



**MIYOSHI PRECISION LIMITED**

Annual Report 2006

## CORPORATE PROFILE

Established in 1987 and subsequently listed on the SGX Main Board in September 2000, Miyoshi Precision Limited has grown progressively from a metal stamping plant to become an Integrated Engineering Corporation, with in-house capabilities ranging from new product development to mass production. Serving the Consumer Electronics, Data Storage and Automotive Industries, our Regional Business Ring revolves around our headquarter in Singapore and manufacturing plants in Singapore, Malaysia, Indonesia, Thailand, Philippines and China. Coupled with our strategic partner in Japan, this strategy of locating our operations in cost-competitive hubs beyond Singapore sites us in proximity with our customers and strongly positions us to capitalise on the opportunities in the region.

*For more information, please visit our website*

<http://www.miyoshi.biz>



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Our  
REGIONAL BUSINESS RING  
strategy handsomely  
rewards the Group  
with a record profit  
attributable to  
shareholders of  
\$7.94 million.

~ Dear shareholders, ~

I am pleased to report on the achievement of a set of commendable results for FY 2006.

The Group revenue grew by 28% from \$104.05 million for FY 2005 to \$133.34 million for FY 2006. Profit attributable to shareholders rose by 394% to \$7.94 million in FY 2006, from \$1.61 million in FY 2005. Net cash inflow generated from operations in FY 2006 amounted to \$15.24 million, as compared to \$0.75 million in FY 2005.

Growth of our Group revenue was felt in all its business segments as well as in all the geographical regions where the Group operates in the year under review.

The results in FY 2006 demonstrate the advantage of our Regional Business Ring Strategy. Benefiting from the improved regional economic sentiments, we were able to take advantage of economies of scale with the growth in the volume of business within the region.

Raw materials prices continue to be a growing concern for the Group. We were able to work with our customers as well as our suppliers in managing this concern.

In FY 2006, in view of our future expansion plan in Malaysia, a piece of land was purchased. Financed by bank loan and internal funds, the construction is expected to be completed in the third quarter of FY 2007.

The Group's balance sheet has strengthened. Net assets value per share grew from 13.75 cents as at 31 August 2005, to 16.45 cents as at 31 August 2006. As at 31 August 2006, our bank balances amounted to \$14.71 million, as compared to \$5.64 million last year.

It is the Board's philosophy to enhance shareholders' value. In view of a set of good results, the Board has recommended a final dividend of \$0.40 cents per share and a special dividend of \$0.20 cents per share, subject to approval by shareholders during the Company's AGM on 27 December 2006.



Looking ahead, the Group expects the market environment and operating conditions to remain competitive. The Group will continue to capitalise on its Regional Business Ring set-up. This will help us to expand our customer base, optimise the use of our facilities and enhance our technical capabilities.

Barring any unforeseen circumstances and further hikes in raw materials prices, we remain positive in our outlook for FY 2007.

I would like to thank our management and staff at all levels for their dedicated efforts and contributions. I also wish to express my sincere appreciation to all our valued customers, suppliers, business partners and associates and shareholders for their continued strong support and loyalty. I would also like to thank my fellow Board members for their counsel and commitment.

Our achievements would not have been made possible without your unwavering support and faith in us.

As a team, we build our future together.

**Sin Kwong Wah, Andrew**  
*Chief Executive Officer*



## OPERATIONS REVIEW

The hard disk drive (“HDD”) industry looks set to a robust growth momentum.

<sup>1</sup> According to research conducted by Gartner, driven by growth in demand from legacy and emerging markets, hard disk drive shipments will continue to grow from 380 million units in 2005 to 699 million units in 2010.

We have built a reputation for being a reliable metal-stamped precision part specialist, known for our capabilities in design and fabrication of tool as well as mass production of precision components. This has enabled us to carry out business activities ranging from new product development to mass production. Our Regional Business Ring (“RBR”) Strategy enables us to provide responsive and competitive support to our customers spanning across Singapore, Malaysia, Thailand, China and the Philippines. Through our RBR Strategy, we are able to locate our production operations in cost-competitive hubs while at the same time, sites ourselves in close proximity with our customers. The synergy between Miyoshi Precision Limited and Miyoshi Industry Co., Ltd, Japan allows us to leverage on technological and regional business development. These factors have placed us in a favorable position to take advantage of the robust growth in the HDD industry.

Over the years, we have intensified our marketing effort into the Consumer Electronics, Automotive and Others businesses. As a result, we are able to achieve a greater balance in our customer base, business segments and engineering capabilities. This has also enabled us to become an Integrated Engineering Corporation. Included in our list of customers are the Original Equipment Manufacturers (“OEMs”). With the continual demand for outsourced manufacturing services in Asia, our customer list also includes, in addition to OEMs, the leading contract manufacturers of industrial products and precision components, in metal as well as in plastic forms. Going forward, we will expand the high-mix low volume business segment that generally accords better margins.

To stay competitive, we are investing more into research and development activities so as to enhance our technical capabilities in both the design development as well as production processes.

Rising raw materials prices, volatile foreign exchange, competitive market conditions, unexpected changes in industry trends continue to be concerns for us. We will strive to manage these challenges through expanded customer base and balanced product mix, optimise the use of our facilities and enhance our technical capabilities.

<sup>1</sup> Source: Gartner Research - [http://www.gartner.com/DisplayDocument?doc\\_cd=139724](http://www.gartner.com/DisplayDocument?doc_cd=139724)



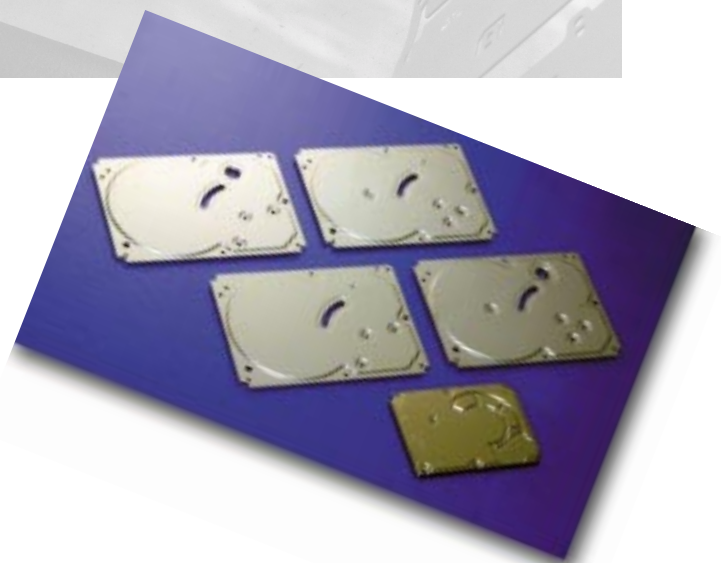
### FINANCIAL REVIEW

The Group revenue grew to \$133.34 million in FY 2006, an increase of 28% from \$104.05 million in FY 2005. Riding on the back of improved regional economic sentiments as well as continued demand for outsourced manufacturing services, the Group experienced revenue growth in all its business segments as well as in all the geographical regions where it operates. Strong demand for hard disk drives has also contributed to the revenue growth in FY 2006.

In terms of breakdown by business segments, Data Storage and Consumer Electronics contributed 50% and 40% respectively to the Group revenue, as compared to 40% and 49% in FY 2005.

Profit attributable to the Shareholders grew by 394% from \$1.61 million in FY 2005 to \$7.94 million in FY 2006. The growth is spurred by our ability to leverage on our Regional Business Ring Strategy whereby we position our production operations in lower production cost countries such as Thailand and China, which are also in closer proximity with our customers. The huge business volumes experienced resulted in economies of scale.

Net cash inflow generated from operations increased from \$0.75 million in FY 2005 to \$15.24 million in FY 2006.



Earnings per share (fully diluted) increased from 0.58 cents in FY 2005 to 2.86 cents in FY 2006, while net assets value per share rose from 13.75 cents as at 31 August 2005, to 16.45 cents as at 31 August 2006.

The Group's financial position improved with net cash position of \$13.93 million as at 31 August 2006, as compared to \$2.84 million as at 31 August 2005. The levels of inventories, trade receivables and trade payables have also increased on the back of expanded operations.

In FY 2006, the Group incurred capital expenditure of \$6.18 million. Out of which, \$1.69 million was financed by finance leases and bank loan.



Front Row (left to right) Mr Tan Kay Guan, Mr Sin Kwong Wah, Andrew and Ms Gan Yoke Fong, Karen  
Back Row (left to right) Mr Tay Peng Lim and Mr Masayoshi Taira

### **SIN KWONG WAH, ANDREW**

*Chief Executive Officer*

Mr. Sin was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 29 December 2004. He has been proposed for re-election at Company's forthcoming Annual General Meeting on 27 December 2006.

Mr. Sin, with more than 14 years of experience in the metal stamping industry, is the driving force behind the Group's success and business expansion. Mr. Sin's primary responsibilities include the charting and reviewing of corporate directions and strategies for the Group as well as the Group's marketing operations. He sits on the Board of Directors of Miyoshi Industry Co., Ltd, Japan as a non-executive Director. He also oversees our operations in China. Mr. Sin was formerly with the Singapore Armed Forces.

Mr. Sin holds a Bachelor of Science (First Class Honors) degree in Management from the Japan National Defence Academy.

### **TAN KAY GUAN**

*Chief Operating Officer*

Mr. Tan was first appointed to the Board of Directors on 1 September 1999 and was last re-elected on 29 December 2004. He has been proposed for re-election at Company's forthcoming Annual General Meeting on 27 December 2006.

Mr. Tan, appointed Chief Operating Officer on 1 September 2004, has more than 8 years of experience in the metal stamping industry. Mr. Tan plays a pivotal role in driving the operations and the business of the Group. He also oversees our operations in the Philippines. Mr. Tan was formerly with Singapore Armed Forces.

Mr. Tan holds a Bachelor of Engineering (First Class Honors) degree from Japan National Defence Academy.

**GAN YOKE FONG, KAREN***Executive Director*

Ms. Gan was first appointed to the Board of Directors on 6 December 1995 and was last re-elected on 28 December 2005.

Ms. Gan, with more than 18 years of experience in the metal stamping industry, is responsible for the Group's corporate development activities as well as supply chain management. She also oversees our operations in Thailand. She is also a member of the Nominating Committee.

Ms. Gan holds a Bachelor of Science degree in Physics and Mathematics from the National University of Singapore.

**MASAYOSHI TAIRA***Non-Executive Chairman*

Mr. Taira was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 28 December 2005.

Mr. Taira currently is a member of both the Audit and the Remuneration Committees. Mr. Taira has served as our Marketing Director from 1992 to 1999. Mr. Taira has more than 16 years of experience in metal stamping industry. He is currently the Executive Vice President as well as a member of the Board of Directors of Miyoshi Industry Co., Ltd.

Mr. Taira holds a Bachelor of Business Administration degree from Hosei University, Japan.

**TAY PENG LIM***Non-Executive and Independent Director*

Mr. Tay was first appointed to the Board of Directors on 3 April 2006 and has been proposed for re-election at the Company's forthcoming Annual General Meeting on 27 December 2006.

Mr. Tay is a member of the Audit, the Nominating and the Remuneration Committees. With more than 20 years of experience in financial and general management, Mr. Tay's substantial work experience includes appointments as Financial Controller, Assistant General Manager in the manufacturing and IT industries.

Mr. Tay is a member of both the Chartered Institute of Management Accountants, United Kingdom and Institute of Certified Public Accountants of Singapore.

**U KEAN SENG***Non-Executive and Independent Director*

Mr. U was first appointed to the Board of Directors on 13 February 2004 and was last re-elected on 29 December 2004. He has been proposed for re-election at Company's forthcoming Annual General Meeting on 27 December 2006.

Mr. U currently chairs the Audit, the Nominating and the Remuneration Committees. Mr. U was admitted to the Supreme Court of Victoria, Australia in 1991 and to the Singapore Bar in 1993. Mr. U is a lawyer by training and a practising advocate and solicitor. With more than 12 years of experience in the legal practice, he specialises in the area of corporate law and corporate finance. Mr. U serves as a Non-Executive and Independent Director on the Board of GRP Limited, NTI International Limited, Automated Touchstone Machines Limited and Ossia International Limited. Mr. U was also the Non-Executive and Independent Director of 2 publicly listed companies in the preceding 3 years, namely Circuits Plus Holdings Limited and New Wave Technologies Limited.

Mr. U holds degrees in BEc and LLB (Honours) both from Monash University, Australia.



MIYOSHI  
PRECISION  
LIMITED

<b>Directors</b>	<i>Executive:</i>	
	Mr. Sin Kwong Wah, Andrew Mr. Tan Kay Guan Ms. Gan Yoke Fong, Karen	Chief Executive Officer Chief Operating Officer Executive Director
	<i>Non-Executive:</i>	
	Mr. Masayoshi Taira Mr. U Kean Seng Mr. Tay Peng Lim	Chairman Independent Independent (Appointed: 3 April 2006)
<b>Audit Committee</b>	Mr. U Kean Seng Mr. Masayoshi Taira Mr. Tay Peng Lim	Chairman
<b>Nominating Committee</b>	Mr. U Kean Seng Ms. Gan Yoke Fong, Karen Mr. Tay Peng Lim	Chairman
<b>Remuneration Committee</b>	Mr. U Kean Seng Mr. Masayoshi Taira Mr. Tay Peng Lim	Chairman
<b>Company Secretaries</b>	Ms. Tan San-Ju (FCIS) Mr. Tan Cher Liang (FCCA)	
<b>Registered Office</b>	No. 5 Second Chin Bee Road Singapore 618772 Tel: (65) 6265 5221 Fax: (65) 6265 2058 Email: ops@sg.miyoshi.biz Website: <a href="http://www.miyoshi.biz">http://www.miyoshi.biz</a>	
<b>Share Registrar</b>	Lim Associates (Pte) Ltd 10 Collyer Quay #19-08 Ocean Building Singapore 049315 Tel: (65) 6536 5355 Fax: (65) 6536 1360	
<b>Auditors</b>	Deloitte & Touche Certified Public Accountants 6 Shenton Way #32-00 DBS Building Tower Two Singapore 068809 Partner-in-charge: Mr. Kenny Horlley Young Date of appointment: 29 January 2004	
<b>Principal Bankers</b>	United Overseas Bank Limited Malayan Banking Berhad Oversea-Chinese Banking Corporation Limited	

Miyoshi Precision Limited is committed to maintain a high standard of corporate governance and degree of transparency within the Group to safeguard the interests of its shareholders and maximise long term shareholder value.

Where applicable, the Board of Directors has established various self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practised. This statement describes the corporate governance policies and practices of the Company that were in place for the financial year ended 31 August 2006.

## BOARD MATTERS

### Board's Conduct of its Affairs

Besides its statutory duties, the Board reviews and approves the Group's overall strategic plans, key operational initiatives and major investment and funding decisions. It also reviews the Group's financial performance and evaluates the performance and compensation of key managerial personnel. The Board carries out these functions directly or through committees of the Board, which have been set up to support its work.

The Board members and the number of meetings held in the year by the Board and the attendance thereat are as follows:

	Board Meetings	
	No. of meetings	Attendance
Mr Masayoshi Taira (Non-Executive Chairman)	2	0
Mr Sin Kwong Wah, Andrew (Chief Executive Officer)	2	2
Mr Tan Kay Guan (Chief Operating Officer)	2	2
Ms Gan Yoke Fong, Karen	2	2
Mr U Kean Seng	2	2
Mr Tay Peng Lim (1)	1	1

Note 1: Mr Tay Peng Lim was appointed as a Director of the Company on 3 April 2006.

The Group adopts a policy whereby Directors are encouraged to request for further explanations, briefings or hold informal discussions on the Group's operations and business with the management.

### Board Composition and Balance

The Board comprises three Executive Directors, two Non-Executive and Independent Directors and one Non-Executive Director. To assist in the execution of its responsibilities, the Board has established three key committees, namely Audit Committee, Nominating Committee and Remuneration Committee. These committees have terms of reference, which are reviewed on a regular basis.

The Board considers its composition and size appropriate, taking into account the scope and nature of operations of the Group in the year under review.

The Board comprises directors who as a group, has core competencies and diversity of experience to enable them to lead and control the Group effectively. Such competencies and experiences include industry knowledge, strategic planning, business and general management, legal and finance.

### Role of Chairman and Chief Executive Officer

Mr Masayoshi Taira is the Non-Executive Chairman of the Group. He ensures that Board meetings are held as and when necessary and that each Board member is provided with complete, adequate and timely information.

The Group's Chief Executive Officer ("CEO"), Mr Sin Kwong Wah, Andrew, is an Executive Director and he assumes full responsibilities over the business directions and operational decisions of the Group.

### Board Membership

The Nominating Committee comprises the following members:

Mr U Kean Seng	Chairman (Non-Executive and Independent)
Ms Gan Yoke Fong, Karen	Member (Executive, Non-Independent)
Mr Tay Peng Lim	Member (Non-Executive and Independent)

The Nominating Committee, in consultation with the Chairman and CEO, will consider and make recommendations to the Board concerning the appropriate size of the Board and the balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and ability.

The Nominating Committee reviews and assesses candidates for directorships (including executive directors) before recommending to the Board for appointment. Candidates are selected for their character, judgment, business experience and acumen.

The Nominating Committee also recommends Directors who are retiring by rotation, to be put forward for re-election.

The Nominating Committee has reviewed the independence of the Board members and is of the opinion that Mr U Kean Seng and Mr Tay Peng Lim are independent.

Despite some of the Directors having other board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

Key information on Directors of the Company can be found on Page 6 of the Annual Report.

The Company's Articles of Association provides that at least one-third of the Company's Directors are required to retire from office at every Annual General Meeting.

The Nominating Committee meets at least once every financial year.

### Board Performance

The fiduciary responsibilities of the Board include the following:

- Conduct itself with proper due diligence and care;
- Profess good faith; and
- Act in the best interests of the Company and of its shareholders at all times.

The Company holds the belief that the Group's performance and that of the Board are directly related. The Company assesses the Board's performance through its ability to steer the Group in the right direction and the support it renders to the management. For the purpose of evaluating directors' performance, the Nominating Committee takes into consideration a number of factors including the directors' attendance, participation and contributions at the main board, board committee meetings and other Company activities.

The Nominating Committee uses its best effort to ensure that directors appointed to the Board possess the necessary background, experience, skills and knowledge in management, business and finance, critical to the Group's business; and that each director is able to contribute his/her perspective; thus allowing for effective decisions to be made.

The Nominating Committee conducts informal reviews of the individual member's performance, taking into account input from the other Board members.

### Access to Information

Regular meetings were held between the Executive Directors and key management personnel to discuss business and operational matters. Monthly management meetings were held to present monthly financial management accounts to the Executive Directors to review business and operational matters.

The Board has separate and independent access to the Company's senior management and the Company Secretary. The role of the Company Secretary has been defined by the Board to include supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), communicating with the relevant authorities on behalf of the Company when necessary. The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed. Where decisions to be taken require specialised knowledge or expert opinion, the Board has adopted a policy to seek independent professional advice.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies Level and Mix of Remuneration

The Remuneration Committee comprises the following members:

Mr U Kean Seng	Chairman (Non-Executive and Independent)
Mr Masayoshi Taira	Member (Non-Executive, Non-Independent)
Mr Tay Peng Lim	Member (Non-Executive and Independent)

The Remuneration Committee is tasked to determine the remuneration packages of the directors and key executives so as to ensure that the level of remuneration packages are appropriate to attract, retain and motivate the personnel of the required quality to run the Group successfully.

The Remuneration Committee, in consultation with the Chairman and CEO, reviews and recommends to the Board, a framework of remuneration for the Board and key executives.

In its deliberation on issues to be considered, the Remuneration Committee takes into consideration the industry practices and norms for remuneration packages. It may obtain independent professional advice at the Company's expense.

No director is involved in any discussion relating to his/her own remuneration, terms and conditions of service, and the review of his/her performance.

The Remuneration Committee meets at least once every financial year.

## DISCLOSURE ON REMUNERATION

- a) Details of the remuneration of the Company's Directors and five key executives for the financial year ended 31 August 2006 are as follows:

Remuneration Band and Name of Directors	Salary	Bonuses	Directors' Fees	Others	Total Compensation
	%	%	%	%	%
<b>\$500,000 and above</b>					
Mr Sin Kwong Wah, Andrew	51	48	–	1	100
<b>\$250,000 to \$499,999</b>					
Mr Tan Kay Guan	56	41	–	3	100
Ms Gan Yoke Fong, Karen	61	36	–	3	100
<b>Below \$250,000</b>					
Mr Masayoshi Taira	–	–	100	–	100
Mr U Kean Seng	–	–	100	–	100
Mr Tay Peng Lim (appointed on 3 April 2006)	–	–	100	–	100
Mr Chew Chin Hua (resigned on 5 January 2006)	–	–	100	–	100

Remuneration Band and Name of Key Executives	Salary	Bonuses	Directors' Fees	Others	Total Compensation
	%	%	%	%	%
<b>Below \$250,000</b>					
Chia Yan Kuay	83	6	–	11	100
Kitamura Naoyuki	92	8	–	–	100
Lim Swee Cheong	87	7	–	6	100
Loo Keng Huat	85	7	–	8	100
Ong Chye Hong	87	7	–	6	100

- b) Details of options granted are as follows:

Details of options granted to directors are disclosed in paragraph 3 of the Report of Directors.

Details of options granted to five key executives are as follows:

	Number of share options to subscribe for the Company's Ordinary Shares	
	At date of grant	At 31 August 2006
Pursuant to options granted on 29 January 2002		
Chia Yan Kuay	80,000	–
Kitamura Naoyuki	–	–
Lim Swee Cheong	–	–
Loo Keng Huat	–	–
Ong Chye Hong	–	–
Pursuant to options granted on 29 January 2004		
Chia Yan Kuay	150,000	150,000
Kitamura Naoyuki	10,000	10,000
Lim Swee Cheong	40,000	40,000
Loo Keng Huat	–	–
Ong Chye Hong	–	–
Pursuant to options granted on 29 January 2005		
Chia Yan Kuay	150,000	150,000
Kitamura Naoyuki	20,000	20,000
Lim Swee Cheong	80,000	80,000
Loo Keng Huat	–	–
Ong Chye Hong	–	–

Summarised details of the Miyoshi Share Options Scheme are included in paragraph 5 of the Report of Directors.

- c) There are no employees who are related to the Chief Executive Officer or a Director whose remuneration exceeds \$150,000 in the group's employment during the financial year.

## ACCOUNTABILITY AND AUDIT

### Accountability

In presenting the annual financial statements and announcement on half yearly results to the shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensible assessment of the Group's position and prospects.

### Audit Committee

The Audit Committee members and the number of meetings held in the year and the attendance thereat are as follows:

	Audit Committee Meetings	
	No. of meetings	Attendance
Mr U Kean Seng – Chairman	2	2
Mr Masayoshi Taira	2	0
Mr Tay Peng Lim ( <i>appointed on 3 April 2006</i> )	2	2

The Board is of the opinion that the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

The Audit Committee, which has written terms of reference, performs the following delegated functions:

- (1) Reviews the audit plans and scope of audit examination of the external auditors and approves the audit plans of the internal auditors;
- (2) Reviews the nature and extent of non-audit services performed by the external auditors;
- (3) Evaluates the overall effectiveness of both the internal and external audits through regular meetings with each group of auditors;
- (4) Evaluates the adequacy of the Group's internal controls by reviewing written reports from the internal and external auditors, and management's responses and actions to correct any deficiencies;
- (5) Reviews the annual and interim financial statements and announcements to shareholders before submission to the Board for adoption;
- (6) Reviews interested person transactions; and
- (7) Nominates the internal and external auditors for re-appointment.

The Audit Committee has full access to and co-operation of Management, and has full discretion to invite any Director or executive to attend its meetings. It also has reasonable resources to enable it to discharge its functions.

The Audit Committee meets with the external auditors without the presence of Management at least once a year.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has confirmed that there were no provisions of non-audit services performed by external auditors during the financial year.

### Internal Controls

The Board acknowledges its responsibilities for the Group's system of internal controls to safeguard the Group's assets. The Board believes that in the absence of any evidence to the contrary and from due enquiry, the system of internal controls that has been maintained by the Group's management throughout the financial year is adequate to meet the needs of the Group in its current business environment.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors regularly review the effectiveness of all internal controls, including financial, operational and compliance controls, and risk management.

### Internal Audit

The Company outsources its internal audit functions to an external consultant firm ("Internal Auditor"). The Internal Auditor meets the professional standards set out in the Code of Corporate Governance. The Internal Auditor reports directly to the Chairman of the Audit Committee on internal audit matters. The internal audit work programme is prepared by the Internal Auditor with input from management, and is subject to approval by the Audit Committee.

## COMMUNICATION WITH SHAREHOLDERS

The Board strives to ensure timely disclosure of material business matters affecting the Group. All announcements, including half and full year financial results, are made through SGXNET and press releases as well as on investor relations channels.

At the Annual General Meeting, shareholders are encouraged to participate in the question and answer session. The Chairman of the Audit Committee, Remuneration Committee and Nominating Committee, the Directors and the external auditors are available to respond to shareholders' queries during the meeting.

## DEALINGS IN COMPANY'S SECURITIES

The Company has adopted a code of conduct to provide guidance to its officers with regard to dealings in the Company's securities. The Company has complied with its Best Practices Guide on Securities Transactions which states that Officers of the Company should not deal in the Company's securities on short-term considerations and during the period commencing one month prior to the announcement of the Company's half-year and full year financial statements.

## INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions. All interested person transactions are subject to review by the Audit Committee to ensure that they were done on a normal commercial terms. Details of interested person transactions during the financial year which fall under rule 920 of the Listing Manual are as follows:

Name of interested person	Aggregate Value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate Value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Miyoshi Industry Co., Ltd		
<u>Type of transactions</u>		
Sales	Nil	289,000
Purchases	Nil	3,436,170
Engineering support services	Nil	11,480
Sales commission	Nil	109,900
Marketing services	Nil	139,060
Total	Nil	3,985,610

## MATERIAL CONTRACTS

Except as disclosed and save for the service agreement between the Chief Executive Director and the Company, there are no material contracts entered into by the Company or its subsidiary companies during the financial year ended 31 August 2006 or still subsisting as at 31 August 2006 which involved the interests of any Director or controlling shareholders of the Company.

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The directors present their report together with the audited consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company for the financial year ended 31 August 2006.

## 1 DIRECTORS

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

Mr Sin Kwong Wah, Andrew  
 Mr Tan Kay Guan  
 Ms Gan Yoke Fong, Karen  
 Mr Masayoshi Taira  
 Mr U Kean Seng  
 Mr Tay Peng Lim (Appointed on 3 April 2006)

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND 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 as disclosed in paragraph 3.

## 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:

Name of directors and company in which interests are held	Shareholdings registered in the name of directors or their nominees		Shareholdings in which directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<b>The Company</b>	<b>Number of ordinary shares</b>			
Mr Sin Kwong Wah, Andrew	51,883,160 <sup>(1)</sup>	51,993,160	41,030,000	41,052,000
Mr Tan Kay Guan	8,864,000	8,564,000	2,284,000	2,584,000
Ms Gan Yoke Fong, Karen	11,568,640	11,568,640	–	–
Mr Masayoshi Taira	–	–	90,172,860	90,172,860
<b>Name of directors and company in which interests are held</b>		<b>At beginning of year</b>	<b>At end of year</b>	
<b>Subsidiary Company</b>		<b>Ordinary shares of Thai Baht 100 each</b>		
Miyoshi Precision (Thailand) Co., Ltd		Held in the name of Directors		
Mr Sin Kwong Wah, Andrew		2 <sup>(2)</sup>	2 <sup>(2)</sup>	
Mr Tan Kay Guan		2 <sup>(2)</sup>	2 <sup>(2)</sup>	
Ms Gan Yoke Fong, Karen		2 <sup>(2)</sup>	2 <sup>(2)</sup>	
<b>Subsidiary Company</b>		<b>Ordinary shares of Thai Baht 100 each</b>		
Miyoshi Hi-Tech Co., Ltd		Held in the name of Directors		
Mr Sin Kwong Wah, Andrew		399,996 <sup>(2)</sup>	399,996 <sup>(2)</sup>	
Ms Gan Yoke Fong, Karen		1 <sup>(2)</sup>	1 <sup>(2)</sup>	
<b>Subsidiary company</b>		<b>Ordinary shares of Philippines Peso 100 each</b>		
Miyoshi Technologies Phils., Inc.		Held in the name of Directors		
Mr Sin Kwong Wah, Andrew		1 <sup>(2)</sup>	1 <sup>(2)</sup>	
Mr Tan Kay Guan		1 <sup>(2)</sup>	1 <sup>(2)</sup>	

	Number of share options to subscribe for the company's ordinary shares	
	At beginning of year or date of grant, if later	At end of year
<u>Options granted on 29 January 2002</u>		
Ms Gan Yoke Fong, Karen	300,000	300,000
<u>Options granted on 29 January 2004</u>		
Mr Tan Kay Guan	300,000	300,000
Ms Gan Yoke Fong, Karen	300,000	300,000
<u>Options granted on 29 January 2005</u>		
Mr Tan Kay Guan	300,000	300,000
Ms Gan Yoke Fong, Karen	300,000	300,000
Mr U Kean Seng	100,000	100,000

<sup>(1)</sup> By virtue of Section 7 of the Singapore Companies Act, Mr Sin Kwong Wah, Andrew is deemed to have an interest in all the subsidiaries of the company.

<sup>(2)</sup> Shares held in trust for the Company.

There was no change in any of the abovementioned interests between the end of the financial year and 21 September 2006.

#### 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements.

#### 5 SHARE OPTIONS

On 4 May 2001, the shareholders of the company approved the Miyoshi Share Option Scheme (the "Scheme"). The Scheme is administered by a committee ("Committee") whose members are:

- Mr Sin Kwong Wah, Andrew (Chairman)
- Mr Masayoshi Taira
- Mr Tan Kay Guan
- Ms Gan Yoke Fong, Karen

##### a) Options Granted

###### (i) Options granted on 29 January 2002

Options were granted pursuant to the Scheme to 38 employees and directors (collectively the "Participants") of the company to subscribe for 4,190,000 ordinary shares in the company at the subscription price of \$0.144 per ordinary share with no discount. 3,570,000 options were accepted by the Participants.

###### (ii) Options granted on 29 January 2004

Options were granted pursuant to the Scheme to 41 employees and directors (collectively the "Participants") of the company to subscribe for 3,100,000 ordinary shares in the company at the subscription price of \$0.252 per share with no discount. 2,940,000 options were accepted by the Participants.

###### (iii) Options granted on 29 January 2005

Options were granted pursuant to the Scheme to 39 employees and directors (collectively the "Participants") of the company to subscribe for 3,090,000 ordinary shares in the company at the subscription price of \$0.180 per share with no discount. 2,970,000 options were accepted by the Participants.

The subscription price was equal to the average of the last dealt price for a share, with reference to the daily official list published by the Singapore Exchange Ltd for the last five consecutive market days immediately preceding the date of grant.

The participants may in addition to the scheme participate in other share option schemes implemented by the company or any of its subsidiaries.

No other options to take up unissued shares of the company or any other corporation in the group were granted during the year.

b) Options Exercised

During the financial year, there were no shares of the company or any corporation in the group issued by virtue of the exercise of an option to take up unissued shares.

c) Unissued Shares Under Option

At the end of the financial year, there were no unissued shares of the company or any corporation in the group under options except as follows:

Date of grant	At beginning of year or date of grant if, later	Exercised	Forfeited	At end of year	Exercise price	Exercise period
29 January 2002	230,000	–	40,000	190,000	\$0.144	29 January 2003 to 28 January 2012
29 January 2002	270,000	–	50,000	220,000	\$0.144	29 January 2004 to 28 January 2013
29 January 2004	1,110,000	–	145,000	965,000	\$0.252	29 January 2005 to 28 January 2014
29 January 2004	1,110,000	–	145,000	965,000	\$0.252	29 January 2006 to 28 January 2015
29 January 2005	50,000	–	–	50,000	\$0.180	29 January 2006 to 28 January 2010
29 January 2005	50,000	–	–	50,000	\$0.180	29 January 2007 to 28 January 2011
29 January 2005	1,295,000	–	230,000	1,065,000	\$0.180	29 January 2006 to 28 January 2015
29 January 2005	1,295,000	–	230,000	1,065,000	\$0.180	29 January 2007 to 28 January 2016
	<b>5,410,000</b>	<b>–</b>	<b>840,000</b>	<b>4,570,000</b>		

The options may be exercised in whole or in part in multiples of 1,000 shares as follows:

- (i) up to fifty per cent of the share options at any time after twelve months from the date of grant of that options; and
- (ii) the next fifty per cent of the share options at any time after twenty-four months from the date of grant of that options.

Such share options shall be exercised before the end of one hundred and twenty months or sixty months where the Participant was a non-executive director on the date of grant of that options and subject to such other conditions as may be introduced by the Committee from time to time.

The share options, to the extent unexercised, shall lapse upon the employee ceasing to be employed by the company or its subsidiaries.

d) Details of options granted

The information on Participants who are directors, and who received 5% or more of total number of options available under the Scheme is as follows:

Name of participants	Aggregate options granted since commencement of Scheme to end of the financial year	Aggregate options exercised/ cancelled since commencement of Scheme to end of the financial year	Aggregate options outstanding as at the end of the financial year
<b>Directors of the company</b>			
Mr Tan Kay Guan	900,000	300,000	600,000
Ms Gan Yoke Fong, Karen	900,000	–	900,000
Mr U Kean Seng	100,000	–	100,000
<b>Employees</b>			
Mr Lee Ah Kow	540,000	180,000	360,000
Mr Seah Kin Song	540,000	180,000	360,000

No options under the Scheme were granted to controlling shareholders or their associates.

## 6 AUDIT COMMITTEE

The members of the Audit Committee are:

Mr U Kean Seng (Chairman)  
Mr Masayoshi Taira  
Mr Tay Peng Lim

The Audit Committee, which has written terms of reference, performs the following delegated functions:

- 1) Reviews the audit plans and scope of audit examination of external auditors and approves the audit plans of the internal auditors;
- 2) Reviews the nature and extent of non-audit services performed by the external auditors;
- 3) Evaluates the overall effectiveness of both the internal and external audits through regular meetings with each group of auditors;
- 4) Evaluates the adequacy of the Group's internal controls by reviewing written reports from the internal and external auditors, and management's responses and actions to correct any deficiencies;
- 5) Reviews the annual and interim financial statements and announcements to shareholders before submission to the Board for adoption;
- 6) Reviews interested person transactions; and
- 7) Nominates the internal and external auditors for re-appointment.

The Audit Committee has full access to and has the co-operation of the Management, and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the audit committee.

The Audit Committee has recommended to the Board of Directors the nomination of Deloitte & Touche for re-appointment as external auditors of the group at the forthcoming Annual General Meeting of the Company.

## 7 AUDITORS

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

ON BEHALF OF THE DIRECTORS

**Sin Kwong Wah, Andrew**

**Gan Yoke Fong, Karen**

Singapore  
10 November 2006

We have audited the consolidated financial statements of the group and the balance sheet and statement of changes in equity of Miyoshi Precision Limited for the financial year ended 31 August 2006 set out on pages 21 to 50. These financial statements are the responsibility of the company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- a) the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the group and the company as at 31 August 2006 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year then ended; and
- b) the accounting and other records required by the Act to be kept by the company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**Deloitte & Touche**  
*Certified Public Accountants*  
*Singapore*

Kenny Horlley Young  
Partner

10 November 2006

	Note	Group 2006 \$'000	2005 (Restated) \$'000	Company 2006 \$'000	2005 (Restated) \$'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and bank balances	6	12,907	5,284	1,646	1,128
Fixed Deposits	6	1,801	354	-	-
Trade receivables	7	30,648	25,780	26,596	32,219
Other receivables and prepayments	8	4,211	3,126	4,355	1,872
Inventories	9	11,528	11,260	3,537	4,561
<b>Total current assets</b>		<b>61,095</b>	<b>45,804</b>	<b>36,134</b>	<b>39,780</b>
<b>Non-current assets:</b>					
Investment in associates	10	-	112	569	887
Subsidiaries	11	-	-	27,257	22,168
Other assets	12	37	496	10	496
Property, plant and equipment	13	32,211	30,656	9,786	11,171
Loans receivable	14	2,615	2,756	2,615	2,753
<b>Total non-current assets</b>		<b>34,863</b>	<b>34,020</b>	<b>40,237</b>	<b>37,475</b>
<b>Total assets</b>		<b>95,958</b>	<b>79,824</b>	<b>76,371</b>	<b>77,255</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Bank overdrafts	16	779	2,803	707	2,683
Trade payables	17	28,470	22,415	19,009	22,439
Other payables	18	6,883	5,519	3,497	1,494
Income tax payable		2,732	768	1,644	734
Current portion of finance leases	19	738	563	169	191
Bank loans	20	4,526	4,789	3,678	3,962
<b>Total current liabilities</b>		<b>44,128</b>	<b>36,857</b>	<b>28,704</b>	<b>31,503</b>
<b>Non-current liabilities:</b>					
Finance leases	19	931	769	177	340
Bank loans	20	1,200	719	-	178
Deferred tax liabilities	21	757	1,247	471	1,070
<b>Total non-current liabilities</b>		<b>2,888</b>	<b>2,735</b>	<b>648</b>	<b>1,588</b>
<b>Capital, reserves and minority interests:</b>					
Share capital	22	22,871	13,891	22,871	13,891
Share premium		-	8,643	-	8,643
Capital redemption reserve		-	337	-	337
Share options reserve		311	277	311	277
Currency translation reserve		402	272	-	-
Retained earnings		22,123	14,789	23,837	21,016
		45,707	38,209	47,019	44,164
<b>Minority interests</b>		<b>3,235</b>	<b>2,023</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>48,942</b>	<b>40,232</b>	<b>47,019</b>	<b>44,164</b>
<b>Total liabilities and equity</b>		<b>95,958</b>	<b>79,824</b>	<b>76,371</b>	<b>77,255</b>

	Note	Group 2006 \$'000	2005 (Restated) \$'000
<b>Revenue</b>	24	133,345	104,051
Other operating income	25	2,840	1,893
Changes in inventories of finished goods and work-in-process		(455)	3,139
Raw materials and consumables used		(85,167)	(73,275)
Staff costs		(15,942)	(13,546)
Depreciation expense		(4,805)	(5,464)
Other operating expenses	26	(17,889)	(14,478)
Finance costs		(403)	(351)
Share of results of associates		(112)	48
<b>Profit before income tax</b>		11,412	2,017
Income tax expense	27	(2,239)	(181)
<b>Profit for the year</b>	28	9,173	1,836
<b>Attributable to:</b>			
Equity holders of the company		7,937	1,607
Minority interests		1,236	229
		9,173	1,836
Earnings per share (in cents):			
- Basic	29	2.86	0.58
- Fully diluted		2.86	0.58

GROUP	Share capital S\$'000	Share premium S\$'000	Capital redemption reserve S\$'000	Share options reserve S\$'000	Currency translation reserve S\$'000	Retained earnings S\$'000	Attributable to equity holders of the company S\$'000	Minority interests S\$'000	Total equity S\$'000
<b>Balance at 31 August 2004, as previously reported</b>	13,876	8,615	337	-	484	14,149	37,461	936	38,397
Effect of adoption of FRS 102	-	-	-	128	-	(128)	-	-	-
<b>Balance at 31 August 2004 - restated</b>	13,876	8,615	337	128	484	14,021	37,461	936	38,397
Foreign exchange translation gain arising in the year	-	-	-	-	(212)	-	(212)	(48)	(260)
Acquisition of additional interest in subsidiary	-	-	-	-	-	-	-	251	251
Acquisition of subsidiaries	-	-	-	-	-	-	-	655	655
Dividends (Note 30)	-	-	-	-	-	(889)	(889)	-	(889)
Profit for the year, as previously reported	-	-	-	-	-	1,806	1,806	229	2,035
Effect of adoption of FRS 102	-	-	-	199	-	(199)	-	-	-
<b>Profit for the year - restated</b>	-	-	-	-	-	1,607	-	-	-
Share options lapsed	-	-	-	(50)	-	50	-	-	-
Issue of shares	15	28	-	-	-	-	43	-	43
<b>Balance at 31 August 2005 - restated</b>	13,891	8,643	337	277	272	14,789	38,209	2,023	40,232
Foreign exchange translation gain arising in the year	-	-	-	-	130	-	130	41	171
Acquisition of subsidiary	-	-	-	-	-	-	-	(11)	(11)
Dividends paid to minority shareholders	-	-	-	-	-	-	-	(54)	(54)
Dividends (Note 30)	-	-	-	-	-	(667)	(667)	-	(667)
Share-based payments expense for the year	-	-	-	98	-	-	98	-	98
Share options lapsed	-	-	-	(64)	-	64	-	-	-
Profit for the year	-	-	-	-	-	7,937	7,937	1,236	9,173
Adjustment arising from abolition of par value of shares (Note (a))	8,980	(8,643)	(337)	-	-	-	-	-	-
<b>Balance at 31 August 2006</b>	22,871	-	-	311	402	22,123	45,707	3,235	48,942
<b>COMPANY</b>									
<b>Balance at 31 August 2004, as previously reported</b>	13,876	8,615	337	-	-	21,805	44,633	-	44,633
Effect of adoption of FRS 102	-	-	-	128	-	(128)	-	-	-
<b>Balance at 31 August 2004 - restated</b>	13,876	8,615	337	128	-	21,677	44,633	-	44,633
Dividends (Note 30)	-	-	-	-	-	(889)	(889)	-	(889)
Profit for the year, as previously reported	-	-	-	-	-	377	377	-	377
Effect of adoption of FRS 102	-	-	-	199	-	(199)	-	-	-
Profit for the year - restated	-	-	-	-	-	178	-	-	-
Share options lapsed	-	-	-	(50)	-	50	-	-	-
Issue of shares	15	28	-	-	-	-	43	-	43
<b>Balance at 31 August 2005 - restated</b>	13,891	8,643	337	277	-	21,016	44,164	-	44,164
Effect of adopting FRS 39	-	-	-	-	-	1,060	1,060	-	1,060
Dividends (Note 30)	-	-	-	-	-	(667)	(667)	-	(667)
Share-based payments expense for the year	-	-	-	98	-	-	98	-	98
Share options lapsed	-	-	-	(64)	-	64	-	-	-
Profit for the year	-	-	-	-	-	2,364	2,364	-	2,364
Adjustment arising from abolition of par value of shares (Note (a))	8,980	(8,643)	(337)	-	-	-	-	-	-
<b>Balance at 31 August 2006</b>	22,871	-	-	311	-	23,837	47,019	-	47,019

## Note (a)

As a result of the Companies (Amendment) Act 2005, the concept of authorised share capital and par value has been abolished. Any amount standing to the credit of share premium and capital redemption reserve accounts have been transferred to the Company's share capital account in the financial year ended 31 August 2006.

	Group For the Year ended 31 August	
	2006	2005 (Restated)
	S\$'000	S\$'000
<b>Operating activities:</b>		
Profit before income tax and share of results of associates	11,524	1,969
Adjustments for:		
Allowance for impairment in goodwill on consolidation	–	1
Allowance for impairment in goodwill on acquisition of subsidiary	117	–
Allowance (reversal) for inventory obsolescence	337	(15)
Allowance for impairment in value of other investments	39	7
Allowance for doubtful receivables and loans receivable	131	334
Bad debts written off	19	37
Depreciation expense	4,805	5,464
Gain on disposal of other investments	(113)	–
Interest expense	403	351
Interest income	(129)	(58)
Inventories written off	–	21
Loss (gain) on disposal of property, plant and equipment	32	(123)
Share-based payments expense	98	199
Operating cash flows before movements in working capital	17,263	8,187
Trade receivables	(4,579)	(4,779)
Other receivables	(1,384)	(386)
Inventories	(598)	(5,516)
Trade payables	5,932	5,988
Other payables	409	(544)
Cash generated from operations	17,043	2,950
Interest paid	(403)	(351)
Interest received	129	58
Income tax paid	(803)	(1,023)
Dividends paid to minority shareholders	(54)	–
Dividends paid	(667)	(889)
Net cash from operating activities	15,245	745
<b>Investing activities:</b>		
Loans receivable	141	8
Proceeds from disposal of other investments	561	–
Proceeds from disposal of property, plant and equipment	155	907
Purchase of other investments	(27)	–
Purchase of property, plant and equipment (Note 1)	(3,691)	(5,543)
Purchase of subsidiary, net of cash acquired (Note 3)	–	(213)
Net cash used in investing activities	(2,861)	(4,841)
<b>Financing activities:</b>		
Minority interests	–	659
Net (repayments) proceeds from bank loans	(480)	2,750
Net repayments from finance leases	(711)	(535)
Proceeds from issue of shares	–	43
Restricted cash	(92)	(149)
Net cash (used in) from financing activities	(1,283)	2,768
<b>Net effect of exchange rate changes in consolidating subsidiaries</b>	<b>(99)</b>	<b>101</b>
Net increase (decrease) in cash	11,002	(1,227)
Cash at beginning of year	2,686	3,913
<b>Cash at end of year</b>	<b>13,688</b>	<b>2,686</b>
Cash at end of year includes the following:		
Cash and bank balances	12,907	5,284
Fixed deposits	1,801	354
Bank overdrafts	(779)	(2,803)
	13,929	2,835
Restricted cash (Note 2)	(241)	(149)
Cash at end of year	13,688	2,686

## Notes to the cash flow statement:

1) Property, plant and equipment

During the financial year, the group acquired mainly machinery, plant and equipment with an aggregate cost of \$6,182,000 (2005 : \$8,501,000) of which \$1,008,000 (2005 : \$657,000) was acquired by means of finance leases and \$683,000 (2005 : \$Nil) was acquired by means of bank loan. \$3,691,000 (2005: \$5,543,000) was paid by cash while \$800,000 (2005: \$2,301,000) remained as other payable.

2) Restricted cash

Restricted cash pertains to fixed deposits of certain subsidiaries pledged with banks as securities for banking facilities granted.

3) Acquisition of subsidiary

On 30 August 2006, the group acquired an additional 53.5% of the issued share capital of iNovuus Technologies Pte Ltd for cash consideration of \$1. This transaction has been accounted for by the purchase method of accounting.

The net carrying amount of liabilities acquired in the transaction which approximates the fair value of those net liabilities and the goodwill arising, were as follows:

	For the Year ended 31 August	
	2006 S\$'000	2005 S\$'000
Trade receivables	139	578
Other receivables	1	31
Inventories	7	33
Cash and bank balances	1	23
Property, plant and equipment	58	1,107
Trade payables	(123)	(39)
Other payables	(155)	(759)
Finance leases and term loan	(55)	(435)
Income tax payable	–	(34)
Minority interests	11	(269)
(Net liabilities acquired) / payment for acquisition of subsidiary	(116)	236
Less: cash and bank balances	(1)	(23)
Add: Goodwill	117	–
Cash outflow on acquisition of subsidiary, inclusive of cash and bank balances acquired	–	213

If the acquisition had been completed on 1 September 2005, total group revenue for the year would have been \$134 million and profit for the year would have been \$8.3 million.

## 1 GENERAL

The company (Registration No. 198703979K) is incorporated in Singapore with its principal place of business and registered office at No. 5 Second Chin Bee Road, Singapore 618772. The company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the company are those of designing and manufacturing of mould and precision pressed parts and trading in related products.

The principal activities of the associates and subsidiaries are disclosed in Notes 10 and 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

The consolidated financial statements of the group and balance sheet and statements of changes in equity of the company for the year ended 31 August 2006 were authorised for issue by the Board of Directors on 10 November 2006.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In the current financial year, the group and the company has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") issued by the Council on Corporate Disclosure and Governance that are relevant to its operations and effective for annual periods beginning on or after 1 January 2005. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements except as disclosed below and in the notes to financial statements.

### i) **FRS 39 - Financial Instruments: Recognition and Measurement**

FRS 39 requires the recognition and measurement of financial assets and liabilities. The new reporting standard moves measurement from a cost base to a fair value base for certain categories of financial assets and liabilities. The change in accounting policy has been accounted for prospectively in accordance with the transitional provisions of FRS 39. The adoption of FRS 39 has resulted in certain advances and other long term receivables to subsidiaries being measured at fair value at inception and accounted for subsequently on an amortised cost basis using the effective interest rate method. In the financial statements of the company, this has resulted in an adjustment to increase the balance of opening accumulated profits in financial year 31 August 2006 by \$1,060,000 and recognition of interest income of \$240,000 for the financial year then ended. There was no impact on the group's financial statements as the adjustments pertain to balances and transactions with subsidiaries which are eliminated on consolidation.

As the revised accounting policy has been applied prospectively, the change has had no impact on amounts reported for 2005 or prior period.

### ii) **FRS 102 – Share-based Payment**

FRS 102 Share-based Payment requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash settled share-based payments at current fair value at each balance sheet date. Prior to adoption of FRS 102, the group did not recognise the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions of FRS 102, the reporting standard is applied respectively to all grants of equity instruments after 22 November 2002 that were unvested as of 1 January 2005. The reporting standard therefore applies to share options granted in 2004 and 2005.

For 2005, the change in accounting policy has resulted in a net decrease in profit for the year of \$199,000 (share-based payments expense). In the statement of changes in equity for the year ended 31 August 2005, the balance of opening accumulated profits was reduced by \$128,000 to account for the effect of share-based payments expense pertaining to reporting periods prior to the financial year ended 31 August 2004. The balance sheet as at 31 August 2005 has been restated to include the recognition of a share options reserve of \$277,000.

For 2006, the impact of share-based payments is a net charge to profit of \$98,000. At 31 August 2006, the share options reserve amounted to \$311,000.

The share-based payments expense has been included in the staff costs of the profit and loss statement.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

At the date of authorisation of these financial statements, the following FRSs and INT FRSs were issued but not effective:

FRS 40	-	Investment Property
FRS 106	-	Exploration for and Evaluation of Mineral Resources
FRS 107	-	Financial Instruments: Disclosures
INT FRS 104	-	Determining whether an Arrangement contains a Lease
INT FRS 105	-	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 106	-	Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment
INT FRS 107	-	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies
INT FRS 108	-	Scope of FRS 102
INT FRS 109	-	Reassessment of Embedded Derivatives
INT FRS 110	-	Interim Financial Reporting and Impairment

Amendments to FRS 1 Presentation of Financial Statements on Capital Disclosures.

Amendments to FRS 19 Employee Benefits on Actuarial Gains and Losses, Group Plans and Disclosures.

Amendments to FRS 21 The Effects of Changes in Foreign Exchange Rates on net investment in a foreign operation.

Amendments to FRS 39 Financial Instruments: Recognition and Measurement on hedge accounting provisions, fair value option and financial guarantee contracts.

Amendments to FRS 101 First-time Adoption of Financial Reporting Standards on comparative disclosures for FRS 106 Exploration for and Evaluation of Mineral Resources.

Amendments to FRS 104 Insurance Contracts on financial guarantee contracts.

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

The directors anticipate that the adoption of FRSs and INT FRSs and amendments to FRS that were issued but not yet effective until future periods will not have a material impact on the consolidated financial statements of the group. The directors anticipate that the adoption of these FRSs and INT FRSs in future periods will have no material impact on the consolidated financial statements of the group.

**BASIS OF CONSOLIDATION** – The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the company except to the extent that the minority has a binding obligation and is able to make an additional investment to cover its share of those losses.

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 and loss statement.

**BUSINESS COMBINATIONS** – The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal company) that are classified as held for sale in accordance with FRS 105 *Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated profit and loss statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

### Cash and cash equivalents

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

### 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 directly attributable transaction costs.

Investments in equity securities are classified by the group as available-for-sale and are measured at subsequent reporting dates at fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Impairment losses recognised in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

### Trade and other receivables

Trade and other receivables including loans receivable are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

### Financial liabilities and 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. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

### 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 rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the profit and loss statement.

### Trade and other payables

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

### Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

### Derivative financial instruments

The group's activities expose itself primarily to the financial risk of changes in foreign exchange rates.

The group uses primarily foreign currency forward contracts to hedge its risk associated with foreign currency fluctuations relating to certain firm commitments.

The group does not use derivative financial instrument for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss as they arise.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (cont'd)

**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.

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 balance sheet 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 and loss statement, unless they are directly attributable to qualifying assets in which case they are capitalised in accordance with group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit and loss statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

**INVENTORIES** - Inventories are stated at the lower of cost (first-in, first-out method) and net realisable value. Costs include all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, costs include materials, direct labour and an appropriate proportion of production overhead expenditure. 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 impairment loss where the recoverable amount of the asset is estimated to be lower than its carrying amount.

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 bases:

Freehold building	-	20 years
Leasehold land and buildings	-	20 to 45 years (over remaining terms of lease with effect from date of purchase)
Plant and equipment	-	1½ to 8 years
Office furniture and equipment	-	5 to 8 years
Motor vehicles	-	5 to 8 years

No depreciation is provided for freehold land and construction-in-progress. Construction-in-progress is transferred to various categories of property, plant and equipment and depreciated in the year in which they are put into use.

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

Assets held under finance lease arrangements are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

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 amount of the asset and is recognised in the profit and loss statement.

**IMPAIRMENT OF ASSETS EXCLUDING GOODWILL** - At each balance sheet date, the group reviews the carrying amounts of its 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.

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.

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 the profit and loss statement, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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 the profit and loss statement, unless the relevant asset is carried at a revalued amount in which case the reversal of the impairment loss is treated as a revaluation increase.

**ASSOCIATES** - An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in the group's financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are not recognised.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Any excess of the cost of acquisition over the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in the consolidated profit and loss statement.

Where a group entity transacts with an associate of the group, profits and losses are eliminated to the extent of the group's interest in the relevant associate.

In the company's financial statements, investments in associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit and loss statement.

**CLUB MEMBERSHIPS** – Club memberships are measured initially at purchase cost less impairment loss.

**PROVISIONS** – Provisions are recognised when the group or the company has a present obligation as a result of a past event, and it is probable that the group or the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

**SHARE-BASED PAYMENTS** – The company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. 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 company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferrability, exercise restrictions and behavioural considerations.

**REVENUE RECOGNITION** – Revenue from the sale of goods is recognised when significant risks and rewards of ownership are transferred to the buyers and the amounts of revenue and the costs of the transactions can be measured reliably.

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

**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 the profit and loss statement in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. 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 company'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 balance sheet date.

**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 profit and loss statement 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 that have been enacted or substantively enacted in countries where the company and its subsidiaries operate by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. 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 and associates, and interests in joint ventures, 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The carrying amount of deferred tax assets is reviewed at each balance sheet date 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. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** – The individual financial statements of each group entity are 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 balance sheet 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. 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 and loss statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit and loss statement 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 equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

In order to hedge its exposure to certain foreign exchange risks, the group enters into forward contracts (See above for details of the group's accounting policies in respect of such derivative financial instruments).

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 on the balance sheet date. 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 classified as equity and transferred to the group's translation reserve. Such translation differences are recognised in profit and loss statement in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to the 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.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

### *Critical judgements in applying the entity's accounting policies*

In the process of applying the entity's accounting policies, which are described in Note 2, management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements apart from those involving estimates, which are dealt with below.

### *Key sources of estimation uncertainty*

The key assumption concerning the future, and other key sources of estimation uncertainty at the balance sheet date, 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.

#### Allowances for inventories

In determining the net realisable value of the group inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by management. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

The directors are of the view that allowances for inventories are adequate as at year end.

#### Allowances for doubtful receivables

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

The directors are of the view that allowances for doubtful receivables are adequate as at year end.

### 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

#### Impairment for investments in subsidiaries and associates

Determining whether investments in subsidiaries and associates are impaired requires an estimation of the recoverable amount of the investments in subsidiaries and associates as at balance sheet date. The management has assessed the value in use using the future cash flow expected to arise from the subsidiaries and associates and a suitable discount rate in order to calculate present value.

The directors are of the view that no impairment for investments in subsidiaries and associates are required.

### 4 FINANCIAL RISKS AND MANAGEMENT

#### Financial risk management objectives and policies

The group's overall policy with respect to managing risk arising in the normal course of the group's business as well as that associated with financial instruments is to minimise the potential adverse effects on the financial performance of the group. The policies for managing specific risks are summarised below.

#### Foreign exchange risk

The group transacts in various foreign currencies, including United States Dollar and Japanese Yen and therefore is exposed to foreign exchange risk.

The group uses a combination of natural hedges of matching assets and liabilities and foreign exchange forward contracts to manage its exposure to fluctuation foreign currencies. Foreign currency exposures are monitored by management on an ongoing basis.

The group utilises foreign currency forward exchange contracts on a very limited basis to hedge firm commitments from customers for the sale of goods.

The group does not enter derivative foreign exchange contracts for speculative purpose.

As at year end, the group does not have any contracts outstanding.

#### Interest rate risk

The group's exposure to interest rate risk mainly arises from the bank overdrafts and loans and the obligations under finance leases. Their interest rates and terms of repayment are disclosed in Notes 16, 19 and 20 respectively.

#### Credit risk

The group's credit risk is primarily attributable to its cash and cash equivalents, trade receivables, other receivables and loans receivable. Cash and cash equivalents are placed with credit worthy financial institutions. The group has adopted a stringent procedure in extending credit terms to customers and monitoring its credit risk. Where appropriate, letters of credit, cash and/or advance payments are required for new customers and those with an unacceptable credit assessment.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses represents the group's maximum exposure to credit risk.

#### Credit risk on loans to associates

The group's exposure to credit risk on loans to associates is monitored on an ongoing basis.

Regular reviews of financial performance and operations are used to evaluate credit risk.

#### Liquidity risk

The group maintains sufficient cash and cash equivalents and internally generated cash flows to finance their activities. Adequate lines of credit and availability of committed funding lines are maintained at all times to meet its obligations as and when they fall due.

#### Fair value of financial assets and financial liabilities

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

## 5 RELATED PARTY TRANSACTIONS

Related parties are entities with common direct or indirect shareholders and/or directors. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related parties also include those that are associates of the group.

Some of the group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the year, the group entities entered into the following trading transactions with related parties:

Group	Associates		Related party (a shareholder)	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Sales	(12)	(33)	(289)	(384)
Purchases	306	174	3,436	4,210
Sales commission expense	–	–	110	124
Interest income	(40)	(48)	–	–
Marketing fees expense	–	–	139	98
Royalty expenses	–	–	–	411
Other expense	47	–	11	–
Other income	(2)	(18)	–	–

### *Compensation of directors and key management personnel*

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

	Group	
	2006 \$'000	2005 \$'000
Short-term benefits	1,533	872
Post-employment benefits	61	65
	1,594	937

The remuneration of directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Cash and bank balances	12,907	5,284	1,646	1,128
Fixed deposits	1,801	354	–	–
	14,708	5,638	1,646	1,128

Cash and cash equivalents comprise cash held, bank balances and short term bank deposits. The carrying amounts of these assets approximate their fair values.

Fixed deposits of the group bear interest ranging from 1% to 6.25% per annum (2005 : 0.5 % to 3.7% per annum) and are for a tenor of approximately 365 days (2005 : 365 days).

The group's and company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollars	3,204	945	1,230	897
Japanese Yen	220	59	220	59
Philippines Peso	225	166	–	–

**7 TRADE RECEIVABLES**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Outside parties	29,221	24,730	17,372	14,504
Less: Allowance for doubtful debts	–	(171)	–	(168)
	29,221	24,559	17,372	14,336
Related party (Note 5)	1,414	1,201	1,404	1,198
Associates (Note 10)	13	20	11	11
Subsidiaries (Note 11)	–	–	7,809	16,674
	30,648	25,780	26,596	32,219

The group's and company's trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollars	20,138	17,749	24,882	25,601
Japanese Yen	221	241	221	272
Philippines Peso	8	474	–	–

**8 OTHER RECEIVABLES AND PREPAYMENTS**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Outside parties	1,520	1,600	416	93
Related party (Note 5)	1,580	–	1,580	–
Associates (Note 10)	1,511	1,626	1,511	1,445
Subsidiaries (Note 11)	–	–	1,248	434
Less: Allowance for doubtful other receivables from associates	(400)	(100)	(400)	(100)
	4,211	3,126	4,355	1,872

The group's and company's other receivables and prepayments that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollars	105	–	439	–
Japanese Yen	868	–	900	–
Philippines Peso	89	196	–	–

**9 INVENTORIES**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Finished goods	3,483	4,513	1,035	1,712
Work-in-process	2,162	1,587	738	1,048
Raw materials	5,883	5,160	1,764	1,801
	11,528	11,260	3,537	4,561

**10 INVESTMENT IN ASSOCIATES**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	569	887	569	887
Currency realignment on translation of foreign associates	(66)	43	–	–
Share of post-acquisition accumulated losses	(503)	(818)	–	–
	(569)	(775)	–	–
Total	–	112	569	887

**10 INVESTMENT IN ASSOCIATES** (cont'd)

In accordance with FRS 28 – Investments in Associates, the group discontinues recording its share of further losses in an associate when the group's share of losses in the associate equals or exceeds the carrying amount of the investment.

Details of the group's significant associates at 31 August 2006 are as follows:

Associate	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2006 %	2005 %
Miyoshi International Philippines, Inc. <sup>(1)</sup>	Property holding	Philippines	40	40
iNovuus Technologies Pte Ltd <sup>(2) (4)</sup>	System integration service provider, application and development solutions and e-commerce web development services	Singapore	–	38
PT. SM Engineering <sup>(3)</sup>	Metal stamping for electronic components	Indonesia	40	40

<sup>(1)</sup> Audited by an overseas practice of Deloitte Touche Tohmatsu.

<sup>(2)</sup> Audited by another firm of auditors, namely J. Tan & Co., Singapore.

<sup>(3)</sup> Audited by another firm of auditors, namely Dra. S. Griselda & Co. Batam, Indonesia.

<sup>(4)</sup> This associate became a subsidiary during the financial year. (Note 11)

Summarised financial information in respect of the group's associates are set out below:

	2006 \$'000	2005 \$'000
Total Assets	5,661	7,178
Total Liabilities	(6,841)	(7,233)
Net Liabilities	(1,180)	(55)
Group's share of associates' net liabilities	(472)	(38)
Revenue	2,215	2,446
Loss for the year	(603)	(68)
Group's share of associates' (loss) profit for the year	(112)	48

**11 SUBSIDIARIES**

	Company	
	2006 \$'000	2005 \$'000
Unquoted equity shares, at cost	13,823	13,505
Effect on adoptions of FRS 39 (Note 2)	1,778	–
Advances	11,656	8,663
	27,257	22,168

The company's advances to subsidiaries that are not denominated in the functional currencies of the company as follows:

	Company	
	2006 \$'000	2005 \$'000
United States Dollars	4,084	5,034
Japanese Yen	1,261	3,440
Thai Baht	3,275	–
Philippines Peso	136	133

**11 SUBSIDIARIES** (cont'd)

Details of the company's significant subsidiaries at 31 August 2006 are as follows:

Name of Subsidiary	Principal activities/ Country of incorporation and operations	Proportion of ownership interest and voting power held	
		2006 %	2005 %
Miyoshi Saitoh Pte Ltd <sup>(1)</sup>	Investment holding and trading of machines Singapore	70	70
Miyoshi Precision (Malaysia) Sdn. Bhd. <sup>(2)</sup>	Metal stamping, fabrication of parts and components of machine tools Malaysia	100	100
Miyoshi Technologies Phils., Inc. <sup>(2)</sup>	Metal stamping, fabrication of parts and components of machine tools Philippines	100	100
Miyoshi Precision (Thailand) Co., Ltd. <sup>(3)</sup>	Metal stamping and plastic injection moulding Thailand	80	80
Miyoshi Hi-Tech Co., Ltd <sup>(3)</sup>	Metal stamping Thailand	80	80
Fastrack Pte Ltd <sup>(4)</sup>	Manufacture and repair of machine tools, provision of jig grinding and wire cut services Singapore	51	51
Wuxi Miyoshi Precision Co., Ltd <sup>(5)</sup> (A wholly-owned subsidiary of Miyoshi Saitoh Pte Ltd)	Metal stamping and plastic injection moulding People's Republic of China	70	70
iNovuus Technologies Pte Ltd <sup>(6) (7)</sup>	System integration service provider, application and development solutions and e-commerce web development services Singapore	91.5	–

<sup>(1)</sup> Audited by Deloitte & Touche, Singapore.

<sup>(2)</sup> Audited by an overseas practice of Deloitte Touche Tohmatsu.

<sup>(3)</sup> Audited by another firm of auditors namely, BDO Richfield Ltd, Thailand.

<sup>(4)</sup> Audited by another firm of auditors namely, CS Chan & Co., Singapore.

<sup>(5)</sup> Audited by another firm of auditors namely, Jiangsu GongZheng Certified Public Accountants Co., Ltd, People's Republic of China.

<sup>(6)</sup> Audited by another firm of auditors, namely J. Tan & Co., Singapore.

<sup>(7)</sup> This subsidiary was formerly an associate (Note 10).

During the financial year:

- i) The company acquired an additional 53.5% equity interest in iNovuus Technologies Pte Ltd, an associate, comprising 463,546 ordinary shares for a purchase consideration of \$1.
- ii) The company's advances to subsidiaries amounting to \$4,294,000 carry interest rates ranging from 1% to 5% per annum and the remaining \$7,362,000 is interest-free. An advance of \$3,274,000 which carries interest rate of 1% per annum is repayable in full on 31 August 2010 and the remaining \$8,382,000 is repayable on demand. The advances to subsidiaries are not secured. The carrying values of advances to subsidiaries approximate their fair values.

## 12 OTHER ASSETS

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Club membership, at cost	292	265	265	265
Less: Impairment loss	(255)	(217)	(255)	(217)
	37	48	10	48
Unquoted non-cumulative convertible preferred shares, at cost	436	436	436	436
Less: Impairment loss	(436)	(436)	(436)	(436)
	-	-	-	-
Quoted equity shares, at cost	-	448	-	448
Total other assets net of impairment loss	37	496	10	496
Market value of quoted equity shares	-	554	-	554

## 13 PROPERTY, PLANT AND EQUIPMENT

	Freehold land \$'000	Freehold building \$'000	Leasehold land and buildings \$'000	Plant and equipment \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Construction-in-progress \$'000	Total \$'000
<b>Group</b>								
<b>Cost:</b>								
At 31 August 2004	-	-	15,257	34,703	2,491	1,220	185	53,856
Exchange adjustment	-	-	(206)	(516)	(28)	(8)	-	(758)
Additions	868	2,720	154	4,224	359	175	1	8,501
Acquisition of subsidiary	-	-	-	1,093	115	34	-	1,242
Transfer from construction in-progress	-	-	-	185	-	-	(185)	-
Disposals/Write-offs	-	-	-	(1,358)	(11)	(123)	-	(1,492)
At 31 August 2005	868	2,720	15,205	38,331	2,926	1,298	1	61,349
Exchange adjustment	44	139	74	371	(4)	(5)	-	619
Additions	-	30	1,457	3,273	212	109	1,101	6,182
Acquisition of subsidiary	-	-	-	-	182	42	-	224
Transfer from construction in-progress	-	-	-	1	-	-	(1)	-
Disposals/Write-offs	-	-	-	(334)	(41)	(87)	-	(462)
At 31 August 2006	912	2,889	16,736	41,642	3,275	1,357	1,101	67,912
<b>Accumulated depreciation:</b>								
At 31 August 2004	-	-	3,508	20,540	1,685	411	-	26,144
Exchange adjustment	-	(3)	(39)	(288)	(9)	(3)	-	(342)
Depreciation for the year	-	83	527	4,368	246	240	-	5,464
Acquisition of subsidiary	-	-	-	113	17	5	-	135
Disposals/Write-offs	-	-	-	(641)	(6)	(61)	-	(708)
At 31 August 2005	-	80	3,996	24,092	1,933	592	-	30,693
Exchange adjustment	-	6	36	267	4	(1)	-	312
Depreciation for the year	-	160	532	3,587	283	243	-	4,805
Acquisition of subsidiary	-	-	-	-	162	4	-	166
Disposals/Write-offs	-	-	-	(170)	(34)	(71)	-	(275)
At 31 August 2006	-	246	4,564	27,776	2,348	767	-	35,701
<b>Net carrying value</b>								
At 31 August 2005	868	2,640	11,209	14,239	993	706	1	30,656
At 31 August 2006	912	2,643	12,172	13,866	927	590	1,101	32,211

## 13 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Total \$'000
Company					
Cost:					
At 31 August 2004	9,328	17,068	1,553	964	28,913
Additions	117	1,239	107	–	1,463
Disposals	–	(1,804)	(1)	(110)	(1,915)
At 31 August 2005	9,445	16,503	1,659	854	28,461
Additions	82	236	49	75	442
Disposals	–	(74)	(3)	(46)	(123)
At 31 August 2006	9,527	16,665	1,705	883	28,780
Accumulated depreciation:					
At 31 August 2004	2,599	11,236	1,365	304	15,504
Additions	336	2,421	81	168	3,006
Disposals	–	(1,172)	–	(48)	(1,220)
At 31 August 2005	2,935	12,485	1,446	424	17,290
Additions	339	1,209	85	159	1,792
Disposals	–	(41)	(1)	(46)	(88)
At 31 August 2006	3,274	13,653	1,530	537	18,994
Net carrying value:					
At 31 August 2005	6,510	4,018	213	430	11,171
At 31 August 2006	6,253	3,012	175	346	9,786

Included in the group's and company's plant and equipment are items with net carrying value of \$2,691,000 (2005 : \$2,204,000) and \$640,000 (2005 : \$824,000) respectively under finance lease agreements.

The group's land and buildings comprise the following:

Location	Title	Description
No. 5 Second Chin Bee Road, Singapore 618772	Leasehold (30 years from 16 December 1979, expiring in August 2009. Lease period has been extended for another 30 years from 16 August 2009)	A two-storey factory cum office building
No. 7 Second Chin Bee Road, Singapore 618774	Leasehold (60 years from 30 December 1983)	A two-storey factory building
Lot B1-5 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines	Leasehold (50 years from 1 October 1999, expiring in September 2049 with an options to extend by another 25 years)	A two-storey factory building
No. 3, Jalan Bistari 3, Taman Industri Jaya, 81300 Skudai, Johor, Malaysia	Leasehold (991 years from 3 September 1920)	A factory cum office building
66 Moo 5 Bangna-Trad Road Tambol Bangsamak Amphur Bangpakong Chachoengsao Province, Thailand	Leasehold (12 years from 31 December 2002)	A factory cum office building
38 Moo 1 Tumbol Banpo Amphur Bangpa-In Ayutthaya Province, Thailand	Freehold	A factory cum office building
HS(D) 127073 PTD 37436, Mukim of Pulai, Johor, Malaysia	Freehold	Land

## 14 LOANS RECEIVABLE

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Loans to:				
Outside parties	400	403	400	400
Less: Allowance for doubtful loans receivable	(400)	(400)	(400)	(400)
	-	3	-	-
Associate (Note 10)	2,715	2,853	2,715	2,853
Less: Allowance for doubtful loans receivable	(100)	(100)	(100)	(100)
Total	2,615	2,756	2,615	2,753
Current portion:				
Outside parties	299	299	299	299
Less: Allowance for doubtful loans receivable	(299)	(299)	(299)	(299)
	-	-	-	-
Total current portion	-	-	-	-
Non-current portion:				
Outside parties	101	104	101	101
Less: Allowance for doubtful loans receivable	(101)	(101)	(101)	(101)
	-	3	-	-
Associate (Note 10)	2,715	2,853	2,715	2,853
Less: Allowance for doubtful loans receivable	(100)	(100)	(100)	(100)
Total non-current portion	2,615	2,756	2,615	2,753

The loans receivable from outside parties include an amount of \$298,384 (2005 : \$298,384) extended to a sub-contractor for the purchase of equipment to support the activity of the company. The loan is unsecured and interest-free. The sub-contractor is currently under judicial management. Full allowance had been made in previous years for the amount receivable.

The loans receivable from associate are for the purpose of financing the purchase of a property by the associate. These loans are secured by properties owned by the associate and are repayable on demand but are not expected to be repaid within the next 12 months. The loans are subject to interest at 2% (2005 : 2%) per annum. The carrying amount of the loans receivable approximates its fair value.

The group's and company's loans receivable that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollars	2,442	2,572	2,442	2,572

## 15 GOODWILL ON CONSOLIDATION

	Group \$'000
Arising on acquisition of a subsidiary	117
Less: Impairment loss	(117)
Balance at end of year	-

An impairment loss is recognised in the accounts as the carrying amount of cash-generating units ("CGU") of one of the subsidiaries exceeds the recoverable amount of the CGU.

**16 BANK OVERDRAFTS**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Secured	72	120	–	–
Unsecured	707	2,683	707	2,683
	779	2,803	707	2,683

The secured bank overdrafts are covered by a corporate guarantee issued by the company and bear interest at 5% per annum.

**17 TRADE PAYABLES**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Outside parties	25,744	22,145	8,229	8,866
Subsidiaries (Note 11)	–	–	9,136	13,535
Associates (Note 10)	36	31	14	–
Related party (Note 5)	2,690	239	1,630	38
	28,470	22,415	19,009	22,439

The group's and company's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollars	13,249	9,511	13,319	18,247
Japanese Yen	3,284	2,070	2,838	2,165
Philippines Peso	37	745	–	–
Thai Baht	–	–	5	1

**18 OTHER PAYABLES**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Accruals for wages and salaries	1,647	1,413	651	893
Other accruals	2,248	1,423	1,200	436
Payables arising from purchase of assets	800	2,301	–	–
Outside parties	1,077	–	167	–
Subsidiaries (Note 11)	–	–	397	–
Related party (Note 5)	1,036	98	1,007	98
Associates (Note 10)	1	217	1	–
Provision for directors' fees	74	67	74	67
	6,883	5,519	3,497	1,494

The group's and company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
United States Dollars	993	4	698	–
Japanese Yen	77	4	58	–
Philippines Peso	638	809	–	–
Hong Kong Dollars	12	–	–	–

## 19 OBLIGATIONS UNDER FINANCE LEASES

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2006	2005	2006	2005	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Amounts payable under finance leases</u>								
Within 1 year	819	616	738	563	183	214	169	191
In the second to fifth year inclusive	978	811	919	761	184	357	177	336
After five years	13	9	12	8	–	5	–	4
Less: Future finance charges	(141)	(104)	NA	NA	(21)	(45)	NA	NA
Present value of lease obligations	1,669	1,332	1,669	1,332	346	531	346	531
Less: Amount due for settlement within 12 months (shown under current liabilities)			(738)	(563)			(169)	(191)
Amount due for settlement after 12 months			931	769			177	340

The rate of interest for the group and company ranges from 4.33% to 9.16% (2005 : 3.12% to 7.89%) per annum. The finance leases are secured on the plant and equipment purchased under finance leases arrangements (Note 13).

## 20 LONG-TERM BANK LOANS

	Group		Company	
	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000
<u>Secured</u>				
Bank loan I	178	498	178	498
Bank loan II	–	142	–	142
Bank loan III	514	572	–	–
Bank loan IV	683	–	–	–
	1,375	1,212	178	640
<u>Unsecured</u>				
Bank loan V	14	–	–	–
Bank loan VI	837	–	–	–
Bank loan VII	1,000	1,000	1,000	1,000
Bank loan VIII	2,000	2,000	2,000	2,000
Bank loan IX	500	500	500	500
Bank loan X	–	796	–	–
	5,726	5,508	3,678	4,140
Less: Within one year	(4,526)	(4,789)	(3,678)	(3,962)
In the second to fifth year inclusive	1,200	719	–	178

Bank loan I of the company and of the group bears fixed interest at 4.31% (2005 : 4.31%) per annum on monthly rest basis and is repayable in 59 months commencing May 2002. It is secured on a first legal mortgage on the factory of the company at No. 7 Second Chin Bee Road, Singapore 618774.

Bank loan II of the company and of the group bears fixed interest at 2.75% (2005 : 2.75%) per annum and is repayable in 36 months commencing July 2003. It is secured on a multi function press system included under plant and machinery of the company and the group with a net carrying value of \$ 387,000 (2005 : \$467,032) as at 31 August 2006. The loan has been fully repaid as at 31 August 2006.

Bank loan III of the group bears interest at 8% (2005 : 7.25%) per annum and is repayable in 180 equal monthly instalments commencing May 2003. It is secured by legal charges over the leasehold land and building of a subsidiary at No. 3, Jalan Bistari 3, Taman Industri Jaya, 81300 Skudai, Johor, Malaysia and a letter of comfort by the company.

Bank loan IV of the group bears interest at 3.48% per annum and is repayable in 120 monthly instalments commencing September 2006. It is secured by legal charges over the freehold land and building of subsidiary at HS(D) 127073 PTD 37436 in Mukim of Pulau, Johor, Malaysia and a corporate guarantee by the company.

Bank loan V of the group bears interest at 5% per annum. The loan is repayable in 35 monthly instalments commencing February 2004.

**20 LONG-TERM BANK LOANS** (cont'd)

Bank loan VI of the group bears interest at 6.55% per annum and is repayable in 12 monthly instalments commencing October 2006. It is covered by a corporate guarantee from the company.

Bank loan VII of the company and of the group bears interest at 4.62% (2005 : 3.09%) per annum and is repayable 6 months after the date of drawdown on 24 May 2006, with an option to rollover for another 6 months.

Bank loan VIII of the company and of the group bears interest at 5.38% (2005 : 3.14%) per annum and is repayable 3 months after the date of drawdown on 30 June 2006, with an option to rollover for another 3 months.

Bank IX of the company and of the group bears interest at 5.18% (2005 : 3.00%) per annum and is repayable 3 months after the date of drawdown on 8 August 2006, with an option to rollover for another 3 months.

Bank loan X of the group bears interest at 4.75% (2005 : 4.75%) per annum and is repayable 3 months after the date of drawdown on 26 July 2005. It is covered by a corporate guarantee from the company. The loan has been fully repaid as at 31 August 2006.

The carrying amounts of the bank loans approximate their fair value.

The group's and company's long-term bank loans that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Japanese Yen	–	142	–	142

**21 DEFERRED TAX LIABILITIES**

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Deferred tax liabilities	757	1,247	471	1,070

The following are the major deferred tax liabilities recognised by the company and the group and movements thereon during the year:

	2006				
	Unutilised tax losses \$'000	Unabsorbed capital allowances \$'000	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000
<b>Group</b>					
At beginning of year	–	–	1,276	(29)	1,247
Credit to profit and loss for the current year	–	–	(475)	(53)	(528)
Foreign exchange adjustment	–	–	(9)	47	38
At end of year	–	–	792	(35)	757

	2005				
	Unutilised tax losses \$'000	Unabsorbed capital allowances \$'000	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000
<b>Group</b>					
At beginning of year	(57)	(38)	1,238	(9)	1,134
Credit to profit and loss:					
Arising from current year	56	37	40	(20)	113
Effect on change in tax rate	1	1	(2)	–	–
At end of year	–	–	1,276	(29)	1,247

	2006		
	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000
<b>Company</b>			
At beginning of 2005 and the current year	1,075	(5)	1,070
Credit to profit and loss:			
Arising from current year	(599)	–	(599)
At end of year	476	(5)	471

## 22 SHARE CAPITAL

	Group and Company Number of shares \$'000	Issued and paid up capital \$'000
Ordinary shares:		
Balance at beginning of year 1 September 2004	227,528	13,876
Issue of shares at \$0.05 each	290	15
Balance at end of year 31 August 2005	227,818	13,891
Transfer of share premium balance	–	8,643
Transfer of capital redemption reserve	–	337
Balance at end of year 31 August 2006	227,818	22,871

As a result of the Companies (Amendment) Act 2005, the concept of authorised share capital and par value were abolished.

The company has one class of ordinary shares which carry no right to fixed income.

## 23 SHARE-BASED PAYMENTS

The company has a share options scheme for certain employees of the company.

The subscription price was equal to the average of the last dealt price for a share, with reference to the daily official list published by the Singapore Exchange Ltd for the last five consecutive market days immediately preceding the date of grant.

The options may be exercised in whole or in part in multiples of 1,000 shares as follows:

- (i) up to fifty per cent of the share options at any time after twelve months from the date of grant of that options; and
- (ii) the next fifty per cent of the share options at any time after twenty-four months from the date of grant of that options.

Such share options shall be exercised before the end of one hundred and twenty months or sixty months where the Participant was a non-executive director on the date of grant of that share options and subject to such other conditions as may be introduced by a committee administering the option plans from time to time.

The share options, to the extent unexercised, shall lapse upon the employee ceasing to be employed by the company or its subsidiaries.

The following table illustrates the number and weighted average exercise prices of, and movements in, share options during the year.

	Group and Company			
	2006	Weighted average exercise prices \$	2005	Weighted average exercise prices \$
	Number of share options		Number of share options	
Outstanding at beginning of year	5,410,000	0.206	3,400,000	0.227
Granted during the year	–	–	2,970,000	0.180
Exercised during the year	–	–	(290,000)	0.144
Forfeited during the year	(840,000)	0.201	(670,000)	0.222
Outstanding at end of the year	4,570,000	0.207	5,410,000	0.206
Exercisable at end of the year	4,570,000		5,410,000	

The weighted average share price at the date of exercise for share options exercised during the year was \$Nil (2005 : \$0.144). The share options outstanding at the end of the year have a weighted average remaining contractual life of 8.41 years (2005 : 8.44 years).

**23 SHARE-BASED PAYMENTS** (cont'd)

The weighted average fair value of the share options granted on 29 January 2004 and 29 January 2005 were \$0.10 and \$0.65 respectively.

These fair values were calculated using The Black-Scholes Pricing Model. The inputs into the model were as follows:

	Granted on 29 January 2005	Granted on 29 January 2004
Weighted average share price(\$)	0.185	0.245
Weighted average exercise price(\$)	0.180	0.252
Expected life of share options (years)	5 to 7	5 to 7
Risk free interest rate (%)	2.25% to 2.57%	2.33% to 2.83%
Expected volatility (%)	30%	42%
Dividend yield (%)	2.62%	2.62%

The expected life of share options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

**24 REVENUE**

This represents sale of goods to customers at invoice value net of returns.

**25 OTHER OPERATING INCOME**

	2006 \$'000	Group 2005 \$'000
Gain on disposal of other investments	113	–
Gain on disposal of property, plant and equipment	–	123
Income from sales of scrap	2,364	1,171
Interest income from associates	40	48
Interest income from non-related companies	89	10
Miscellaneous income	209	513
Other income	25	–
Reversal of allowance for inventory obsolescence	–	15
Reversal of allowance for impairment loss in value of other investments	–	13
	2,840	1,893

**26 OTHER OPERATING EXPENSES**

	2006 \$'000	Group 2005 \$'000
Maintenance	662	595
Supplies and services	9,535	7,766
Professional fees	823	754
Transportation and travelling	1,379	1,105
Utilities	2,495	1,988
Others	2,995	2,270
	17,889	14,478

## 27 INCOME TAX EXPENSE

	Group	
	2006 \$'000	2005 \$'000
Current tax		
- Current year	2,084	–
- Under provision in prior years	683	68
Deferred tax (Note 21)		
- Current year	118	113
- Over provision in prior years	(646)	–
	2,239	181

Domestic income tax is calculated at 20% (2005 : 20%) of the estimated assessable profit for the year. Taxation of other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total tax charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2006 \$'000	2005 \$'000
Income tax expense at statutory rate	2,282	403
Non-allowable items	540	78
Corporate tax exemptions	(957)	(376)
Effect of different tax rates of overseas operations	361	100
Deferred tax assets of subsidiaries not recognised	–	13
Utilisation of deferred tax benefits previously not recognised	(77)	(62)
Net under provision in prior years	37	–
Other items	53	25
Total income tax expense at effective tax rates	2,239	181

The group has tax loss carryforwards available for offsetting against future taxable income as follows:

	Group	
	2006 \$'000	2005 \$'000
Amount at beginning of year	525	732
Adjustment in respect of prior years	–	41
Amount in current year	–	64
Utilised during the year	(387)	(312)
Amount at end of year	138	525
Deferred tax benefit unrecorded	28	105

No deferred tax benefit is recognised due to the unpredictability of future profit stream in respect of the entities within the group from which the benefit is available.

The realisation of the future income tax benefits from tax loss carryforwards is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

In the People's Republic of China, the subsidiary is exempted from tax for the first two profitable years and subject to tax for 50% of its taxable profit for the subsequent three years. The taxable income can be offset against unabsorbed losses which are allowed to be carried forward for five years.

**28 PROFIT FOR THE YEAR**

Number of directors in remuneration bands are as follows:

	2006	Group 2005
\$500,000 and above	1	-
\$250,00 to \$499,999	2	1
Below \$250,000	4	6
Total	7	7

In addition to the charges and credits disclosed elsewhere in the notes, this item includes the following charges (credits):

	2006 \$'000	Group 2005 \$'000
Staff costs (including directors' remuneration)	15,942	13,546
Costs of defined contribution plans included in staff costs	847	738
Allowance for:		
Impairment loss in value of other investments	39	7
Doubtful receivables and loans receivable	131	334
Allowance (reversal) for inventory obsolescence	337	(15)
Auditors' remuneration:		
Audit fees:		
Auditors of the company:		
- current year	95	78
Other auditors:		
- current year	53	37
- underprovision in prior year	4	-
Non-audit fees:		
Auditors of the company	-	-
Other auditors	2	-
Directors' remuneration:		
Directors of the company	1,209	663
Other directors of the subsidiaries	157	159
Directors' fees:		
Directors of the company	72	50
Other directors of the subsidiaries	27	21
Fees paid to a firm in which a director has an interest	13	15
Foreign exchange adjustment loss (net)	681	876
Loss on disposal of property, plant and equipment (net)	32	-
Inventories written off	-	21
Bad debts written off	19	37

**29 EARNINGS PER SHARE**

The calculation of basic and fully diluted earnings per ordinary share is calculated based on the group profit attributable to equity holders divided by the weighted average number of ordinary shares in issue during the year as follows:

	Group	
	2006 \$'000	2005 (Restated) \$'000
Profit attributable to equity holders of the company	7,937	1,607
	<b>2006 \$'000</b>	<b>2005 \$'000</b>
<b>Number of ordinary shares</b>		
Number of ordinary shares in issue at the beginning of financial year	277,818	277,528
Weighted average number of ordinary shares issued pursuant to the exercise of share options	–	229
Weighted average number of ordinary shares applicable to basic earnings per share	277,818	277,757
Effect of dilutive share options	–	52
Weighted average number of ordinary shares applicable to diluted earnings per share	277,818	277,809
Earnings per share (cents)	2.86	0.58
Fully diluted earnings per share (cents)	2.86	0.58

Fully diluted earnings per share is computed based on the weighted average number of ordinary shares in issue, adjusted for the effect of dilutive options during the year. Share options which are anti-dilutive are ignored in the computation.

**Impact of changes in accounting policy**

Changes in the group's accounting policies during the year are described in detail in Note 2 to the financial statements. To the extent that those changes have had an impact on the group's results reported for 2006 and 2005, they have had an impact on the amounts reported for earnings per share. The following table summarises that impact both basic and diluted earnings per share:

	Impact on basic earnings per share		Impact on diluted earnings per share	
	2006 cents	2005 cents	2006 cents	2005 cents
Recognition of share-based payments as expense	((0.03)	(0.07)	((0.03)	(0.07)
Total impact of changes in accounting policy	((0.03)	(0.07)	((0.03)	(0.07)

**30 DIVIDENDS**

In the previous financial year ended 31 August 2005, the company declared and paid a final special dividend of \$0.004 per ordinary share less tax at 20% on the ordinary shares of the company totalling \$888,088 in respect of the financial year ended 31 August 2004.

During the financial year, the company declared and paid a final dividend of \$0.003 per ordinary share less tax at 20% on the ordinary shares of the company totalling \$666,762 in relation to financial year ended 31 August 2005.

Subsequent to 31 August 2006, the directors of the company recommended that a final dividend be paid at \$0.004 per ordinary share less tax at 20% on the ordinary shares of the company totalling \$889,016 for the financial year just ended. A special dividend of \$0.002 ordinary share less tax at 20% on the ordinary shares of the company totalling \$444,508 for the financial year just ended was also recommended. These proposed dividends are subject to the approval of shareholders at the Annual General Meeting and are not accrued as a liability for the current financial year in accordance with FRS 10 - Events After The Balance Sheet Date.

### 31 CONTINGENT LIABILITIES

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Bankers' guarantee				
- secured	287	171	-	-
- unsecured	346	722	346	722
Corporate guarantee	-	-	2,561	796
	633	893	2,907	1,518

The maximum estimated amount the company could become liable is as shown above.

The secured bankers' guarantee is secured on the fixed deposits of subsidiaries amounting to \$241,000 (2005 : \$149,000).

### 32 CAPITAL COMMITMENTS

Estimated amounts committed for future capital commitments but not provided for in the financial statements:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Authorised and contracted for	4,276	3,491	16	11

### 33 OPERATING LEASE COMMITMENTS

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Minimum lease payments under operating leases included in the profit and loss statement	419	364	171	176

At the balance sheet date, the commitments in respect of non-cancellable operating leases were as follows:

	Group		Company	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Within one year	308	314	135	133
In the second to fifth year inclusive	688	680	578	470
After five years	3,214	3,646	3,214	3,646
Total	4,210	4,640	3,927	4,249

Included in the above leases are leases for the rental of factory land and building were originally negotiated for a term of 48 years.

### 34 GROUP SEGMENTAL INFORMATION

#### a) Analysis by Business Segments

For management purposes, the group is currently organised into three operating divisions – data storage, consumer electronics and automotive and others. These divisions are the bases on which the group reports its primary segment information.

Segment revenue and expenses: Segment revenue and expenses are the operating revenue and expenses reported in the group's profit and loss statement that are directly attributable to a segment and the relevant portion of such revenue and expenses that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of trade and others receivables, inventories and property, plant and equipment, net of allowances and provisions. Capital additions include the total cost incurred to acquire property, plant and equipment, and intangible assets directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade payables and accruals.

Investments in associates: Income from associates are not allocated as they are not specifically attributable to any of the major business segments, and correspondingly the investments in associates are included as unallocated assets of the group.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at cost plus a percentage profit mark-up. These transfers are eliminated on consolidation basis.

**34 GROUP SEGMENTAL INFORMATION** (cont'd)

## a) Analysis by business segments (cont'd)

	Data Storage		Consumer Electronics		Automotive and Others		Elimination		Group	
	2006	2005 (Restated)	2006	2005 (Restated)	2006	2005 (Restated)	2006	2005 (Restated)	2006	2005 (Restated)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>										
External sales	66,796	42,044	53,694	50,919	12,855	11,088	-	-	133,345	104,051
Inter-segment sales	-	15	-	729	-	456	-	(1,200)	-	-
Total revenue	66,796	42,059	53,694	51,648	12,855	11,544	-	(1,200)	133,345	104,051
<b>Results</b>										
Profit (loss)										
from operations	6,418	(1,735)	4,085	1,933	1,295	2,064	-	-	11,798	2,262
Interest expense									(403)	(351)
Interest income									129	58
Share of results of associates									(112)	48
Profit before tax and minority interests									11,412	2,017
Income tax expense									(2,239)	(181)
Profit after tax									9,173	1,836
Attributable to:										
Equity holders of the company									7,937	1,607
Minority interests									1,236	229
									9,173	1,836
Segment assets	49,178	29,551	35,254	37,776	7,278	8,876	-	-	91,710	76,203
Unallocated corporate assets									4,248	3,621
Consolidated total assets									95,958	79,824
Segment liabilities	12,135	6,563	14,526	14,457	1,808	1,395	-	-	28,469	22,415
Borrowings									8,175	9,643
Unallocated segment liabilities									10,372	7,534
Consolidated total liabilities									47,016	39,592
Capital expenditure	3,097	3,397	2,489	4,114	596	990	-	-	6,182	8,501
Depreciation	2,204	2,183	2,051	2,644	550	637	-	-	4,805	5,464

## b) Analysis by Geographical Segments

Revenue is analysed by the location of the customers. Segment assets and capital expenditure are analysed by the location in which the assets are located:

	Revenue		Assets		Capital Expenditure	
	2006	2005 (Restated)	2006	2005	2006	2005
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	26,304	25,198	43,267	40,097	1,175	1,806
Malaysia	30,218	28,550	7,500	5,294	2,437	778
Thailand	34,884	25,344	29,583	18,563	1,305	5,060
Philippines	11,518	9,909	10,559	10,385	903	627
China	28,508	13,881	5,049	5,485	362	230
Others	1,913	1,169	-	-	-	-
	133,345	104,051	95,958	79,824	6,182	8,501

### 35 RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain comparative figures in the financial statements are based on the 2005 audited financial statements, restated to conform with the changes in FRS that became effective during the financial year, and to be consistent with current year's presentation.

The comparative figures in the financial statements were reclassified as follows:

	Previously reported 2005 \$'000	Group After reclassification 2005 \$'000
<b>Balance sheet</b>		
Current liabilities:		
Income tax payable	734	768
Non-current liabilities:		
Deferred tax liabilities	1,281	1,247
<b>Consolidated profit and loss statement</b>		
Revenue	105,222	104,051
Other operating income	666	1,893
Raw materials and consumables used	(73,199)	(73,275)
Staff costs	(13,347)	(13,546)
Other operating expenses	(14,498)	(14,478)

In the opinion of the directors, the consolidated financial statements of the group and the balance sheet and statement of changes in equity of the company set out on pages 21 to 50 are drawn up so as to give a true and fair view of the state of affairs of the group and of the company as at 31 August 2006 and of the results, 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.

ON BEHALF OF THE DIRECTORS

**Sin Kwong Wah, Andrew**

**Gan Yoke Fong, Karen**

Singapore  
10 November 2006

**DISTRIBUTION OF SHAREHOLDINGS**

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	1,593	64.86	6,654,000	2.39
10,001 - 1,000,000	849	34.57	49,115,000	17.68
1,000,001 and above	14	0.57	222,048,660	79.93
<b>TOTAL</b>	<b>2,456</b>	<b>100.00</b>	<b>277,817,660</b>	<b>100.00</b>

**SUBSTANTIAL SHAREHOLDERS AS AT 13 NOVEMBER 2006 (As recorded in the Registrar of Substantial Shareholders)**

	Direct Interest	%	Deemed Interest	%
Miyoshi Industry Co., Ltd ("MIC")	90,172,860	32.46	0	0.00
Masayoshi Taira	–	–	90,172,860	32.46
Sin Kwong Wah, Andrew	51,883,160	18.68	41,162,000	14.82
Pek Yee Chew	30,503,000	10.98	62,542,160	22.51

Mr Masayoshi Taira is deemed to have an interest in the 90,172,860 shares held by MIC.

Mr Sin Kwong Wah, Andrew is deemed to have an interest in the 10,000,000 shares held by United Overseas Bank Limited, the 659,000 shares held by DBS Nominees Pte Ltd, the 30,503,000 shares held by his spouse, Mdm Pek Yee Chew.

Mdm Pek Yee Chew is deemed to have an interest in the shares held or deemed to be held by her spouse, Mr Sin Kwong Wah, Andrew.

**TWENTY LARGEST SHAREHOLDERS**

NO.	NAME	NO. OF SHARES	%
1	MIYOSHI INDUSTRY CO., LTD	90,172,860	32.46
2	SIN KWONG WAH ANDREW	51,883,160	18.68
3	PEK YEE CHEW	30,503,000	10.98
4	GAN YOKE FONG KAREN	11,568,640	4.16
5	UNITED OVERSEAS BANK NOMINEES PTE LTD	11,178,000	4.02
6	TAN KAY GUAN	8,564,000	3.08
7	UOB KAY HIAN PTE LTD	3,139,000	1.13
8	PHILLIP SECURITIES PTE LTD	2,959,000	1.07
9	DBS NOMINEES PTE LTD	2,830,000	1.02
10	KIM ENG SECURITIES PTE. LTD.	2,732,000	0.98
11	MAH WAI PHENG	2,584,000	0.93
12	CHUA POH KENG	1,700,000	0.61
13	HONG LEONG FINANCE NOMINEES PTE LTD	1,205,000	0.43
14	OCBC SECURITIES PRIVATE LTD	1,030,000	0.37
15	KOH BEOW KO	800,000	0.29
16	OCBC NOMINEES SINGAPORE PTE LTD	796,000	0.29
17	YAP THIAM JOO	616,000	0.22
18	LIM POH FAH VICTOR	615,000	0.22
19	DBS VICKERS SECURITIES (S) PTE LTD	590,000	0.21
20	LIM & TAN SECURITIES PTE LTD	557,000	0.20
<b>TOTAL</b>		<b>226,022,660</b>	<b>81.35</b>

25.87% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Miyoshi Precision Limited (“the Company”) will be held at No. 5 Second Chin Bee Road, Singapore 618772 on Wednesday, 27 December 2006 at 3.00 p.m. for the following purposes:

#### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 August 2006 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 0.4 Singapore cent per share less income tax and final special dividend of 0.2 Singapore cent per share less income tax for the year ended 31 August 2006 (2005: First and final dividend of 0.3 Singapore cent per share). **(Resolution 2)**
3. To re-elect the following Directors retiring pursuant to Articles 88 and 89 of the Company’s Articles of Association:
 

Tay Peng Lim	(Retiring under Article 88)	<b>(Resolution 3)</b>
Sin Kwong Wah, Andrew	(Retiring under Article 89)	<b>(Resolution 4)</b>
Tan Kay Guan	(Retiring under Article 89)	<b>(Resolution 5)</b>

Mr Tay Peng Lim will, upon re-election as Director of the Company, remain a member of the Audit, Nominating and Remuneration Committees and will be considered independent.
4. To re-appoint Deloitte & Touche as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

#### AS SPECIAL BUSINESS

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

6. To approve the payment of Directors’ fees of S\$72,083 for the year ended 31 August 2006 (2005: S\$50,000).  
[See Explanatory Note (i)] **(Resolution 7)**
7. **Authority to allot and issue shares up to 50 per centum (50%) of issued shares in the capital of the Company**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be authorised and empowered to :

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
  - (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force (i) until the conclusion of the Company’s next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.

[See Explanatory Note (ii)]

**(Resolution 8)**

#### 8. **Authority to allot and issue shares under the Miyoshi Employees’ Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors be authorised and empowered to allot and issue shares in the capital of the Company to all the holders of options granted by the Company, whether granted during the subsistence of this authority or otherwise, under the Miyoshi Employees’ Share Option Scheme (“the Scheme”) upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued share capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the Company’s next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 9)**

## 9. Renewal of Shares Purchase Mandate

That the Directors of the Company be and are hereby authorised to make purchases of shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per centum (10%) of the issued ordinary share capital of the Company (as ascertained as at the date of Annual General Meeting of the Company) at the price of up to but not exceeding Maximum Price as defined in the Attachment to AGM Notice to Shareholders dated 8 December 2006 ("Appendix"), in accordance with the "Guidelines on Share Purchases" set out on Appendix 1 of the Appendix, and this mandate shall, unless revoked or varied by the Company in a general meeting, continue to be in force until the next Annual General Meeting by the Company is held or is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**(Resolution 10)**

## 10. Renewal of Shareholders' Mandate for Interested Person Transactions

That for the purposes of Chapter 9 of the Listing Manual of the Singapore Exchange Securities Trading Limited:

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and target associated companies or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as set out on pages 10 to 12 of the Company's Circular dated 26 April 2004 ("Circular") with any party who is of the class of Interested Persons described in the Circular, provided that such transactions are carried out in the normal course of business, at arm's length and on commercial terms and in accordance with the guidelines of the Company for Interested Person Transactions as set out in the Company's Circular (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting; and
- (c) authority be given to the Directors to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

[See Explanatory Note (v)]

**(Resolution 11)**

By Order of the Board

Tan Cher Liang/Tan San-Ju  
Secretaries  
Singapore,

8 December 2006

### Explanatory Notes:

- (i) The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Company to pay the Directors' fees for the year ended 31 August 2006.
- (ii) The Ordinary Resolution 8 proposed in item 7 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares (whether by way of rights, bonus or otherwise) and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.  
  
For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.
- (iii) The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares in the Company of up to a number not exceeding in total fifteen per centum (15%) of the issued share capital of the Company from time to time pursuant to the exercise of the options under the Scheme.
- (iv) The Ordinary Resolution 10 proposed in item 9 above, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary shares of the Company by way of market purchases or off market purchases of up to ten per centum (10%) of the issued share capital of the Company at the Maximum Price as defined in the Appendix. The rationale for, the authority & limitation on, and the financial effects of the purchase or acquisition of ordinary Shares by the Company pursuant to the Shares Purchase Mandate on the audited financial accounts of the Company and its subsidiaries for the year ended 31 August 2006 are set out in greater detail in the Appendix.
- (v) The Ordinary Resolution 11 proposed in item 10 above, if passed, will authorise the Interested Person Transactions as described in the Circular and recurring in the year and will empower the Directors to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company at a general meeting, expire at the conclusion of the next Annual General Meeting of the Company.

### Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 5 Second Chin Bee Road, Singapore 618772 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

**MIYOSHI PRECISION LIMITED**  
(Company Registration No. 198703979K)  
(Incorporated In The Republic of Singapore)

**IMPORTANT:**

1. For investors who have used their CPF monies to buy Miyoshi Precision Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

**PROXY FORM**

(Please see notes overleaf before completing this Form)

I/We,

of

being a member/members of MIYOSHI PRECISION LIMITED (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 27 December 2006 at 3.00 p.m. any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 August 2006		
2	Payment of proposed first & final dividend and final special dividend		
3	Re-election of Mr Tay Peng Lim as a Director		
4	Re-election of Mr Sin Kwong Wah, Andrew as a Director		
5	Re-election of Mr Tan Kay Guan as a Director		
6	Re-appointment of Deloitte & Touche as Auditors		
7	Approval of Directors' fees amounting to S\$72,083		
8	Authority to allot and issue new shares		
9	Authority to allot and issue shares under the Miyoshi Employees' Share Option Scheme		
10	Renewal of Shares Purchase Mandate		
11	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2006

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

\_\_\_\_\_  
Signature of Shareholder(s)  
or, Common Seal of Corporate Shareholder

\*Delete where inapplicable

**Notes:**

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1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No. 5 Second Chin Bee Road, Singapore 618772 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 of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

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The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

## **MIYOSHI PRECISION LIMITED**

*Company Registration No : 198703979K*

5 Chin Bee Road Singapore 618772

Tel: (65) 6265 5221 Fax: (65) 6265 2058

Website: [www.miyoshi.com.sg](http://www.miyoshi.com.sg)