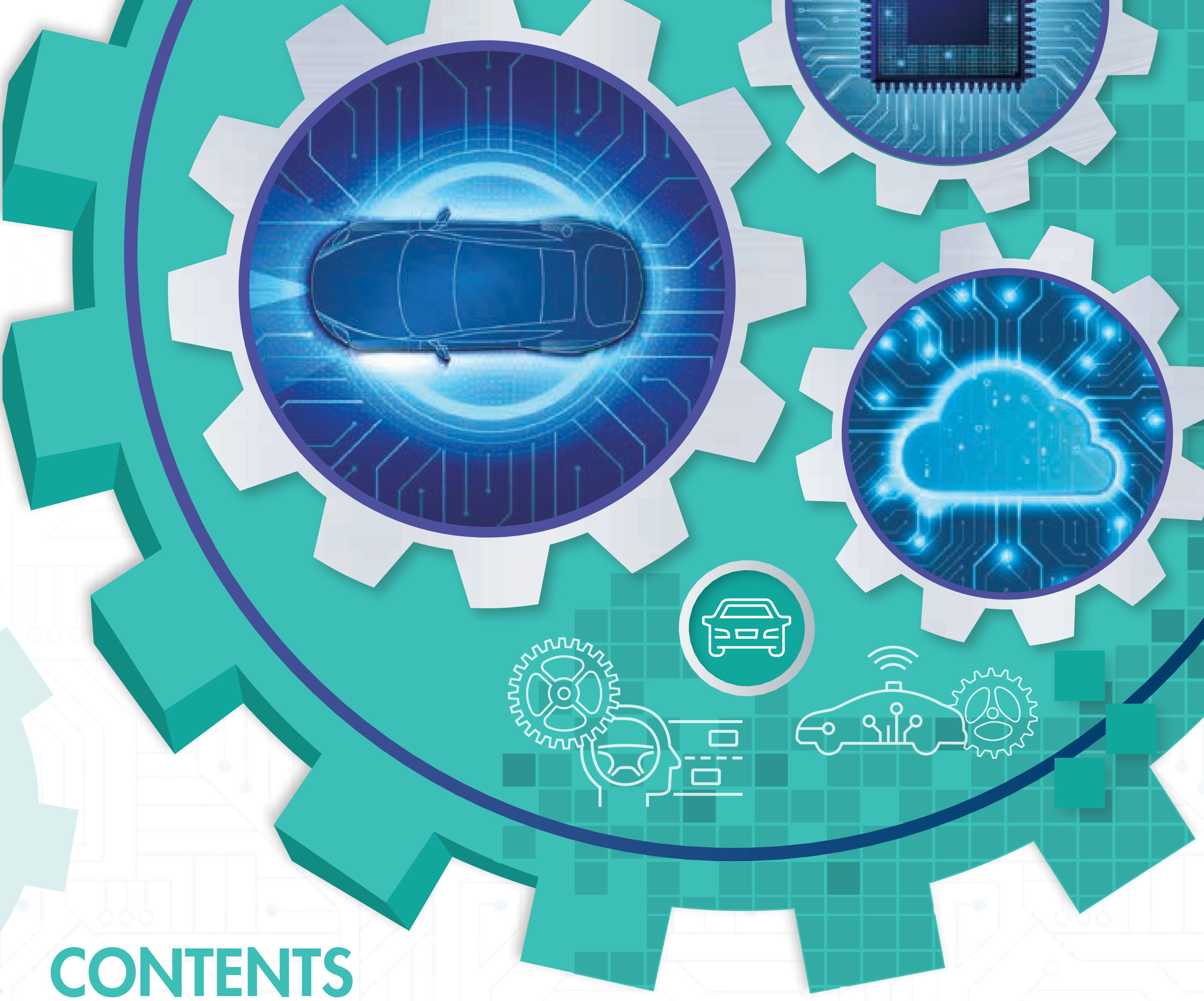
AVI-TECH ELECTRONICS LIMITED



RESILIENCE VALUE-DRIVEN FUTURE-FOCUSED

ANNUAL REPORT 2019



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CORPORATE PROFILE

WHO WE ARE

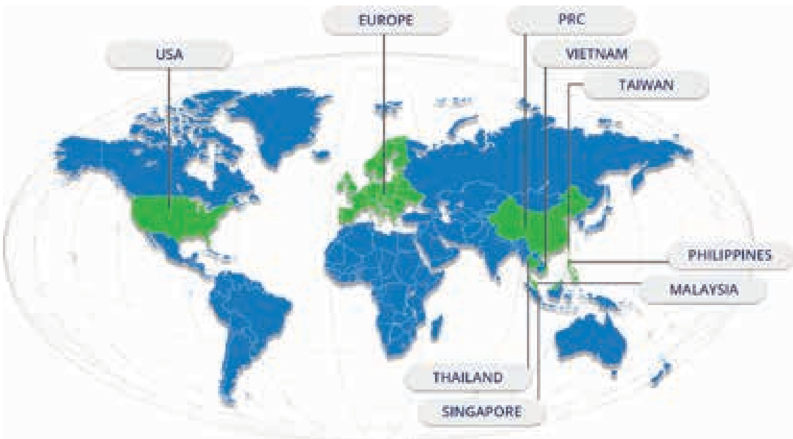
Incorporated in Singapore in 1981 and listed on the Mainboard of the Singapore Exchange Securities Trading Limited in 2007, Avi-Tech Electronics Limited is a total solutions provider for burn-in, manufacturing and printed circuit board assembly ("PCBA"), and engineering services for the semiconductor, electronics, life sciences, aviation and other emerging industries.

Our core business segments include Burn-in Services, Manufacturing and PCBA Services, and Engineering Services. Our customers are global leaders, including Original Equipment Manufacturers, in semiconductor automotive, 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, Vietnam, the Philippines, Taiwan, the People's Republic of China, Japan, the United States of America and Europe, to support our global customers.

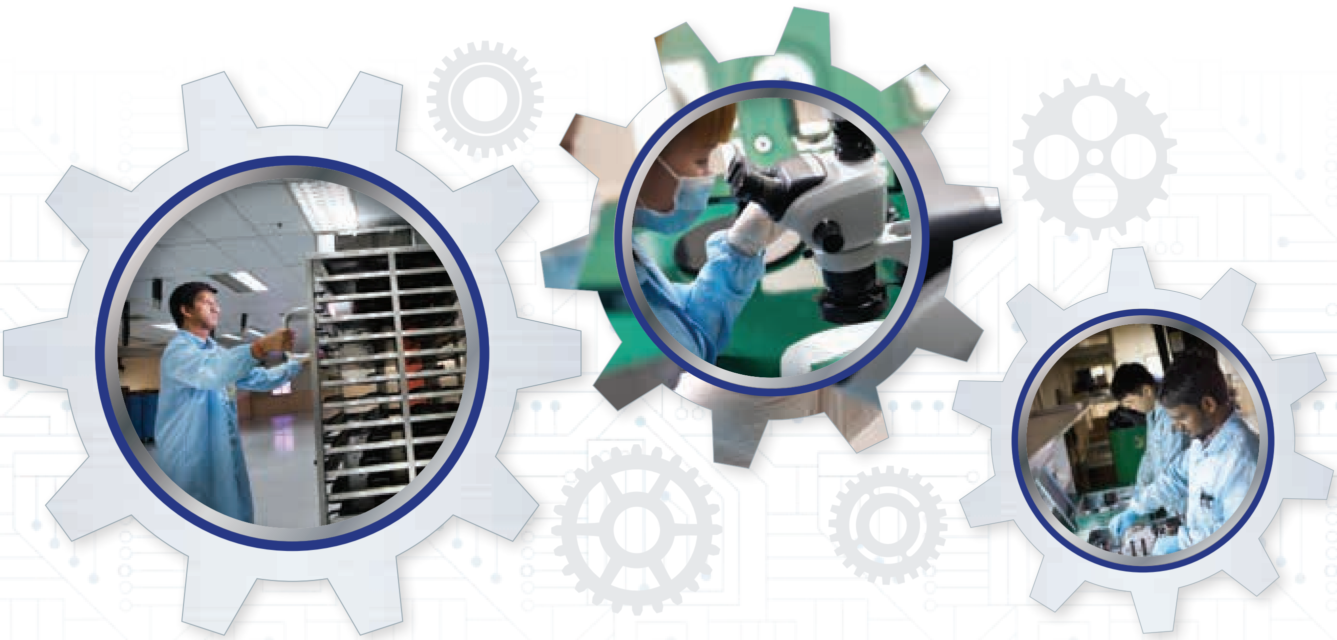


OUR AWARDS AND ACHIEVEMENTS

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

In recognition of our commitment towards quality assurance and business excellence, we also garnered the Singapore Quality Class award by Enterprise 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.

BUSINESS SEGMENTS



BURN-IN SERVICES

We provide Static Burn-In, Dynamic Burn-In, Test During Burn-In 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 United States of America and includes some of the key players in the global semiconductor industry.

Under this business segment, we also provide Tape and Reel Services which delivers customers' finished products in reel form. Currently, we handle different packages ranging from BGA, TSSOP, VQFN and DSO, with round-the-clock delivery and collection services for our customers.

MANUFACTURING AND PRINTED CIRCUIT BOARD ASSEMBLY ("PCBA") SERVICES

We are involved in the design, manufacture and assembly of a wide range of burn-in boards and automatic Test Equipment/Load 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. We also design Printed Circuit Boards and provide niche PCBA services for the medical, mobile communications, optics 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 and development to 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 and design for manufacturability 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 cameras for astronomy and life sciences applications, digital imagers as well as customised Light-Emitting Diode drivers and products for various applications. In addition, we distribute and service third-party Mixed Signal Testers used in the semiconductor industry.

RESILIENCE & VALUE-DRIVEN

Stable and unwavering in the face of challenges – strong operational competencies, sound financial position, sustainable value creation

LETTER TO SHAREHOLDERS

LIM ENG HONG
Chief Executive Officer

KHOR THIAM BENG
Chairman

DEAR SHAREHOLDERS

The Group's financial year ended 30 June 2019 ("FY2019") closed with revenue of $33.6 million and net profit of $4.6 million. This was an encouraging and respectable set of results, given the prevailing weak semiconductor industry and challenging global economic environment brought about by trade disputes, growing protectionist sentiments and geopolitical tensions. Our Burn-In Services and Manufacturing and Printed Circuit Board Assembly ("PCBA") Services business segments once again registered strong performances, as they did in the previous financial year ("FY2018"). The Engineering Services business segment continued to be impacted by the downturn in the electronics manufacturing sector and a weakened cycle of the semiconductor industry. We continued to maintain a strong balance sheet. Our cash and cash equivalents remained robust and our gearing was at healthy levels.

While the semiconductor market in 2019 was weak, with full-year projections that it will contract by 12.1%,[1] the long-term prospects for the sector are strong.[2] The current downturn is due to external situations such as the US-China trade war and specifically, the decline in certain end-user markets such as smartphones. The automotive semiconductor market, which accounts for more than 50% of our Group revenue, however, remains resilient with a steady linear growth. It provided us stability and profitability during these challenging global economic times. We continued to strengthen our capabilities across all our business segments so as to be able to leverage new business opportunities and diversify our revenue streams. Automation and digitalisation were key focus areas of our operations, while prudent management enabled us to remain financially stable, which put us in good stead to weather the current downturn.

GROUP FINANCIAL REVIEW

Our FY2019 revenue was a 5.9% decline from FY2018's revenue of $35.7 million. Singapore operations contributed 57.0% of Group revenue (FY2018: 47.5%) while the US's contribution was the next most significant at 19.2% (FY2018: 19.8%). Malaysia and the other regions made up 10.7% (FY2018: 14.9%) and 13.1% (FY2018: 17.8%), respectively.

Notwithstanding the lower revenue, Group gross profit grew by 6.0% to $10.5 million from $9.9 million in FY2018. The better performance was due to the higher weighted average sales in the Burn-In Services and Manufacturing and PCBA Services business segments as compared to the Engineering Services business segment. Consequently, gross profit margin also improved from 27.9% in FY2018 to 31.4% in FY2019. Net profit, with a $0.4 million impairment loss of bond investment issued under Hyflux Ltd's Medium Term Note Programme, however, decreased by 4.5% from $4.9 million in FY2018.

Our positive working capital of $38.4 million as at 30 June 2019 was an increase of $2.1 million, as compared to $36.3 million as at 30 June 2018. The Group generated net cash from operating activities of $6.1 million (FY2018: $7.5 million) from profit generated. Cash and cash equivalents, comprising cash and bank balances and fixed and call deposits, stood at $9.8 million as compared to $11.2 million in FY2018 after net cash used in investing activities of $3.8 million and net cash used in financing activities of $3.6 million.

Earnings per ordinary share (diluted) based on the weighted average number of ordinary shares for the operations was marginally lower at 2.7 cents from 2.8 cents in FY2018, while net asset value per ordinary share rose to 29.0 cents in FY2019 from 28.4 cents in FY2018.

COMMITMENT TO PROFIT-SHARING AND BUILDING SHAREHOLDER VALUE

We remain committed to profit sharing with our shareholders and to building shareholder value through the long-term growth of the Group. Given our confidence in our sustainable growth and industry prospects as well as our net cash balance sheet and healthy operating cashflow, the Board is proposing a final dividend of 1.0 cent per share and a special dividend of 0.5 cent per share for FY2019. This is subject to shareholders' approval at the upcoming annual general meeting, with the dividends to be paid on 29 November 2019. The total dividend paid out for FY2019 is 2.3 cents per share, after the inclusion of the 0.8 cent per share dividend paid out in May this year, representing 84.7% of our FY2019 net profit. This is well above our dividend policy of distributing not less than 30% of the Group's consolidated net profit after tax, and excluding non-recurring, one-off and exceptional items, for that financial period.

LEVERAGING ON SMART TECHNOLOGIES

The global automotive semiconductor market is projected to grow at a compound annual growth rate of 11.9% through 2022, attributed to the stronger penetration rates of hybrid and electric vehicles and the trend towards autonomous vehicles.[3] Added to this demand is the increasing use of semiconductor chips in traditional vehicles with the next wave of innovation being connected cars, supported by the introduction of 5G networks.

Beyond the automotive sector, the industrial market is also propelling the demand of semiconductors, with artificial intelligence ("AI") being the driving force. Semiconductor chips are the foundation blocks of AI, Internet of Things, digitalisation and smart cities, all of which are irreversible and accelerating trends. Our business segments have existing capabilities and are adding new ones within these areas of growth. They are ready to leverage the prospects which these areas afford. Additionally, industries such as medical, electronics, aviation and mobile communications, in which we have a strong customer base, will continue to be of importance to us as we work closely with our customers to build next generation systems.

We will continue to augment our core strengths while looking for diversification opportunities in adjacent and new technologies. We remain vigilant and open to other businesses which present a synergistic fit with our current service offerings and those which will provide us with new sources of revenue.

OUTLOOK

We anticipate that the financial year 2020 will pose challenges with a weak global economic outlook due to the unresolved trade war between the US and China, potential no-deal Brexit, tensions in the Middle East and East Asia, and a steep decline in China's economy. While we are not directly impacted by the trade tariffs imposed by the US with most of our customers based outside of China, it is likely that we will feel the downstream effects of the trade war. Furthermore, the downturn in the global electronics cycle will be an added drag on growth. Due to the downside risks mentioned, Singapore's GDP has been downgraded to "0.0 to 1.0 per cent".[4] Despite the gloomy outlook, we remain cautiously optimistic for our business segments given the sector-specific growth of semiconductor chips.

OUR APPRECIATION TO ALL

In closing, we would like to extend our appreciation to our Board of Directors. It is noteworthy to mention that we had garnered an award for Best Managed Board (Bronze) at the Singapore Corporate Awards 2019, due to the efforts of our Board members. We would also like to thank our management and staff, business partners, associates and customers and of course, our loyal shareholders who have continued to stand by the Group. We remain confident that with your unwavering support, our growth strategies, ambitions and aspirations for the Group will come to fruition.

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

[1] Nikkei Asian Review. "Global semiconductor market to shrink 12.1% in 2019: Trade Group.". https://asia.nikkei.com/Business/Business-trends/Global-semiconductor-market-to-shrink-12-in-2019-trade-group

[2] PWC. "Opportunities for the global semiconductor market". https://www.pwc.com/gx/en/industries/tmt/publications/global-tmt-semiconductor-report-2019.html

[3] PWC. "Opportunities for the global semiconductor market". https://www.pwc.com/gx/en/industries/tmt/publications/global-tmt-semiconductor-report-2019.html.
The global automotive semiconductor market, encompassing electric and autonomous vehicles, is anticipated to expand from US$37.4 billion in 2017 to over US$58.5 billion in 2023: Straits Times. "Heng upbeat about semiconductor industry's prospects". 18 Sep 2019.

[4] MTI. "MTI expects GDP growth to be "0.0 to 1.0 per cent" in 2019. https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2019/Economic-Survey-of-Singapore-Second-Quarter-2019/PR_2Q19.pdf

CORPORATE HISTORY AND MILESTONES

Incorporated in 1981, Avi-Tech's corporate history spans over 30 years starting as a provider of burn-in solutions. Since then, we have expanded our breadth of capabilities to include manufacturing and printed circuit board assembly ("PCBA") services and engineering services. Today, we are one of the leading total solutions providers for burn-in, manufacturing and PCBA, and engineering services for our global customers in the semiconductor, electronics, life, sciences, aviation and other emerging industries. We are proud of the many milestones and achievements we have garnered over the years.

1981-1989

- Incorporated in Singapore
- Commenced operations with 23 personnel and three Burn-In Systems with a total area of 782 sq. m.
- Qualified by our two largest customers, Texas Instruments Singapore and National Semiconductor Pte Ltd, as a burn-in service provider due to our fast turnaround and good engineering support

1990-1999

- 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

2000-2010

- 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

2011-2019

- Secured our first front-end semiconductor customer with the award of a multimillion-dollar contract for system integration of lithography equipment
- Attained ISO 13485:2016 certification
- Diversified into the provision of services for the medical, mobile communications and aviation industries
- Acquired new customers in the Digital Imaging Systems space
- Successful transfer of Burn-In business from overseas semiconductor customer to support customer's outsourcing strategy
- Recognised by RHB Bank in their 25 Jewels 2017 for good investor returns and by online media Storm's Charger Award 2017 for strong growth prospects
- Conferred the Singapore Corporate Awards 2019 "Best Managed Board (Bronze)" award in recognition of upholding best practices in corporate governance and transparency

BOARD OF DIRECTORS

FROM LEFT TO RIGHT

MR MICHAEL GRENVILLE GRAY
Non-Executive and Independent Director

MR KHOR THIAM BENG
Non-Executive Chairman and Independent Director

MR LIM ENG HONG
Chief Executive Officer and Executive Director

MR GOH CHUNG MENG
Non-Executive and Independent Director

MR LIM TAI MENG ALVIN
Chief Operating Officer and Executive Director

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 2019)

Listed Companies (excluding the Company)

- *NIL*

Others/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)

- Khor Law LLC (formerly known as 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

61,329,875 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 2019)

Listed Companies (excluding the Company)

- *NIL*

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

- *NIL*

Major Appointments (other than Directorships)

- *NIL*

Past Directorships in listed companies over the last 3 years

(excluding Subsidiaries and Associates of the Company)

- *NIL*

BOARD OF DIRECTORS

MR LIM TAI MENG ALVIN

Chief Operating Officer and Executive Director

Mr Lim Tai Meng Alvin was appointed as Executive Director of the Company on 1 August 2018. He is also the Group's Chief Operating Officer. He joined the Group in 2002 and is responsible for overseeing the Group's operations for Burn-In Services, Manufacturing and PCBA Services and Engineering Services business segments. Mr Lim also develops the competitive positioning and strategies of the Group and manages the sales, marketing and business development functions. Mr Lim was the Chief Operating Officer (USA Operations) from 2009 to 2011 and was responsible for strategising and promoting the Group's business in the market. Mr Lim started as a Sales Engineer with the Group, responsible for the sales and marketing team for test equipment and sockets. He was subsequently promoted to Section Manager in the Engineering Services division to manage the manufacturing of System Level Test (SLT), Hybrid System Test (HST) thermal trays and Fusion System build to meet customers' needs, and thereafter became a Special Project Manager. With his vast experience in managing operations, Mr Lim was later promoted to oversee the Manufacturing and PCBA Services and Engineering Services operations. In May 2013, Mr Lim was appointed Chief Operating Officer of the Group.

Date of last re-election as a director

29 October 2018

Shares in the Company or related corporations

105,000 shares in the Company (Direct Interest)

Committee Memberships

- *NIL*

Academic & Professional Qualifications

- *Bachelor's Degree in Electrical and Computer Engineering, University of Queensland, Australia*
- *Graduate Diploma in Business Administration, Singapore Institute of Management*

Present Directorships (as at 30 June 2019)

Listed Companies (excluding the Company)

- *NIL*

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

- *NIL*

Major Appointments (other than Directorships)

- *NIL*

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 and published the results of two global phase 3 human clinical trials in Alzheimer's disease in The LANCET and The Journal of Alzheimer's Disease (JAD). Mr Goh has been a pioneer board member of the TauRx Group since its founding as a startup in 2002. Mr Goh was formerly a Qualified Business Angel of the National Science and Technology Board in 2001 and previously served as a Panel Member (2001 to 2008) of a Singapore government innovation and research fund, The Enterprise Challenge Unit (TEC), PS21 Office, Public Service Division, Prime Minister's Office.

Date of last re-election as a director

29 October 2018

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 2019)

Listed Companies (excluding the Company)

- NIL

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

- *TauRx Pharmaceuticals 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*

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

31 October 2017

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 2019)

Listed Companies (excluding the Company)

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

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

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

Major Appointments (other than Directorships)

- *PAVE (President)*

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 is our Chief Financial Officer. He oversees and manages the financial and accounting functions of the Group.

Mr Wang has more than 23 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 the organisations. 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 manage their corporate financial risks and funding requirements effectively.

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

MR LAU TOON HAI

Vice President of Quality Assurance

Mr Lau Toon Hai is our Vice President of Quality Assurance. He joined our Group 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, Responsible Business Alliance, 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 worked with companies such as 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 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 was 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 Services for Burn-In, Tape and Reel, Visual Inspection and other services, for both local and overseas customers.

Mr Ow Yang holds a Bachelor of Engineering (Honours) degree 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 Group in 2003 and is responsible for our operations related to Manufacturing and Printed Circuit Board Assembly Services ("PCBA") as well as Engineering Services business segments.

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

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

MR BAMBANG HANDOKO SUTEDJO

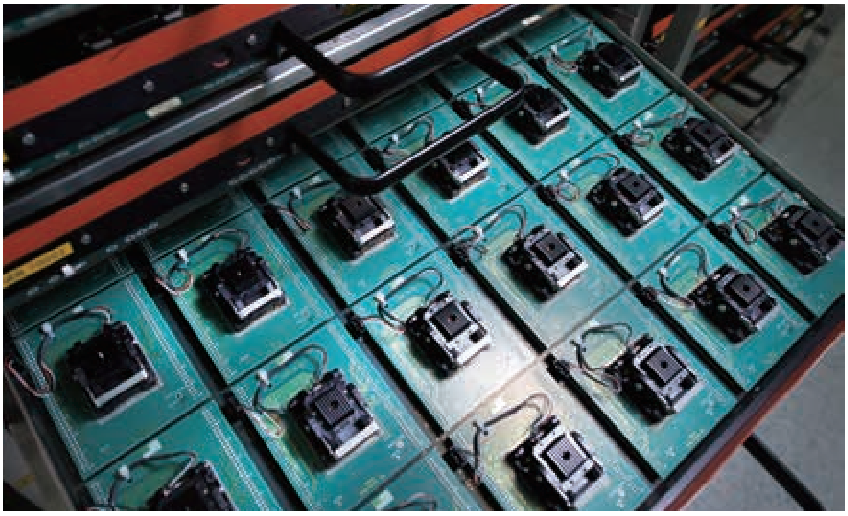
Director of Sales

Mr Bambang Handoko Sutedjo is our Director of Sales. He joined our Group in 1993 and is responsible for the sales and marketing of Burn-In Services and Manufacturing and PCBA Services business segments, 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 the Burn-In Board Manufacturing-related business segments' 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 degree from the Tennessee Technological University of Cookeville, Tennessee, USA.

OPERATIONS REVIEW



Group revenue in the financial year ended 30 June 2019 ("FY2019") decreased by 5.9% to $33.6 million from $35.7 million in the financial year ended 30 June 2018 ("FY2018"). The Burn-In Services business segment contributed strongly to Group revenue, reporting higher revenue of $10.6 million as compared to $10.1 million in FY2018. The Manufacturing and Printed Circuit Board Assembly ("PCBA") Services business segment, while contributing steadily to Group revenue, registered revenue of $18.8 million, a slight decrease from $19.0 million in FY2018. The Engineering Services business segment's revenue fell to $4.2 million from $6.6 million in FY2018.

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 for automotive and networking products. Our portfolio of customers from Asia-Pacific, Europe and the United States of America includes some of the key players in the global semiconductor industry.

The Burn-In Services business segment contributed 31.5% of the Group's revenue as compared to 28.3% in FY2018. The business segment's performance was driven largely by the continued strong demand for burn-in services for the automotive semiconductor segment, with burn-in services for semiconductor chips for the networking, cloud computing and data security industries also playing a significant role.

In order to sustain and improve upon our performance, in terms of service offerings, automation remained a key priority as we sought to improve our processes, increase our productivity and manage manpower needs, all the while ensuring we meet, if not surpass, customer expectations. Some of the newly installed automated equipment included automated pick and place machines with vision capability. We also focused on improving the technical capabilities of our equipment to meet stringent customer test requirements. These included upgrading our Burn-In Systems with the use of advanced technology to ensure better performance and reliability.

We will continue to keep abreast of customer demands and market trends, ensuring we have the capabilities to serve the needs of the industry. Digitalisation is another area of focus, as we move in tandem with Singapore's Industry 4.0 initiative. Notwithstanding that the semiconductor market is being impacted by the US-China trade war, and that there is lower demand for major applications including smartphones and weaker pricing of semiconductor chips, the demand/supply balance is expected to improve in the coming year.[1] Furthermore, automotive semiconductors, a major contributor to our revenue, are characterised by a more linear growth as compared to other semiconductor products. They are also anticipated to outpace the growth of general semiconductors, which augurs well for us. The long-term prospects for our Burn-In Services business segment remain positive given the drive towards smart cities, with artificial intelligence ("AI"), the Internet of Things ("IoT") and cloud computing key areas which will drive demand and for which we are gearing up our capabilities.

MANUFACTURING AND PCBA SERVICES

We are involved in the design, manufacture and assembly of a wide range of burn-in boards and Automatic Test Equipment/Load 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 business segment contributed 56.0% of the Group's revenue as compared to 53.2% in FY2018, with demand coming from the automotive, networking, cloud computing, data security, mobile communications and medical sectors.

During the year, we strengthened our relationship and collaboration with a key customer by qualifying for and moving into the second phase of their new generation of burn-in boards build. By leveraging our enhanced design capabilities, we were able to position ourselves to take on more complex requirements. We are currently in the midst of product qualification to serve a new customer.

With respect to PCBA services, our growth momentum in the fields of electronics, aviation and mobile communications was encouraging, with an increase in demand for our inspection solution in the mobile and aviation sectors. We recognised the importance of quality in today's ever changing technological landscape and we have embarked on new certifications in our PCBA workmanship to provide greater quality assurance to our customers. We have built on our competencies, improved our processes and invested in automation and new machinery such as introducing cutting edge inspection systems for non-destructive inspection and validation, in order to ensure that we are always able to meet our customers' expectations and quality requirements. Constant upgrades in our hardware and software, as well as skills training and development, have enabled us to retain our customer base and establish new avenues of growth. During the year, we also forged new partnerships even as we strengthened existing ones.

Our adoption of the manufacturing operations management software with mobile shop floor tracking has enabled us to move towards smart manufacturing, with resultant improvement in efficiencies, increased output and greater cost control. The hardware and software that we have brought in have also enabled us to operate leaner and more efficiently. While the outlook for the coming year is uncertain, we remain confident of our abilities to maintain our existing client base, capture new opportunities and improve our overall performance through further automation, smart technologies and digitalisation. Cloud computing, IoT, data centres, AI and the impending implementation of 5G networks will necessitate more sophisticated semiconductor chips, which in turn will positively impact the demand for our services.

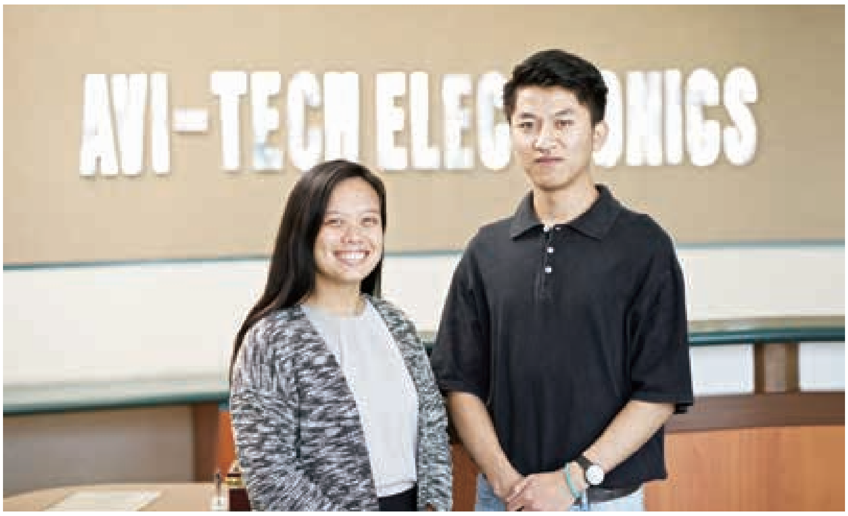
ENGINEERING SERVICES

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

The Engineering Services business segment's revenue contributed 12.5% to the Group's revenue in FY2019 as compared to 18.5% in FY2018. The business segment was acutely impacted by the slowdown in the electronics manufacturing sector and the cyclical downturn in the semiconductor industry.

In the midst of global trade uncertainties, the electronics manufacturing sector will continue to be negatively affected, resulting in weaker demand for our engineering services. Despite the outlook, we will seek to grow our engineering capabilities and expand our customer base in existing and new industries and geographical markets.

OPERATIONS REVIEW



HUMAN RESOURCE AND CORPORATE DEVELOPMENTS

We uphold values of fair employment, diversity and non-discrimination. In line with these values, we are a signatory to the Employers' Pledge of Fair Employment Practices and adhere to the principles entrenched in the Tripartite Guidelines for Fair Employment Practices. Our staff, numbering around 174, is made up of a multitude of races, nationalities, age groups and gender. Each is given equal opportunities for training and career progression within the Group based on principles of merit.

Continuous improvement, skills upgrading and cross-functional training opportunities are provided to staff in order to help them achieve their full potential and to provide a clear path for career advancement within the organisation. In FY2019, 28 managerial staff were sent for external training and development programmes in areas such as productivity, innovation and leadership acceleration. Non-managerial staff were sent for external courses to upgrade and gain workplace endorsed qualifications such as the Integrated Assessment Pathway as well as lifesaving courses such as Occupational First Aid and Automated External Defibrillator courses.

Staff were given an opportunity to provide feedback, air concerns and receive an update on the Group's strategic directions through a dialogue session with management held at the beginning of 2019. Christmas lunch and dinner, group anniversary dinner and dance, health talks and screenings were organised to facilitate staff bonding and team building, provide opportunities for relaxation and enhance well-being.

Our business excellence standards are reflected in the certifications we have attained, namely, ISO 13485:2016 (quality management systems for medical devices), ISO 9001:2015 (quality management systems) and ISO 14001:2015 (environmental management systems).

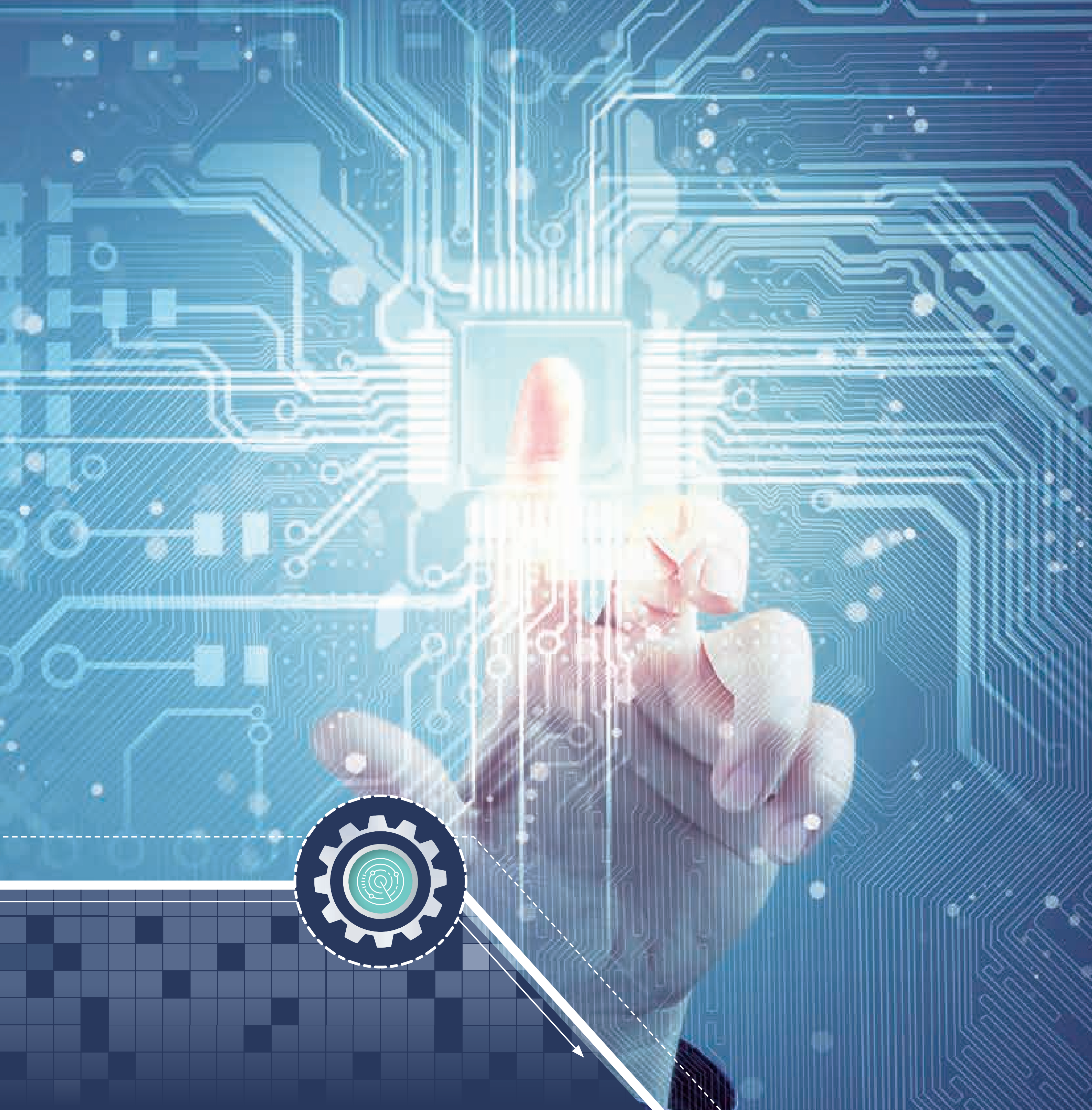
Our commitment to corporate governance and transparency was recognised by the industry when we were conferred the Best Managed Board (Bronze) Award at the Singapore Corporate Awards 2019.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

We have been a benefactor, since December 2015, of Bright Vision Hospital, a 317-bed community hospital offering intermediate and long-term holistic care for about 1,500 new patients each year. We held an arts and crafts event and hosted Patient Birthday Celebrations in 2019.

The details on our corporate social responsibility and sustainability efforts will be contained in our sustainability report, in compliance with Rules 711A and 711B of the Listing Manual of the SGX-ST and the SGX Sustainability Reporting Guide. The report is prepared in accordance with the Global Reporting Initiative standards: Core option, and will be uploaded on our website in November this year.

[1] Gartner. "Gartner Says Worldwide Semiconductor Revenue to Decline 9.6% in 2019." https://www.gartner.com/en/newsroom/press-releases/2019-07-22-gartner-says-worldwide-semiconductor-revenue-to-decline-9point6-percent-in-2019



FUTURE-FOCUSED

Ready for new opportunities and future industries through smart technologies and innovation, process efficiency and skills upgrading

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Khor Thiam Beng
Non-Executive Chairman and Independent Director

Mr Lim Eng Hong
Chief Executive Officer and Executive Director

Mr Lim Tai Meng Alvin
Chief Operating Officer and Executive Director

Mr Goh Chung Meng
Non-Executive and Independent Director

Mr Michael Grenville Gray
Non-Executive and 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

SHARE REGISTRAR

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

AUDITORS

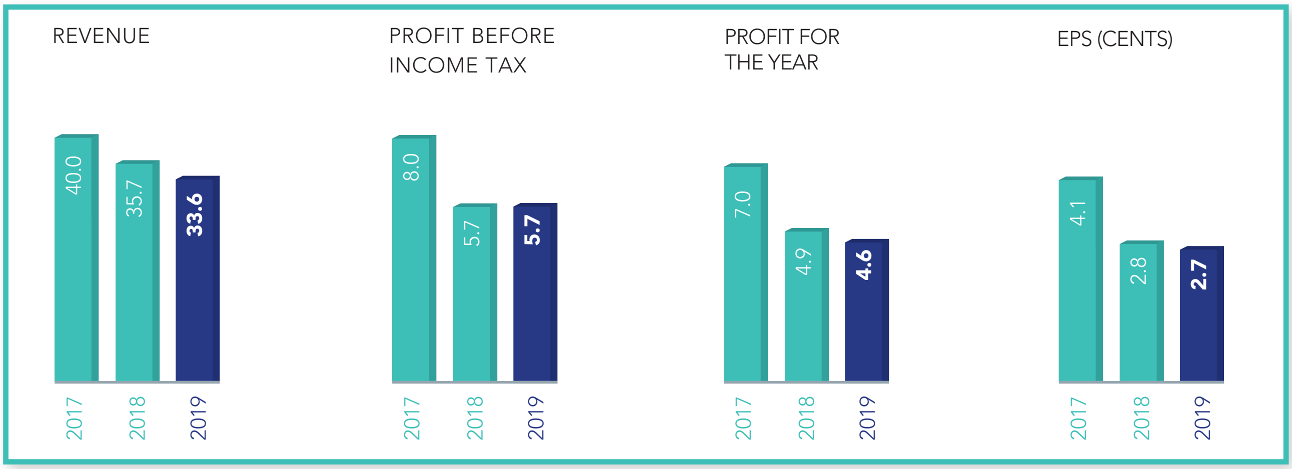
Deloitte & Touche LLP
Public Accountants and Chartered Accountants
6 Shenton Way
OUE Downtown 2 #33-00
Singapore 068809
Partner-in-charge of the audit: Ong Bee Yen
Date of appointment: 31 October 2017

PRINCIPAL BANKERS

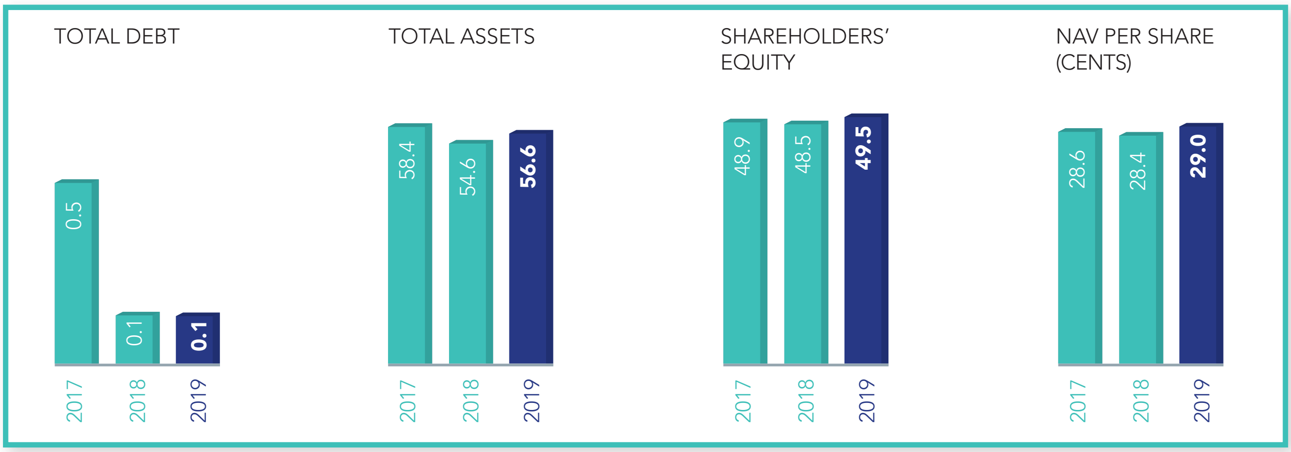
Standard Chartered Bank
8 Marina Boulevard
Marina Bay Financial Centre (Tower 1) Level 27
Singapore 018981

United Overseas Bank Limited
80 Raffles Place UOB Plaza
Singapore 048624

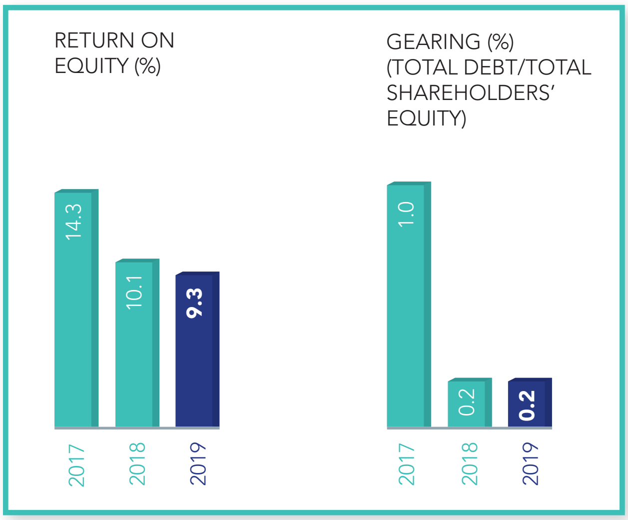
PROFIT AND LOSS ($'M)



BALANCE SHEET ($'M)



KEY FINANCIAL RATIOS



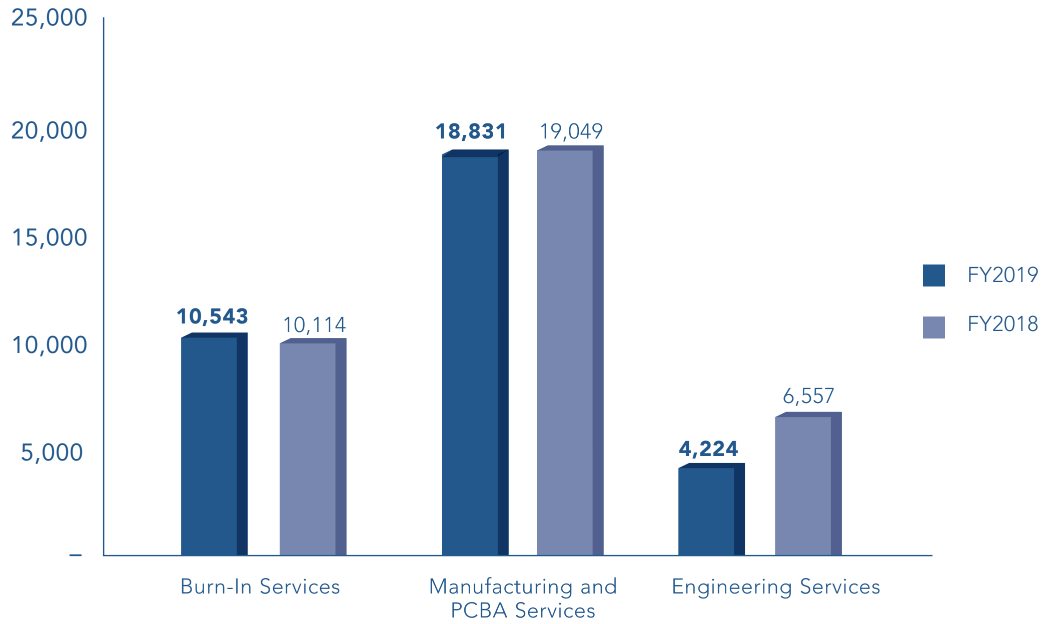
FINANCIAL REVIEW

CONSOLIDATED FINANCIAL PERFORMANCE ($'000)

	FY2019	FY2018	Change %
Revenue	33,598	35,720	(5.9)
Cost of sales	(23,054)	(25,771)	(10.5)
Gross profit	10,544	9,949	6.0
Impairment loss on other financial assets	(375)	–	n.m.*
Administrative expenses	(5,326)	(5,066)	5.1
Profit before income tax	5,716	5,696	0.4
Income tax expense	(1,070)	(833)	28.5
Profit for the year	**4,646**	**4,863**	**(4.5)**

* Not meaningful

REVENUE BY BUSINESS SEGMENTS ($'000)



The Burn-in Services business segment which contributed 31.4% of the Group's revenue in FY2019 compared to 28.3% in FY2018, reported revenue of $10.6 million, an increase of $0.5 million or 4.2%. The increase is attributed to the higher sales to key customers.

The Manufacturing and PCBA Services business segment continued to be the main contributor to the Group's revenue despite a marginal decline to $18.8 million.

The Engineering Services business segment continued to be impacted by the slow down in the electronics manufacturing sector and a cyclical downturn in the semiconductor industry, with a resultant loss arising from a 35.6% decline in revenue to $4.2 million.

COST OF SALES ($'000)

	FY2019	FY2018	Change %
Cost of sales	23,054	25,771	(10.5)
Included in cost of sales:			
Cost of material and equipment	13,804	16,873	(18.2)
Salary cost	6,556	6,516	0.6
Depreciation	705	663	6.3
Electricity	551	580	(5.0)
Other direct overheads	1,438	1,139	26.3

GROSS PROFIT ($'000)

	FY2019	FY2018	Change %
Gross Profit	10,544	9,949	6.0
Gross Margin	31.4%	27.9%	12.7

For FY2019, the Group achieved gross profit of $10.5 million, a 6.0% increase despite the revenue decline. The Group's higher gross profit was attributed to higher weighted average sales in the Burn-In Services and the Manufacturing and PCBA Services business segments as compared to the Engineering Services business segment. The Group's gross profit margin also increased from 27.9% in FY2018 to 31.4% in FY2019.

IMPAIRMENT LOSS ON OTHER FINANCIAL ASSETS ($'000)

Represents an impairment loss of bond investment issued under Hyflux Ltd's Medium Term Note Programme. The Group has recognised an impairment loss of S$375,000 for the financial year ended 30 June 2019 in view of the developments in relation to Hyflux Ltd's financial situation.

ADMINISTRATIVE EXPENSES ($'000)

	FY2019	FY2018	Change %
Administrative expenses	5,326	5,066	5.1
Included in administrative expenses:			
Salary and related cost	2,610	2,519	3.6
Foreign currency exchange loss	59	54	9.3
Depreciation	566	547	3.5
Loss on disposal of property, plant and equipment	99	–	n.m.*

* Not meaningful

Administrative expense increased by $0.2 million from $5.1 million in FY2018 to $5.3 million in FY2019.

FINANCIAL REVIEW

PROFIT FOR THE YEAR ($'000)

	FY2019	FY2018	Change %
Profit before income tax	5,716	5,696	0.4
Income tax expense	(1,070)	(833)	28.5
Profit for the year	4,646	4,863	(4.5)

For FY2019, the Group reported a profit of $4.6 million, with a $0.4 million impairment loss on other financial assets at amortised cost, resulting in a decrease of $0.3 million as compared to $4.9 million for FY2018.

LIQUIDITY AND CAPITAL RESOURCES ($'000)

	FY2019	FY2018	Change %
Cash flow from (used in):			
Operating activities	6,086	7,527	(19.1)
Investing activities	(3,796)	1,877	(302.2)
Financing activities	(3,627)	(5,736)	(36.8)
Net change in cash and cash equivalents	(1,343)	3,667	(136.6)
Cash and cash equivalents at end of year	9,833	11,176	(12.0)

The Group generated net cash from operating activities of $6.1 million for FY2019.

Net cash used in investing activities was $3.8 million, which was mainly attributed to the placement of fixed deposits with financial institutions with over three-month tenures. Net cash used in financing activities was $3.6 million, which was primarily due to dividend payment.

There was a decrease in cash and cash equivalents of $1.3 million for FY2019.

The Group closed FY2019 with cash and cash equivalents of $9.8 million.

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 has written terms of reference which clearly set out the authority and duties of the committees, and functions within its own defined terms of reference and procedures. All committees are chaired by an Independent Non-Executive Director. All Board members objectively make decisions in the interests of the Company. The composition and description of each Board committee is set out in this report.	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 the 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 FY19	4	4	1	1
Khor Thiam Beng	4	4	1	1
Lim Eng Hong	4	4	1	1
Lim Tai Meng Alvin	4	4	1	1
Goh Chung Meng	4	4	1	1
Michael Grenville Gray	4	4	1	1

As Executive Directors, both Mr Lim Eng Hong and Mr Lim Tai Meng Alvin attend the meetings of the ARC, the NC and the RC 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 programme 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 on the Singapore Exchange Securities Trading Limited ("**SGX-ST**")) must undergo training in the roles and responsibilities of a director of a listed issuer as prescribed by the SGX-ST. If the NC is of the view that training is not required because the director has other relevant experience, the basis of its assessment must be disclosed. 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, the Directors attended several training programmes and seminars as follows: • Mr Lim Eng Hong attended a seminar on the Corporate Governance Code held on 18 September 2018 organised by the Singapore Institute of Directors ("**SID**"); • Mr Khor Thiam Beng and Mr Goh Chung Meng both attended the seminar on "Independent directors and the Integrity Agenda" on 24 October 2018 organised by Ernst & Young; • Mr Michael Grenville Gray attended several seminars organised by the SID, namely "Harnessing the Full Potential of Internal Audit" on 19 July 2018, "Singapore Governance and Transparency Index" on 6 August 2018, "Launch of Singapore Directorship/Corporate Governance Guides" on 3 October 2018, "Annual Corporate Governance Roundup" on 20 November 2018, "Valuation and Impairment Imperative" on 27 November 2018, and "Elevating the AC Role with Analytics and AC Commentary" on 7 March 2019. He also attended the seminars "Evolving Corporate Governance and Financial Regulation Singapore" organised by Morgan Lewis Stamford on 2 October 2018, "False Assurance" organised by PricewaterhouseCoopers on 1 November 2018 and "ACRA-SGX-SID Audit Committee Seminar 2019" jointly organised by the SID, SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") on 16 January 2019; and • Mr Lim Tai Meng Alvin attended the seminars "Annual Corporate Governance Roundup" on 20 November 2018, "LED 7 – Nominating Committee Essentials" on 7 December 2018, and "Business Valuation: Key Points for the AC" on 16 May 2019 organised by the SID.	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

As at 30 June 2019, the Non-Executive Directors make up the majority of the Board as the Company has a total of five (5) Board members, of which three (3) are independent and two (2) are Executive Directors.

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	Chief Executive Officer ("**CEO**")	16 May 1984	–	–	–	–
Lim Tai Meng Alvin	Executive Director	1 August 2018	29 October 2018	–	–	–
Goh Chung Meng	Independent Director	16 October 2001	29 October 2018	Member	Chairman	Chairman
Michael Grenville Gray	Independent Director	30 October 2006	31 October 2017	Chairman	Member	Member

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, with reference to Rule 210(5)(d) of the Listing Manual of the SGX-ST, and based on guidelines set forth in the Code and individual Director's declarations. Each Director is requested to disclose to the Board if there is 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 of 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 of 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 appointments, 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 and that none of the circumstances stated in Rule 210(d) of the SGX-ST apply to any of these Directors, the Board considers each of these Directors to be an independent Director. None of 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, for the purposes of the next financial year, review the adequacy of the existing procedures in place for assessment of directors' independence, taking into account the latest amendments to the Listing Manual of the SGX-ST and the new Code of Corporate Governance dated 6 August 2018. In addition, the NC has recommended the nomination of Mr Khor Thiam Beng to be re-elected as an independent Director, approval to be sought by way of separate resolutions by (A) all shareholders; and (B) shareholders, excluding the Directors and the CEO, and associates of such Directors and the CEO, and such resolutions to remain in force until the earlier of (X) retirement or resignation; or (Y) the conclusion of the third annual general meeting of the Company following the passing of the resolution. The Board has accepted the NC's recommendation.	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	20%
Business and management experience	2	40%
Legal or corporate governance	1	20%
Strategic planning experience	1	20%
Gender Diversity		
Male	5	100%
Female	–	–

The Board is of the view that there is sufficient diversity in skills, experience and knowledge of the Company in its Board composition for the financial year under review to operate effectively. 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 understanding 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 Directors, 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 Directors a total of 3 times, which were attended by all of the 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, and the CEO of the Company is Mr Lim Eng Hong. 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 the 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 of 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 of 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; • reviewing 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). 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 Khor Thiam Beng and Mr Lim Eng Hong for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation.	Guidelines 4.2 & 4.6

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, additional information on the Directors seeking election/re-election has been set out in the section titled "Additional Information on Directors Seeking Election/Re-Election" which is appended to the Notice of Annual General Meeting. Please also refer to our disclosures in respect of Guidelines 2.3 & 2.4 above with regard to the NC's recommendation of the nomination of Mr Khor Thiam Beng to be re-elected as an Independent Director at the forthcoming AGM.	
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 duties as a Director of the Company. The NC takes into account the attendance and contributions of the Directors at Board or Board committee 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 committee, 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. The Constitution further provides that a newly appointed director shall retire from office at the close of the next annual general meeting, but shall be eligible for re-election. The NC has recommended the nomination of Mr Lim Eng Hong and Mr Khor Thiam Beng for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation.	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, the Board effectiveness and training, the provision of information to the Board, the Board standards of conduct and financial performance indicators. Such performance criteria are recommended by the NC and approved by the Board and they address how the Board has enhanced long-term 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 records 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 their 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 the 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 of the RC 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 the 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 an 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 Directors and key management personnel.	Guideline 7.4

Principle 8: Level and Mix of Remuneration	
The annual review of the compensation is carried out by the RC to ensure that the remuneration components of the Executive Directors 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 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-à-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 respect of long-term incentives, the Company previously implemented the Avi-Tech Employee Share Option Scheme ("**ESOS**"), which expired in 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 historical ten (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 Board is currently in the midst of considering such other more effective alternatives of long-term incentive implementations.	Guidelines 8.2 & 9.5
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.	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 Directors' 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 Directors owe a fiduciary duty to the Company and the Company should be able to avail itself of remedies against the Executive Directors 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 2019. 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 2019, 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	47	48	5	100
Band A(3)	%	%	%	%	%
Lim Tai Meng Alvin(4)	0	82	16	2	100
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

(4) Mr Lim Tai Meng Alvin is the son of Mr Lim Eng Hong, our CEO, Director and controlling shareholder. In incremental bands of S$250,000, his total remuneration falls within Band A

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 2019, is as follows:	Guideline 9.3

Top Key Management Personnel	Salary	Variable Bonus	Benefits in kind	Total
Band B[1]	%	%	%	%
Joseph Wang Nin Choon	**84**	**16**	**0**	**100**
Band A[2]	%	%	%	%
Kwok Wai San, Philip[3]	**79**	**17**	**4**	**100**
Lau Toon Hai	**84**	**16**	**0**	**100**

Notes:

(1) Band B means from S$250,000 up to S$499,999

(2) Band A means from S$0 up to S$249,999

(3) With effect from March 2019, Kwok Wai San, Philip has retired from the Company

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$1,000,000 in the financial year under review.

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 provide 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.

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$200,000 to S$249,999 band. "**Immediate family**" means a spouse, child, adopted child, step-child, brother, sister or parent.	Guideline 9.4

The remuneration components of the Executive Directors 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 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-à-vis industry performance. For the financial year under review, the performance conditions for the short-term incentives were generally met. The Company has two (2) Executive Directors. The remuneration package of Mr Lim Eng Hong 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. His service contract with the Company is for a fixed period and he does not receive any Directors' fee. The remuneration package of Mr Lim Tai Meng Alvin is based on terms stipulated in his service contract. His service contract does not contain a profit-sharing scheme. His service contract with the Company is for a fixed period and he 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 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 Company must establish and maintain, on an ongoing basis, an effective internal audit function that is adequately resourced and independent of the activities it audits, as required under Rule 719(3) of the Listing Manual of the SGX-ST. The Board is committed to maintaining adequate and effective systems of internal controls, (including financial, operational, compliance and information technology controls) and risk management systems 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 the Company's 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 and 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 is conducted to build risk awareness and competencies, and systems and tools are put in place to operationalise the risk management framework 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 (including financial, operational, compliance and information technology 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 internal controls (including financial, operational, compliance and information technology controls) and risk management systems are adequate and effective as at 30 June 2019 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 for the financial year under review. 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 therefore 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 and 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 independent, effective, 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
The internal audit performed by RSM Risk Advisory Pte. Ltd. is guided by the International Standards for the Professional Practice of Internal Auditing.	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 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 obtain 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 the ARC, 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; • 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;	Guidelines 12.1, 12.4 & 12.8

- 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.

Guideline 12.5

In respect of the financial year under review, the ARC had communicated at least once 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 12.6

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

Service Category	**Fees Paid/Payable 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 the Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. Deloitte & Touche LLP has confirmed that it is registered with the ACRA. The Company is also in compliance with Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of the auditors of the Company and its subsidiaries.	
To achieve a high standard of corporate governance for the operations of the Group, the Group has implemented a whistle-blowing 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. 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.	Guideline 12.7

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 2019 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 Auditor's 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. The ARC reviewed the key audit matter on allowance for slow-moving and obsolete inventories included in the independent auditor's report for the financial year ended 30 June 2019. The ARC discussed in detail with management the amounts, value and age of older inventory and the approach and methodology applied in the assessment of making allowance for slow-moving and obsolete inventory as well as the reasonableness of the key sources of estimation uncertainty used as disclosed in Note 3 to the financial statements. The ARC concluded that the Company's accounting treatment in the allowance for slow-moving and obsolete inventories was appropriate.	Guideline 12.8
The ARC's terms of reference restrict 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, 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.	Guideline 14.1

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. 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 SGXNET 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 sent 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 and performance from shareholders at AGMs. Shareholders are given an opportunity to air their views and direct questions to the Board and 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 the 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 informed of all major developments and events that impact the Group in a timely manner 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 and 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 had 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 profit 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 and results announcement 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 practises 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 Group is committed to enhancing the well-being of the community and maintaining a sustainable environment in the location that it operates. The Group does not have a fixed corporate social responsibility policy. However, the Group understands that as a responsible corporate citizen, the Group aims to leave its footprint in a positive way on the environment and the community.

The Group is committed to being a responsible corporate citizen and contributing to community development. The Group has been supporting charities and not-for-profit organisations such as Bright Vision Hospital, a community hospital offering intermediate and long-term holistic care, since 2015. Employee volunteers, including management, took part in the outreach programme which included organising games, arts and crafts events and Patient Birthday Celebrations to celebrate some of the patients' birthdays.

Over the years, the Group has also raised funds for disaster relief such as for the 2013 Typhoon Haiyan disaster in the Philippines.

SUSTAINABILITY REPORTING

The Company published its first sustainability report for the financial year ended 30 June 2018 and will publish its Sustainability Report for the financial year ended 30 June 2019 by 30 November 2019, in accordance with Practice Note 7.6 of the Listing Manual of the SGX-ST and the same will be uploaded on the Company's website as well as on SGXNET.

In defining the Company's sustainability reporting content, the Company applies the Global Reporting Initiative ("**GRI**") standards by considering the Group's activities, impact and substantive expectations and interests of its stakeholders. The Sustainability Report will be on a "comply or explain" basis in accordance with Practice Note 7.6 of the Listing Manual of the SGX-ST. Corresponding to the GRI's emphasis on materiality, the Sustainability Report will highlight the key economic, environmental, social and governance related initiatives carried out throughout the financial year ended 30 June 2019. The Company has identified the following as material economic, environmental, social and governance factors:

- Environment
- Customers
- People
- Community
- Economic Performance
- Governance and Risk Management

Further details on the Company's sustainable practices are contained in the Company's FY2019 Sustainability Report to be issued by 30 November 2019.

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 2019, 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 widening of 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?	28-29
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.	31-33
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?	32
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?	33

Guideline	Questions	Page reference in the Annual Report
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.	26-27
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 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).	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	Questions	Page reference in the Annual Report
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?	40
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?	34
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	44
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?	43
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.	46-47

Guideline	Questions	Page reference in the Annual Report
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
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	50

FINANCIAL
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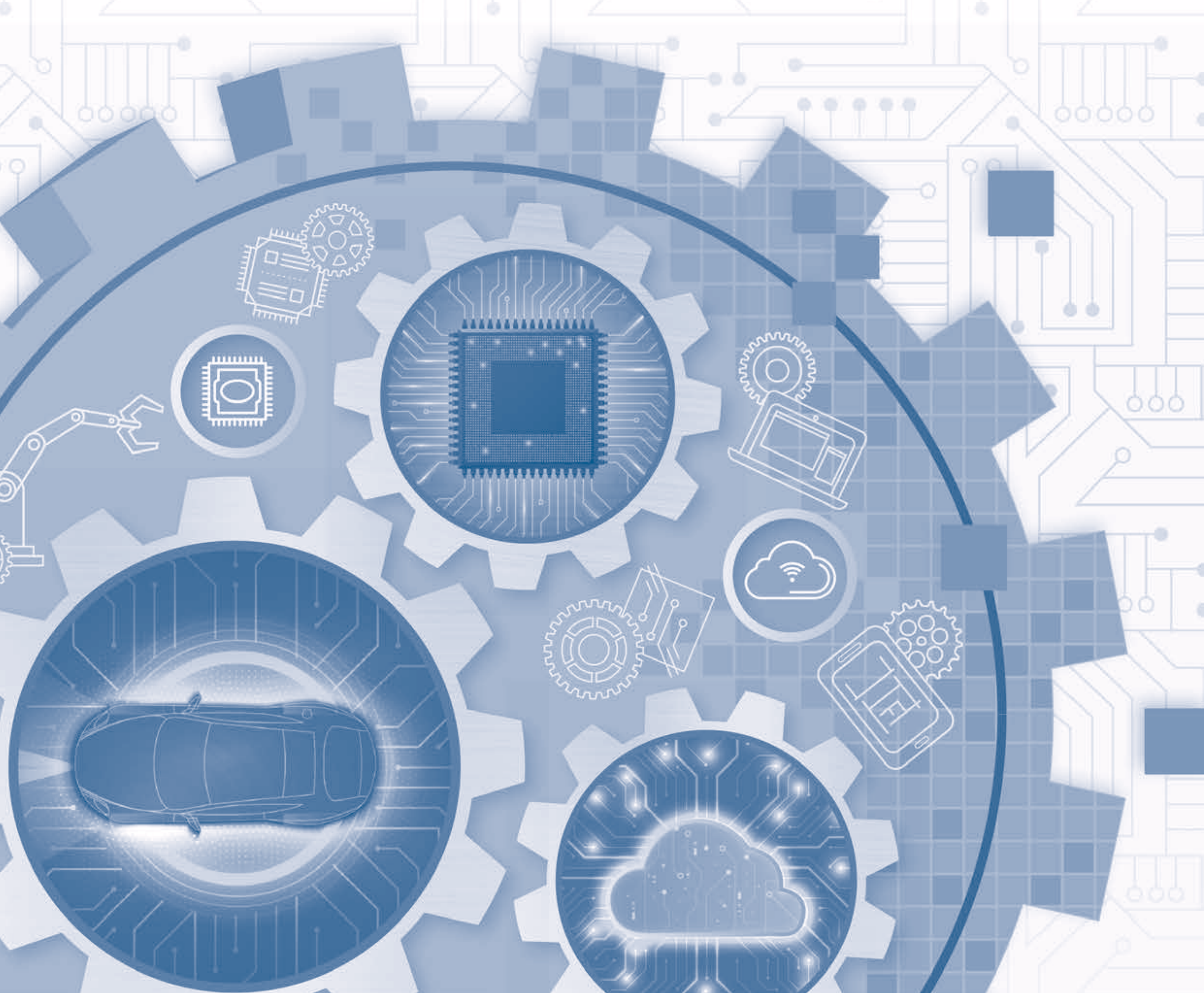

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2019.

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 66 to 118 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 2019 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
Lim Tai Meng Alvin (Appointed on 1 August 2018)

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.

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 or date of appointment, if later**	**At end of the year**	**At 21 July 2019**	**At beginning of the year or date of appointment, if later**	**At end of the year**	**At 21 July 2019**
The Company (Ordinary shares)						
Lim Eng Hong	47,184,875	48,194,875	48,194,875	13,135,000	13,135,000	13,135,000
Goh Chung Meng	190,000	190,000	190,000	–	–	–
Khor Thiam Beng	90,000	90,000	90,000	–	–	–
Michael Grenville Gray	870,000	870,000	870,000	–	–	–
Lim Tai Meng Alvin	105,000	105,000	105,000	–	–	–

By virtue of Section 7 of the Singapore Companies Act, as at 30 June 2019, 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

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

(b) Options exercised

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.

(c) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee (the "Committee"), consisting all non-executive and independent directors, is chaired by Mr Michael Grenville Gray and includes Mr Goh Chung Meng and Mr Khor Thiam Beng. 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;

(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 interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual Rules;

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

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

(i) 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

30 September 2019

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 2019, 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 66 to 118.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *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 2019, the Group's inventories of $3,036,000 accounted for approximately 7% of total current assets of the Group. Allowance for inventory obsolescence as at 30 June 2019 amounted to $928,000.

Out of the total inventories balance of $3,036,000, inventories aged more than two years amounted to $61,000 and relate to items for the Group's general production activities, not subject to technological obsolescence and are still in use for on-going production.

Management's assessment of allowance for slow-moving and obsolete inventories involves significant estimation with 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 profile of inventory, management's controls over inventory levels, purchasing policy and expected usage for ongoing production.

We evaluated management's assumptions used in the assessment of inventory allowance, checked the calculations supporting the allowance and tested the ageing reports used as a basis to assess the allowance.

We assessed the reasonableness of management's estimation of the inventory allowance, focusing on inventories which aged more than two years but not impaired and performed 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 SFRS(I)s, 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 Ong Bee Yen.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

30 September 2019

STATEMENTS OF
FINANCIAL POSITION

30 JUNE 2019

	Note	Group			Company		
		30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
ASSETS							
Current assets							
Cash and bank balances	6	**6,479**	5,176	4,725	**5,627**	4,721	4,486
Fixed and call deposits	7	**27,387**	26,000	18,784	**27,387**	26,000	18,784
Trade receivables	9	**6,624**	4,976	8,916	**6,918**	4,976	8,885
Other receivables and prepayments	10	**410**	351	340	**409**	350	339
Inventories	11	**3,036**	3,392	3,876	**3,036**	3,392	3,876
Other financial assets at amortised cost	12	**628**	1,501	251	**628**	1,501	251
Total current assets		**44,564**	41,396	36,892	**44,005**	40,940	36,621
Non-current assets							
Fixed and call deposits	7	**–**	–	6,000	**–**	–	6,000
Other financial assets at amortised cost	12	**–**	513	2,036	**–**	513	2,036
Subsidiaries	13	**–**	–	–	**–**	–	–
Property, plant and equipment	14	**12,065**	12,661	13,475	**12,065**	12,661	13,475
Total non-current assets		**12,065**	13,174	21,511	**12,065**	13,174	21,511
Total assets		**56,629**	54,570	58,403	**56,070**	54,114	58,132
LIABILITIES AND EQUITY							
Current liabilities							
Bank loan	15	**–**	–	384	**–**	–	384
Trade payables	16	**2,947**	1,905	4,911	**2,990**	1,950	5,086
Other payables	17	**1,999**	2,054	2,318	**1,989**	2,053	2,308
Finance leases	18	**35**	35	54	**35**	35	54
Income tax payable		**1,135**	1,076	624	**1,135**	1,076	624
Total current liabilities		**6,116**	5,070	8,291	**6,149**	5,114	8,456
Non-current liabilities							
Finance leases	18	**41**	76	111	**41**	76	111
Deferred tax liabilities	19	**928**	928	1,069	**928**	928	1,069
Total non-current liabilities		**969**	1,004	1,180	**969**	1,004	1,180
Capital and reserves							
Share capital	20	**31,732**	31,732	31,732	**31,732**	31,732	31,732
Treasury shares	20	**(973)**	(973)	(983)	**(973)**	(973)	(983)
Reserves		**18,785**	17,737	18,183	**18,193**	17,237	17,747
Total equity		**49,544**	48,496	48,932	**48,952**	47,996	48,496
Total liabilities and equity		**56,629**	54,570	58,403	**56,070**	54,114	58,132

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2019

	Note	Group	
		2019	2018
		$'000	$'000
Revenue	22	**33,598**	35,720
Cost of sales		**(23,054)**	(25,771)
Gross profit		**10,544**	9,949
Other operating income	23	**932**	887
Impairment loss on other financial assets		**(375)**	–
Distribution costs		**(54)**	(67)
Administrative expenses		**(5,326)**	(5,066)
Finance costs	24	**(5)**	(7)
Profit before income tax		**5,716**	5,696
Income tax expense	25	**(1,070)**	(833)
Profit for the year	26	**4,646**	4,863
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(6)**	(4)
Other comprehensive loss for the year, net of tax		**(6)**	(4)
Total comprehensive income for the year		**4,640**	4,859
Earnings per share	27		
Basic (cents)		**2.72**	2.84
Diluted (cents)		**2.72**	2.84

See accompanying notes to financial statements.

STATEMENTS OF
CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2019

	Share capital $'000	Treasury shares $'000	<------ Reserves ------> Currency translation reserve $'000	Share option reserve $'000	Retained profits $'000	Total reserves $'000	Total $'000
Group							
Balance at 1 July 2017	31,732	(983)	20	2	18,161	18,183	48,932
Total comprehensive income for the financial year							
Profit for the financial year	–	–	–	–	4,863	4,863	4,863
Other comprehensive loss for the financial year	–	–	(4)	–	–	(4)	(4)
Total	–	–	(4)	–	4,863	4,859	4,859
Transactions with owners, recognised directly in equity							
Reissue of treasury shares (Note 20)	–	10	–	–	–	–	10
Exercise of share options (Note 21)	–	–	–	(2)	–	(2)	(2)
Dividends (Note 28)	–	–	–	–	(5,303)	(5,303)	(5,303)
Total	–	10	–	(2)	(5,303)	(5,305)	(5,295)
Balance at 30 June 2018	31,732	(973)	16	–	17,721	17,737	48,496
Total comprehensive income for the financial year							
Profit for the financial year	–	–	–	–	4,646	4,646	4,646
Other comprehensive loss for the financial year	–	–	(6)	–	–	(6)	(6)
Total	–	–	(6)	–	4,646	4,640	4,640
Transactions with owners, recognised directly in equity							
Dividends (Note 28)	–	–	–	–	(3,592)	(3,592)	(3,592)
Balance at 30 June 2019	**31,732**	**(973)**	**10**	**–**	**18,775**	**18,785**	**49,544**

	Share capital $'000	Treasury shares $'000	<-------- Reserves --------> Share option reserves $'000	Retained profits $'000	Total reserves $'000	Total $'000
Company						
Balance at 1 July 2017	31,732	(983)	2	17,745	17,747	48,496
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	4,795	4,795	4,795
Transactions with owners, recognised directly in equity						
Reissue of treasury shares (Note 20)	–	10	–	–	–	10
Exercise of share options (Note 21)	–	–	(2)	–	(2)	(2)
Dividends (Note 28)	–	–	–	(5,303)	(5,303)	(5,303)
Total	–	10	(2)	(5,303)	(5,305)	(5,295)
Balance at 30 June 2018	31,732	(973)	–	17,237	17,237	47,996
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	4,548	4,548	4,548
Transactions with owners, recognised directly in equity						
Dividends (Note 28)	–	–	–	(3,592)	(3,592)	(3,592)
Balance at 30 June 2019	**31,732**	**(973)**	**–**	**18,193**	**18,193**	**48,952**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2019

	Group	
	2019	2018
	$'000	$'000
Operating activities		
Profit before income tax	**5,716**	5,696
Adjustments for:		
Depreciation of property, plant and equipment	**1,271**	1,210
Impairment loss on financial assets	**375**	–
Loss on disposal of property, plant and equipment	**99**	–
Allowance for inventories obsolescence	**215**	387
Interest expense	**5**	7
Interest income	**(500)**	(454)
Operating cash flows before movements in working capital	**7,181**	6,846
Trade receivables	**(1,648)**	3,940
Other receivables and prepayments	**(59)**	(11)
Inventories	**141**	97
Trade payables	**1,042**	(3,006)
Other payables	**(55)**	(264)
Cash generated from operations	**6,602**	7,602
Income tax paid	**(1,011)**	(522)
Interest paid	**(5)**	(7)
Interest received	**500**	454
Net cash from operating activities	**6,086**	7,527
Investing activities		
Additions to property, plant and equipment	**(774)**	(396)
Proceeds from maturity of other financial assets at amortised cost	**1,011**	273
Proceeds from disposal of property, plant and equipment	**–**	–
(Placement of) Withdrawals from fixed deposits	**(4,033)**	2,000
Net cash (used in) from investing activities	**(3,796)**	1,877
Financing activities		
Dividends paid	**(3,592)**	(5,303)
Exercise of share options	**–**	5
Repayment of finance lease obligations	**(35)**	(54)
Repayment of bank loan	**–**	(384)
Net cash used in financing activities	**(3,627)**	(5,736)
Net (decrease) increase in cash and cash equivalents	**(1,337)**	3,668
Cash and cash equivalents at beginning of the financial year	**11,176**	7,509
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(6)**	(1)
Cash and cash equivalents at end of the financial year (Note 8)	**9,833**	11,176

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.

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 2019 were authorised for issue by the Board of Directors on 30 September 2019.

For all periods up to and including the year ended 30 June 2018, the financial statements were prepared in accordance with the previous framework, Financial Reporting Standards in Singapore ("FRSs"). These financial statements for the year ended 30 June 2019 are the first set that the Group and the Company have prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)"). Details of first-time adoption of SFRS(I) are included in Note 31.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s").

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 SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *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.

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 SFRS(I) 9, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at fair value, with changes in fair value 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.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the SFRS(I) 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 SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 July 2018. Accordingly, the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 30 June 2018. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of SFRS(I) 9, if any, are recognised in retained earnings and reserves as at 1 July 2018.

Arising from this election, the Group is exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative periods to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative periods.

Financial assets (before 1 July 2018)

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.

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.

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.

Financial assets (from 1 July 2018)

All financial assets are recognised and derecognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised in profit or loss using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate as at each reporting date. Specifically, for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the "administrative expenses" line item.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt securities that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors that may affect the ability of the customers to settle the receivables. The Group has identified the gross domestic product (GDP) and the forecast economic information that relate to the semiconductor industry to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors when assessed to be relevant.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

When information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group), the Group considers this as constituting an event of default for internal credit risk management purposes, as historical experience indicates that receivables that meet this criteria are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the debtor;

b) a breach of contract, such as a default or past due event; or

c) it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status; and
- Nature, size and industry of debtors.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. 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.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost as at each reporting date, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 are recognised as an expense in the periods 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS – At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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.

REVENUE RECOGNITION – Revenue is measured based on the consideration specified in a contract with a customer and excludes amount collected on behalf of third parties. The Group recognises revenue from the following major sources when it transfers control of a product or service to a customer.

Burn-In and Related Services

The Group provides Static Burn-In, Dynamic Burn-In, Test During Burn-In and High Power Burn-In for semiconductor manufacturers. The Group serves the segment of the industry that requires fail-safe or high reliability semiconductor devices, including automotive and microprocessor products. Revenue is recognised at the point in time upon completion of services.

Burn-In Boards and Boards Related Products

The Group is 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.

Revenue is recognised at the point in time when control of the goods is transferred to the customer, generally on delivery of the Boards to the customer's specific location.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Engineering Services and Equipment Distribution

The Group provides services ranging 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.

Revenue is recognised at the point in time when control of the assembled equipment/system is transferred to the customer, generally on delivery of the equipment/system to the customer's specific location.

Rental income

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

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

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

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

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

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

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

Current and deferred tax are recognised as an expense or income in profit or loss.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS – Cash and cash equivalents in the statement of cash flows 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.

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 amounts of inventories of the Group and Company at the end of the reporting period were $3,036,000 (30 June 2018: $3,392,000; 1 July 2017: $3,876,000), net of allowance amounted to $928,000 (30 June 2018: $713,000; 1 July 2017: $326,000).

Calculation of loss allowance for trade receivables

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information, where appropriate.

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

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

The carrying amounts of trade receivables of the Group and Company at the end of the reporting period are disclosed in Note 9.

Impairment loss on other financial assets measured at amortised cost

When measuring ECL, the Group considered the financial position of the counterparties, any default or past due event, as well as the future prospects of the industries in which the counterparties operate which are obtained from financial analyst reports and various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The carrying amounts of other financial assets at amortised cost of the Group and Company at the end of the reporting period are disclosed in Note 12. An impairment loss of $375,000 was recognised during the year.

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 amounts of property, plant and equipment of the Group and Company at the end of the reporting period are disclosed in Note 14.

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		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
Financial assets						
Financial assets at amortised cost	**41,492**	38,483	41,027	**40,934**	38,027	40,757
Financial liabilities						
Financial liabilities at amortised cost	**5,022**	4,070	7,778	**5,055**	4,114	7,943

(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

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in financial loss to the Group.

As at 30 June 2019, the Group's and Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

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

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The table below details the credit quality of the Group's and Company's financial assets as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Group						
30 June 2019						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	6,624	–	6,624
Other receivables	10	Performing	12-month ECL	374	–	374
Other financial assets at amortised cost	12	Performing	12-month ECL	504	–	504
Other financial assets at amortised cost	12	In default	Lifetime ECL – credit-impaired	499	(375)	124
Company						
30 June 2019						
Trade receivables	9	(i)	Lifetime ECL (simplified approach)	6,918	–	6,918
Other receivables	10	Performing	12-month ECL	374	–	374
Other financial assets at amortised cost	12	Performing	12-month ECL	504	–	504
Other financial assets at amortised cost	12	In default	Lifetime ECL – credit-impaired	499	(375)	124

(i) The Group determines the expected credit losses on trade receivables by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions, where relevant.

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

Cash and fixed and call deposits are held with creditworthy financial institutions and are subject to immaterial credit loss.

Before accepting any new customer, management assesses the potential customer's credit quality and defines credit limits by customer. Limits granted to customers are reviewed periodically. The Group's exposure to credit risks and the credit limits to counterparties are continuously monitored. The Group monitors collections due and follow up with debtors as part of the credit management process.

The Group is exposed to concentration of credit risk (i) given that its revenue is generated mainly from four (2018: four) major customers, which accounted for 86% (2018: 58%) of the carrying amount of trade receivables and (ii) $628,000 (2018: $2,014,000) was invested in the form of bonds by issuers, which accounted for 2% (2018: 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 seniority ranking of the bonds on debts of the issuers.

(ii) Interest rate risk management

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 respectively. The Group does not use derivative financial instruments to mitigate this risk.

No sensitivity analysis is prepared as the Group does not expect any material effect on the Group's profit or loss arising from the effects of reasonably possible changes to interest rates on interest bearing financial instruments at the end of the reporting period.

(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.

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

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:

	Assets			Liabilities		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
Group						
United States dollar	**8,671**	6,516	9,096	**2,098**	1,388	3,935
Company						
United States dollar	**8,114**	6,060	8,827	**2,098**	1,388	3,935

Foreign currency sensitivity

For a 5% increase/decrease in Singapore dollar against United States dollar, the Group's and Company's profit before tax would decrease/increase by $329,000 and $301,000 (2018: $256,000 and $233,000) 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 will try to hedge its investments that are denominated in foreign currencies where appropriate.

(iv) Liquidity risk management

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

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

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					
30 June 2019					
Non-interest bearing	**–**	**4,946**	**–**	**–**	**4,946**
Fixed interest rate instruments	**2.78**	**40**	**47**	**(11)**	**76**
Total		**4,986**	**47**	**(11)**	**5,022**
30 June 2018					
Non-interest bearing	–	3,959	–	–	3,959
Fixed interest rate instruments	2.78	40	86	(15)	111
Total		3,999	86	(15)	4,070
1 July 2017					
Non-interest bearing	–	7,229	–	–	7,229
Fixed interest rate instruments	2.53	60	126	(21)	165
Variable interest rate instruments	1.74	389	–	(5)	384
Total		7,678	126	(26)	7,778

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

	Weighted average effective interest rate per annum %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
Company					
30 June 2019					
Non-interest bearing	**–**	**4,979**	**–**	**–**	**4,979**
Fixed interest rate instruments	**2.78**	**40**	**47**	**(11)**	**76**
Total		**5,019**	**47**	**(11)**	**5,055**
30 June 2018					
Non-interest bearing	–	4,003	–	–	4,003
Fixed interest rate instruments	2.78	40	86	(15)	111
Total		4,043	86	(15)	4,114
1 July 2017					
Non-interest bearing	–	7,394	–	–	7,394
Fixed interest rate instruments	2.53	60	126	(21)	165
Variable interest rate instruments	1.74	389	–	(5)	384
Total		7,843	126	(26)	7,943

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT (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	Within 2 to 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000
Group					
30 June 2019					
Non-interest bearing	**–**	**13,477**	**–**	**–**	**13,477**
Fixed interest rate instruments	**2.12**	**28,296**	**–**	**(281)**	**28,015**
Total		**41,773**	**–**	**(281)**	**41,492**
30 June 2018					
Non-interest bearing	–	10,469	–	–	10,469
Fixed interest rate instruments	1.81	27,700	532	(218)	28,014
Total		38,169	532	(218)	38,483
1 July 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

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

	Weighted average effective interest rate per annum %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
Company					
30 June 2019					
Non-interest bearing	**–**	**12,919**	**–**	**–**	**12,919**
Fixed interest rate instruments	**2.12**	**28,296**	**–**	**(281)**	**28,015**
Total		**41,215**	**–**	**(281)**	**40,934**
30 June 2018					
Non-interest bearing	–	10,013	–	–	10,013
Fixed interest rate instruments	1.81	27,700	532	(218)	28,014
Total		37,713	532	(218)	38,027
1 July 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

(v) Fair values of financial assets and financial liabilities

The carrying amounts 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.

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

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.

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	
	2019	2018
	$'000	$'000
Short-term benefits	**2,142**	2,380
Post-employment benefits	**107**	110
	2,249	2,490

6 CASH AND BANK BALANCES

	Group			Company		
	30 June 2019	30 June 2018	1 July 2017	**30 June 2019**	30 June 2018	1 July 2017
	$'000	$'000	$'000	**$'000**	$'000	$'000
Cash at bank	**6,476**	5,172	4,723	**5,624**	4,717	4,484
Cash on hand	**3**	4	2	**3**	4	2
	6,479	5,176	4,725	**5,627**	4,721	4,486

7 FIXED AND CALL DEPOSITS

The deposits bear effective interest in the range of 1.75% to 2.35% (30 June 2018: 1.30% to 1.75%; 1 July 2017: 1.10% to 1.85%) per annum and mature within 1 to 12 months (30 June 2018 and 1 July 2017: 1 to 24 months).

Included in the fixed and call deposits are $3,354,000 (30 June 2018: $6,000,000; 1 July 2017: $2,784,000) with maturity of less than 3 months (Note 8).

Included in the fixed and call deposits are $24,033,000 (30 June 2018: $20,000,000; 1 July 2017: $16,000,000) with maturity of more than 3 months.

At 1 July 2017, there was fixed and call deposits of $6,000,000 with maturity of more than 12 months.

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

		Group	
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Cash and bank balances (Note 6)	**6,479**	5,176	4,725
Fixed and call deposits that are readily convertible to a known amount of cash (Note 7)	**3,354**	6,000	2,784
Cash and cash equivalents in the consolidated statement of cash flows at end of year	**9,833**	11,176	7,509

9 TRADE RECEIVABLES

		Group			Company	
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
Outside parties	6,624	4,976	8,916	6,618	4,976	8,885
Subsidiaries (Note 5)	–	–	–	300	–	–
	6,624	4,976	8,916	**6,918**	4,976	8,885

Trade receivables are non-interest bearing and are generally on 60 days (30 June 2018 and 1 July 2017: 60 days) credit terms. Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors and considering general economic conditions of the industry in which the debtors operate, where applicable.

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

9 TRADE RECEIVABLES (CONTINUED)

The following table details the risk profile of trade receivables from contracts. As the Group's historical loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the different customer base.

	Not past due $'000	Within 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	More than 90 days $'000	Total $'000
Group						
30 June 2019						
Expected credit loss rate	*	*	*	*	*	
Estimated total gross carrying amount at default	5,684	707	200	26	7	6,624
Lifetime ECL	–	–	–	–	–	–
Company						
30 June 2019						
Expected credit loss rate	*	*	*	*	*	
Estimated total gross carrying amount at default	5,978	707	200	26	7	6,918
Lifetime ECL	–	–	–	–	–	–

* The expected credit loss rate is assessed as negligible.

Previous accounting policy for impairment of trade receivables

Prior to 1 July 2018, the impairment of financial assets was assessed based on the incurred loss impairment model. An allowance for impairment on the receivables was made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

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, $2,906,000 (1 July 2017: $6,410,000) is due from four major customers.

Included in the Group's and Company's trade receivables balance are debtors with a carrying amount of $996,000 and $996,000 (1 July 2017: $1,448,000 and $1,448,000) 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.

9 TRADE RECEIVABLES (CONTINUED)

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

	Group		Company	
	30 June 2018 $'000	1 July 2017 $'000	30 June 2018 $'000	1 July 2017 $'000
Not past due and not impaired	3,980	7,468	3,980	7,437
Past due but not impaired[(i)]	996	1,448	996	1,448
Total trade receivables, net	4,976	8,916	4,976	8,885

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

	Group and Company	
	30 June 2018 $'000	1 July 2017 $'000
< 6 months	996	1,448

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
Deposits	**4**	4	3	**4**	4	3
Prepaid expenses	**36**	34	25	**35**	34	24
Others	**370**	313	312	**370**	312	312
	410	351	340	**409**	350	339

11 INVENTORIES

	Group and Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Work-in-process	**1,017**	760	840
Raw materials	**2,019**	2,632	3,036
	3,036	3,392	3,876

The cost of inventories recognised as an expense includes $215,000 (2018: $387,000), in respect of write-downs of inventory to net realisable value for the Group and Company.

12 OTHER FINANCIAL ASSETS AT AMORTISED COST

	Group and Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Bonds, at amortised cost:			
Current	**1,003**	1,501	251
Less: Loss allowance	**(375)**	–	–
	628	1,501	251
Non-current	**–**	513	2,036
	628	2,014	2,287

The bonds have nominal value amounting to $1,000,000 (30 June 2018: $2,000,000; 1 July 2017: $2,250,000) with coupon rates ranging from 4.25% to 5.80% (30 June 2018 and 1 July 2017: 4.25% to 6.00%) per annum and maturity dates ranging from 7 September 2018 to 17 July 2019 (30 June 2018: 10 August 2018 to 17 July 2019; 1 July 2017: 19 March 2018 to 17 July 2019).

For purpose of impairment assessment, the investments in debt securities are assessed for any significant increase in credit risk since initial recognition. Accordingly, the loss allowance is measured either at an amount equal to 12-month expected credit losses (ECL) or at an amount equal to lifetime ECL.

In determining the ECL, management has taken into account the financial position of the counterparties, any default or past due event, as well as the future prospects of the industries in which the counterparties operate which are obtained from financial analyst reports and various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets.

12 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

Impairment loss on financial instruments measured at amortised cost is recognised in profit or loss, with a corresponding adjustment to their carrying amount through the loss allowance account. The following table shows the movement in ECL that has been recognised for the financial assets.

	Lifetime ECL – credit-impaired $'000
Balance as at 1 July 2018	–
Loss allowance recognised in current year	
– issuer under debt restructuring	375
Balance as at 30 June 2019	**375**

At 30 June 2018, management was of view that the fair value of the bond which matured in September 2018 approximated its carrying amount of $499,000 due to the short-term maturity of the bond.

At the end of the reporting period, the fair value of the bonds is $721,000 (30 June 2018: $1,518,000; 1 July 2017: $2,284,000) based on indicative pricing from the financial institution (Level 2).

13 SUBSIDIARIES

	Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'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			Principal activity
		30 June 2019 %	30 June 2018 %	1 July 2017 %	
Avi-Tech, Inc.[1]	United States of America ("USA")	**100**	100	100	Marketing and selling burn-in Boards.
AVT Connect Pte. Ltd.[2]	Singapore	**100**	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 $'000	Plant and equipment $'000	Computer software $'000	Total $'000
Group and Company				
Cost:				
At 1 July 2017	14,931	27,093	722	42,746
Additions	62	334	–	396
At 30 June 2018	14,993	27,427	722	43,142
Additions	350	331	93	774
Disposals	(117)	–	–	(117)
At 30 June 2019	**15,226**	**27,758**	**815**	**43,799**
Accumulated depreciation:				
At 1 July 2017	4,621	23,505	512	28,638
Depreciation for the year	251	821	138	1,210
At 30 June 2018	4,872	24,326	650	29,848
Depreciation for the year	252	859	160	1,271
Disposals	(18)	–	–	(18)
At 30 June 2019	**5,106**	**25,185**	**810**	**31,101**
Impairment:				
At 1 July 2017, 30 June 2018 and 30 June 2019	–	633	–	633
Carrying amount:				
At 1 July 2017	10,310	2,955	210	13,475
At 30 June 2018	10,121	2,468	72	12,661
At 30 June 2019	**10,120**	**1,940**	**5**	**12,065**

The Group and the Company have certain plant and equipment with carrying amount of $154,000 (30 June 2018: $229,000; 1 July 2017: $370,000) under finance lease agreement (Note 18).

The Group and the Company's building and leasehold improvements are mortgaged as security for undrawn credit facilities.

At 1 July 2017, the Group and the Company's building and leasehold improvements were mortgaged as security for a bank loan.

15 BANK LOAN

	Group and Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Current	**–**	–	384

In 2017, the bank loan bore an effective interest rate of 1.74% per annum and was secured by a legal mortgage on the Company's building (Note 14). The bank loan was fully repaid in 2018.

At 1 July 2017, the carrying amount of the bank loan approximated its fair value as the loan bore variable interest rate determined based on a margin over the bank's swap rate.

Reconciliation of liabilities arising from financing activities

Changes in the Group's liabilities arising from financing activities include only cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

16 TRADE PAYABLES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
Outside parties	**2,947**	1,905	4,911	**2,947**	1,905	4,910
Subsidiaries (Note 5)	**–**	–	–	**43**	45	176
	2,947	1,905	4,911	**2,990**	1,950	5,086

The average credit period on purchases of goods is 45 days (30 June 2018 and 1 July 2017: 45 days). No interest is payable on the overdue trade payables.

17 OTHER PAYABLES

	Group			Company		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
Deposits received	**77**	77	77	**77**	77	77
Accrued expenses	**1,354**	1,433	1,586	**1,344**	1,432	1,576
Accrued directors' fees and accrued bonus to directors	**558**	541	652	**558**	541	652
Others	**10**	3	3	**10**	3	3
	1,999	2,054	2,318	**1,989**	2,053	2,308

18 FINANCE LEASES

	Minimum lease payments			Present value of minimum lease payments		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
Group and Company						
Amounts payable under finance leases:						
Within one year	**40**	40	60	**35**	35	54
In the second to fifth years inclusive	**47**	86	126	**41**	76	111
	87	126	186	**76**	111	165
Less: Future finance charges	**(11)**	(15)	(21)	**–**	–	–
Present value of lease obligations	**76**	111	165	**76**	111	165
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(35)**	(35)	(54)			
Amount due for settlement after 12 months	**41**	76	111			

The effective rate of interest for finance leases is 2.78% (30 June 2018: 2.78%; 1 July 2017: from 2.28% to 2.78%) 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 mainly relates to the 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		
	30 June 2019 $'000	30 June 2018 $'000	1 July 2017 $'000
Balance at beginning of the year	**928**	1,069	926
(Credited) Charged to profit or loss (Note 25)	**–**	(141)	143
Balance at end of the year	**928**	928	1,069

20 SHARE CAPITAL

	Group and Company					
	30 June 2019 '000	30 June 2018 '000	1 July 2017 '000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
	Number of ordinary shares					
Issued and paid up:						
At the beginning and end of year	**175,200**	175,200	175,200	**31,732**	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					
	30 June 2019 '000	30 June 2018 '000	1 July 2017 '000	**30 June 2019 $'000**	30 June 2018 $'000	1 July 2017 $'000
	Number of ordinary shares					
At beginning of the year	**4,154**	4,199	4,199	**973**	983	983
Reissue of treasury shares[a]	**–**	(45)	–	**–**	(10)	–
At end of the year	**4,154**	4,154	4,199	**973**	973	983

(a) In 2018, 45,000 treasury shares were transferred in fulfillment of the exercise of employee share options under the Avi-Tech Employee Share Option Scheme.

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.

21 SHARE-BASED PAYMENTS (CONTINUED)

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

	30 June 2018		1 July 2017	
	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	45	0.12
Granted during the year	–	–	–	–
Forfeited/Cancelled during the year	–	–	–	–
Exercised during the year	(45)	0.12	–	–
Expired during the year	–	–	–	–
Outstanding at the end of the year	–	–	45	0.12
Exercisable at the end of the year	–	–	45	0.12

The options outstanding at the end of the previous reporting period had a weighted average remaining contractual life of 5 years.

22 REVENUE

The Group derives its revenue from the transfer of goods and services at a point in time in the following major revenue streams which is consistent with the revenue information that is disclosed for each reportable segment under SFRS(I) 8 (Note 30).

A disaggregation of the Group's revenue for the year is as follows:

	Group	
	2019 $'000	2018 $'000
Burn-In and Related Services	**10,543**	10,114
Burn-In Boards and Boards Related Products	**18,831**	19,049
Engineering Services and Equipment Distribution	**4,224**	6,557
	33,598	35,720

23 OTHER OPERATING INCOME

	Group 2019 $'000	Group 2018 $'000
Interest income	**500**	454
Rental income	**297**	307
Royalty income	**–**	36
Others	**135**	90
	932	887

24 FINANCE COSTS

	Group 2019 $'000	Group 2018 $'000
Bank loan	**–**	2
Finance leases	**5**	5
	5	7

25 INCOME TAX EXPENSE

	Group 2019 $'000	Group 2018 $'000
Income tax:		
– Current	**1,150**	1,096
– Overprovision in respect of prior years	**(80)**	(122)
Deferred tax (Note 19)	**–**	(141)
	1,070	833

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit before income tax as a result of the following differences:

	Group 2019 $'000	Group 2018 $'000
Profit before income tax	**5,716**	5,696
Tax at the domestic income tax rate of 17% (2018: 17%)	**972**	968
Tax effect of:		
Expenses not deductible in determining taxable profit	**89**	24
Overprovision of current tax in respect of prior year	**(80)**	(122)
Effect of tax exemption	**(17)**	(36)
Others	**106**	(1)
	1,070	833

26 PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Group	
	2019	2018
	$'000	$'000
Employee benefits expense (including directors' remuneration)	**9,166**	9,035
Costs of defined contribution plans (included in employee benefits expense)	**646**	663
Directors' remuneration	**1,103**	858
Directors' fees	**150**	150
Depreciation of property, plant and equipment	**1,271**	1,210
Impairment loss on other financial assets	**375**	–
Loss on disposal of property, plant and equipment	**99**	–
Foreign currency exchange loss – net	**59**	54
Audit fees:		
Auditors of the Company	**128**	128
Non-audit fees:		
Auditors of the Company	**11**	11
Other auditors	**12**	12
Cost of inventories recognised as expense (including allowance for inventories obsolescence)	**13,804**	16,873

27 EARNINGS PER SHARE

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

	Group	
	2019	2018
	$'000	$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**4,646**	4,863
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**171,046**	171,031
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**171,046**	171,046
Earnings per share (cents):		
– Basic	**2.72**	2.84
– Diluted	**2.72**	2.84

28 DIVIDENDS

	Group and Company	
	2019	2018
	$'000	$'000
Dividends on ordinary shares in respect of the financial year ended 30 June 2017:		
– Final one-tier tax exempt dividend of 1.0 cent per share	**–**	1,710
– Special one-tier tax exempt dividend of 0.8 cent per share	**–**	1,369
Dividends on ordinary shares in respect of the financial year ended 30 June 2018:		
– Interim one-tier tax exempt dividend of 1.3 cents per share	**–**	2,224
– Final one-tier tax exempt dividend of 1.0 cent per share	**1,710**	–
– Special one-tier tax exempt dividend of 0.3 cent per share	**514**	–
Dividends on ordinary shares in respect of the financial year ended 30 June 2019:		
– Interim one-tier tax exempt dividend of 0.8 cent per share	**1,368**	–
	3,592	5,303

Subsequent to the end of the reporting period, the Company proposed a final one-tier tax exempt dividend of 1.0 cent per ordinary share totalling $1,710,000 and a special one-tier tax exempt dividend of 0.5 cent per ordinary share totalling $855,000 in respect of the financial year ended 30 June 2019.

29 OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

	Group	
	2019	2018
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	**252**	254

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

	Group and Company	
	2019	2018
	$'000	$'000
Within one year	**255**	248
In the second to fifth year inclusive	**995**	966
After five years	**7,782**	8,006
Total	**9,032**	9,220

29 OPERATING LEASE ARRANGEMENTS (CONTINUED)

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

Land rentals for the building of $242,000 (2018: $239,000) per annum are subject to annual revision.

(b) The Group and Company as lessor

	Group	
	2019	2018
	$'000	$'000
Rental income under operating leases	**297**	307

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	
	2019	2018
	$'000	$'000
Within one year	**297**	91
In the second to fifth year inclusive	**87**	–
Total	**384**	91

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

30 SEGMENT INFORMATION

The Group is primarily engaged in three main operating divisions namely, Burn-In and related services, Burn-In boards and boards related products, and engineering services and equipment distribution. Management monitors performance by the three 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.

30 SEGMENT INFORMATION (CONTINUED)

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

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

Engineering Services and Equipment Distribution ("Engineering")

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

(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.

(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, other receivables, and investments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

30 SEGMENT INFORMATION (CONTINUED)

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	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Revenue										
External revenue	**10,543**	10,114	**18,831**	19,049	**4,224**	6,557	**–**	–	**33,598**	35,720
Inter-segment revenue	**–**	–	**1,854**	1,696	**–**	–	**(1,854)**	(1,696)	**–**	–
Total revenue	**10,543**	10,114	**20,685**	20,745	**4,224**	6,557	**(1,854)**	(1,696)	**33,598**	35,720
Segment results	**4,075**	4,133	**2,807**	1,979	**(1,012)**	(710)	**–**	–	**5,870**	5,402
Interest expense									**(5)**	(7)
Interest income									**500**	454
Rental income									**297**	307
Unallocated income									**72**	52
Unallocated expense									**(1,018)**	(512)
Profit before income tax									**5,716**	5,696
Income tax expense									**(1,070)**	(833)
Profit for the year									**4,646**	4,863

Assets and liabilities and other segment information

	Burn-In Services		Manufacturing and PCBA Services		Engineering		Total	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018
	$'000	$'000	**$'000**	$'000	**$'000**	$'000	**$'000**	$'000
Segment assets								
Segment assets	**6,878**	5,954	**12,285**	11,215	**2,756**	3,860	**21,919**	21,029
Unallocated corporate assets							**34,710**	33,541
Total assets							**56,629**	54,570
Segment liabilities								
Segment liabilities	**1,552**	1,121	**2,772**	2,111	**622**	727	**4,946**	3,959
Unallocated corporate liabilities							**2,139**	2,115
Total liabilities							**7,085**	6,074
Other information								
Additions to non-current assets	**137**	100	**586**	279	**51**	17	**774**	396
Depreciation								
Allocated	**399**	343	**712**	645	**160**	222	**1,271**	1,210

30 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.

	2019	2018
	$'000	$'000
Revenue from external customers		
Singapore	**19,158**	16,962
USA	**6,447**	7,073
Malaysia	**3,608**	5,310
Others[1]	**4,385**	6,375
	33,598	35,720

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

	2019	2018
Carrying amount of non-current assets		
Singapore	**12,065**	12,661

Information about major customers

Included in revenues of $33,598,000 (2018: $35,720,000) are revenues of $9,493,000 (2018: $12,258,000) and $9,169,000 (2018: $3,860,000) arising from sales to two major customers from the Burn-In Services and Manufacturing and PCBA Services business segments. These revenues account for approximately 56% (2018: 45%) of the Group's revenue.

31 ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK

The Group and the Company adopted the new financial reporting framework – Singapore Financial Reporting Standards (International) ("SFRS(I)") for the first time for financial year ended 30 June 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* has been applied in the first set of SFRS(I) financial statements. SFRS(I) is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

As a first-time adopter of SFRS(I), the Group and the Company have applied retrospectively, accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (30 June 2019), except for areas of exceptions and optional exemptions set out in SFRS(I) 1. In the first set of SFRS(I) financial statements for the financial year ended 30 June 2019, an additional opening statement of financial position as at date of transition (1 July 2017) is presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are not presented for equity as at date of transition (1 July 2017) and as at end of last financial period under FRS (30 June 2018), and for total comprehensive income and cash flows reported for the last financial period under FRS (for the year ended 30 June 2018) as there were no changes compared to amounts previously reported.

There is no change to the Group's and the Company's previous accounting policies under FRS on the initial transition to the new framework, other than those arising from the application of SFRS(I) 9 and SFRS(I) 15 which are effective at the same time where enhanced disclosures are required.

There is no material adjustment on the initial transition to the new framework as: (i) management has not elected to take up any transition exemptions under SFRS(I) 1; (ii) the application of the SFRS(I) 9 impairment requirements has not resulted in any material adjustment to allowance recognised; and (iii) no adjustment to revenue recognition was assessed to be required upon application of SFRS(I) 15.

As disclosed in Note 2, the Group and the Company have elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 July 2018. Accordingly, the requirements of FRS 39 *Financial Instruments: Recognition and Measurement* are applied to financial instruments up to the financial year ended 30 June 2018.

Arising from this election, the Group and the Company are exempted from providing disclosures required by SFRS(I) 7 *Financial Instruments: Disclosures* for the comparative periods to the extent that these disclosures relate to items within the scope of SFRS(I) 9. Instead, disclosures under FRS 107 *Financial Instruments: Disclosures* relating to items within the scope of FRS 39 are provided for the comparative periods.

32 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I) pronouncement was issued but not effective and is expected to have an impact to the Group and the Company in the periods of their initial application.

– SFRS(I) 16 Leases[(1)]

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 are recognised in respect of all leases (subject to limited exemptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the existing framework.

Management anticipates that the initial application of the new SFRS(I) 16 will result in changes to the accounting policies relating to operating leases, where the Group is a lessee. As at 30 June 2019, the Group has certain non-cancellable operating lease commitments as disclosed in Note 29. Under the new SFRS(I) 16, a leased asset will be recognised on 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.

(1) Effective for annual periods beginning on or after 1 January 2019

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	13	0.88	746	0.00
100 – 1,000	205	13.87	129,746	0.08
1,001 – 10,000	531	35.93	3,325,547	1.94
10,001 – 1,000,000	707	47.83	52,663,929	30.79
1,000,001 AND ABOVE	22	1.49	114,926,073	67.19
TOTAL	**1,478**	**100.00**	**171,046,041**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LIM ENG HONG	48,194,875	28.18
2	LOH ZEE LAN NANCY	10,295,000	6.02
3	CITIBANK NOMINEES SINGAPORE PTE LTD	7,746,612	4.53
4	DBS NOMINEES (PRIVATE) LIMITED	5,883,954	3.44
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,907,700	2.87
6	TSIA HAH TONG	4,270,650	2.50
7	PROVIDENCE INVESTMENTS PTE LTD	4,082,500	2.39
8	FONG CHING LOON	2,900,000	1.70
9	LIM WEI LING ELAINE	2,840,000	1.66
10	PHILLIP SECURITIES PTE LTD	2,772,500	1.62
11	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,765,000	1.62
12	CHEW LIAN KWEI	2,700,100	1.58
13	CHOO SIEW KHEUN	2,314,500	1.35
14	YONG SER SEN	1,768,610	1.03
15	KOH CHOON NAM	1,667,300	0.97
16	ESTATE OF NG YONG HOCK, DECEASED	1,652,500	0.97
17	OCBC SECURITIES PRIVATE LIMITED	1,612,600	0.94
18	KHO BOON PENG	1,434,450	0.84
19	ABN AMRO CLEARING BANK N.V.	1,395,500	0.82
20	HSBC (SINGAPORE) NOMINEES PTE LTD	1,317,600	0.77
	TOTAL	**112,521,951**	**65.80**

STATISTICS OF SHAREHOLDINGS

AS AT 18 SEPTEMBER 2019

SUBSTANTIAL SHAREHOLDING

Substantial Shareholdings

Name	Direct Interest	%	Deemed Interest	%
Lim Eng Hong	48,194,875	28.18	13,135,000	7.68
Loh Zee Lan Nancy	10,295,000	6.02	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 63.23% 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: 4,154,000

Percentage of treasury shares held against total number of issued shares (excluding treasury shares): 2.43%

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 Wednesday, 30 October 2019 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 2019 together with the Auditors' Report thereon.
(Resolution 1)

2. To re-elect Mr Lim Eng Hong who is retiring pursuant to Article 99 of the Company's Constitution and Rule 720(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").
[See explanatory note (i)] **(Resolution 2)**

3. To re-elect Mr Khor Thiam Beng ("**Mr Khor**") who is retiring pursuant to Article 99 of the Company's Constitution and Rule 720(5) of the Listing Manual of the SGX-ST.
[See explanatory note (ii)] **(Resolution 3)**

4. That contingent upon the passing of Ordinary Resolution 3 above, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, shareholders to approve Mr Khor's continued appointment as an Independent Director, this Resolution to remain in force until the earlier of Mr Khor's retirement or resignation of the Director; or the conclusion of the third AGM following the passing of this Resolution.
[See explanatory note (iii)] **(Resolution 4)**

5. That contingent upon the passing of Ordinary Resolution 4 above, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, shareholders (excluding the Directors and Chief Executive Officer of the Company, and associates of such Directors and Chief Executive Officer) to approve Mr Khor's continued appointment as an Independent Director, this Resolution to remain in force until the earlier of Mr Khor's retirement or resignation of the Director; or the conclusion of the third AGM following the passing of this Resolution.
[See explanatory note (iii)] **(Resolution 5)**

6. To approve the payment of Directors' fees of S$150,000 for the year ended 30 June 2019. (FY2018: S$150,000)
(Resolution 6)

7. To approve the final one-tier tax exempt dividend of 1.0 cent per ordinary share for the year ended 30 June 2019. **(Resolution 7)**

8. To approve the special one-tier tax exempt dividend of 0.5 cent per ordinary share for the year ended 30 June 2019. **(Resolution 8)**

9. To re-appoint Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

10. 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:

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

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

(a) shares; or

(b) convertible securities; or

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

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

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

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

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

Unless revoked or varied by ordinary resolution of the shareholders of the Company in general meeting, this Resolution shall remain in force until the conclusion of the next AGM or the date by which the next AGM is required by law to be held, whichever is earlier.
[See explanatory note (iv)] **(Resolution 10)**

By Order of the Board
Adrian Chan Pengee
Company Secretary

Singapore
15 October 2019

Explanatory Notes:

(i) Resolution 2 – Detailed information about Directors of the Company can be found in the "Board of Directors" section of the Company's Annual Report, including their current directorships in other listed companies and other principal commitments held. Please also refer to the section titled "Additional Information on Directors Seeking Election/Re-Election" appended to this Notice of Annual General Meeting for additional information on Mr Lim Eng Hong. Mr Lim Eng Hong will, upon re-election as a Director of the Company, remain as the Executive Director and Chief Executive Officer of the Company. Mr Lim Tai Meng Alvin, an Executive Director of the Company, is the son of Mr Lim Eng Hong. Save as disclosed, Mr Lim Eng Hong has no relationships including immediate family relationships with any of the Directors, the Company or its 10% shareholders.

(ii) Resolution 3 – Detailed information about Directors of the Company can be found in the "Board of Directors" section of the Company's Annual Report, including their current directorships in other listed companies and other principal commitments held. Please also refer to the section titled "Additional Information on Directors Seeking Election/Re-Election" appended to this Notice of Annual General Meeting for additional information on Mr Khor Thiam Beng. Mr Khor Thiam Beng will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman of the Board and a member of the Audit and Risk, Remuneration and Nominating Committees, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Save that he is an Independent Director of the Company, Mr Khor has no relationships including immediate family relationships with any of the Directors, the Company or its 10% shareholders.

(iii) Resolutions 4 and 5 – On 6 August 2018, the SGX-ST amended the Listing Manual following the publication of the Code of Corporate Governance 2018 by the Monetary Authority of Singapore. As part of the amendments to the Code of Corporate Governance 2018, certain guidelines from the Code of Corporate Governance 2012 were shifted into the Listing Manual for mandatory compliance. On 28 November 2018, the SGX-ST issued the Transitional Practice Note 3 to establish transitional arrangements for certain guidelines shifted into the Listing Manual. Pursuant thereto and in respect of Rule 210(5)(d)(iii) of the Listing Manual, to ensure that the independence designation of a director who has served for more than 9 years as at and from 1 January 2022 is not affected, the Company is seeking to obtain shareholders' approvals for Mr Khor's continued appointment as an independent director prior to 1 January 2022, as he has served for more than 9 years on the Board of the Company. Rule 210(5)(d)(iii) provides that continued appointment as independent director, after an aggregate period of more than 9 years on the board, must be sought and approved in separate resolutions by (A) all shareholders and (B) shareholders excluding directors, chief executive officer, and their associates.

(iv) Resolution 8 – If passed, this Resolution will empower the Directors from the date of the above meeting until the date of the next AGM, to allot and issue shares and convertible securities in the Company up to an amount not exceeding 50% of the total number of issued shares in the capital of the Company (excluding treasury shares), of which up to 20% may be issued other than on a pro rata basis.

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 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.

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

7. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the meeting in order for the Depositor to be entitled to attend and vote at the meeting.

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.

Additional Information on Directors Seeking Election/Re-Election

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Mr Lim Eng Hong and Mr Khor Thiam Beng are the retiring Directors who are seeking re-election at the forthcoming annual general meeting ("**AGM**") of the Company to be convened on 30 October 2019 under Ordinary Resolutions 2 and 3 as set out in the Notice of AGM dated 15 October 2019. Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Directors, in accordance with Appendix 7.4.1 to the Listing Manual of the SGX-ST, is set out below:

	Lim Eng Hong	**Khor Thiam Beng**
Date of initial appointment	16 May 1984	30 October 2006
Date of last re-appointment (if applicable)	N.A.	27 October 2016
Age	70	77
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Nominating Committee's recommendation and assessment on Mr Lim's commitment in the discharge of his duties as a Director, *inter alia*, and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Khor's independence and commitment in the discharge of his duties as a Director, *inter alia*, and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Lim oversees the Group's overall business activities.	N.A.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Chief Executive Officer	Non-Executive Chairman and Independent Director Member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee
Professional qualifications	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
Working experience and occupation(s) during the past 10 years	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
Shareholding interest in the listed issuer and its subsidiaries	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.

	Lim Eng Hong	Khor Thiam Beng
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Lim Tai Meng Alvin, an Executive Director of the Company, is the son of Mr Lim Eng Hong.	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the form set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principle Commitments including Directorships		
Past (for the last 5 years)	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
Present	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.	Please refer to the section of the Company's Annual Report entitled "Board of Directors" for further details.
Information required		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No.	No.
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No.	No.
(c) Whether there is any unsatisfied judgment against him?	No.	No.

		Lim Eng Hong	Khor Thiam Beng
(d)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No.	No.
(e)	Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No.	No.
(f)	Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No.	No.
(g)	Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No.	No.
(h)	Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No.	No.

	Lim Eng Hong	Khor Thiam Beng
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No.	No.
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:–		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No.	No.
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No.	No.
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No.	No.
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,	No.	No.
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No.	No.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

FINAL & SPECIAL DIVIDENDS

NOTICE HAS BEEN GIVEN in the Company's announcement of 28 August 2019 that the Transfer Books and Register of Members of the Company will be closed on 15 November 2019 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 30 October 2019.

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 14 November 2019 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 14 November 2019 will be entitled to the proposed dividends.

The proposed dividends, if approved at the Annual General Meeting, will be paid on 29 November 2019.

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PROXY FORM

2019 ANNUAL GENERAL MEETING

IMPORTANT:

1. 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").
2. 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.

AVI-TECH ELECTRONICS LIMITED

(Company Registration Number 198105976H)
(Incorporated in the Republic of Singapore)

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 Wednesday, 30 October 2019 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 Auditor's Report thereon		
2.	Re-election of Mr Lim Eng Hong as a Director		
3.	Re-election of Mr Khor Thiam Beng as a Director		
4.	Approval of Mr Khor Thiam Beng's continued appointment as an Independent Director by shareholders		
5.	Approval of Mr Khor Thiam Beng's continued appointment as an Independent Director by shareholders (excluding directors, chief executive officer, and their associates)		
6.	Approval of Directors' Fees		
7.	Approval of proposed final dividend		
8.	Approval of proposed special dividend		
9.	Re-appointment of Deloitte & Touche LLP as Auditors		
10.	General Mandate to Directors to issue shares		

Dated this ________ day of ___________ 2019

Total number of Shares in:	No. 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) (the "**SFA**"), 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(1C) of the Companies Act, Cap. 50 of Singapore (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 SFA 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.

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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.

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

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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

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Singapore 554859
www.avi-tech.com.sg