A STRONG FOUNDATION FOR THE FUTURE

ANNUAL REPORT
2018

AVI-TECH ELECTRONICS LIMITED

CONTENTS

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 and life sciences 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.

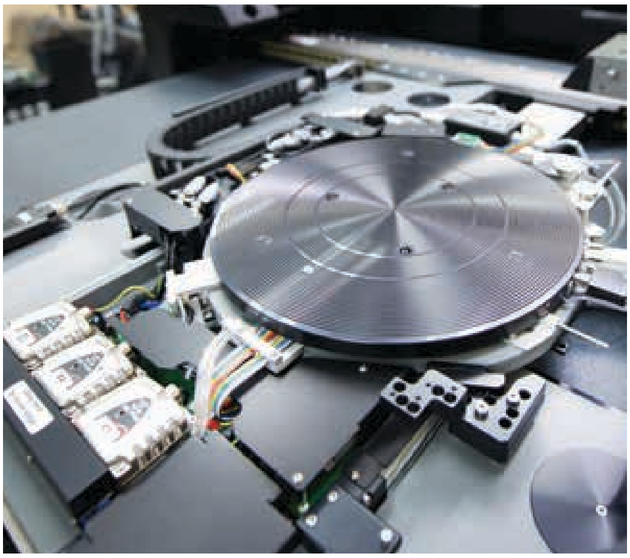
Our market presence has expanded beyond Singapore to Malaysia, Thailand, the Philippines, Taiwan, the People's Republic of China, Japan, the United States of America and Europe to support our global customers.

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

MANUFACTURING AND 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, optical 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.

ROOTED IN OUR STRENGTHS

Expanding our capabilities and deepening our expertise to leverage new opportunities for sustainable growth

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

We closed the financial year ended 30 June 2018 ("FY18") on a profitable note. Although business conditions were less than favourable, our Burn-In Services and Manufacturing and Printed Circuit Board Assembly ("PCBA") Services business segments contributed strongly to revenues. The Engineering Services business segment registered weaker growth, which was reflective of the slowdown in the electronics, particularly, the smartphone sector. We continued to maintain a strong balance sheet, with increased cash and cash equivalents and low gearing, as cost control measures and financial prudence remained key components of our business strategy.

While the semiconductor sector showed signs of moderating in 2018 after the stellar performance in 2017, the automotive semiconductor market remained strong and it is expected to remain robust going forward, with a CAGR projected at 6.4% from 2018 to 2024[1]. This sector is a major contributor of our Group's revenue, with Burn-In Services and Manufacturing and PCBA Services business segments as the main beneficiaries of this uptrend. The Engineering Services business segment bore the brunt of the slowing electronics sector, as companies held back orders and reduced capital expenditure, given the uncertainties in the global economy with the trade war between the United States of America ("US") and China intensifying. In this economic climate, we continued to work on increasing our capabilities through customer qualifications and industry certifications, investments in automation and equipment and process improvement.

GROUP FINANCIAL REVIEW

Our revenue stood at S$35.7 million, a 10.7% decline over the revenue for the financial year ended 30 June 2017 ("FY17") of S$40.0 million. In terms of geographical contributions, Singapore operations contributed a smaller proportion of the Group's revenue at 47.5% (FY17: 55.3%). In contrast, US contribution increased to 19.8% (FY17: 17.9%), with Malaysia and the other regions making up the remaining proportion.

Gross profit weakened by 15.7% to S$9.9 million from FY17's S$11.8 million, which was impacted by the Engineering Services business segment's revenue decline. Gross profit margin stood at 27.9% as compared to 29.5% in FY17. Net profit was 30.8% lower at S$4.9 million, as compared to S$7.0 million in FY17, with the higher revenue and profit from the Burn-In Services business segment, offset by the Manufacturing and PCBA Services business segment's lower profit and the Engineering Services business segment's loss.

On our balance sheet, we generated positive working capital of S$36.3 million as at 30 June 2018, which was an increase from S$28.6 million as at 30 June 2017. The Group recognised net cash from operating activities of S$7.5 million (FY17: S$8.2 million) from profit generated. Cash and cash equivalents, comprising cash and bank balances and fixed and call deposits increased to S$11.2 million as compared to S$7.5 million in FY17 after net cash from investing activities of S$1.9 million and net cash used in financing activities of S$5.7 million. As at 30 June 2018, the Group's cash position increased to S$33.2 million[2].

With the decrease in net profit, earnings per ordinary share (diluted) based on the weighted average number of ordinary shares decreased to 2.84 cents from 4.11 cents in FY17. Net asset value remained fairly constant at 28.35 cents per ordinary share in FY18 (FY17: 28.62 cents per ordinary share).

GROUP INCLINES TO GREATER PROFIT-SHARING

Given our strong fundamentals, profitability, positive operating cash flow, strong cash position and confidence in our long-term sustainability, the Board is proposing a final dividend of 1.0 cent per share and a special dividend of 0.3 cent per share for FY18. This is subject to shareholders' approval at the upcoming annual general meeting ("AGM"). Upon shareholders' approval being obtained at the AGM, the dividends will be paid on 29 November 2018.

The proposed final and special dividends will bring the total dividend paid out to 2.6 cents per share, after the inclusion of the interim dividend of 1.3 cents per share paid out in May this year. This dividend payout, which is 91.4% of our FY18 net profit, surpasses our dividend policy of distributing 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.

HARNESSING TECHNOLOGY FOR NEW GROWTH POSSIBILITIES

The growth of the automotive semiconductor market continues to outperform the rest of the semiconductor industry, with the irreversible trends of Advanced Driver Assistance Systems, electrification of vehicles and cleaner cars to meet increasingly stringent environmental and emissions standards, and driverless vehicles.

There are other areas that will ramp up the demand for semiconductors even further in the years ahead. Chief among them is the Internet of Things ("IoT") and its concomitant need for a wide array of semiconductors to serve various aspects of the Cloud such as for computing, sensors, communications, connectivity and interactivity which will push semiconductor demand and peripheral services exponentially. The installed base of connected devices is projected to even quintuple through 2020[3]. Artificial intelligence ("AI") and robotics is another area of growth. AI functionality is already being utilised in a wide array of industries for data processing, linguistics analytics as well as speech and image recognition. From the smartphone market to cyber security, AI is the enabling technology that is capable of enhancing innovation, increasing productivity and reducing human error.

These are areas that we will be seeking to widen our capabilities in as there are opportunities for all our business segments. The Burn-In Services business segment will be vital where fail-safe devices are used, such as in medical robotics. The Manufacturing and PCBA Services business segment will benefit from the sheer diversity in the types of semiconductors needed in this new era of IoT, as will the Engineering Services business segment with its capabilities for system integration of semiconductor equipment. We have already begun seeking to widen our customer base by actively pursuing leads in these areas while simultaneously enhancing our competencies.

We remain committed and open to exploring other profitable businesses which present a synergistic fit with our current service offerings and which will offer us new opportunities for growth.

SUSTAINABILITY

This year marks the first year the Group will be issuing a sustainability report in November 2018, in accordance with the Global Reporting Initiative Standards: Core option, and the Singapore Exchange regulations and guidelines on corporate governance and sustainability. The report will highlight the material issues associated with our operations that impact society and the environment. Our report will be available on our website and we welcome feedback on our report and sustainability practices.

OUTLOOK

We anticipate that the financial year ending 30 June 2019 will be a challenging one. The outlook for the global economy is uncertain, given the escalating trade tensions between the US and China, which will have reverberations throughout the world. Growth projections have been revised downward for some economies amid rising oil prices and market pressures on currencies of weaker economies[4]. Furthermore, with the slowdown in the electronics sector, the overall semiconductor demand is anticipated to moderate. Nevertheless, due to the continued demand for sector-specific semiconductor chips such as in the automotive, cloud and networking and data security industries, we are cautiously optimistic as there will be opportunities for growth for our business segments. We remain committed to enhancing shareholder value and are strengthening our core competencies, extending our customer base and exploring new growth opportunities through mergers and acquisitions and/or other types of business partnership.

OUR APPRECIATION TO ALL

Finally, as always, our appreciation goes out to our dedicated Board of Directors, management and staff, loyal business partners, associates and customers and supportive shareholders. We hope you will continue to give us your support in the years ahead.

Khor Thiam Beng
Chairman

Lim Eng Hong
Chief Executive Officer

1 Research and Markets. "Automotive Semiconductor Market: Global Industry Analysis, Trends, Market Size and Forecasts up to 2024". https://www.researchandmarkets.com/research/p5xlj7/automotive?w=4

2 Include cash and bank balances, fixed and call deposits and held-to-maturity financial assets

3 PWC. "Semiconductor Industry – Strategies for growth in the Internet of Things era". https://www.strategyand.pwc.com/strategythatworks/growth/semiconductorindustry

4 International Monetary Fund. "World Economic Outlook Update, July 2018". https://www.imf.org/en/Publications/WEO/Issues/2018/07/02/world-economic-outlook-update-july-2018

CORPORATE HISTORY AND MILESTONES

1981-89

- 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

1990-99

- Expanded our business to include the provision of engineering services to design and build semiconductor Burn-In Systems
- Formed strategic alliance with Motay Electronics (which was acquired by Unisys Corporation, a US company providing system integration, network engineering, project management, and technical support services)
- Extended our capabilities to provide Tape and Reel Services to semiconductor manufacturers
- Relocated to our own building with a total built-up area of approximately 12,000 sq. m. and equipped with advanced Burn-In Systems, many of which were designed and fabricated in-house
- Awarded the Economic Development Board of Singapore's Enterprise 50 No. 1 ranking in recognition of our business excellence

Incorporated in 1981, Avi-Tech's corporate history spans over 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 and life sciences industries. We are proud of the many milestones and achievements we have garnered over the years.

2000-10

- 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

2011-18

- 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 PCBA 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

BOARD OF DIRECTORS

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 2018)

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)

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

Past Directorships in listed companies over the last 3 years

(excluding Subsidiaries and Associates of the Company)

- *NIL*

MR LIM ENG HONG

Chief Executive Officer and Executive Director

Mr Lim Eng Hong is the founder of our Group. He has more than 40 years of experience in the semiconductor industry and has been the main driving force behind the growth and business expansion of the Group. Mr Lim oversees the Group's overall business activities and is particularly involved in the development of the strategies behind the Group's diversification into other related business areas.

Shares in the Company or related corporations

61,019,875 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 2018)

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 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. 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 division, and Engineering Services manufacturing operations. In May 2013, Mr Lim was appointed Chief Operating Officer of the Group.

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 2018)

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

Date of last re-election as a director

27 October 2015

Shares in the Company or related corporations

190,000 shares in the Company (Direct Interest)

Committee Memberships

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

Academic & Professional Qualifications

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

Present Directorships (as at 30 June 2018)

Listed Companies (excluding the Company)

- NIL

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

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

Major Appointments (other than Directorships)

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

Past Directorships in listed companies over the last 3 years

(excluding Subsidiaries and Associates of the Company)

- *NIL*

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 2018)

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*
- *Vietnam Hospitality 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. He also coordinates the Group's risk management functions.

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 organisation. While with the banks, he was responsible for supporting corporate clients with a wide range of financial services and products including acquisition financing, capital market financing, loan syndications, treasury and general advisory work; to assist them effectively to manage their corporate financial risks and funding requirements.

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

KEY PERSONNEL

MR PHILIP KWOK WAI SAN

Vice President of Business Development

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

Mr Kwok has more than 30 years of experience in the semiconductor industry. He was previously the Director of Engineering Services of our Group, responsible for the management of the Engineering Services business segment and overseas sales and marketing activities for Burn-In boards and board-related products. Prior to joining our Group, he was an Engineering Manager with National Semiconductor (S) Pte Ltd.

Mr Kwok holds separate Diplomas in Electronic and Communications Engineering and Management Studies from the Singapore Polytechnic and the Singapore Institute of Management respectively.

MR LAU TOON HAI

Vice President of Quality Assurance

Mr Lau Toon Hai is our Vice President of Quality Assurance. He joined our 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 the Singapore Polytechnic.

MR DESMOND OW YANG CHIEN KHANG

Director of Operations (Services)

Mr Desmond Ow Yang is our Director of Operations (Services). He joined our Group in 1999 and oversees the Group's Burn-In operations. Mr Ow Yang is also responsible for the production, planning, engineering and maintenance support of the Group and is the internal auditor for ISO 9001 and ISO 14001 certifications.

Mr Ow Yang started as a Burn-In engineer with our Group and 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 Services, Tape and Reel, Visual Inspection and other services, for both local and overseas customers.

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

KEY PERSONNEL

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 Group's operations related to Manufacturing and Printed Circuit Board Assembly Services ("PCBA") as well as Engineering Services.

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

Mr Ngo holds a Diploma in Electronics, Computer and Communication Engineering from Nanyang Polytechnic, Singapore, and a Bachelor of Science 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, both locally and overseas. Mr Sutedjo is also in charge of the Manufacturing and PCBA Services design team.

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

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

OPERATIONS REVIEW

The Group's revenue in the financial year ended 30 June 2018 ("FY18") decreased by 10.7% to S$35.7 million from S$40.0 million in the financial year ended 30 June 2017 ("FY17"). In terms of segmental performance, the Burn-In Services business segment reported revenue of S$10.1 million as compared to S$9.1 million in FY17. The Manufacturing and Printed Circuit Board Assembly ("PCBA") Services business segment's revenue was S$19.0 million, which was a marginal decrease from S$19.7 million in FY17. The Engineering Services business segment's revenue decreased to S$6.6 million from S$11.2 million in FY17.

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 automotive and microprocessor 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 28.3% of the Group's revenue as compared to 22.7% in FY17. The segmental performance was driven largely by the increase in demand for burn-in services for the automotive semiconductor segment. There was also strong demand for burn-in services for semiconductor chips for the networking and cloud computing and data security industries.

During the year, we continued introducing advanced automated equipment for new products from key customers. With this equipment, we have been able to improve productivity and delivery time and ensure quality products for our customers. Our development of prototypes for a new customer on joint projects with key academic institutions has proven to be successful with various improvements made to meet customer requirements and market demand.

Automation is an ongoing process as we seek to overcome manpower challenges, increase productivity, encourage innovation and meet customer needs. The newly installed equipment such as the autoloader/unloader, enabled us to support the increase in volume and to reduce reliance on labour. It also incorporates additional features including production inspection and automated board handling.

We will continue to deepen our capabilities while acquiring new ones to keep pace with areas of growth. Even though the projected growth of the semiconductor market is expected to moderate in the year ahead[1] due to rising inventory levels, the semiconductor market remains healthy. Furthermore, automotive semiconductors, which is a major contributor to our revenue, and which will continue to require fail-safe high reliability tests, are projected to outpace the general semiconductor growth[2]. The long-term prospects for our Burn-In business segment remain positive given that artificial intelligence ("AI"), the internet of things ("IoT") and cloud computing are predicted to further drive semiconductor growth. As such, we are looking to enhance our processes and capabilities to serve these markets.

MANUFACTURING AND PCBA SERVICES

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

This segment contributed 53.2% of the Group's revenue as compared to 49.3% in FY17. The marginal decrease in the segment's revenue vis-à-vis the previous year was because FY17 was an exceptional year for the semiconductor industry as a whole. The demand for our services continued to come mainly from the automotive, networking and cloud computing and data security sectors, as well as mobile communications and medical sectors, which are also important market segments for us.

OPERATIONS REVIEW

In the past year, we introduced a new manufacturing operations management software to streamline our production processes. We also worked successfully on an automotive cleaning project. Among the latest machinery invested in was a new soldering machine to meet the demands and challenges of more sophisticated Burn-In board requirements, increase our manufacturing capability and enhance productivity. We continued to benchmark ourselves against industry-wide standards through certifications. This will enable us to undertake more complex and higher value-added projects in the future.

Our PCBA services maintained good growth in the fields of electronics, aviation and mobile communications and our inspection solution started to gain momentum with strong demand for inspection requirement from our aviation and electronics customers. Through process enhancement, automation and the leveraging of information technology, we constantly seek to improve our productivity and competitiveness. We also strengthened our existing partnerships and built new ones through the establishment of new contacts, competitive sourcing and collaborative engineering works. By leveraging on our PCBA know-how in the aviation and mobile communications sectors, we were able to acquire a new customer in the automotive sector, providing them with cleaning and PCBA requirements.

In the coming year, we will be working closely with a new customer towards getting product qualification. By adopting the manufacturing operations management software with mobile shop floor tracking, we are taking concrete steps towards digitalisation and smart manufacturing. We anticipate that further technological advancements in the sectors that we serve will lead to the proliferation of more sophisticated and specialised semiconductor chips. Cloud, the IoT, networking, data centres, AI and technologies such as 5G and augmented reality will drive their demand and have a positive downstream impact on our business.

Given the outlook, our focus will be to continue deepening our capabilities and acquiring new competencies to ensure that we remain relevant and at the forefront of our industry.

ENGINEERING SERVICES

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. 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 18.5% to the Group's revenue in FY18 as compared to 28.0% in FY17. We were impacted by the softer demand in the electronics manufacturing industry, particularly the smartphone market, and moderation in semiconductor growth, with reduced orders from our key customers.

We anticipate a competitive environment going forward due to the slowdown in the electronics sector, with resultant price pressures and margin squeeze. Nevertheless, we will continue to work towards gaining new customers, particularly in the area of system integration, which appears promising.

HUMAN RESOURCE AND CORPORATE DEVELOPMENT

We value our people and uphold principles entrenched in the Tripartite Guidelines for Fair Employment Practices, being a signatory to the Employers' Pledge of Fair Employment Practices. We practise diversity and inclusion and are against discrimination of any kind. Our staff of around 200 are of various races, nationalities, age groups and gender, who are given equal opportunities for training and career progression within the Group.

In order to be able to recruit and retain talented personnel and managers, strong emphasis is placed on continuous learning and upskilling as well as opportunities for cross-functional training. In FY18, selected managerial staff were sent for external training and development programmes in areas such as productivity and innovation and human resource strategies. Non-managerial staff were sent for external courses to upgrade national recognised qualifications such as the Integrated Assessment Pathway.

Various staff welfare programmes were organised by us. A dialogue session with management in order to address staff issues and to provide updates on the Group's business outlook was held at the beginning of 2018. A staff barbeque, Christmas lunch and dinner, group anniversary dinner and dance, health screenings and a mass exercise session were other activities organised by us, which facilitated staff bonding and provided opportunities for relaxation outside of work duties.

In keeping with our commitment to business excellence standards, we have implemented and are certified for the requirements of the new ISO 13485:2016 (quality management systems for medical devices), having already attained certifications for ISO 9001:2015 (quality management systems) and ISO 14001:2015 (environmental management systems).

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

In terms of corporate citizenship, we have been contributing to Bright Vision Hospital, a 318-bed community hospital offering intermediate and long-term holistic care for about 1,500 new patients, since December 2015. We also held an arts and crafts event and hosted Patient Birthday Celebrations to celebrate some of the patients' birthdays in 2018.

In terms of sustainability, FY18 marks the inaugural year in which the Group will be reporting on its sustainability efforts in compliance with SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. A sustainability report prepared in accordance with the Global Reporting Initiative standards: Core option, will be uploaded on our website in November this year.

[1] SIA. "Global semiconductor sales increase 20 percent year-to-year in April; double-digit annual growth projected for 2018. https://www.prnewswire.com/news-releases/global-semiconductor-sales-increase-20-percent-year-to-year-in-april-double-digit-annual-growth-projected-for-2018-300660949.html

[2] McKinsey. "How the semiconductor industry is taking charge of its transformation. https://www.mckinsey.com/industries/semiconductors/our-insights/how-the-semiconductor-industry-is-taking-charge-of-its-transformation

ADVANCING TOWARDS THE FUTURE

Harnessing technologies and embracing trends to ensure a future-ready organisation

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Khor Thiam Beng
Non-Executive Chairman and Independent Director

Mr Lim Eng Hong
Chief Executive Officer

Mr Lim Tai Meng Alvin
Chief Operating Officer and Executive Director

Mr Goh Chung Meng
Independent Director

Mr Michael Grenville Gray
Independent Director

AUDIT AND RISK COMMITTEE

Mr Michael Grenville Gray
Chairman

Mr Khor Thiam Beng
Member

Mr Goh Chung Meng
Member

REMUNERATION COMMITTEE

Mr Goh Chung Meng
Chairman

Mr Khor Thiam Beng
Member

Mr Michael Grenville Gray
Member

NOMINATING COMMITTEE

Mr Goh Chung Meng
Chairman

Mr Khor Thiam Beng
Member

Mr Michael Grenville Gray
Member

COMPANY SECRETARY

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

REGISTERED OFFICE

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

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

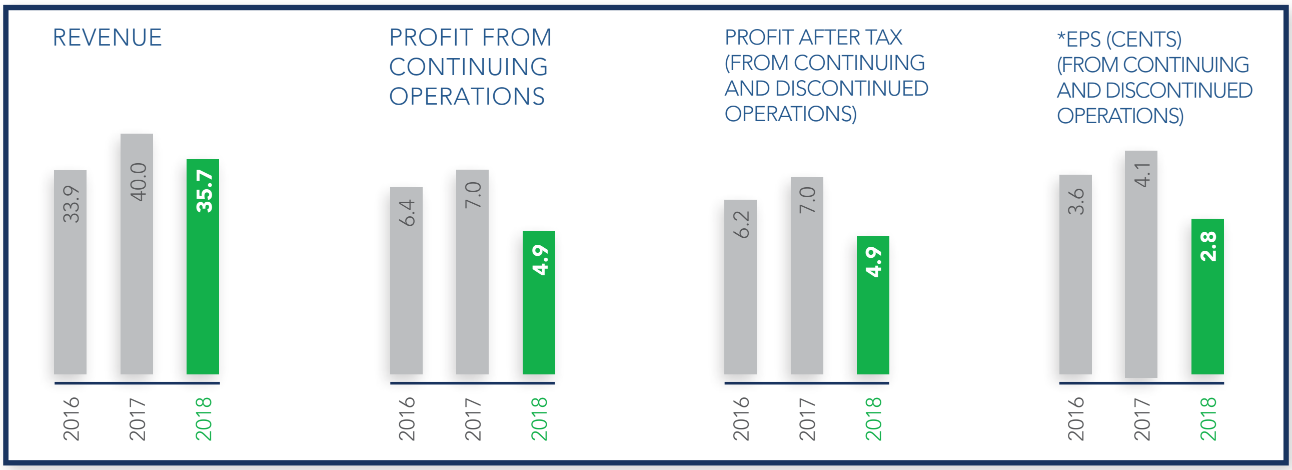
PRINCIPAL BANKERS

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

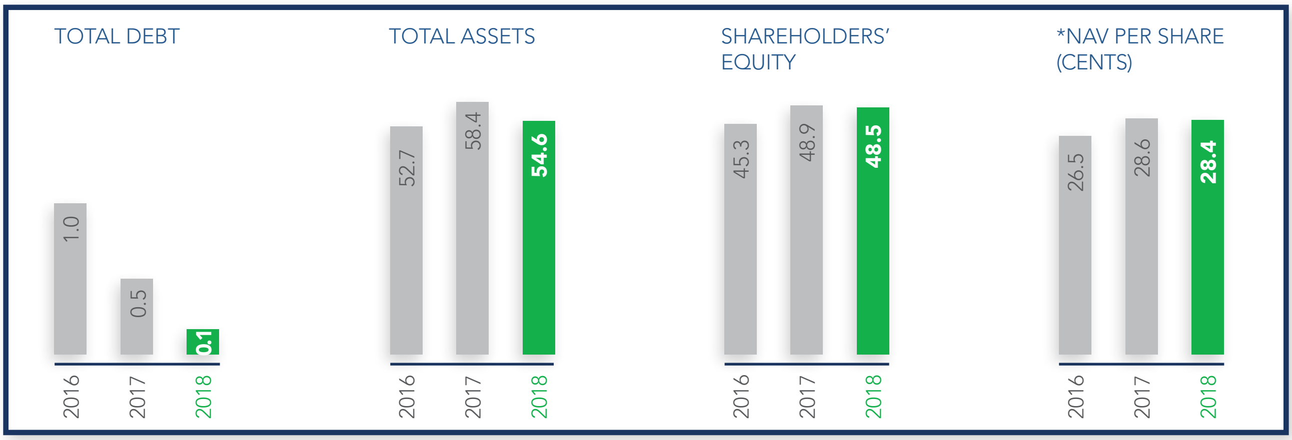
FINANCIAL HIGHLIGHTS

PROFIT AND LOSS ($'M)



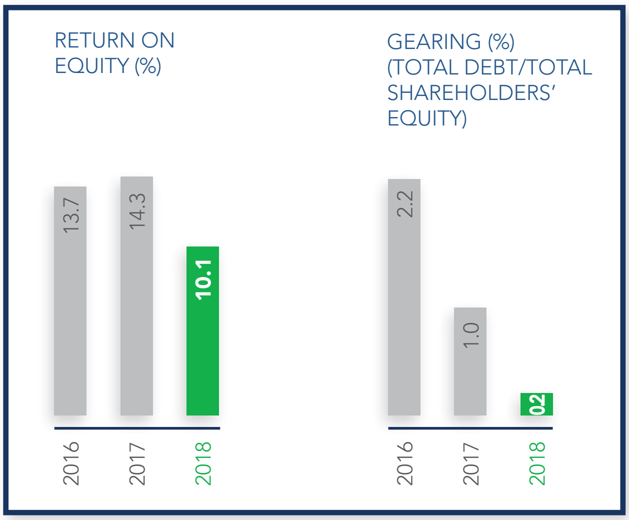
* Restated after share consolidation

BALANCE SHEET ($'M)



* Restated after share consolidation

KEY FINANCIAL RATIOS



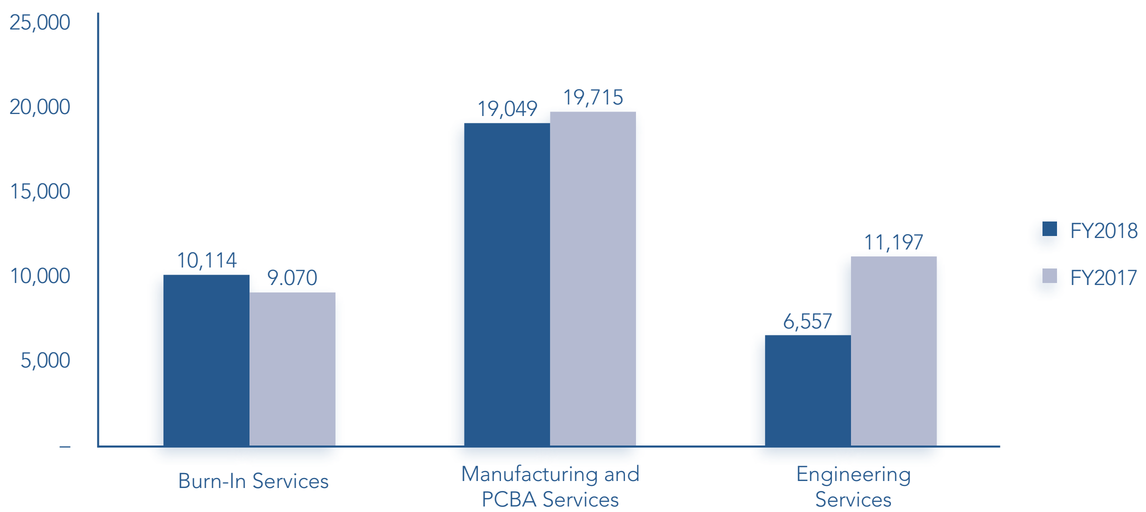
FINANCIAL REVIEW

CONSOLIDATED FINANCIAL PERFORMANCE ($'000)

	FY2018	FY2017	Change %
Revenue	35,720	39,982	(10.7)
Cost of sales	(25,771)	(28,180)	(8.5)
Gross profit	9,949	11,802	(15.7)
Administrative expenses	(5,066)	(4,951)	2.3
Profit before income tax	5,696	8,021	(29.0)
Income tax expenses	(833)	(990)	(15.9)
Profit for the year	**4,863**	**7,031**	**(30.8)**

For the financial year ended 30 June 2018 ("FY2018"), the Group reported a profit of $4.9 million as compared to $7.0 million for the financial year ended 30 June 2017 ("FY2017"). The decrease in profit for the comparative periods was mainly attributed to the loss registered by the Engineering Services business segment and lower profit registered by the Manufacturing and Printed Circuit Board Assembly ("PCBA") Services business segment. Nonetheless, the Burn-In Services business segment registered higher revenue and profit.

REVENUE BY BUSINESS SEGMENTS ($'000)



The Burn-In Services business segment which contributed 28.3% of the Group's revenue in FY2018 (FY2017: 22.7%) reported revenue of $10.1 million, an increase of $1.0 million or 11.5% in revenue. The increase is contributed by the higher sales from 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 $19.0 million.

The Engineering Services business segment experienced weaker growth, in particular, the smartphone market, on the back of softer demand and its revenue declined by 41.4% to $6.6 million.

FINANCIAL REVIEW

COST OF SALES ($'000)

	FY2018	FY2017	Change %
Cost of sales	25,771	28,180	(8.5)
Included in cost of sales:			
Cost of material and equipment	16,873	19,584	(13.8)
Salary cost	6,516	6,434	1.3
Depreciation	663	622	6.6
Electricity	580	467	24.2
Other direct overheads	1,139	1,215	(6.3)

GROSS PROFIT ($'000)

	FY2018	FY2017	Change %
Gross Profit	9,949	11,802	(15.7)
Gross Margin	27.9%	29.5%	(5.5)

For FY2018, the Group's gross profit declined by 15.7% to $9.9 million on account of the Engineering Services business segment's revenue decline while gross profit margin remained relatively stable at around 27.9% in FY2018, after taking into consideration allowance for inventory obsolescence.

ADMINISTRATIVE EXPENSES ($'000)

	FY2018	FY2017	Change %
Administrative expenses	5,066	4,951	2.3
Included in administrative expenses:			
Salary and related cost	2,519	2,512	0.2
Foreign currency exchange loss (gain)	54	(45)	n.m.
Depreciation	547	480	14.0

Administrative expenses increased by $0.1 million from $5.0 million in FY2017 to $5.1 million in FY2018. The increase is primarily due to the foreign currency exchange loss of $0.1 million.

FINANCIAL REVIEW

PROFIT FOR THE YEAR ($'000)

	FY2018	FY2017	Change %
Profit before income tax	5,696	8,021	(29.0)
Income tax expense	(833)	(990)	(15.9)
Profit for the year	4,863	7,031	(30.8)

The Group reported a profit of $4.9 million for FY2018 as compared to $7.0 million for FY2017. The decrease in profit for the comparative periods was mainly attributed to the loss registered by the Engineering Services business segment and lower profit registered by the Manufacturing and PCBA Services business segment. Nonetheless, the Burn-In Services business segment registered higher revenue and profit.

LIQUIDITY AND CAPITAL RESOURCES ($'000)

	FY2018	FY2017	Change %
Cash flow from:			
Operating activities	7,527	8,169	(7.9)
Investing activities	1,877	(3,069)	n.m.
Financing activities	(5,736)	(4,080)	40.6
Net change in cash and cash equivalents	3,667	1,026	n.m.
Cash and cash equivalents at end of year	11,176	7,509	48.8

The Group generated net cash from operating activities of $7.5 million for FY2018.

Net cash generated from investing activities was $1.9 million, which was mainly due to the withdrawals from fixed deposits placed with financial institutions with over three-month tenures upon maturity. Net cash used in financing activities was $5.7 million, which was primarily due to dividend payment and repayment of bank loans of $5.3 million and $0.4 million respectively.

There was an increase in cash and cash equivalents of $3.7 million for FY2018.

The Group closed FY2018 with cash and cash equivalents of $11.2 million.

CORPORATE GOVERNANCE

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

This report describes the Company's corporate governance processes and activities with specific reference to each of the principles set out in the Code. The Group has materially complied with all principles and guidelines set out in the Code. In areas where the Company deviates from the Code, we have provided the rationale, where appropriate.

Principle 1: The Board's Conduct of Affairs	
The Board's role is to: • provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives; • establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets; • review management performance; • identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation; • set the Company's values and standards (including ethical standards) and ensure that obligations to shareholders and other stakeholders are understood and met; and • consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.	Guideline 1.1
All our Directors are tasked to objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.	Guideline 1.2
In accordance with the Code, the Board has, without abdicating its responsibility, established Board committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board committees comprise the Audit and Risk Committee ("**ARC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), which have been delegated with specific authority. Each Board committee functions within its own defined terms of reference and procedures. All committees are chaired by an independent non-executive Director. All Board members objectively make decisions in the interests of the Company. The composition and description of each Board committee 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 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 FY18	4	4	2	1
Khor Thiam Beng	4	4	2	1
Lim Eng Hong	4	4(1)	2(1)	1(1)
Goh Chung Meng	4	4	2	1
Michael Grenville Gray	4	4	2	1

Note:
(1) By Invitation

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

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

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

The Board ensures that all incoming directors will receive comprehensive and tailored induction on joining the Board, including briefing on their duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the Group's business and governance practices. The Company also provides training for any new first-time director (who has no prior experience as a director in a listed company) in areas such as accounting, legal and industry-specific knowledge as appropriate. All new first-time directors (who have no prior experience as a director in a listed company) are also required to attend appropriate SGX-SID Listed Company Director Programmes offered by the Singapore Institute of Directors ("**SID**"). All Board members are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Board is mindful of the best practice in the Code to initiate programmes for Directors to meet their relevant training needs. In this regard, the Company is supportive of Board members in the participation of industry conferences and seminars and will fund Directors' attendance at any course or training programme in connection with their duties as directors. In the financial year under review, Mr Lim Eng Hong and Mr Goh Chung Meng attended the seminar on "Remuneration Committee Essentials" held on 15 March 2018 organised by the SID. Mr Lim Eng Hong also attended the seminar on "Investor and Media Relations Essentials" held on 16 March 2018 organised by the SID. Mr Khor Thiam Beng attended the seminar on "Development to Singapore Restructuring and Insolvency Regime" on 25 July 2017 organised by WongPartnership LLP. Mr Michael Grenville Gray attended several seminars organised by the SID, namely "Demystifying Sustainability Reporting and IR" on 16 November 2017, "Financial Reporting and Audit Considerations for 2018" on 8 January 2018, "The AC's Role in Crisis Management" on 23 May 2018, as well as the Audit Committee Seminar 2018 on "Rebooting Corporate Governance" jointly organised by the Accounting and Corporate Regulatory Authority (the "**ACRA**"), the SGX and the SID on 16 January 2018. Mr Michael Grenville Gray also attended the seminar on the proposed enhancements to the SGX-ST Listing Rules on 3 January 2018 organised by WongPartnership LLP.	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 2018, the Board comprised four (4) Directors, as set out below. As at 30 June 2018, Mr Lim Eng Hong was the only Director that held an executive position.

Director	Board Membership	Date of First Appointment as Director	Date of Last Re-Appointment	Audit and Risk Committee	Nominating Committee	Remuneration Committee
Khor Thiam Beng	Chairman and Independent Director	30 October 2006	27 October 2016	Member	Member	Member
Lim Eng Hong[(1)]	Chief Executive Officer ("**CEO**")	16 May 1984	–	–	–	–
Goh Chung Meng	Independent Director	16 October 2001	27 October 2015	Member	Chairman	Chairman
Michael Grenville Gray	Independent Director	30 October 2006	31 October 2017	Chairman	Member	Member

Note:

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

With effect from 1 August 2018, Mr Lim Tai Meng Alvin was appointed as an executive Director. The Board had considered and endorsed the recommendations of the NC regarding the appointment of Mr Lim Tai Meng Alvin as an executive Director as well as the recommendations of the RC regarding his terms of service and remuneration package. Details of Mr Lim Tai Meng Alvin's qualifications, track record and experiences are set out in the "Board of Directors" section which is found in this Annual Report.

The Board comprises more than one-third independent Directors who offer alternative views of the Group's business and corporate activities. There is a strong and independent element on the Board, capable of exercising objective judgement on corporate affairs independently of the Group. The Board's views and opinions often provide different perspectives to the Group's business. No individual or small group of individuals dominates the Board's decision-making. The independence of each independent Director is reviewed and determined by the NC annually based on guidelines set forth in the Code and individual Director's declarations. Each Director is requested to disclose to the Board if there 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 to the CEO; (iii) part of the management team; or (iv) not an independent director. Although we are not required to comply with this requirement of the Code as the Chairman of our Board is: (i) not the CEO of the Company (or equivalent); (ii) not an immediate family member to the CEO; (iii) not part of the management team; and (iv) an independent Director, the independent Directors do in fact make up more than half of the Board.	Guideline 2.2
Each of Mr Khor Thiam Beng, Mr Michael Grenville Gray and Mr Goh Chung Meng has served on the Board for more than nine (9) years from the respective date of his first appointment. As such, the Board rigorously reviewed their independence, including determining whether any of the Directors have any Associated Relationships. The Board also took into consideration and is highly conscious that these Directors have in their conduct and in the discharge of their duties throughout their respective appointment, continuously and constructively challenged management on business decisions, continued to demonstrate strong independence in character and judgement and have remained objective in the discharge of their respective duties and responsibilities. It is a requirement of the Code that the Board should state its reasons if it determines that a director is independent notwithstanding the existence of an Associated Relationship. After taking into consideration the views of the NC and the Board's review, which determined that none of these Directors has any Associated Relationships, the Board considers each of these Directors to be an independent Director. Neither Mr Khor Thiam Beng, Mr Michael Grenville Gray nor Mr Goh Chung Meng took part in the review of his own independence. The NC recognises that for long tenured independent Directors, there is a need for a higher standard of review, through a particularly rigorous review, compared to that of the normal review of the independence of Directors. Accordingly, the NC and the Board will be instituting more rigorous tests, processes, procedures and/or assessments to improve the assessment of the independence of these Directors, taking into account both quantitative and qualitative factors in assessing the independence of these Directors.	Guidelines 2.3 & 2.4
The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies, knowledge of the Company and experience for the Group. The Board considers its present composition appropriate, taking into account the nature and scope of the Group's operations, requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees. The Board also considers the current size ideal for effective debate and decision-making. The Directors bring with them a wide spectrum of industry knowledge and skills, experience in accounting, finance, legal and business strategies, management expertise, customer-based experience, knowledge of the Group and objective perspective to effectively lead and direct the Group. Profiles of the Directors are set out in this Annual Report.	Guidelines 2.5 & 2.6

Balance and Diversity of the Board (for the financial year under review)

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

The Board is of the view that there is sufficient diversity in skills, experience and knowledge of the Company in its 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 understand the range of expertise which is lacking by the Board.

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

At least once a year, the non-executive Directors meet without the presence of management and the executive Director(s), to review any matters that they wish to raise privately, constructively challenge and help develop proposals on company strategy, review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. In the financial year under review, the non-executive Directors met without the presence of management and the executive Director a total of four (4) times, which were attended by all non-executive Directors.

Guidelines 2.7 & 2.8

Principle 3: Chairman and Chief Executive Officer	
The Code advocates that the Chairman and the CEO should in principle be separate persons to ensure an appropriate balance of power, increased accountability and greater capacity for independent decision-making. The Chairman of the Board is Mr Khor Thiam Beng, an independent Director. Mr Khor Thiam Beng and Mr Lim Eng Hong are not immediate family members. There is a clear separation of the roles and responsibilities between the Chairman and the CEO in order to maintain effective oversight.	Guideline 3.1
The role of the Chairman includes: • leading the Board to ensure its effectiveness on all aspects of its role; • setting the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues; • promoting a culture of openness and debate at the Board; • ensuring that the Directors receive complete, adequate and timely information; • ensuring effective communication with shareholders; • encouraging constructive relations within the Board and between the Board and management; • facilitating the effective contribution of non-executive Directors in particular; and • promoting high standards of corporate governance. Day-to-day operations of the Group are entrusted to the CEO. He assumes full executive responsibilities over the mapping of business plans and operational decisions of the Group.	Guideline 3.2
It is a requirement of the Code that if the chairman of the board is: (i) the CEO of the Company; (ii) an immediate family member to the CEO; (iii) part of the management team; or (iv) not an independent director, the Company should appoint an independent director to be a lead independent director who is required to lead the independent directors to meet periodically without the presence of the other directors and provide feedback to the chairman after such meetings. We are not required to appoint a lead independent director as the Chairman of our Board is: (i) not the CEO of the Company; (ii) not an immediate family member to the CEO; (iii) not part of the management team; and (iv) an independent Director.	Guidelines 3.3 & 3.4

Principle 4: Board Membership	
The NC is regulated by a set of written terms of reference endorsed by the Board, setting out its duties and responsibilities and comprises the following three (3) Directors, all of whom are independent: Mr Goh Chung Meng – Chairman; Mr Khor Thiam Beng – Member and Mr Michael Grenville Gray – Member.	Guideline 4.1
According to its terms of reference, the responsibilities of the NC include: • reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board; • identifying and making recommendations to the Board as to the Directors (including alternate directors, if applicable) who are to retire by rotation and to be put forward for re-election at each annual general meeting of the Company ("**AGM**"); • determining annually whether or not a Director is independent; • deciding, in relation to a Director who has multiple board representations, whether or not such Director is able to and has been adequately carrying out his duties as a Director of the Company; • identifying and nominating candidates for the approval of the Board to fill vacancies in the Board as and when they arise; • review of training and professional development programmes for the Board; • reviewing and making recommendations to the Board regarding the Board structure, size, composition and core competencies having regard at all times to the principles of corporate governance and the Code; and • developing a process for evaluation of the performance of the Board as a whole, its Board committees and the contribution by each Director and proposing objective performance criteria (that allows comparison with the Company's industry peers) to evaluate the same. The NC makes recommendations to the Board on relevant matters relating to the review of Board succession plans for Directors, in particular, the Chairman and the CEO; the development of a process for evaluation of the performance of the Board, its Board committees and Directors; the review of training and professional development programmes for the Board; and the appointment and re-appointment of directors (including alternate directors, if applicable). 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.	Guidelines 4.2 & 4.6

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 Goh Chung Meng for re-election at the forthcoming AGM. The Board has accepted the NC's recommendation.	
The NC has also rigorously reviewed the independence of the Board members with reference to the guidelines set out in the Code and, has determined Mr Khor Thiam Beng, Mr Michael Grenville Gray and Mr Goh Chung Meng to be independent. In respect of determining the independence of Mr Khor Thiam Beng, Mr Michael Grenville Gray and Mr Goh Chung Meng, the NC has, *inter alia*, taken into consideration that each of them has no Associated Relationships.	Guideline 4.3
The NC determines annually whether each Director with multiple board representations or other principal commitments outside of the Group is able to and has been adequately carrying out his duties as a Director of the Company. The NC takes into account the attendance and contributions of the Directors at Board's or Board committee's meetings, level of commitment required of the Director's other principal commitments, degree of complexity of the other listed companies where the Director holds directorships, expectations of the Director's obligations in the capacity as director in other organisations, results of the assessment of the effectiveness of the Board as a whole and Board committees, and the respective Directors' actual conduct and participation on the Board and its Board 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 Tai Meng Alvin, who was appointed as executive Director on 1 August 2018, 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 record at the meetings of the Board and the Board committees and quality of participation at meetings as well as special contributions.	Guideline 5.2
The consolidated findings are reported and recommendations are made to the Board for consideration of further improvements to help the Board to discharge its duties more effectively. Where appropriate, the Chairman will act on the results of such evaluation and, in consultation with the NC and if necessary, propose new members to be appointed to the Board or seek the resignation of directors. The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board committees have operated efficiently, the Board has met its performance objectives and each Director has contributed to the overall effectiveness of the Board in the financial year under review. Each member of the NC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the NC in respect of the assessment of his performance or re-nomination as a Director.	Guideline 5.3
Principle 6: Access to Information	
Management recognises that the flow of complete, adequate and timely information on an ongoing basis to the Board is essential to the Board's effective and efficient discharge of its duties. The Chief Financial Officer ("**CFO**") provides each member of the Board with appropriate financial accounts and other information detailing the Group's performance, financial position and prospects on a regular basis and provides the Board with meeting and presentation materials in advance of each meeting unless doing so would be deemed to compromise the confidentiality of highly sensitive information. Further enquiries may be made by the Directors to discharge his duties properly. The Directors have separate and independent access to the Company's senior management. The Board is also entitled to request from senior management and is, upon request, provided with such additional information needed to make informed decisions. Management provides such additional information to the Board in a timely manner.	Guideline 6.1

The information provided by the CFO includes Board papers and related materials, background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results is disclosed and explained. The CFO and outside professionals may also be invited to attend the meetings to provide further insight on specific matters or respond to queries from the Directors.	Guideline 6.2
The Directors also have separate and independent access to the Company Secretary, and can seek independent professional advice and assistance from the Company Secretary or outsiders if necessary, and the cost of such advice and assistance will be borne by the Company. The Company Secretary provides secretarial support to the Board, and the responsibilities of the Company Secretary include: • advising the Board on all governance matters; • attending all Board and Board committee meetings and preparing the minutes of these meetings; • ensuring adherence to Board procedures and compliance with relevant Singapore rules and regulations applicable to the Company. Where such rules and regulations relate to foreign jurisdictions, the Company Secretary facilitates liaison between foreign advisors and the Board; • working with management to ensure good information flows within the Board and the Board committees and between senior management and non-executive Directors; and • facilitating orientation and assisting with professional development as required.	Guidelines 6.3 & 6.5
The appointment and the removal of the Company Secretary is a matter for the Board to decide as a whole.	Guideline 6.4
Principle 7: Procedures for Developing Remuneration Policies	
The RC is regulated by a set of written terms of reference endorsed by the Board setting out its duties and responsibilities and comprises three (3) Directors, all of whom are non-executive and independent: Mr Goh Chung Meng – Chairman; Mr Khor Thiam Beng – Member and Mr Michael Grenville Gray – Member. The aim of the RC is to motivate and retain Directors and key management personnel without being excessive, and ensure that the Company is able to attract and retain the best talent in the market to drive the Group's businesses forward in order to maximise long-term shareholder value.	Guideline 7.1

According to its terms of reference, the responsibilities of the RC include: • recommending to the Board a framework of remuneration for the Board and key management personnel, and determining the specific remuneration packages for each Director as well as for the key management personnel. Such recommendations should cover all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options and benefits in kind; • determining performance-related elements of remuneration to align interests of executive Directors and key management personnel with those of shareholders and link rewards to corporate and individual performance; and • considering whether Directors should be eligible for benefits under long-term incentive schemes. During the financial year under review, the RC reviewed and made recommendations in relation to the general remuneration framework for the Board as well as regarding the specific remuneration packages of the Directors and key management personnel and submitted them for endorsement by the entire Board. Each member of the RC will abstain from voting and discussing on any resolutions in respect of his own remuneration package.	Guideline 7.2
While none of the members specialise in the field of executive compensation, the members of the RC do possess broad knowledge in this area and have access to external professional advice. The RC is competent in reviewing and recommending to the Board the appropriate remuneration framework for the Board and key management personnel in accordance with the terms of reference duly adopted by the Board. No external remuneration consultants were appointed for the financial year under review. However, in reviewing and recommending to the Board the appropriate remuneration framework for the Board and key management personnel, the RC had reviewed remuneration surveys published by consulting groups and the government. As and when deemed appropriate by the RC, independent expert advice on remuneration of Directors will be sought at the Company's expense. The RC shall ensure that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants.	Guideline 7.3
The RC reviews the Company's obligations arising in the event of termination of the executive Director's and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance when setting the remuneration packages of the executive Director and key management personnel.	Guideline 7.4

Principle 8: Level and Mix of Remuneration	
The annual review of the compensation is carried out by the RC to ensure that the remuneration components of the executive Director and key management personnel, i.e. annual fixed cash, annual performance incentives and the long-term incentives, are market competitive and commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The annual fixed cash component comprises the annual basic salary plus fixed allowances which the Company benchmarks against the relevant industry market data, where available. The annual performance incentive variable bonus is tied to the performance of the Company, business unit and individual employee. Performance conditions to which entitlement to such annual and short-term incentives are subject to include benchmarking performance against industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance vis-a-vis industry performance. The RC exercises broad discretion and independent judgement in ensuring that the amount and mix of compensation is aligned with the interests of shareholders and promotes the long-term success of the Company. The mix of fixed and variable reward is considered appropriate for the Group and for each individual role. The performance-related remuneration structure is directly linked to corporate and individual performance. The RC also recognises the need for a reasonable alignment between risk and performance-related remuneration to discourage excess risk taking. As such, in determining the performance-related remuneration structure, the RC had taken into account the risk policies and risk tolerance of the Group, and whether such remuneration was symmetric with risk outcomes and sensitive to the time horizon of risks.	Guideline 8.1
In the financial year under review, the Avi-Tech Employee Share Option Scheme ("**ESOS**") was the Group's long-term incentive plan. The ESOS expired on 5 July 2017 and was not extended or replaced. Following its expiry, the Board had in consultation with the RC, considered and weighed the benefits of implementing another employee stock option scheme against the costs and other charges to the Company of such a long-term incentive plan and has, after taking into account various factors, including but not limited to, the past 10-year performance on the effectiveness of the ESOS, in aligning the long-term interest of various stakeholders (including employees, management and ultimately the shareholders of the Company) and influencing significant growth potential improvement, determined that it may be more beneficial to consider other more effective alternatives of long-term incentive implementation including share award schemes, to promote better alignment of interests between various stakeholders and contributing to the long-term success of the Group.	Guideline 8.2
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 2018. 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 2018, 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**	**41**	**54**	**5**	**100**
Band A[(3)]					
Khor Thiam Beng	**100**	**0**	**0**	**0**	**100**
Goh Chung Meng	**100**	**0**	**0**	**0**	**100**
Michael Grenville Gray	**100**	**0**	**0**	**0**	**100**

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

A breakdown, showing the level and mix of the top key management personnel's remuneration (in bands of S$250,000) for the financial year ended 30 June 2018, is as follows:	Guideline 9.3

Top Key Management Personnel	Salary	Variable Bonus	Benefits in kind	Total
Band B(1)				
Joseph Wang Nin Choon	**82**	**18**	**0**	**100**
Band A(2)	**%**	**%**	**%**	**%**
Kwok Wai San, Philip	**81**	**15**	**4**	**100**
Lau Toon Hai	**82**	**18**	**0**	**100**
Lim Tai Meng Alvin(3)	**79**	**18**	**3**	**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) Mr Lim Tai Meng Alvin is the son of Mr Lim Eng Hong, our CEO, Director and controlling shareholder.

After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company believes that such disclosure above as well as in the financial statements of the Company 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.

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.

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

Avi-Tech Employee Share Option Scheme	Guideline 9.5
The Company had on 6 July 2007 adopted the ESOS for eligible employees, including all Directors of the Company and the Group. The ESOS, of which the duration was ten (10) years, had expired on 5 July 2017 and was not extended or replaced. The ESOS was administered by the RC. The aggregate number of shares over which the RC may grant options on any date, when aggregated with the number of shares issued and issuable in respect of all options granted under the ESOS and any other share option schemes of the Company, shall not exceed 15% of the issued shares of the Company (excluding treasury shares) on the day preceding the date of the relevant grant. The options that are granted under the ESOS may have exercise prices that are set at a price (the "**Market Price**") equal to the average of the last dealt prices for the shares on the Official List of the SGX-ST for the five (5) consecutive market days immediately preceding the relevant date of grant of the relevant option of a Share; or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date of grant of the option. Options granted to employees of the Group under the ESOS will have a life span of ten (10) years. All other options granted under the ESOS will have a life span of five (5) years. Under the rules of the ESOS, executive and non-executive Directors (including independent Directors of the Company) and employees of the Group and associated companies are eligible to participate in the ESOS. Subject to specific approval of independent shareholders, controlling shareholders and their associates will also be eligible to participate in the ESOS.	

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

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

Note:

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

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

The ESOS had expired on 5 July 2017.There are no outstanding options unexercised under the ESOS.

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 to include benchmarking performance against industry business operation expectations and performance that exceeds such expectations, as well as measuring performance based on the Company's financial performance vis-a-vis industry performance. In the financial year under review, the Avi-Tech ESOS was the Group's long-term incentive plan. Conditions to entitlement to such long-term incentive include assessment and recognition of potential progressive performance and enhancement to asset value and shareholder value over time, taking into consideration current and future plans of the Company. The ESOS had expired on 5 July 2017 and was not extended or replaced. Where appropriate, consideration of other forms of long-term incentive plans will be made. For the financial year under review, the performance conditions for the short-term incentives were generally met. For the financial year under review, the remuneration package of the Company's only executive Director as at 30 June 2018, who is also the CEO, is based on terms stipulated in his service contract. His remuneration includes a profit sharing scheme that is performance-related to align his interests with those of the shareholders. The CEO's service contract with the Company is for a fixed period 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 the SGXNET.	Guideline 10.3
Principle 11: Risk Management and Internal Controls **Principle 13: Internal Audit**	
The Company has put in place a risk management and internal control system in areas such as financial, operational, compliance and information technology controls. Risk management and internal controls are detailed in formal instructions, standard operating procedures and financial authority limits policies. The principal aim of the internal control system is the management of business risks with a view to safeguarding shareholders' investments and the Group's assets. The management maintains the risk management and internal control systems and the Board monitors the Group's risks through the ARC and internal auditors. In designing these controls, the Company has considered the risks to which the business is exposed, the likelihood of such risks occurring and the costs of protecting against them.	Guideline 11.1
The Board is committed to maintaining a robust and effective system of internal controls to safeguard shareholders' interests and investments, and the Group's assets. The Board recognises the importance of sound internal controls and risk management practices for good corporate governance. The Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and effectiveness of those systems, including financial, operational, compliance and information technology controls, on an annual basis.	Guidelines 11.2 & 13.5

The Board is responsible for risk governance, establishing risk management policies and tolerance strategies that set the appropriate tone and direction, and also overseeing the implementation of risk management framework to ensure that risks are identified and managed. On an ongoing basis, the Board needs to continuously monitor and assess the adequacy of the risk management systems that it has put in place, the system of internal controls and ensure that management takes the appropriate steps to manage and mitigate risks.

The Company's Risk Governance and Internal Control ("**RGIC**") framework was developed to realise the value of risk management by providing an integrated enterprise-wide perspective of the risks involved in the Company's businesses, and institutionalising a systematic risk assessment methodology for the identification, assessment, management, reporting and monitoring of risks on a consistent and reliable basis. The RGIC Manual sets out, *inter alia*, the Board's approved Risk Appetite and Risk Tolerance guidance, Authority and Risk Control Matrix, Key Control Activities and Key Reporting and Monitoring Activities to manage and mitigate risks.

The Company's RGIC framework is constantly refined, ensuring relevance in a dynamic operating environment. The Company keeps abreast of the latest developments and best practices by participating in industry seminars and interacting with risk management practitioners. Continuous training to build risk awareness and competencies, as well as systems and tools to operationalise the risk management framework are put in place to support the Company's RGIC framework.

During the financial year under review, the Board reviewed the adequacy and effectiveness of the Group's internal controls and risk management framework and systems, conducted dialogue sessions with the management to understand the process, and to identify, assess, manage and monitor risks within the Group.

In addition, the Board also engaged RSM Risk Advisory Pte Ltd., the outsourced internal auditor for the Group, during the financial year under review to conduct an internal audit on selected key risk areas of the Group and to make recommendations to enhance the internal controls and risk management framework and systems.

Management updated the ARC and the Board on the Group's risk profile, the status of risk mitigation action plans and updates on the following areas:

- identification of specific "risk owners" who are responsible for the risks identified;
- assessment of the Group's key risks by major business units and risk categories;
- description of the processes and systems in place to identify and assess risks to the business and how risk information is collected on an ongoing basis;
- ongoing gaps in the risk management process such as system limitations in capturing and measuring risks, as well as action plans to address the gaps;

• status and changes in plans undertaken by the management to manage key risks; and • description of the risk monitoring and escalation processes and also systems in place. The Board also considered any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year under review.	
The Board relies on internal audit reports and the management letter prepared by the external auditors to report on any material non-compliance or internal control weaknesses. For the financial year under review, based on the risk management systems and internal controls established and maintained by the Group, work performed by the internal and external auditors, review of the internal audit plan and the internal auditors' evaluation of the system of internal controls and reviews performed by management, various Board committees and the Board, the Board, with the concurrence of the ARC, is of the opinion that the Group's risk management and internal controls are adequate and effective as at 30 June 2018 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, the internal auditors' resources to conduct the internal audit plan and taking into account that the internal auditors have access to all the Company's documents, records, properties and personnel, including access to the ARC and having the co-operation of management, the ARC is satisfied that the internal audit function is adequately resourced and has the appropriate standing within the Group.	Guidelines 13.2 & 13.5

In considering the hiring, removal, evaluation and compensation of the internal auditors, the ARC has considered and is satisfied with the adequacy of the qualifications and experience of the internal auditors.	Guideline 13.3
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 a wide financial management experience and Mr Khor Thiam Beng being a senior practising lawyer.	Guideline 12.2
The ARC has full access to, and co-operation from the management, and has full discretion to invite any Director, executive officer of the Company or other persons to attend its meetings. It may require any such Director, executive officer or other person in attendance to leave the meeting (temporarily or otherwise) to facilitate open discussion should they have an interest in the matter under discussion. The ARC also has explicit authority to investigate any matter brought to its attention, within its terms of reference, with the power to retain professional advice at the Company's expense. The ARC has reasonable resources to enable it to discharge its functions properly. The members of the ARC also take measures to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements as and when it, or the Board or the Company, deems necessary and appropriate.	Guideline 12.3
According to its terms of reference, the responsibilities of the ARC include: • reviewing the scope and results of the external audit and the independence and objectivity of the external auditors; • reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Group's financial performance; • assisting the Board in carrying out its responsibility of overseeing and maintaining the Company's risk management framework and policies, including reviewing the Company's levels of risk tolerance and risk policies, and overseeing the management in the design, implementation and monitoring of the Company's risk management and internal control systems;	Guidelines 12.1, 12.4 & 12.8

- 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;

- 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;

<table>
<tr><td>

- 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.
</td><td></td></tr>
<tr><td>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.</td><td>Guideline 12.5</td></tr>
<tr><td>

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:

<table>
<tr><th>Service Category</th><th>Fees Paid/Payable
S$'000</th></tr>
<tr><td>Audit Services</td><td>127.5</td></tr>
<tr><td>Non-Audit Services</td><td>10.5</td></tr>
<tr><td>Total</td><td>138</td></tr>
</table>

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.
</td><td>Guideline 12.6</td></tr>
</table>

In proposing to shareholders the re-appointment of Deloitte & Touche LLP as the external auditors to the Company and in line with Rule 712 of the Listing Manual of the SGX-ST, the Board and the ARC considered and are satisfied with the adequacy of the resources and experience of the auditing firm and the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of our Group being audited, and the number and experience of supervisory and professional staff assigned to the particular audit. Deloitte & Touche LLP has confirmed that it is registered with the ACRA. The Company is also in compliance with Rule 715 of the Listing Manual of the SGX-ST in relation to the appointment of the auditors of the Company and its subsidiaries.	
To achieve a high standard of corporate governance for the operations of the Group, the Group has implemented a whistle-blowing 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 2018 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 2018. 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 restricts any former partner or director of the Company's existing auditing firm or auditing corporation from acting as a member of the Company's ARC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation. Currently, none of the Directors of the Company are former partners or directors of the Company's existing external and/or internal auditors.	Guideline 12.9
Principle 14: Shareholder Rights **Principle 15: Communication with Shareholders** **Principle 16: Conduct of Shareholder Meetings**	
All shareholders are treated fairly and equitably to facilitate their ownership rights. In line with the continuing disclosure obligations of the Company pursuant to the Listing Manual of the SGX-ST and the Companies Act, the Board's policy is that all shareholders should be sufficiently informed in a comprehensive manner and on a timely basis of all material developments that impact the Group. The Board is aware of its obligations to shareholders in providing information on changes in the Company or its business which would be likely to materially affect the price or value of the Company's shares.	Guideline 14.1

The Board also recognises that it is accountable to shareholders for the Group's performance, believes in transparency and strives towards timeliness in the dissemination of material information to the Company's shareholders and the public. The information, including a review of the Group's performance and prospects in the quarterly, half-year and full-year results announcements, are disseminated to shareholders through the SGXNET system and press releases.	
In order to provide ample notice to shareholders, the notice of general meeting, together with the relevant annual report or circular, is despatched to all shareholders before the scheduled date of the general meeting. The notice of general meeting is also advertised in the newspaper and made available via SGXNET and on the Company's website. The AGM is the principal forum for dialogue with shareholders. The Board welcomes questions and comments relating to the Group's business or performance from shareholders at AGMs. Shareholders are given an opportunity to air their views and direct questions to the Board or management on matters affecting the Group. Shareholders will be informed of the rules, including voting procedures that govern general meetings of shareholders. According to the Constitution, all resolutions at general meetings shall be voted by poll. With poll voting, shareholders present in person or represented by proxy at general meetings will be entitled to vote on a 'one-share, one-vote' basis. The detailed procedures for poll voting will be explained at the general meetings.	Guideline 14.2
The Constitution allows a shareholder to appoint a proxy to attend and vote in his place at AGMs. Nominee companies and relevant intermediaries (as defined in Section 181 of the Companies Act) may appoint more than two (2) proxies to speak, attend and vote at general meetings.	Guideline 14.3
The Board is aware of its obligations to shareholders and has devised investor relations policies to provide regular, effective and fair communication and convey pertinent information to shareholders. In line with continuous disclosure obligations of the Company pursuant to the rules of the SGX-ST, the Board's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group and in particular, changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares. All announcements including the quarterly, half-year and full-year financial results, distribution of notices, press releases, presentations, announcements on major developments are communicated to our shareholders through public announcements via SGXNET and the Company's website, as well as news releases where appropriate and annual reports or circulars that are sent to all shareholders and notices of general meeting are advertised. The Company does not practice selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released via SGXNET before, or concurrently with, such meetings. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.	Guidelines 15.1 & 15.2

The Board endeavours to establish and maintain regular dialogue with shareholders (including institutional and retail investors), to solicit and understand their views or gather inputs, and address shareholders' concerns. The Company has undertaken regular analyst briefings to provide market updates on the Group's business and plans.	Guidelines 15.3 & 15.4
The Company 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 the reasons why dividends were not paid.	Guideline 15.5
Voting in absentia and by electronic mail is not presently possible and the Board is not implementing such absentia-voting methods until issues on security and integrity are satisfactorily resolved.	Guideline 16.1
The Company practices having separate resolutions at general meetings on each substantially separate issue. "Bundling" of resolutions will be done only where resolutions are interdependent and linked so as to form one significant proposal.	Guideline 16.2
The Company requires all Directors (including the respective chairman of the Board committees) to be present at all general meetings of shareholders to address shareholders' queries at these meetings, unless of exigencies. The external auditors are also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report.	Guideline 16.3

Minutes of general meetings are prepared by the Company and available to shareholders upon their request in accordance with applicable laws. The minutes of these general meetings include substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting and responses from the Board and management.	Guideline 16.4
According to the Constitution, all resolutions at general meetings shall be voted by poll and the detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced via SGXNET and made available on the Company's website after the conclusion of the general meetings. The Company relies on the advice of the independent scrutineers to determine the need for electronic voting, taking into consideration the logistics involved, costs, and number of shareholders, amongst other factors.	Guideline 16.5
BUSINESS ETHICS POLICY The Group has adopted a Business Ethics Policy to regulate the standards of ethical conduct of the Group, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity with the law, regulations and Company policies. **SECURITIES TRANSACTIONS** In line with Rule 1207(19) of the Listing Manual of the SGX-ST, the Group has issued policies on share dealings by Directors and key officers of the Company, setting out the implications of insider trading and recommendations of best practices. Directors and all key management personnel are advised not to deal in the Company's shares on short-term considerations or when they are in possession of material unpublished price-sensitive information. The Company also prohibits its officers from dealing in the Company's shares, during the periods commencing at least two (2) weeks before the announcement of the Group's quarterly results and one (1) month before the announcement of the Group's full-year results and, ending on the date of the announcement of such results, or when they are in possession of unpublished price-sensitive information on the Group. **INTERESTED PERSON TRANSACTIONS** The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the ARC. The Board confirms that there are no material interested person transactions entered into during the financial year under review which fall under Rule 907 of the Listing Manual of the SGX-ST. The Company has no shareholder mandate pursuant to Rule 920 of the Listing Manual of the SGX-ST. **MATERIAL CONTRACTS** There are no material contracts (including loans) of the Group involving the interests of the CEO, any Director or controlling shareholder which are either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year, that is required to be disclosed under Rule 1207(8) of the Listing Manual of the SGX-ST.	

CORPORATE SOCIAL RESPONSIBILITY

The Company recognises the importance of corporate social responsibility and continues to encourage a more environmentally responsible culture, including introducing practices for paper recycling, reducing the unnecessary use of paper and reducing electricity consumption.

STATUS REPORT ON USE OF IPO PROCEEDS

The Group successfully raised approximately S$29.0 million from its initial public offering ("IPO") on 25 July 2007. As at 30 June 2018, the total net proceeds of approximately S$26.7 million (after deducting the IPO expenses of approximately S$2.3 million, as disclosed on page 33 of the Company's prospectus dated 11 July 2007) from the IPO were used for the following purposes:

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

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

CORPORATE GOVERNANCE

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?	25
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 and 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 to 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?	26
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 and 34

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.	27
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.	27 and 28
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.	28
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?	42
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 and 35
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	45
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?	45
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.	48 and 49

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?	51 and 52
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	52

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2018.

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 68 to 113 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 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 except for the options mentioned in paragraph 4 of the Directors' Statement.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Shareholdings registered in the names of directors			Shareholdings in which directors are deemed to have an interest		
Names of directors and company in which interests are held	**At beginning of the year**	**At end of the year**	**At 21 July 2018**	**At beginning of the year**	**At end of the year**	**At 21 July 2018**
The Company (Ordinary shares)						
Lim Eng Hong	46,176,875	47,184,875	47,184,875	13,195,000	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	–	–	–

By virtue of Section 7 of the Singapore Companies Act, as at 30 June 2018, Mr Lim Eng Hong was deemed to have an interest in all the ordinary shares of the subsidiaries of the Company.

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

Avi-Tech Employee Share Option Scheme (the "Scheme") in respect of unissued ordinary shares in the Company was approved by the shareholders of the Company in the financial year ended 30 June 2008. The Scheme, of which the duration was ten (10) years, had expired on 5 July 2017 and was not extended or replaced.

The Scheme was administered by the following members:

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

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

The number of Shares available under the Scheme shall not exceed 15% of the issued share capital of the Company. There are no outstanding options unexercised under the Scheme.

The following participant received 5% or more of the total number of options available under the Scheme:

Name of participant	Options granted during the financial year under review	Aggregate options granted since commencement of the Scheme to the end of the financial year under review	Aggregate options exercised since commencement of the Scheme to the end of the financial year under review	Aggregate options cancelled/ lapsed since commencement of the Scheme to the end of the financial year under review	Aggregate options outstanding as at the end of the financial year under review
Lim Tai Meng Alvin*	–	45,000	45,000	–	–

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

4 SHARE OPTIONS (CONTINUED)

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

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

Details of the options granted and exercised since commencement of the Scheme to the end of the financial year under review by the other participants who received options amounting to 5% or more of the total number of options available under the Scheme are not disclosed here as there were no movements in options granted and exercised and such details are disclosed in page 41 of this Annual Report.

(b) Unissued shares under option and options exercised

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

5 AUDIT AND RISK COMMITTEE

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

(a) the external auditors' audit plans;

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

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

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

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

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

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

(h) the independence of external auditors.

DIRECTORS' STATEMENT

5 AUDIT AND RISK COMMITTEE (CONTINUED)

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

....

Lim Eng Hong

....

Khor Thiam Beng

28 September 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AVI-TECH ELECTRONICS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of Avi-Tech Electronics Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, 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 68 to 113.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 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 2018, the Group's inventories of $3,392,000 accounted for approximately 8% of total current assets of the Group. Allowance for inventory obsolescence as at 30 June 2018 amounted to $713,000.

Out of the total inventories balance of $3,392,000, inventories aged more than two years amounted to $459,000 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 involved significant estimation taking into consideration 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 as at 30 June 2018 where management separately identified inventory items that can be used generally in production and inventory items that were purchased specifically for assembly of certain equipment based on specified customer orders.

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 also discussed with management on controls over inventory levels, purchasing policy and expected usage for ongoing production.

We assessed the reasonableness of management's estimation of the inventory allowance, focusing on inventories which 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 FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ong Bee Yen.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

28 September 2018

STATEMENTS OF FINANCIAL POSITION

30 JUNE 2018

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

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	22	**35,720**	39,982
Cost of sales		**(25,771)**	(28,180)
Gross profit		**9,949**	11,802
Other operating income	23	**887**	1,256
Distribution costs		**(67)**	(70)
Administrative expenses		**(5,066)**	(4,951)
Finance costs	24	**(7)**	(16)
Profit before income tax		**5,696**	8,021
Income tax expense	25	**(833)**	(990)
Profit for the year	26	**4,863**	7,031
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(4)**	6
Other comprehensive (loss) income for the year, net of tax		**(4)**	6
Total comprehensive income for the year		**4,859**	7,037
Earnings per share	27		
Basic (cents)		**2.84**	4.11
Diluted (cents)		**2.84**	4.11

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2018

	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 2016	31,732	(983)	14	2	14,550	14,566	45,315
Total comprehensive income for the financial year							
Profit for the financial year	–	–	–	–	7,031	7,031	7,031
Other comprehensive income for the financial year	–	–	6	–	–	6	6
Total	–	–	6	–	7,031	7,037	7,037
Transactions with owners, recognised directly in equity							
Dividends (Note 28)	–	–	–	–	(3,420)	(3,420)	(3,420)
Balance at 30 June 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 option (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**

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2018

	Share capital $'000	Treasury shares $'000	<------- Reserves -------> Share option reserves $'000	Retained profits $'000	Total reserves $'000	Total $'000
Company						
Balance at 1 July 2016	31,732	(983)	2	14,215	14,217	44,966
Profit for the financial year, representing total comprehensive income for the financial year	–	–	–	6,950	6,950	6,950
Transactions with owners, recognised directly in equity						
Dividends (Note 28)	–	–	–	(3,420)	(3,420)	(3,420)
Balance at 30 June 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 option (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**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 JUNE 2018

	Group 2018 $'000	Group 2017 $'000
Operating activities		
Profit before income tax	**5,696**	8,021
Adjustments for:		
Depreciation of property, plant and equipment	**1,210**	1,102
Gain on disposal of property, plant and equipment	**–**	(112)
Allowance for inventories obsolescence	**387**	–
Interest expense	**7**	16
Interest income	**(454)**	(462)
Operating cash flows before movements in working capital	**6,846**	8,565
Trade receivables	**3,940**	(1,704)
Other receivables and prepayments	**(11)**	88
Inventories	**97**	(802)
Trade payables	**(3,006)**	2,325
Other payables	**(264)**	(36)
Cash generated from operations	**7,602**	8,436
Income tax paid	**(522)**	(713)
Interest paid	**(7)**	(16)
Interest received	**454**	462
Net cash from operating activities	**7,527**	8,169
Investing activities		
Additions to property, plant and equipment (Note A)	**(396)**	(1,701)
Proceeds from maturity of held-to-maturity financial assets	**273**	2,268
Proceeds from disposal of property, plant and equipment	**–**	112
Purchase of held-to-maturity financial assets	**–**	(2,792)
Withdrawals from (Placement of) fixed deposits	**2,000**	(956)
Net cash from (used in) investing activities	**1,877**	(3,069)
Financing activities		
Dividends paid	**(5,303)**	(3,420)
Exercise of share options	**5**	–
Repayment of finance lease obligations	**(54)**	(48)
Repayment of bank loan	**(384)**	(612)
Net cash used in financing activities	**(5,736)**	(4,080)
Net increase in cash and cash equivalents	**3,668**	1,020
Cash and cash equivalents at beginning of the financial year	**7,509**	6,483
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(1)**	6
Cash and cash equivalents at end of the financial year (Note 8)	**11,176**	7,509

Note A

In 2017, the Group acquired plant and equipment of $175,000 through finance lease (Note 18).

See accompanying notes to financial statements.

1 GENERAL

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

The principal activities of the Company consist of the provision of burn-in and related services, design and manufacture of burn-in boards and boards related products, engineering services and equipment distribution, and trading of imaging equipment and energy efficient products. The principal activities of its subsidiaries are set out in Note 13.

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 2018 were authorised for issue by the Board of Directors on 28 September 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On 1 July 2017, the Group and the Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except for certain presentation improvements arising from Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*.

Amendments to FRS 7 *Statement of Cash Flows: Disclosure Initiative*

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 15. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 15, the application of these amendments has had no impact on the Group's consolidated financial statements.

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

- has the power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

Effective interest method

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

Financial assets

Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other receivables

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

Investments

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

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

Impairment of financial assets

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

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

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

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

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade and other payables

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

Derecognition of financial liabilities

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

Offsetting arrangements

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

<u>The Group as lessor</u>

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.

<u>The Group as lessee</u>

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Sale of goods

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Rendering of services

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

Interest income

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

Rental income

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying the Group's accounting policies

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

<u>Allowance for inventories</u>

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

The carrying amount of inventories of the Group and Company at the end of the reporting period amounted to $3,392,000 (2017: $3,876,000), net of allowance amounted to $713,000 (2017: $326,000).

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

Allowance for doubtful debts

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

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

Impairment and useful lives of property, plant and equipment

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

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

Management reviews the estimated useful lives of property, plant and equipment at the end of each reporting period. During the financial year, management determined that there were no changes to the useful lives of the property, plant and equipment. The carrying amount of property, plant and equipment of the Group and Company at the end of the reporting period are disclosed in Note 14.

Provision for income tax

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

4 FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Financial assets				
Amortised cost				
Held-to-maturity financial assets	**2,014**	2,287	**2,014**	2,287
Loans and receivables (including cash and cash equivalents)	**36,469**	38,740	**36,013**	38,470
Financial liabilities				
Amortised cost				
Trade and other payables	**3,959**	7,229	**4,003**	7,394
Bank loans	**–**	384	**–**	384
Finance lease obligations	**111**	165	**111**	165

(b) Financial risk management policies and objectives

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

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

(i) Credit risk management

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

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

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

The Group is exposed to concentration of credit risk (i) given that its revenue is generated mainly from four (2017: four) major customers, which accounted for 58% (2017: 72%) of the carrying amount of trade receivables and (ii) $2,014,000 (2017: $2,287,000) was invested in the form of bonds by issuers, which accounted for 5% (2017: 6%) 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.

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

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

(ii) Interest rate risk management

Details of the interest-earning and interest-bearing financial assets and financial liabilities of the Group are disclosed in Notes 7, 12, 15 and 18 to the financial statements respectively. The Group does not use derivative financial instruments to mitigate this risk.

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:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
United States Dollars	**6,516**	9,096	**1,388**	3,935	**6,060**	8,827	**1,388**	3,935

Foreign currency sensitivity

For a 5% increase/decrease in Singapore Dollar against United States Dollar, the Group's and the Company's profit before tax would decrease/increase by $256,000 and $233,000 (2017: $258,000 and $245,000) respectively. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

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

(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					
2018					
Non-interest bearing	**–**	**3,959**	**–**	**–**	**3,959**
Fixed interest rate	**2.78**	**40**	**86**	**(15)**	**111**
Total		**3,999**	**86**	**(15)**	**4,070**
2017					
Non-interest bearing	–	7,229	–	–	7,229
Fixed interest rate	2.53	60	126	(21)	165
Variable interest rate	1.74	389	–	(5)	384
Total		7,678	126	(26)	7,778
Company					
2018					
Non-interest bearing	**–**	**4,003**	**–**	**–**	**4,003**
Fixed interest rate	**2.78**	**40**	**86**	**(15)**	**111**
Total		**4,043**	**86**	**(15)**	**4,114**
2017					
Non-interest bearing	–	7,394	–	–	7,394
Fixed interest rate	2.53	60	126	(21)	165
Variable interest rate	1.74	389	–	(5)	384
Total		7,843	126	(26)	7,943

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 $'000	Within 2 to 5 years $'000	Adjustment $'000	Total $'000
Group					
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**
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
Company					
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**
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

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

(v) Fair values of financial assets and financial liabilities

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

(c) Capital management policies and objectives

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 15 and 18, cash and cash equivalents and equity comprising share capital, reserves and retained earnings as presented in the Group's statement of changes in equity.

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

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

The Group's overall strategy remains unchanged from prior year.

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	
	2018	2017
	$'000	$'000
Short-term benefits	**2,380**	2,209
Post-employment benefits	**110**	109
	2,490	2,318

6 CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash at bank	**5,172**	4,723	**4,717**	4,484
Cash on hand	**4**	2	**4**	2
	5,176	4,725	**4,721**	4,486

7 FIXED AND CALL DEPOSITS

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

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

Included in the fixed and call deposits are $20,000,000 (2017: $16,000,000) with maturity of more than 3 months.

In 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	
	2018	2017
	$'000	$'000
Cash and bank balances (Note 6)	**5,176**	4,725
Fixed and call deposits that are readily convertible to a known amount of cash (Note 7)	**6,000**	2,784
Cash and cash equivalents in the consolidated statement of cash flows at end of year	**11,176**	7,509

9 TRADE RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Outside parties	**4,976**	8,916	**4,976**	8,885

The average credit period on sale of goods is 60 days (2017: 60 days). No interest is charged on the overdue trade receivables.

Before accepting any new customers, the Group performs appropriate background checks to assess the potential customer's credit quality and defines credit limits by customers. The trade receivables that are neither past due nor impaired belong to customers who have been making regular payments to the Group and have good credit quality. Of the trade receivables balance at the end of the reporting period, $2,906,000 (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 (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.

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

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'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	
	2018	2017
	$'000	$'000
< 6 months	**996**	1,448

10 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Deposits	**4**	3	**4**	3
Prepaid expenses	**34**	25	**34**	24
Others	**313**	312	**312**	312
	351	340	**350**	339

11 INVENTORIES

	Group and Company	
	2018	2017
	$'000	$'000
Work-in-process	**760**	840
Raw materials	**2,632**	3,036
	3,392	3,876

In 2018, the cost of inventories recognised as an expense include $387,000 in respect of write-downs of inventory to net realisable value for the Group and Company.

12 HELD-TO-MATURITY FINANCIAL ASSETS

	Group and Company	
	2018	2017
	$'000	$'000
Bonds, at amortised cost:		
Current	**1,501**	251
Non-current	**513**	2,036
	2,014	2,287

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

Management is of the view that the fair value of one of the bonds maturing in September 2018 approximates its carrying amount of $499,000 due to the short-term maturity of the bond.

The fair value of the remaining bonds is $1,518,000 (2017: $2,284,000) based on indicative pricing from the financial institutions (Level 2).

13 SUBSIDIARIES

	Company 2018 $'000	Company 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 2018 %	2017 %	Principal activity
Avi-Tech, Inc.[1]	United States of America ("USA")	**100**	100	Marketing and selling burn-in Boards.
AVT Connect Pte. Ltd.[2]	Singapore	**100**	100	Business support activities

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

14 PROPERTY, PLANT AND EQUIPMENT

	Building and leasehold improvements $'000	Plant and equipment $'000	Computer software $'000	Total $'000
Group and Company				
Cost:				
At 1 July 2016	14,931	26,020	582	41,533
Additions	–	1,736	140	1,876
Disposals	–	(663)	–	(663)
At 30 June 2017	14,931	27,093	722	42,746
Additions	62	334	–	396
At 30 June 2018	**14,993**	**27,427**	**722**	**43,142**
Accumulated depreciation:				
At 1 July 2016	4,370	23,407	422	28,199
Depreciation for the year	251	761	90	1,102
Disposals	–	(663)	–	(663)
At 30 June 2017	4,621	23,505	512	28,638
Depreciation for the year	251	821	138	1,210
At 30 June 2018	**4,872**	**24,326**	**650**	**29,848**
Impairment:				
At 1 July 2016, 30 June 2017 and 30 June 2018	–	633	–	633
Carrying amount:				
At 30 June 2017	10,310	2,955	210	13,475
At 30 June 2018	**10,121**	**2,468**	**72**	**12,661**

14 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group and the Company have certain plant and equipment with carrying amount of $229,000 (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 (2017: bank loan and undrawn credit facilities) at end of the reporting period.

15 BANK LOAN

	Group and Company	
	2018	**2017**
	$'000	**$'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 during the year.

At end of the previous reporting period, the carrying value 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	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	**1,905**	4,911	**1,905**	4,910
Subsidiaries (Note 5)	**–**	–	**45**	176
	1,905	4,911	**1,950**	5,086

The average credit period on purchases of goods is 45 days (2017: 45 days). No interest is payable on the overdue trade payables.

17 OTHER PAYABLES

	Group 2018 $'000	Group 2017 $'000	Company 2018 $'000	Company 2017 $'000
Deposits received	**77**	77	**77**	77
Accrued expenses	**1,433**	1,586	**1,432**	1,576
Accrued directors' fees and accrued bonus to directors	**541**	652	**541**	652
Others	**3**	3	**3**	3
	2,054	2,318	**2,053**	2,308

18 FINANCE LEASES

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

The effective rate of interest for finance leases is 2.78% (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 relates to excess of tax over book depreciation of property, plant and equipment. The movements thereon, during the current and prior reporting periods are as follow:

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Balance at beginning of the year	**1,069**	926
(Credited) Charged to profit or loss (Note 25)	**(141)**	143
Balance at end of the year	**928**	1,069

20 SHARE CAPITAL

	Group and Company			
	2018	**2017**	**2018**	**2017**
	'000	**'000**	**$'000**	**$'000**
	Number of ordinary shares			
Issued and paid up:				
At the beginning and end of year	**175,200**	175,200	**31,732**	31,732

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

Treasury Shares

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

	Group and Company			
	2018	**2017**	**2018**	**2017**
	'000	**'000**	**$'000**	**$'000**
	Number of ordinary shares			
At beginning of the year	**4,199**	4,199	**983**	983
Reissue of treasury shares[(a)]	**(45)**	–	**(10)**	–
At end of the year	**4,154**	4,199	**973**	983

(a) During the year, 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.

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

	2018		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

	Group	
	2018 $'000	2017 $'000
Sale of goods	**25,558**	30,912
Rendering of services	**10,162**	9,070
	35,720	39,982

23 OTHER OPERATING INCOME

	Group	
	2018	2017
	$'000	$'000
Gain on disposal of plant and equipment	–	112
Interest income	**454**	462
Rental income	**307**	419
Royalty income	**36**	131
Others	**90**	132
	887	1,256

24 FINANCE COSTS

	Group	
	2018	2017
	$'000	$'000
Bank loan	**2**	12
Finance leases	**5**	4
	7	16

25 INCOME TAX EXPENSE

	Group	
	2018	2017
	$'000	$'000
Income tax:		
– Current	**1,096**	847
– Overprovision in respect of prior years	**(122)**	–
Deferred tax (Note 19)	**(141)**	143
	833	990

25 INCOME TAX EXPENSE (CONTINUED)

The income tax expense varied from the amount of income determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit before income tax as a result of the following differences:

	Group	
	2018	2017
	$'000	$'000
Profit before income tax	**5,696**	8,021
Tax at the domestic income tax rate of 17% (2017: 17%)	**968**	1,364
Tax effect of:		
Expenses (Income) not deductible (taxable) in determining taxable profit	**24**	(330)
Overprovision of current tax in respect of prior year	**(122)**	–
Effect of tax exemption	**(36)**	(36)
Others	**(1)**	(8)
	833	990

26 PROFIT FOR THE YEAR

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

	Group	
	2018	2017
	$'000	$'000
Employee benefits expense (including directors' remuneration)	**9,035**	8,946
Costs of defined contribution plans (included in employee benefits expense)	**663**	619
Directors' remuneration	**858**	912
Directors' fees	**150**	150
Depreciation of property, plant and equipment	**1,210**	1,102
Gain on disposal of property, plant and equipment	**–**	(112)
Foreign currency exchange loss (gain) – net	**54**	(45)
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)	**16,873**	19,584

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	
	2018	2017
	$'000	$'000
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**4,863**	7,031
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share ('000)	**171,031**	171,001
Weighted average number of ordinary shares for the purposes of diluted earnings per share ('000)	**171,046**	171,046
Earnings per share (cents)		
– Basic	**2.84**	4.11
– Diluted	**2.84**	4.11

28 DIVIDENDS

	Group and Company	
	2018	2017
	$'000	$'000
Dividends on ordinary shares in respect of the financial year ended 30 June 2016:		
– Final one-tier tax exempt dividend of 1.0 cent per share	**–**	1,710
Dividends on ordinary shares in respect of the financial year ended 30 June 2017:		
– Interim one-tier tax exempt dividend of 1.0 cent per share	**–**	1,710
– 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**	–
	5,303	3,420

Subsequent to the end of the reporting period, the Company proposed a final one-tier tax exempt dividend of 1 cent per ordinary share totalling $1,710,000 and a special one-tier tax exempt dividend of 0.3 cent per ordinary share totalling $514,000 in respect of the financial year ended 30 June 2018.

29 OPERATING LEASE ARRANGEMENTS

(a) The Group and Company as lessee

	Group	
	2018	**2017**
	$'000	**$'000**
Minimum lease payments under operating leases recognised as an expense in the year	**254**	243

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

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Within one year	**248**	244
In the second to fifth year inclusive	**966**	921
After five years	**8,006**	7,779
Total	**9,220**	8,944

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 $239,000 (2017: $227,000) per annum are subject to annual revision.

(b) The Group and Company as lessor

	Group	
	2018	**2017**
	$'000	**$'000**
Rental income under operating leases	**307**	419

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	
	2018	**2017**
	$'000	**$'000**
Within one year	**91**	312
In the second to fifth year inclusive	**–**	91
Total	**91**	403

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 services, burn-in boards and boards manufacturing, and engineering services. 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.

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	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Revenue										
External revenue	**10,114**	9,070	**19,049**	19,715	**6,557**	11,197	**–**	–	**35,720**	39,982
Inter-segment revenue	**–**	–	**1,696**	1,120	**–**	–	**(1,696)**	(1,120)	**–**	–
Total revenue	**10,114**	9,070	**20,745**	20,835	**6,557**	11,197	**(1,696)**	(1,120)	**35,720**	39,982
Segment results	**4,133**	3,472	**1,979**	3,141	**(710)**	757	**–**	–	**5,402**	7,370
Interest expense									**(7)**	(16)
Interest income									**454**	462
Rental income									**307**	419
Unallocated income									**52**	390
Unallocated expense									**(512)**	(604)
Profit before income tax									**5,696**	8,021
Income tax expense									**(833)**	(990)
Profit for the year									**4,863**	7,031

Assets and liabilities and other segment information

	Burn-in Services		Manufacturing and PCBA Services		Engineering		Total	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Segment assets								
Segment assets	**5,954**	5,959	**11,215**	12,952	**3,860**	7,356	**21,029**	26,267
Unallocated corporate assets							**33,541**	32,136
Total assets							**54,570**	58,403
Segment liabilities								
Segment liabilities	**1,121**	1,640	**2,111**	3,565	**727**	2,024	**3,959**	7,229
Unallocated corporate liabilities							**2,115**	2,242
Total liabilities							**6,074**	9,471
Other information								
Additions to non-current assets	**100**	1,327	**279**	414	**17**	135	**396**	1,876
Depreciation								
Allocated	**343**	250	**645**	543	**222**	309	**1,210**	1,102

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.

	2018 $'000	2017 $'000
Revenue from external customers		
Singapore	**16,962**	22,118
USA	**7,073**	7,165
Malaysia	**5,310**	4,410
Others[(1)]	**6,375**	6,289
	35,720	39,982

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

Carrying amount of non-current assets		
Singapore	**12,661**	13,475

Information about major customers

Included in revenues of $35,720,000 (2017: $39,982,000) are revenues of $12,258,000 (2017: $10,420,000) and $3,860,000 (2017: $5,462,000) arising from sales to two major customers from the Burn-in Services and Manufacturing and PCBA Services business segments. In 2017, included in revenues of $39,982,000 was revenues of $8,788,000 arising from sales to a major customer from the Engineering Services business segment. These revenues account for approximately 45% (2017: 62%) of the Group's revenue.

31 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE

ADOPTION OF A NEW FINANCIAL REPORTING FRAMEWORK IN 2018 – In December 2017, the Accounting Standards Council (ASC) has issued a new financial reporting framework – Singapore Financial Reporting Standards (International) (SFRS(I)), which is to be adopted by Singapore-incorporated companies listed on the Singapore Exchange (SGX), for annual periods beginning on or after 1 January 2018. SFRS(I) is identical to the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The Group and the Company will be adopting the new framework for the first time for financial year ending 30 June 2019 and SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)* will be applied in the first set of SFRS(I) financial statements.

31 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*

As a first-time adopter, the Group and the Company are to apply 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 ending 30 June 2019, an additional opening statement of financial position as at date of transition (1 July 2017) will be presented, together with related notes. Reconciliation statements from previously reported FRS amounts and explanatory notes on transition adjustments are required 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). Additional disclosures may also be required for specific transition adjustments if applicable.

Management has performed a preliminary analysis of the transition options and other requirements of SFRS(I) and has determined that there will be no change to the Group's and the Company's current accounting policies under FRS or material adjustments on the initial transition to the new framework, other than those that may arise from implementing certain new SFRS(I) pronouncements effective at the same time (see below).

As SFRS(I) 1 requires a first-time adopter to apply accounting policies based on each SFRS(I) effective as at end of the first SFRS(I) reporting period (30 June 2019), it is not possible to know all possible effects as at date of authorisation of current year's financial statements. If there are any subsequent pronouncements on SFRS(I) that are effective as at 30 June 2019, they may impact the disclosures of estimated effects described below.

ADOPTION OF NEW SFRS(I) – The following SFRS(I) pronouncements are expected to have an impact to the Group and the Company in the periods of their initial application under the new SFRS(I) framework:

<u>Effective for annual periods beginning on or after 1 January 2018</u>

- SFRS(I) 9 *Financial Instruments*
- SFRS(I) 15 *Revenue from Contracts with Customers*

<u>Effective for annual periods beginning on or after 1 January 2019</u>

- SFRS(I) 16 *Leases*

31 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting and (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of SFRS(I) 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income (FVTOCI). All other debt instruments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model to be applied. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms. Under SFRS(I) 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

31 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

SFRS(I) 15 *Revenue from Contracts with Customers*

SFRS(I) 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

SFRS(I) 16 *Leases*

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

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

Management does not plan to early adopt SFRS(I) 16 for financial year ending 30 June 2019.

31 PRONOUNCEMENTS ISSUED BUT NOT YET EFFECTIVE (CONTINUED)

Impact assessment

(a) Management has performed a preliminary analysis of those new pronouncements relevant to the Group and the Company, which are effective from financial year ending 30 June 2019, and determined that there will be no material adjustments expected from the initial application, other than additional enhanced disclosures.

(b) Management has performed a preliminary analysis of those relevant pronouncements which are effective from annual periods beginning on or after 1 January 2019, and does not expect material adjustments to arise other than the change in the accounting for leases as a lessee under SFRS(I) 16.

STATISTICS OF SHAREHOLDINGS

AS AT 17 SEPTEMBER 2018

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	13	0.84	746	0.00
100 – 1,000	208	13.51	130,546	0.08
1,001 – 10,000	585	37.99	3,688,247	2.16
10,001 – 1,000,000	711	46.17	50,808,075	29.70
1,000,001 AND ABOVE	23	1.49	116,418,427	68.06
TOTAL	**1,540**	**100.00**	**171,046,041**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LIM ENG HONG	47,884,875	28.00
2	LOH ZEE LAN NANCY	10,295,000	6.02
3	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,721,700	3.35
4	CITIBANK NOMINEES SINGAPORE PTE LTD	5,032,580	2.94
5	DBS NOMINEES (PRIVATE) LIMITED	4,967,330	2.90
6	TSIA HAH TONG	4,270,650	2.50
7	PROVIDENCE INVESTMENTS PTE LTD	4,082,500	2.39
8	HSBC (SINGAPORE) NOMINEES PTE LTD	3,143,932	1.84
9	FONG CHING LOON	2,900,000	1.70
10	DB NOMINEES (SINGAPORE) PTE LTD	2,870,000	1.68
11	LIM WEI LING ELAINE	2,840,000	1.66
12	KGI SECURITIES (SINGAPORE) PTE. LTD.	2,815,000	1.65
13	CHEW LIAN KWEI	2,700,100	1.58
14	PHILLIP SECURITIES PTE LTD	2,326,900	1.36
15	CHOO SIEW KHEUN	2,314,500	1.35
16	OCBC SECURITIES PRIVATE LIMITED	1,978,700	1.16
17	YONG SER SEN	1,768,610	1.03
18	KOH CHOON NAM	1,667,300	0.97
19	ESTATE OF NG YONG HOCK, DECEASED	1,652,500	0.97
20	ABN AMRO CLEARING BANK N.V.	1,424,600	0.83
	TOTAL	**112,656,777**	**65.88**

STATISTICS OF SHAREHOLDINGS

AS AT 17 SEPTEMBER 2018

SUBSTANTIAL SHAREHOLDING

Substantial Shareholdings

Name	Direct Interest	%	Deemed Interest	%
Lim Eng Hong	47,884,875	28.00	13,135,000	7.68
Loh Zee Lan Nancy	10,295,000	6.02	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Approximately 63.10% 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

30 JUNE 2018

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 Monday, 29 October 2018 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 2018 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect Mr Goh Chung Meng who is retiring pursuant to Article 99 of the Company's Constitution. [See explanatory note (i)] **(Resolution 2)**

3. To re-elect Mr Lim Tai Meng Alvin who is retiring pursuant to Article 81 of the Company's Constitution. [See explanatory note (ii)] **(Resolution 3)**

4. To approve the payment of Directors' fees of S$150,000 for the year ended 30 June 2018. (FY2017: S$150,000) **(Resolution 4)**

5. To approve the final one-tier tax exempt dividend of 1.0 cent per ordinary share for the year ended 30 June 2018. **(Resolution 5)**

6. To approve the special one-tier tax exempt dividend of 0.3 cent per ordinary share for the year ended 30 June 2018.

   (Resolution 6)

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

   (Resolution 7)

8. 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:

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

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

   (a) shares; or

   (b) convertible securities; or

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

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

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 (iii)] **(Resolution 8)**

By Order of the Board
Adrian Chan Pengee
Company Secretary

Singapore
12 October 2018

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. Mr Goh Chung Meng will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration and Nominating Committees and member of the Audit and Risk Committee, and will be considered independent for the purposes of Rule 704(8) of the Listing Manual. Save as being an independent Director of the Company, Mr Goh Chung Meng 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. Mr Lim Tai Meng Alvin will, upon re-election as a Director of the Company, continue to serve as executive Director of the Company.

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

Notes:

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

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

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

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

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

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.

NOTICE OF BOOKS CLOSURE AND DIVIDEND PAYMENT DATE

FINAL & SPECIAL DIVIDENDS

NOTICE HAS BEEN GIVEN in the Company's announcement of 28 August 2018 that the Transfer Books and Register of Members of the Company will be closed on 16 November 2018 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 29 October 2018.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., of 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623, up to 5.00 p.m. on 15 November 2018 will be registered to determine shareholders' entitlements to the one-tier tax exempt final dividend and one-tier tax exempt special dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 15 November 2018 will be entitled to the proposed dividends.

The proposed dividends, if approved at the Annual General Meeting, will be paid on 29 November 2018.

PROXY FORM
2018 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 Monday, 29 October 2018 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 Goh Chung Meng as a Director		
3.	Re-election of Mr Lim Tai Meng Alvin as a Director		
4.	Approval of Directors' Fees		
5.	Approval of proposed final dividend		
6.	Approval of proposed special dividend		
7.	Re-appointment of Deloitte & Touche LLP as Auditors		
8.	General Mandate to Directors to issue shares		

Dated this ________ day of ________________ 2018

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

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

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore) (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.

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

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

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

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

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

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.

10. 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.

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AVI-TECH ELECTRONICS LIMITED
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