# Miyoshi Precision Limited

Annual Report 2007

# 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 Data Storage, Consumer Electronics and Automotive Industries, our Regional Business Ring revolves around our headquarter in Singapore and manufacturing plants in Singapore, Malaysia, 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.

# CONTENTS


02 Chief Executive Officer's Message
04 Operations Review
06 Financial Review
08 Board of Directors
10 Our Regional Presence
11 Corporate Information
12 Corporate Governance
20 Financial Reports
76 Statistics of Shareholdings
78 Notice of Annual General Meeting
Proxy Form


# CHIEF EXECUTIVE OFFICER'S MESSAGE

## Miyoshi Group achieves record results

## Revenue +22%

## Earnings +85%

# CHIEF EXECUTIVE OFFICER'S MESSAGE

**DEAR SHAREHOLDERS,**

I am pleased to note that the Group has yet again achieved another year of record sales and net earnings. Group revenue for FY2007 climbed by double digits percentage points, by 22.2%, from $133.5 million to $163.1 million, buoyed by strong demand for our data storage products and services. Net profit attributable to shareholders continued to grow strongly, by 84.9%, from $8.2 million to $15.2 million.

Cash and cash equivalents increased from $13.7 million to $25.4 million while earnings per share rose by 53.4% from 2.36 cents to 3.62 cents.

Economies of scale from high levels of production capacity utilization together with ongoing cost-cutting measures boosted profit margins. Net margins strengthened creditably from 6.1% to 9.3%.

In view of the creditable set of results, the Board of Directors has proposed final dividends of 0.4 cent per share in addition to final special dividends of 0.1 cent per share.

This is in line with the Group's intent of continually enhancing shareholder value. In February this year, we announced bumper bonus dividend payout of up to $14.0 million that allowed the company to pass unutilized Section 44 tax credits of $3.1 million to shareholders.

Simultaneously, the Group also proposed a renounceable rights issue, at a ratio of one rights share for every two existing shares held, which drew strong response from shareholders. It allowed shareholders to subscribe for new Miyoshi shares at an attractive issue price of 10 cent per share, for which shareholders can opt to use the bonus dividends to pay for the rights shares. A total of 234,920,124 valid acceptances and excess applications were received, representing an over-subscription of 167.8%.

On the business front, we will continue with efforts to offer innovative and outstanding quality products and services that meet the exacting needs of our customers. It is this attention to detail and commitment to quality excellence that have put us firmly on the radar of our existing customers and that has garnered new businesses.

We will endeavour to pursue growth for our three key business segments, namely, Data Storage, Consumer Electronics and Automotive, as a way to effectively manage business risks and to build up a robust business portfolio.

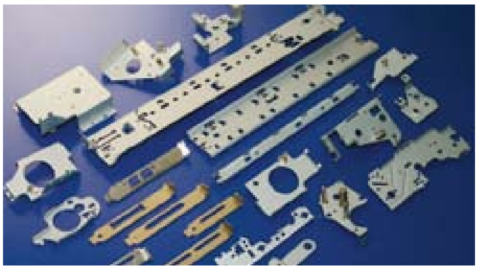
And in our quest to develop new capabilities, new customer base and performance drivers, we will be actively looking at potential mergers and acquisitions as well as new strategic alliances to lift the Group to the next phase of growth.

Let me take this opportunity to thank our Board of Directors, management and staff for their contributions and dedication as well as our customers, suppliers and business partners for their continued support.

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

# OPERATIONS REVIEW



## OPERATIONS REVIEW

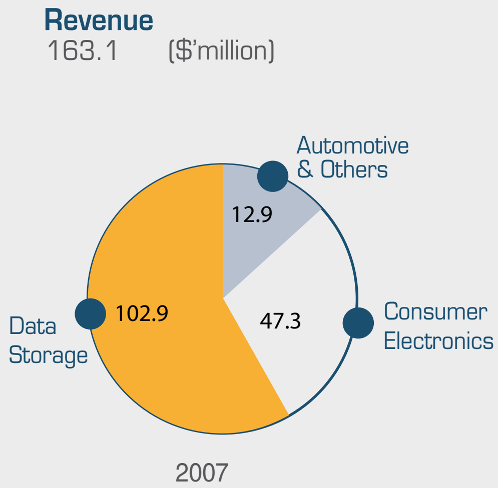
Data Storage continued to be the main revenue contributor for the Group, accounting for 63.1% of Group sales. Revenue from Data Storage grew by 53.8% from $66.9 million in FY2006 to $102.9 million in FY2007 due largely to a surge in demand for 2.5", 3.5" and server drives. Moving forward, the industry outlook for Data Storage continues to be positive for the next 12 months.

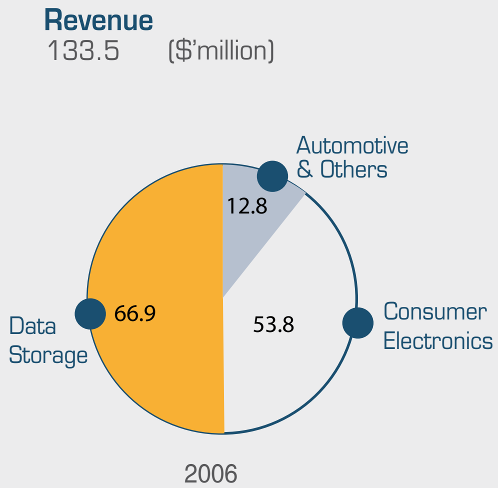
Sales from the Consumer Electronics segment reduced by 12.1% to $47.3 million in FY2007, from $53.8 million in FY2006. This was because FY2006 saw the impact of program which was in the mature stage of production whilst a new program only kicked off in the later part of FY2007. Additionally, the Consumer Electronics segment was operating under competitive market conditions, and a weaker US dollar also impacted dollar sales.

Our Regional Business Ring continued to play an integral part in contributing to the current growth and played a key role in our expansion strategy. It afforded the Group a unique competitive advantage of locating production operations in cost competitive hubs in Thailand, Malaysia, Philippines and China.

For the year in review, all of our geographical markets, save for Malaysia, registered revenue growth. Thailand and China continued to be significant growth drivers, accounting for slightly more than half of Group sales, with Thailand contributing 24.9% while China making up 30.1%. China too, posted the strongest rate of growth, with revenue surging by 72.0%, from $28.5 million to $49.0 million.

To tap into this rising demand in the mainland, we established a new subsidiary, Miyoshi Precision Huizhou Co., Ltd in Huizhou, Southern China, near




Shenzhen in August this year. Set up with registered capital of USD 2.5 million, the new plant will support existing and potential customers in Southern China, further extending our China footprint that presently includes a manufacturing facility in Wuxi.

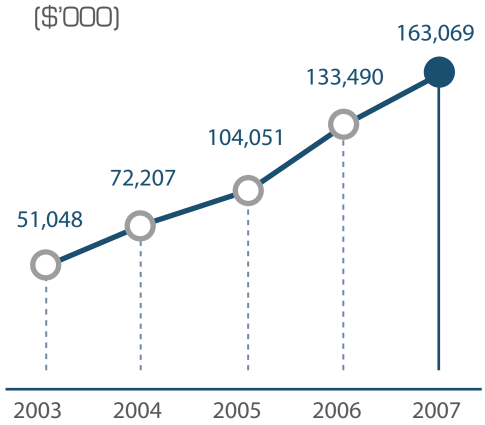
The new set-up will be principally engaged in metal stamping and electronic components assembly for data storage, consumer electronics and automotive, on 50 year-leased land that was acquired recently. Construction of the new 18,350 square metres factory will commence shortly and operations are expected to commence within the next financial year.

We will continue to develop relatively new areas of business such as automotive and medical. This is part of our push to expand into high-mix low volume businesses that yield relatively stronger margins. And in our bid to introduce new revenue streams, a new FIPG sub-assembly line was set up in our Singapore plant. This formed part of our efforts to increasingly offer integrated and holistic solutions to our customers.

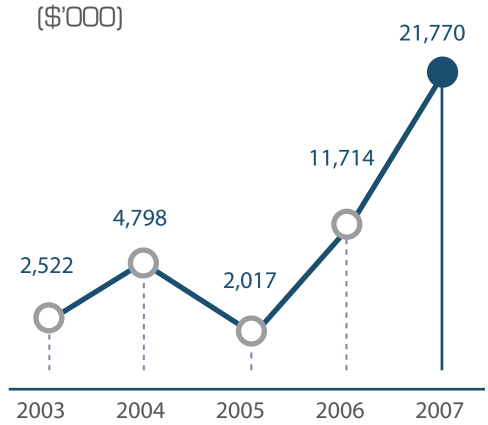
Despite the encouraging business outlook, fluctuations in raw material prices and foreign currency exchange rates remain as factors of concern that may have an impact on our bottom line. We will strive to explore and implement mitigating measures to manage these and other business risks as they arise.

# FINANCIAL REVIEW

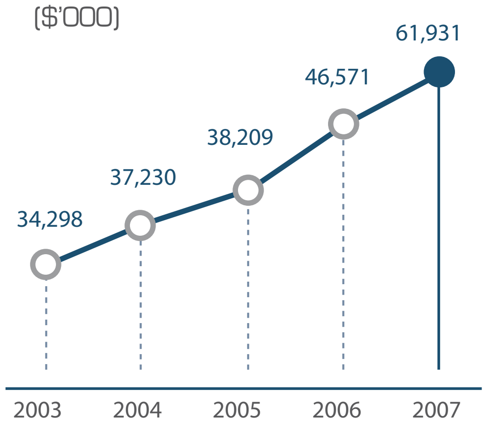
**Revenue**
($'000)



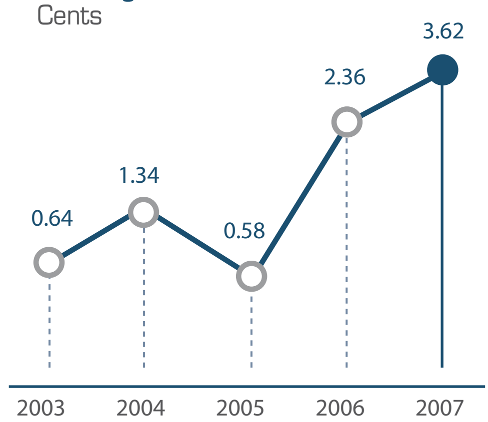

**Profit Before Income Tax**
($'000)




**Shareholders' Fund**
($'000)




**Earnings Per Share**
Cents




## FINANCIAL REVIEW

Group revenue grew 22.2% from $133.5m in FY2006 to $163.1m FY2007; and earnings grew by 84.9% from $8.2m to $15.2m. These are historically the best results that the Group has achieved. Revenue growth was driven by strong demand for hard disk drives while economies from high levels of production capacity utilization contributed to improved earnings.

Our Data Storage (DS) business segment continues to be the key revenue growth driver propelled by strong demand for hard disk drive products. Revenue from DS grew from $66.9m last year to $102.9m this year. The growth of 53.8% was due largely to a surge in demand for 2.5", 3.5" and server drives.

Lower revenue was reported for the Consumer Electronics (CE) segment; a decrease of 12.1%, to $47.3m in FY2007 as compared with $53.8m last year. The CE segment was generally operating under competitive market conditions with profit from operations falling from $4.2m last year to $2.6m this year and operating margins declining by 2.3%.

Earnings for the Group amounted to $15.2m in FY2007, an increase of 84.9% from $8.2m in FY2006. While absolute earnings growth was achieved through higher revenue, profit margins were boosted by economies from high levels of production capacity utilization along with our continuous efforts to actively manage cost. Better margins were also achieved through our Regional Business Ring



Strategy which has enabled us to locate production operations in cost competitive hubs in Thailand, Malaysia, Philippines and China. The strong revenue and earnings results for FY2007 were pared by a weaker US Dollar and higher raw material prices.

One-off gains were made from an acquisition of equity stake in Miyoshi Saitoh Pte Ltd and disposal of PT SM Engineering. Together, these contributed $1.1m to earnings. Income from the sale of scrap rose $1.4m due to higher production volumes and an increase in scrap material prices.

During FY2007, the Group invested $6.5m in property, plant and equipment, of which $1.6m was in a new building for our Malaysian operations, $0.4m in building improvements for Thailand and Singapore operations, and $3.6m in plant and equipment. These investments were required to expand and upgrade our manufacturing facillities.

Bank borrowings increased from $8.2m as at 31 August 2006 to $12.9m as at 31 August 2007. The increase was largely used to fund investments in our China operations as well as for acquisition of property, plant and equipment. As a result of higher borrowings, the gearing ratio (borrowings divided by shareholders equity) rose to 0.21 times at the end of FY2007 as compared with 0.18 times last year. Interest cover (earnings before interest, taxation, depreciation, amortization divided by interest) however improved from 42.0 times last year to 50.9 times this year because of higher earnings.

The Group's cash and cash equivalents amounted to $25.4m, compared to $13.7m as at 31 August 2006.

Total equity attributable to the shareholders of the Group grew by 32.8% to $61.9m as at 31 August 2007, as compared to $46.6m as at 31 August 2006. Issued share capital grew by $14.5m or 63.5% due to a capitalisation of retained earnings through a rights issue made during the year of $14.0m and employee share options exercised of $0.5m. Retained earnings fell by $0.1m due to the net effect of the current year earnings of $15.2m, the transfer of $14.0m from retained earnings to share capital in relation to a rights issue and a dividend payment of $1.3m. Earnings per share on a diluted basis was 3.62 cents for FY2007, up from 2.36 cents last year.

For the current financial year, the directors have proposed to pay a final dividend of 0.4 cent a share plus 0.1 cent special dividend making a total of 0.5 cent a share. Dividends are tax exempt based on the one-tier system applicable from 1 January 2008. At 0.5 cent a share, total dividend will amount to $2.1m. The payment of this dividend is subject to approval by shareholders in the next annual general meeting.

# BOARD OF DIRECTORS

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

**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 27 December 2006.

Mr. Sin, with more than 15 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 27 December 2006.

Mr. Tan, appointed Chief Operating Officer on 1 September 2004, has more than 10 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 19 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. He was appointed as Chairman of the company since 31 December 2002. He has been proposed for re-election at the company's forthcoming Annual General Meeting on 27 December 2007.

Mr. Taira currently is a member of both the Audit and Remuneration Committees. Mr. Taira has served as our Marketing Director from 1992 to 1999. Mr. Taira has more than 17 years of experience in metal stamping industry. He is currently the Managing Director 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.

**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 the Company's forthcoming Annual General Meeting on 27 December 2007.

Mr. U currently chairs the Nominating and the Remuneration Committees and is a member of Audit Committee. 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 practicing advocate and solicitor. With more than 13 years of experience in the legal practice, he specializes 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 and Ossia International Limited.

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

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

Mr. Tay was first appointed to the Board of Directors on 3 April 2006 and was last re-elected on 27 December 2006.

Mr. Tay currently chairs the Audit Committee and is a member of the Nominating and 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.

# OUR REGIONAL PRESENCE

## DIRECTORS

Executive:

| | |
|---|---|
| Mr. Sin Kwong Wah, Andrew | Chief Executive Officer |
| Mr. Tan Kay Guan | Chief Operating Officer |
| Ms. Gan Yoke Fong, Karen | Executive Director |

Non-Executive:

| | |
|---|---|
| Mr. Masayoshi Taira | Chairman |
| Mr. U Kean Seng | Independent |
| Mr. Tay Peng Lim | Independent |

## AUDIT COMMITTEE

| | |
|---|---|
| Mr. Tay Peng Lim | Chairman (appointed on 9 April 2007) |
| Mr. Masayoshi Taira | |
| Mr. U Kean Seng | |

## NOMINATING COMMITTEE

| | |
|---|---|
| Mr. U Kean Seng | Chairman |
| Ms. Gan Yoke Fong, Karen | |
| Mr. Tay Peng Lim | |

## REMUNERATION COMMITTEE

| | |
|---|---|
| Mr. U Kean Seng | Chairman |
| Mr. Masayoshi Taira | |
| Mr. Tay Peng Lim | |

## COMPANY SECRETARIES

Ms. Tan San-Ju (FCIS)
Mr. Tan Cher Liang (FCCA)

## REGISTERED OFFICE

No. 5 Second Chin Bee Road
Singapore 618772
Tel: (65) 6265 5221 Fax: (65) 6265 2058
Email: info@sg.miyoshi.biz Website: http://www.miyoshi.biz

## SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
3 Church Street #08-01 Samsung Hub
Singapore 049483

## AUDITORS

BDO Raffles
Certified Public Accountants
5 Shenton Way #07-01
UIC Building, Singapore 068808
Partner-in-charge: Mr. Chia Soo Hien
Date of appointment: 21 March 2007

## PRINCIPAL BANKERS

United Overseas Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited

# Corporate Governance

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 2007.

## 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 management 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 | 1 |
| 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 | 1 |
| Mr Tay Peng Lim | 2 | 2 |

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 appropriately, 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 number of meeting held in the year by the Nominating Committee and the attendance thereat are as follows:

| | Nominating Committee Meeting | |
|---|---|---|
| | **No. of meeting** | **Attendance** |
| Mr U Kean Seng - Chairman | 1 | 0 |
| Ms Gan Yoke Fong, Karen | 1 | 1 |
| Mr Tay Peng Lim | 1 | 1 |

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, judgement, 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 8 of the Annual Report.

The Company's Articles of Association provides that at least one-third of the Company's Directors (except for the Managing Director) 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 Nominating Committee 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 at meetings, participation and contributions at 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 assesses the contribution of the individual directors' performance and the effectiveness of the Board as a whole.

**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"), and communicating with the relevant authorities on behalf of the Company. The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed. Where decisions to be taken require specialized 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 number of meeting held in the year by the Remuneration Committee and the attendance thereat are as follows:

| | Remuneration Committee Meeting | |
|---|---|---|
| | **No. of meeting** | **Attendance** |
| Mr U Kean Seng - Chairman | 1 | 0 |
| Mr Masayoshi Taira | 1 | 1 |
| Mr Tay Peng Lim | 1 | 1 |

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 decision-making in relation to his/her own remuneration, terms and conditions of service, and the review of his/her own 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 2007 are as follows:

| Remuneration Band and Name of Directors | Salary % | Bonuses % | Directors' Fees % | Others % | Total Compensation % |
|---|---|---|---|---|---|
| **$500,000 and above** | | | | | |
| Mr Sin Kwong Wah, Andrew | 43.2 | 55.8 | – | 1.0 | 100.0 |
| Ms Gan Yoke Fong, Karen | 39.9 | 54.5 | – | 5.6 | 100.0 |
| **$250,000 to $499,999** | | | | | |
| Mr Tan Kay Guan | 43.1 | 49.2 | – | 7.7 | 100.0 |
| **Below $250,000** | | | | | |
| Mr Masayoshi Taira | – | – | 100.0 | – | 100.0 |
| Mr U Kean Seng | – | – | 72.3 | 27.7 | 100.0 |
| Mr Tay Peng Lim | – | – | 84.6 | 15.4 | 100.0 |
| **Remuneration Band and Name of Key Executives** | | | | | |
| **Below $250,000** | | | | | |
| Brian Especkerman (appointed 6 July 2007) | 76.6 | 18.8 | – | 4.6 | 100.0 |
| Lee Ah Kow, David | 58.8 | 13.6 | – | 27.6 | 100.0 |
| Lim Swee Cheong | 70.2 | 15.4 | – | 14.4 | 100.0 |
| Loo Keng Huat, Walter | 66.3 | 14.6 | – | 19.1 | 100.0 |
| Wee Soon Ghee | 60.1 | 12.8 | – | 27.1 | 100.0 |

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 2007** |
| **Pursuant to options granted on 29 January 2002** | | |
| Brian Especkerman (appointed 6 July 2007) | – | – |
| Lee Ah Kow, David | 180,000 | – |
| Lim Swee Cheong | – | – |
| Loo Keng Huat, Walter | – | – |
| Wee Soon Ghee | 80,000 | – |
| | | |
| **Pursuant to options granted on 29 January 2004** | | |
| Brian Especkerman (appointed 6 July 2007) | – | – |
| Lee Ah Kow, David | 180,000 | 229,000* |
| Lim Swee Cheong | 40,000 | 51,000* |
| Loo Keng Huat, Walter | – | – |
| Wee Soon Ghee | 80,000 | 102,000* |
| | | |
| **Pursuant to options granted on 29 January 2005** | | |
| Brian Especkerman (appointed 6 July 2007) | – | – |
| Lee Ah Kow, David | 180,000 | – |
| Lim Swee Cheong | 80,000 | – |
| Loo Keng Huat, Walter | – | – |
| Wee Soon Ghee | 150,000 | – |
| | | |
| **Pursuant to options granted on 31 January 2007** | | |
| Brian Especkerman (appointed 6 July 2007) | – | – |
| Lee Ah Kow, David | 180,000 | 229,000* |
| Lim Swee Cheong | 80,000 | 102,000* |
| Loo Keng Huat, Walter | 150,000 | 191,000* |
| Wee Soon Ghee | 150,000 | 191,000* |

* After adjustment arising from a rights issue during the financial year.

Summarised details of the Miyoshi Employees' 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 year and full year 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 Tay Peng Lim – Chairman (appointed on 9 April 2007) | 3 | 3 |
| Mr U Kean Seng | 3 | 2 |
| Mr Masayoshi Taira | 3 | 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 approval;

(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 officer 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 confirms that it has undertaken a review of all the non-audit services provided by the Company's auditor during the financial year (fees: $9,500) and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

The Audit Committee has also put in place a policy, whereby staff of the Group may raise concerns about possible improprieties in matters of financial reporting, fraudulent acts and other matters and ensure that arrangements are in place for independent investigations of such matters and appropriate follow up actions.

### 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 Chairmen 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 results.

## 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 | | |
| Type of transactions | | |
| Purchases | Nil | 2,627,759 |
| Sales commission | Nil | 271,783 |
| Marketing services | Nil | 119,838 |
| Total | Nil | 3,019,380 |

## MATERIAL CONTRACTS

Except as disclosed and save for the service agreement between the Executive Directors and the Company, there are no material contracts entered into by the Company or its subsidiary companies during the financial year ended 31 August 2007 or still subsisting as at 31 August 2007 which involved the interests of any Director or controlling shareholders of the Company.

# FINANCIAL REPORTS


21 Report of the Directors

28 Independent Auditors' Report

29 Balance Sheets

30 Consolidated Income Statement

31 Statements of Changes in Equity

33 Consolidated Cash Flow Statement

35 Notes to the Financial Statements

75 Statement of Directors

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 2007.

## 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

## 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:

| | Shareholdings registered in the name of directors or their nominees | | Shareholdings in which directors are deemed to have an interest | |
|---|---|---|---|---|
| **Name of directors and company in which interests are held** | **At beginning of year** | **At end of year** | **At beginning of year** | **At end of year** |
| **The company** | **Number of ordinary shares** | | | |
| Mr Sin Kwong Wah, Andrew | 51,883,160[1] | 77,825,000 | 41,162,000 | 61,744,000 |
| Mr Tan Kay Guan | 8,564,000 | 6,096,000 | 2,584,000 | 3,876,000 |
| Ms Gan Yoke Fong, Karen | 11,568,640 | 18,252,960 | – | – |
| Mr Masayoshi Taira | – | – | 90,172,860 | 104,509,290 |

| **Name of directors and company in which interests are held** | **At beginning of year** | **At end of year** |
|---|---|---|
| **Subsidiary company** | **Ordinary shares of Thai Baht 100 each** | |
| **Miyoshi Precision (Thailand) Co., Ltd** | **Held in the name of Directors** | |
| Mr Sin Kwong Wah, Andrew | 2[2] | 2[2] |
| Mr Tan Kay Guan | 2[2] | 2[2] |
| Ms Gan Yoke Fong, Karen | 2[2] | 2[2] |

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

| Name of directors and company in which interests are held | At beginning of year | At end of year |
|---|---|---|
| **Subsidiary company** | **Ordinary shares of Thai Baht 100 each** | |
| **Miyoshi Hi-Tech Co., Ltd** | **Held in the name of Directors** | |
| Mr Sin Kwong Wah, Andrew | 399,996[(2)] | 399,996[(2)] |
| Ms Gan Yoke Fong, Karen | 1[(2)] | 1[(2)] |
| **Subsidiary company** | **Ordinary shares of Philippines Peso 1,000 each** | |
| **Miyoshi Technologies Phils., Inc.** | **Held in the name of Directors** | |
| Mr Sin Kwong Wah, Andrew | 1[(2)] | 1[(2)] |
| Mr Tan Kay Guan | 1[(2)] | 1[(2)] |

| | 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 |
| **Options granted on 29 January 2002** | | |
| Ms Gan Yoke Fong, Karen | 300,000 | – |
| **Options granted on 29 January 2004** | | |
| Mr Tan Kay Guan | 300,000 | 381,000[(3)] |
| Ms Gan Yoke Fong, Karen | 300,000 | 381,000[(3)] |
| **Options granted on 29 January 2005** | | |
| Mr Tan Kay Guan | 300,000 | 381,000[(3)] |
| Ms Gan Yoke Fong, Karen | 300,000 | – |
| Mr U Kean Seng | 100,000 | 127,000[(3)] |
| **Options granted on 31 January 2007** | | |
| Mr Tan Kay Guan | 300,000 | 381,000[(3)] |
| Ms Gan Yoke Fong, Karen | 300,000 | 381,000[(3)] |
| Mr U Kean Seng | 200,000 | 254,000[(3)] |
| Mr Tay Peng Lim | 100,000 | 127,000[(3)] |

(1) 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.

(2) Shares held in trust for the Company.

(3) After adjustment arising from a rights issue during the financial year.

There was no change in any of the abovementioned interests between the end of the financial year and 21 September 2007.

## 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 Employees' 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.

(iv) Options granted on 31 January 2007

Options were granted pursuant to the Scheme to 35 employees and directors (collectively the "Participants") of the company to subscribe for 3,150,000 ordinary shares in the company at the subscription price of $0.239 per share with no discount. 3,150,000 options were accepted by the Participants.

**5 SHARE OPTIONS** (cont'd)

a) Options Granted (cont'd)

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 Limited 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.

Arising from a rights issue during the financial year and pursuant to Rule 10 of Miyoshi Employees' Share Option Scheme, the aggregate number of outstanding shares under options and the exercise price have been adjusted.

The number of shares which may be acquired by a grantee or the acquisition price or both are subject to adjustment, as confirmed by the auditors of the company that such adjustment is fair and reasonable, by reason of any variation in the issued ordinary share capital of the company (by way of rights issue) while an option remains unexercised.

b) Options Exercised

During the financial year,

(i) the company issued 330,000 ordinary shares at $0.144 per share upon the exercise of share options under the Scheme granted on 29 January 2002.

(ii) the company issued 290,000 and 366,000 ordinary shares at $0.252 and $0.199 respectively upon the exercise of share options under the Scheme granted on 29 January 2004.

(iii) the company issued 1,620,000 and 217,000 ordinary shares at $0.180 and $0.142 respectively upon the exercise of share options under the Scheme granted on 29 January 2005.

## 5 SHARE OPTIONS (cont'd)

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 | Options adjustments | Exercised | Forfeited | At end of year | Original exercise price | Adjusted exercise price | Exercise period |
|---|---|---|---|---|---|---|---|---|
| 29 Jan 2002 | 190,000 | 11,000 | (150,000) | – | 51,000 | 0.144 | 0.114 | 29 Jan 2003 to 28 Jan 2012 |
| 29 Jan 2002 | 220,000 | 11,000 | (180,000) | – | 51,000 | 0.144 | 0.114 | 29 Jan 2004 to 28 Jan 2013 |
| 29 Jan 2004 | 965,000 | 220,000 | (328,000) | (10,000) | 847,000 | 0.252 | 0.199 | 29 Jan 2005 to 28 Jan 2014 |
| 29 Jan 2004 | 965,000 | 221,000 | (328,000) | (10,000) | 848,000 | 0.252 | 0.199 | 29 Jan 2006 to 28 Jan 2015 |
| 29 Jan 2005 | 50,000 | 13,000 | – | – | 63,000 | 0.180 | 0.142 | 29 Jan 2006 to 28 Jan 2010 |
| 29 Jan 2005 | 50,000 | 14,000 | – | – | 64,000 | 0.180 | 0.142 | 29 Jan 2007 to 28 Jan 2011 |
| 29 Jan 2005 | 1,065,000 | 67,000 | (919,000) | (10,000) | 203,000 | 0.180 | 0.142 | 29 Jan 2006 to 28 Jan 2015 |
| 29 Jan 2005 | 1,065,000 | 67,000 | (918,000) | (10,000) | 204,000 | 0.180 | 0.142 | 29 Jan 2007 to 28 Jan 2016 |
| 31 Jan 2007 | 150,000 | 40,000 | – | – | 190,000 | 0.239 | 0.188 | 31 Jan 2008 to 30 Jan 2012 |
| 31 Jan 2007 | 150,000 | 41,000 | – | – | 191,000 | 0.239 | 0.188 | 31 Jan 2009 to 30 Jan 2013 |
| 31 Jan 2007 | 1,425,000 | 386,000 | – | (144,000) | 1,667,000 | 0.239 | 0.188 | 31 Jan 2008 to 30 Jan 2017 |
| 31 Jan 2007 | 1,425,000 | 386,000 | – | (100,000) | 1,711,000 | 0.239 | 0.188 | 31 Jan 2009 to 30 Jan 2018 |
| Total | 7,720,000 | 1,477,000 | (2,823,000) | (284,000) | 6,090,000 | | | |

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 those 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 those 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 those 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 Participant ceasing to be employed by the company or its subsidiaries.

## 5 SHARE OPTIONS (cont'd)

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 | Options granted during the financial year | 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 |
|---|---|---|---|---|
| **Directors of the company** | | | | |
| Mr Tan Kay Guan | 300,000 | 1,443,000* | 300,000 | 1,143,000* |
| Ms Gan Yoke Fong, Karen | 300,000 | 1,362,000* | 600,000 | 762,000* |
| Mr U Kean Seng | 200,000 | 381,000* | – | 381,000* |
| Mr Tay Peng Lim | 100,000 | 127,000* | – | 127,000* |
| | | | | |
| **Employees** | | | | |
| Mr Lee Ah Kow | 180,000 | 818,000* | 360,000 | 458,000* |
| Mr Seah Kin Song | 180,000 | 843,000* | 385,000 | 458,000* |

* Arising from a rights issue during the financial year and pursuant to Rule 10 of Miyoshi Employees' Share Option Scheme, the aggregate number of outstanding shares under option has been adjusted.

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

## 6 AUDIT COMMITTEE

The members of the Audit Committee are:

Mr Tay Peng Lim (Chairman) – Appointed on 9 April 2007
Mr U Kean Seng
Mr Masayoshi Taira

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;

**6 AUDIT COMMITTEE** (cont'd)

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 approval;

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 BDO Raffles for re-appointment as external auditors of the group at the forthcoming Annual General Meeting of the company.

**7 AUDITORS**

The auditors, BDO Raffles, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Sin Kwong Wah, Andrew

Gan Yoke Fong, Karen

Singapore
9 November 2007

# Independent Auditors' Report

## to the members of Miyoshi Precision Limited

We have audited the accompanying financial statements of Miyoshi Precision Limited (the "company") and its subsidiaries (the "group") as set out on pages 29 to 74 which comprise the balance sheets of the group and of the company as at 31 August 2007, the consolidated income statement, statements of changes in equity of the group and of the company and consolidated cash flow statement of the group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements for the financial year ended 31 August 2006 were audited by another auditor whose report dated 10 November 2006 expressed an unqualified opinion on those financial statements.

*Directors' responsibility for the financial statements*

The company's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion,

(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 Act and Singapore Financial Reporting Standards 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 2007 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the company and by the subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**BDO Raffles**
Certified Public Accountants

Singapore
9 November 2007

## Balance Sheets

### As At 31 August 2007

| | Note | Group 2007 $'000 | Group 2006 $'000 (Restated) | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **Current assets:** | | | | | |
| Cash and bank balances | 6 | 23,439 | 12,906 | 10,838 | 1,646 |
| Fixed deposits | 6 | 2,784 | 1,803 | – | – |
| Trade receivables | 7 | 39,673 | 30,692 | 28,481 | 26,596 |
| Other receivables and prepayments | 8 | 3,737 | 4,192 | 2,885 | 4,355 |
| Inventories | 9 | 13,862 | 11,537 | 4,171 | 3,537 |
| Total current assets | | 83,495 | 61,130 | 46,375 | 36,134 |
| **Non–current assets:** | | | | | |
| Investments in associates | 10 | 7 | – | 68 | 569 |
| Investments in subsidiaries | 11 | – | – | 28,425 | 27,257 |
| Available–for–sale financial assets | 12 | 30 | 38 | 9 | 10 |
| Other receivable | 8 | 650 | – | 650 | – |
| Property, plant and equipment | 13 | 34,089 | 32,403 | 9,698 | 9,786 |
| Deferred tax assets | 14 | 23 | 21 | – | – |
| Loans receivable | 15 | 2,670 | 2,615 | 2,670 | 2,615 |
| Total non-current assets | | 37,469 | 35,077 | 41,520 | 40,237 |
| **Total assets** | | 120,964 | 96,207 | 87,895 | 76,371 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities:** | | | | | |
| Bank overdrafts | 16 | 481 | 779 | – | 707 |
| Trade payables | 17 | 26,158 | 27,854 | 15,571 | 19,009 |
| Other payables | 18 | 9,584 | 6,883 | 5,528 | 3,497 |
| Income tax payable | | 5,393 | 2,733 | 2,701 | 1,644 |
| Finance leases | 19 | 793 | 738 | 335 | 169 |
| Bank loans | 20 | 8,679 | 4,526 | 8,100 | 3,678 |
| Total current liabilities | | 51,088 | 43,513 | 32,235 | 28,704 |
| **Non-current liabilities:** | | | | | |
| Finance leases | 19 | 952 | 931 | 441 | 177 |
| Bank loans | 20 | 1,993 | 1,200 | – | – |
| Deferred tax liabilities | 21 | 994 | 757 | 554 | 471 |
| Total non-current liabilities | | 3,939 | 2,888 | 995 | 648 |
| **Capital and reserves :** | | | | | |
| Share capital | 22 | 37,389 | 22,871 | 37,389 | 22,871 |
| Fair value reserve | 22 | (7) | – | – | – |
| Share options reserve | 22 | 536 | 311 | 536 | 311 |
| Currency translation reserve | 22 | 559 | (156) | – | – |
| Retained earnings | | 23,454 | 23,545 | 16,740 | 23,837 |
| | | 61,931 | 46,571 | 54,665 | 47,019 |
| Minority interests | | 4,006 | 3,235 | – | – |
| Total equity | | 65,937 | 49,806 | 54,665 | 47,019 |
| **Total liabilities and equity** | | 120,964 | 96,207 | 87,895 | 76,371 |

See accompanying notes to the financial statements.

# Consolidated Income Statement
## Year ended 31 August 2007

| | Note | 2007 $'000 | 2006 $'000 (Restated) |
|---|---|---|---|
| **Revenue** | 24 | 163,069 | 133,490 |
| Other operating income | 25 | 5,509 | 2,853 |
| Changes in inventories of finished goods and work-in-process | | 2,293 | (416) |
| Raw materials and consumables used | | (104,282) | (85,249) |
| Employee benefits expenses | | (19,391) | (16,637) |
| Depreciation expense | | (4,875) | (4,791) |
| Other operating expenses | 26 | (20,026) | (17,021) |
| Finance costs | | (534) | (403) |
| Share of results of associates | | 7 | (112) |
| **Profit before income tax** | | 21,770 | 11,714 |
| Income tax expense | 27 | (4,648) | (2,234) |
| **Profit for the year** | 28 | 17,122 | 9,480 |
| **Attributable to:** | | | |
| Equity holders of the company | | 15,242 | 8,244 |
| Minority interests | | 1,880 | 1,236 |
| | | 17,122 | 9,480 |
| Earnings per share (in cents): | 29 | | |
| - Basic | | 3.62 | 2.36 |
| - Fully diluted | | 3.62 | 2.36 |

See accompanying notes to the financial statements.

# Statements of Changes in Equity

## Year ended 31 August 2007

| Group | Share capital $'000 | Share premium $'000 | Capital redemption reserve $'000 | Share options reserve $'000 | Fair value reserve $'000 | Currency translation reserve $'000 | Retained earnings $'000 | Total attributable to equity holders $'000 | Minority interests $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance at 31 August 2005, as previously reported** | 13,891 | 8,643 | 337 | 277 | – | 272 | 14,789 | 38,209 | 2,023 | 40,232 |
| Effect of change in functional currency of a subsidiary in prior year | – | – | – | – | – | (408) | 1,115 | 707 | – | 707 |
| **Balance at 31 August 2005 (restated)** | 13,891 | 8,643 | 337 | 277 | – | (136) | 15,904 | 38,916 | 2,023 | 40,939 |
| Foreign exchange translation (loss)/gain arising in the year | – | – | – | – | – | (20) | – | (20) | 41 | 21 |
| Net (loss)/income recognised directly in equity | – | – | – | – | – | (20) | – | (20) | 41 | 21 |
| Net profit for the year | – | – | – | – | – | – | 8,244 | 8,244 | 1,236 | 9,480 |
| **Total recognised income and expense for the year** | – | – | – | – | – | (20) | 8,244 | 8,224 | 1,277 | 9,501 |
| 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 | – | – | – |
| Adjustment arising from abolition of par value of shares | 8,980 | (8,643) | (337) | – | – | – | – | – | – | – |
| **Balance at 31 August 2006 (restated)** | 22,871 | – | – | 311 | – | (156) | 23,545 | 46,571 | 3,235 | 49,806 |
| Foreign exchange translation gain arising in the year | – | – | – | – | – | 715 | – | 715 | 187 | 902 |
| Fair value adjustment | – | – | – | – | (7) | – | – | (7) | – | (7) |
| Net (loss)/income recognised directly in equity | – | – | – | – | (7) | 715 | – | 708 | 187 | 895 |
| Net profit for the year | – | – | – | – | – | – | 15,242 | 15,242 | 1,880 | 17,122 |
| **Total recognised income and expense for the year** | – | – | – | – | (7) | 715 | 15,242 | 15,950 | 2,067 | 18,017 |
| Acquisition of additional interest in subsidiary | – | – | – | – | – | – | – | – | (787) | (787) |
| Dividends paid to minority shareholders | – | – | – | – | – | – | – | – | (509) | (509) |
| Dividends (Note 30) | – | – | – | – | – | – | (15,337) | (15,337) | – | (15,337) |
| Share-based payments expense for the year | – | – | – | 229 | – | – | – | 229 | – | 229 |
| Share options lapsed | – | – | – | (4) | – | – | 4 | – | – | – |
| Shares issued pursuant to rights issue | 14,003 | – | – | – | – | – | – | 14,003 | – | 14,003 |
| Shares issued under Employees' Share Option Scheme | 515 | – | – | – | – | – | – | 515 | – | 515 |
| **Balance at 31 August 2007** | 37,389 | – | – | 536 | (7) | 559 | 23,454 | 61,931 | 4,006 | 65,937 |

See accompanying notes to the financial statements.

# Statements of Changes in Equity

## Year ended 31 August 2007

| Company | Share capital $'000 | Share premium $'000 | Capital redemption reserve $'000 | Share options reserve $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|---|---|
| **Balance at 31 August 2005** | 13,891 | 8,643 | 337 | 277 | 22,076 | 45,224 |
| Net profit for the year | – | – | – | – | 2,364 | 2,364 |
| **Total recognised income for the year** | – | – | – | – | 2,364 | 2,364 |
| Dividends (Note 30) | – | – | – | – | (667) | (667) |
| Share-based payments expense for the year | – | – | – | 98 | – | 98 |
| Share options lapsed | – | – | – | (64) | 64 | – |
| Adjustment arising from abolition of par value of shares | 8,980 | (8,643) | (337) | – | – | – |
| **Balance at 31 August 2006** | 22,871 | – | – | 311 | 23,837 | 47,019 |
| Net profit for the year | – | – | – | – | 8,236 | 8,236 |
| **Total recognised income for the year** | – | – | – | – | 8,236 | 8,236 |
| Dividends (Note 30) | – | – | – | – | (15,337) | (15,337) |
| Share-based payments expense for the year | – | – | – | 229 | – | 229 |
| Share options lapsed | – | – | – | (4) | 4 | – |
| Shares issued pursuant to rights issue | 14,003 | – | – | – | – | 14,003 |
| Shares issued under Employees' Share Option Scheme | 515 | – | – | – | – | 515 |
| **Balance at 31 August 2007** | 37,389 | – | – | 536 | 16,740 | 54,665 |

See accompanying notes to the financial statements.

# Consolidated Cash Flow Statement
## Year ended 31 August 2007

| | 2007<br>$'000 | 2006<br>$'000<br>(Restated) |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit before income tax and share of results of associates | 21,763 | 11,826 |
| Adjustments for: | | |
| Allowance for impairment in goodwill on acquisition of subsidiary | – | 117 |
| Allowance for inventory obsolescence | 513 | 337 |
| Allowance for impairment in value of available-for-sale financial assets | – | 39 |
| Impairment in value of club membership | 1 | – |
| (Write back)/allowance for doubtful receivables and loans receivable | (82) | 131 |
| Bad debts written off | 20 | 19 |
| Depreciation expense | 4,875 | 4,791 |
| Negative goodwill on acquisition of additional interest in subsidiary | (721) | – |
| Gain on disposal of associate | (400) | – |
| Gain on disposal of available-for-sale financial assets | – | (113) |
| Interest expense | 534 | 403 |
| Interest income | (253) | (131) |
| (Gain)/loss on disposal of property, plant and equipment | (188) | 38 |
| Share-based payments expense | 229 | 98 |
| Operating profit before changes in working capital | 26,291 | 17,555 |
| Working capital changes | | |
| Trade receivables | (9,020) | (4,708) |
| Other receivables | (164) | (1,379) |
| Inventories | (2,838) | (592) |
| Trade payables | (1,696) | 5,286 |
| Other payables | 2,456 | 390 |
| Cash generated from operations | 15,029 | 16,552 |
| Interest paid | (534) | (403) |
| Interest received | 253 | 131 |
| Income tax paid | (1,875) | (803) |
| Dividends paid to minority shareholders | (509) | (54) |
| Dividends paid | (1,334) | (667) |
| Net cash flows from operating activities | 11,030 | 14,756 |

See accompanying notes to the financial statements.

# Consolidated Cash Flow Statement

## Year ended 31 August 2007

| | 2007<br>$'000 | 2006<br>$'000<br>(Restated) |
|---|---|---|
| **Cash flows from investing activities:** | | |
| Loans receivable | 19 | 142 |
| Purchase of additional shares of subsidiary | (67) | – |
| Proceeds from disposal of available-for-sale financial assets | – | 560 |
| Proceed from disposal of associate | 369 | – |
| Proceeds from disposal of property, plant and equipment | 472 | 142 |
| Purchase of available-for-sale financial assets | – | (28) |
| Purchase of property, plant and equipment (Note 13) | (5,306) | (4,357) |
| Purchase of subsidiary, net of cash acquired (Note 11) | – | – |
| Net cash flows used in investing activities | (4,513) | (3,541) |
| **Cash flows from financing activities:** | | |
| Net proceeds from bank loans | 4,946 | 203 |
| Net payments for finance leases | (863) | (711) |
| Proceeds from issue of shares | 515 | – |
| Restricted cash | (126) | (96) |
| Net cash flows from/(used in) financing activities | 4,472 | (604) |
| **Net effect of exchange rate changes in consolidating subsidiaries** | 697 | 374 |
| Net increase in cash and cash equivalents | 11,686 | 10,985 |
| Cash and cash equivalents at beginning of year | 13,685 | 2,700 |
| **Cash and cash equivalents at end of year (Note 6)** | 25,371 | 13,685 |

See accompanying notes to the financial statements.

## 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 presented in Singapore dollars ($) and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

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 statement of changes in equity of the company for the year ended 31 August 2007 were authorised for issue by the Board of Directors on 9 November 2007.

## 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 company have adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2006. The adoption of these new/revised FRSs and INT FRSs has no material effect on the financial statements.

At the balance sheet date, the following FRSs and INT FRSs were issued but not effective until future periods:

| | | | **Effective date (Annual periods beginning on or after)** |
|---|---|---|---|
| FRS 1 | : | Amendments to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures) | 1 January 2007 |
| FRS 40 | : | Investment Property | 1 January 2007 |
| FRS 107 | : | Financial Instruments: Disclosures | 1 January 2007 |
| FRS 108 | : | Operating Segments | 1 January 2009 |
| INT FRS 110 | : | Interim Financial Reporting and Impairment | 1 November 2006 |
| INT FRS 111 | : | FRS 102- Group and Treasury Share Transactions | 1 March 2007 |
| INT FRS 112 | : | Service Concession Arrangements | 1 January 2008 |

The group and the company expect that the adoption of the above pronouncements, if applicable, will have no material impact on the financial statements in the period of initial application, except for the amendments to FRS 1 and FRS 107 as indicated below.

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

*FRS 1 Amendments to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)*

The amendment to FRS 1 requires the group to make new disclosures to enable users of the financial statements to evaluate the group's objectives, policies and processes for managing capital.

*FRS 107 Financial Instruments: Disclosures*

FRS 107 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The group will apply FRS 107 and the amendments to FRS 1 from annual period beginning 1 September 2007.

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 income 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 income 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.

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 income statement.

## 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.

Financial assets

Financial assets within the scope of FRS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

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.

Equity investments without active quoted market prices and whose fair value cannot be reliably measured are measured at cost less impairment.

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 income 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.

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

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 income 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 income statement as they arise.

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

Rentals payable under operating leases are charged to income 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.

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

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 buildings | – | 20 years |
| Leasehold land and buildings | – | 5 to 50 years (over remaining terms of lease with effect from date of purchase) |
| Plant and equipment | – | 1½ to 10 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 available for 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 income statement.

The residual values, useful life and depreciation method are reviewed at each balance sheet date to ensure that the residual values, period of depreciation and depreciation method are consistent with previous estimates and expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment.

IMPAIRMENT OF NON-FINANCIAL 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 income 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 income 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.

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

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. 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. If the associate subsequently reports profits, the group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

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 income 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, investment in associates are carried at cost less any impairment in net recoverable value that has been recognised in the income statement.

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.

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

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 income 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 income 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 method. Deferred tax liabilities are 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.

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.

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

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 income statement for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in income 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 income statement in the period in which the foreign operation is disposed of.

SEGMENT REPORTING – A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments. A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

FINANCIAL GUARANTEES – The company has issued corporate guarantees to banks for bank facilities provided to its subsidiaries. These guarantees are financial guarantee contracts as they require the company to make payments to the banks if the subsidiaries fail to fulfill their obligations relating to the facilities utilised in accordance with the terms of their facilities.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs.

Financial guarantee contracts are subsequently amortised to the income statement over the period of the subsidiaries' borrowings or other facilities utilised, unless the company has incurred an obligation to make payments to the bank for an amount higher than the unamortised amount, in which case the financial guarantee contracts are carried at the expected amount payable to the bank.

## 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 assumptions 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's 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.

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.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1½ to 50 years. The carrying amounts of the group's and the company's property, plant and equipment as at 31 August 2007 were approximately $34,089,000 (2006: $32,403,000) and $9,698,000 (2006: $9,786,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets.

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

Impairment of property, plant and equipment

The company assesses annually whether property, plant and equipment have any indication of impairment in accordance with the accounting policy. The recoverable amounts of property, plant and equipment have been determined based on value-in-use calculations. These calculations require the use of judgement and estimates.

Income taxes

The group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. At the balance sheet date, the amount of the group's income tax payable and deferred tax liabilities were $5,393,000 (2006: $2,733,000) and $994,000 (2006: $757,000) respectively.

## 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 in 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 into derivative foreign exchange contracts for speculative purpose.

As at year end, the group has contracts outstanding as disclosed in Note 32.

Interest rate risk

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

## 4 FINANCIAL RISKS AND MANAGEMENT (cont'd)

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 loan 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 its 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.

## 5 RELATED PARTY TRANSACTIONS (cont'd)

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

**Group**

| | Associate | | Related party (a shareholder) | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Sales | – | (12) | (7) | (289) |
| Purchases | – | 306 | 2,628 | 3,436 |
| Sales commission expense | – | – | 272 | 110 |
| Interest income | (39) | (40) | – | – |
| Marketing fees expense | – | – | 120 | 139 |
| Other expense | 34 | 47 | 3 | 11 |
| Other income | – | (2) | – | – |

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

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

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Short-term benefits | 2,065 | 1,535 |
| Post-employment benefits | 58 | 61 |
| Share-based payments | 110 | 39 |
| | 2,233 | 1,635 |

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 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash and bank balances | 23,439 | 12,906 | 10,838 | 1,646 |
| Fixed deposits | 2,784 | 1,803 | – | – |
| Bank overdrafts (Note 16) | (481) | (779) | – | (707) |
| | 25,742 | 13,930 | 10,838 | 939 |
| Restricted cash | (371) | (245) | – | – |
| | 25,371 | 13,685 | 10,838 | 939 |

The carrying amount of cash and cash equivalents approximate their fair value.

Fixed deposits of the group bear interest ranging from 2.25% to 6.25% per annum (2006 : 1% to 6.25% per annum) and are for a tenor of approximately 365 days (2006 : 365 days).

## 6 CASH AND CASH EQUIVALENTS (cont'd)

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollars | 10,986 | 3,204 | 8,332 | 1,230 |
| Japanese Yen | 1,324 | 220 | 1,324 | 220 |
| Philippines Peso | 275 | 229 | – | – |

## 7 TRADE RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Outside parties | 38,329 | 29,265 | 12,862 | 17,372 |
| Less: Allowance for doubtful debts | (18) | – | – | – |
| | 38,311 | 29,265 | 12,862 | 17,372 |
| Related party | 1,362 | 1,414 | 1,354 | 1,404 |
| Associates | – | 13 | – | 11 |
| Subsidiaries | – | – | 14,265 | 7,809 |
| | 39,673 | 30,692 | 28,481 | 26,596 |

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 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollars | 27,736 | 20,138 | 26,580 | 24,882 |
| Japanese Yen | 216 | 221 | 216 | 221 |
| Philippines Peso | 13 | 8 | – | – |

## 8 OTHER RECEIVABLES AND PREPAYMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| **Currrent** | | | | |
| Outside parties | 2,176 | 1,501 | 757 | 416 |
| Related party | 1,561 | 1,580 | 1,561 | 1,580 |
| Associates | – | 1,511 | – | 1,511 |
| Subsidiaries | – | – | 567 | 1,248 |
| Less: Allowance for doubtful other receivables from associates | – | (400) | – | (400) |
| | 3,737 | 4,192 | 2,885 | 4,355 |
| **Non-currrent** | | | | |
| Other receivable | 650 | – | 650 | – |

Non-current receivable represents the proceeds from the disposal of an associate, PT. SM Engineering.

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 | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| United States Dollars | 93 | 105 | 185 | 439 |
| Japanese Yen | 848 | 868 | 856 | 900 |
| Philippines Peso | 93 | 90 | – | – |

## 9 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Finished goods | 6,185 | 3,526 | 987 | 1,035 |
| Work-in-process | 1,799 | 2,165 | 1,492 | 738 |
| Raw materials | 5,878 | 5,846 | 1,692 | 1,764 |
| Total inventories at lower of cost and net realisable value | 13,862 | 11,537 | 4,171 | 3,537 |

## 10 INVESTMENTS IN ASSOCIATES

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Unquoted equity shares, at cost | 68 | 569 | 68 | 569 |
| Currency realignment on translation of foreign associates | (11) | (66) | – | – |
| Share of post–acquisition accumulated losses | (50) | (503) | – | – |
| | (61) | (569) | – | – |
| | 7 | – | 68 | 569 |

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 are as follows:

| Associate | Principal activities | Country of incorporation and operations | Proportion of ownership interest and voting power held | |
|---|---|---|---|---|
| | | | 2007 % | 2006 % |
| Miyoshi International Philippines, Inc. (1) | Property holding | Philippines | 40 | 40 |
| PT. SM Engineering (2 & 3) | Metal stamping for electronic components | Indonesia | – | 40 |

(1) Audited by BDO Alba Romeo & Co. Philippines.

(2) Audited by another firm of auditors, namely Dra. S. Griselda & Co. Batam, Indonesia.

(3) During the financial year, the company disposed of this associate for a cash consideration of $1,510,800, to be paid over 3 years commencing on 26 December 2006.

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

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Total assets | 2,630 | 5,661 |
| Total liabilities | (2,614) | (6,841) |
| Net assets/(liabilities) | 16 | (1,180) |
| Group's share of associates' net assets/(liabilities) | 7 | (472) |
| Revenue | – | 2,215 |
| Profit/(Loss) for the year | 292 | (603) |
| Group's share of associates' profit/(loss) for the year | 7 | (112) |
| Unrecognised share of losses | – | (707) |

## 11 INVESTMENTS IN SUBSIDIARIES

| | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|
| Unquoted equity shares, at cost | 13,890 | 13,823 |
| Advances | 14,535 | 13,434 |
| | 28,425 | 27,257 |

The company's advances to subsidiaries amounting to $5,632,000 (2006: $4,294,000) carry interest rates ranging from 1% to 5% per annum and the remaining balance is interest free. An advance of $2,681,000 (2006: $3,274,000) which carries interest rate of 1% per annum is repayable in full on 31 August 2010 and the remaining balance is repayable on demand. The advances to subsidiaries are not secured.

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

| | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|
| United States Dollars | 7,595 | 4,084 |
| Japanese Yen | 181 | 1,261 |
| Thai Baht | 2,681 | 3,275 |
| Philippines Peso | – | 136 |

Details of the company's significant subsidiaries are as follows:

| Name of subsidiary | Principal activities/Country of incorporation and operations | Proportion of ownership interest and voting power held 2007 % | Proportion of ownership interest and voting power held 2006 % |
|---|---|---|---|
| Miyoshi Saitoh Pte Ltd [(1)] | Investment holding and trading of machines<br>Singapore | 100 | 70 |
| Miyoshi Precision (Malaysia) Sdn. Bhd. [(2)] | Metal stamping, fabrication of parts and components of machine tools<br>Malaysia | 100 | 100 |
| Miyoshi Technologies Phils., Inc. [(3)] | Metal stamping, fabrication of parts and components of machine tools<br>Philippines | 100 | 100 |
| Miyoshi Precision (Thailand) Co., Ltd. [(4)] | Metal stamping and plastic injection moulding<br>Thailand | 80 | 80 |
| Miyoshi Hi-Tech Co., Ltd [(4)] | Metal stamping<br>Thailand | 80 | 80 |

## 11 INVESTMENTS IN SUBSIDIARIES (cont'd)

| Name of subsidiary | Principal activities/Country of incorporation and operations | Proportion of ownership interest and voting power held 2007 % | 2006 % |
|---|---|---|---|
| Fastrack Pte. Ltd. [(1)] | Manufacture and repair of machine tools, provision of jig grinding and wire cut services<br>Singapore | 51 | 51 |
| Wuxi Miyoshi Precision Co., Ltd [(5)]<br>(A wholly-owned subsidiary of Miyoshi Saitoh Pte Ltd) | Metal stamping and plastic injection moulding<br>People's Republic of China | 100 | 70 |
| iNovuus Technologies Pte Ltd [(1)] | System integration service provider, application and development solutions and e-commerce web development services<br>Singapore | 91.5 | 91.5 |
| Miyoshi Precision Huizhou Co., Ltd [(6)] | Metal stamping and assembly of electronic components<br>People's Republic of China | 100 | – |

(1) Audited by BDO Raffles, Singapore.

(2) Audited by BDO Binder, Malaysia.

(3) Audited by BDO Alba Romeo & Co., Philippines.

(4) Audited by BDO Richfield, Thailand.

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

(6) Not audited as it is newly-incorporated in August 2007 and has not commenced operations.

On 23 May 2007, the company acquired an additional 30% equity interest in Miyoshi Saitoh Pte Ltd, comprising 690,000 ordinary shares for a purchase consideration of JPY5,208,420 ($67,000 equivalent) .

On 30 August 2006, the company acquired an additional 53.5% of the issued share capital of iNovuus Technologies Pte Ltd for cash consideration of $1.

## 11 INVESTMENTS IN SUBSIDIARIES (cont'd)

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:

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| Trade receivables | – | 139 |
| Other receivables | – | 1 |
| Inventories | – | 7 |
| Cash and bank balances | – | 1 |
| Property, plant and equipment | – | 58 |
| Trade payables | – | (123) |
| Other payables | – | (155) |
| Finance leases and term loan | – | (55) |
| Minority interests | – | 11 |
| Net liabilities of a subsidiary acquired | – | (116) |
| Less: Cash and bank balances | – | (1) |
| Add: Goodwill | – | 117 |
| Cash outflow on acquisition of subsidiary, inclusive of cash and bank balances acquired | – | – |

## 12 AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| At beginning of year | 38 | 49 | 10 | 49 |
| Impairment loss | (1) | (39) | (1) | (39) |
| Fair value adjustment | (7) | – | – | – |
| Additions | – | 28 | – | – |
| At end of year | 30 | 38 | 9 | 10 |

At the balance sheet date, available-for-sale financial assets included the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Unquoted equity shares | | | | |
| – At cost less impairment loss | 9 | 38 | 9 | 10 |
| Quoted equity shares | | | | |
| – At market value | 21 | – | – | – |
| | 30 | 38 | 9 | 10 |

## 13 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land $'000 | Freehold buildings $'000 | Leasehold land and buildings $'000 | Plant and equipment $'000 | Office furniture and equipment $'000 | Motor vehicles $'000 | Construction-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | | |
| Cost: | | | | | | | | |
| At 31 August 2005 | 868 | 2,720 | 15,752 | 39,063 | 2,947 | 1,313 | 1 | 62,664 |
| Exchange adjustment | 44 | 139 | (263) | (251) | (33) | (19) | – | (383) |
| Additions | – | 30 | 1,457 | 3,262 | 209 | 108 | 1,101 | 6,167 |
| Acquisition of subsidiary | – | – | – | – | 182 | 42 | – | 224 |
| Transfer from construction -in-progress | – | – | – | 1 | – | – | (1) | – |
| Disposals/Written off | – | – | – | (325) | (43) | (86) | – | (454) |
| At 31 August 2006 | 912 | 2,889 | 16,946 | 41,750 | 3,262 | 1,358 | 1,101 | 68,218 |
| Reclassifications | 1,064 | – | (1,299) | 319 | (87) | 3 | – | – |
| Exchange adjustment | 56 | 177 | (8) | 405 | 18 | – | 35 | 683 |
| Additions | – | 29 | 144 | 2,867 | 189 | 632 | 2,629 | 6,490 |
| Transfer from construction -in-progress | – | 3,001 | – | 702 | – | – | (3,703) | – |
| Disposals/Written off | – | – | (8) | (247) | (113) | (512) | – | (880) |
| At 31 August 2007 | 2,032 | 6,096 | 15,775 | 45,796 | 3,269 | 1,481 | 62 | 74,511 |
| Accumulated depreciation: | | | | | | | | |
| At 31 August 2005 | – | 80 | 4,079 | 24,473 | 1,965 | 603 | – | 31,200 |
| Exchange adjustment | – | 5 | (15) | (29) | (17) | (12) | – | (68) |
| Depreciation for the year | – | 161 | 540 | 3,574 | 271 | 245 | – | 4,791 |
| Acquisition of subsidiary | – | – | – | – | 162 | 4 | – | 166 |
| Disposals/Written off | – | – | – | (167) | (36) | (71) | – | (274) |
| At 31 August 2006 | – | 246 | 4,604 | 27,851 | 2,345 | 769 | – | 35,815 |
| Reclassifications | – | – | 91 | (30) | (57) | (4) | – | – |
| Exchange adjustment | – | 19 | 21 | 282 | 7 | (1) | – | 328 |
| Depreciation for the year | – | 179 | 527 | 3,740 | 155 | 274 | – | 4,875 |
| Disposals/Written off | – | – | (7) | (132) | (102) | (355) | – | (596) |
| At 31 August 2007 | – | 444 | 5,236 | 31,711 | 2,348 | 683 | – | 40,422 |
| Net carrying value: | | | | | | | | |
| At 31 August 2006 | 912 | 2,643 | 12,342 | 13,899 | 917 | 589 | 1,101 | 32,403 |
| At 31 August 2007 | 2,032 | 5,652 | 10,539 | 14,085 | 921 | 798 | 62 | 34,089 |

## 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 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 |
| Reclassification | (5) | 100 | (95) | – | – |
| Additions | 130 | 1,116 | 18 | 329 | 1,593 |
| Disposals/Written off | – | (78) | (5) | (396) | (479) |
| At 31 August 2007 | 9,652 | 17,803 | 1,623 | 816 | 29,894 |
| Accumulated depreciation: | | | | | |
| 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 |
| Reclassification | – | 60 | (60) | – | – |
| Additions | 331 | 961 | 69 | 165 | 1,526 |
| Disposals/Written off | – | (29) | (4) | (291) | (324) |
| At 31 August 2007 | 3,605 | 14,645 | 1,535 | 411 | 20,196 |
| Net carrying value: | | | | | |
| At 31 August 2006 | 6,253 | 3,012 | 175 | 346 | 9,786 |
| At 31 August 2007 | 6,047 | 3,158 | 88 | 405 | 9,698 |

Included in the group's and company's plant and equipment and motor vehicle are items with net carrying value of $3,188,000 (2006 : $2,691,000) and $1,246,000 (2006 : $640,000) respectively under finance lease agreements.

During the financial year, the group acquired mainly building, machinery, plant and equipment with an aggregate cost of $6,490,000 (2006 : $6,167,000) of which $939,000 (2006 : $1,008,000) was acquired by means of finance leases. $5,306,000 (2006 : $4,357,000) was paid by cash while $245,000 (2006 : $802,000) remained to be payable.

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

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 option 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 |
| No. 4, Jalan Wira 3, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia | Freehold | A factory cum office building |

## 14 DEFERRED TAX ASSETS

| | Group 2007 $'000 | Group 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|
| Deferred tax assets | 23 | 21 | – | – |

The deferred tax assets recognised by the group and movements thereon during the year:

| | 2007 $'000 | 2006 $'000 |
|---|---|---|
| **Group** | | |
| Unutilised tax losses | | |
| At beginning of year | 21 | – |
| Credit to income statement for the current year | – | 21 |
| Foreign exchange adjustment | 2 | – |
| At end of year | 23 | 21 |

## 15 LOANS RECEIVABLE

| | Group 2007 $'000 | Group 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|
| Loans to: | | | | |
| Outside parties | 400 | 400 | 400 | 400 |
| Less: Allowance for doubtful loans receivable | (400) | (400) | (400) | (400) |
| | – | – | – | – |
| Associate | 2,670 | 2,715 | 2,670 | 2,715 |
| Less: Allowance for doubtful loans receivable | – | (100) | – | (100) |
| | 2,670 | 2,615 | 2,670 | 2,615 |

## 15 LOANS RECEIVABLE (cont'd)

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| **Current** | | | | |
| Outside parties | 299 | 299 | 299 | 299 |
| Less: Allowance for doubtful loans receivable | (299) | (299) | (299) | (299) |
| | – | – | – | – |
| **Non-current** | | | | |
| Outside parties | 101 | 101 | 101 | 101 |
| Less: Allowance for doubtful loans receivable | (101) | (101) | (101) | (101) |
| | – | – | – | – |
| Associate | 2,670 | 2,715 | 2,670 | 2,715 |
| Less: Allowance for doubtful loans receivable | – | (100) | – | (100) |
| | 2,670 | 2,615 | 2,670 | 2,615 |

The loans receivable from outside parties include an amount of $298,384 (2006 : $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% (2006 : 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 | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| United States Dollars | 2,403 | 2,442 | 2,403 | 2,442 |

## 16 BANK OVERDRAFTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Secured | 481 | 72 | – | – |
| Unsecured | – | 707 | – | 707 |
| | 481 | 779 | – | 707 |

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| United States Dollars | 74 | – | – | – |

## 17 TRADE PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Outside parties | 23,573 | 25,128 | 7,620 | 8,229 |
| Related party | 2,585 | 2,690 | 1,848 | 1,630 |
| Associates | – | 36 | – | 14 |
| Subsidiaries | – | – | 6,103 | 9,136 |
| | 26,158 | 27,854 | 15,571 | 19,009 |

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 | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| United States Dollars | 12,741 | 13,249 | 11,998 | 13,319 |
| Japanese Yen | 457 | 3,284 | 1,719 | 2,838 |
| Philippines Peso | 70 | 37 | – | – |
| Malaysia Ringgit | 20 | – | – | – |
| Thai Baht | – | – | – | 5 |

## 18 OTHER PAYABLES

| | Group 2007 $'000 | Group 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|
| Accruals for wages and salaries | 1,999 | 1,651 | 702 | 651 |
| Other accruals | 3,940 | 2,325 | 2,541 | 1,274 |
| Payables arising from purchase of assets | 245 | 802 | – | – |
| Outside parties | 2,135 | 1,068 | 768 | 167 |
| Related party | 1,265 | 1,036 | 1,229 | 1,007 |
| Associates | – | 1 | – | 1 |
| Subsidiaries | – | – | 288 | 397 |
| | 9,584 | 6,883 | 5,528 | 3,497 |

Other payables to outside parties are unsecured, interest free and repayable on demand.

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

| | Group 2007 $'000 | Group 2006 $'000 | Company 2007 $'000 | Company 2006 $'000 |
|---|---|---|---|---|
| United States Dollars | 1,419 | 993 | 1,626 | 698 |
| Japanese Yen | 153 | 66 | 153 | 58 |
| Philippines Peso | 682 | 650 | – | – |
| Hong Kong Dollars | 6 | 12 | – | – |

## 19 FINANCE LEASES

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Minimum lease payments | | Present value of minimum lease payments | | Minimum lease payments | | Present value of minimum lease payments | |
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Amounts payable under finance leases | | | | | | | | |
| Within one year | 875 | 819 | 793 | 738 | 370 | 183 | 335 | 169 |
| In the second to fifth year inclusive | 996 | 978 | 947 | 919 | 464 | 184 | 441 | 177 |
| After five years | 5 | 13 | 5 | 12 | – | – | – | – |
| Less: Future finance charges | (131) | (141) | – | – | (58) | (21) | – | – |
| Present value of lease obligations | 1,745 | 1,669 | 1,745 | 1,669 | 776 | 346 | 776 | 346 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | (793) | (738) | | | (335) | (169) |
| Amount due for settlement after 12 months | | | 952 | 931 | | | 441 | 177 |

The rate of interest for the group and company ranges from 4.33% to 8.29% (2006 : 4.33% to 9.16%) per annum. The finance leases are secured on the plant and equipment purchased under finance lease arrangements (Note 13).

### 20 BANK LOANS

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Secured | | | | |
| Bank loan I | – | 178 | – | 178 |
| Bank loan II | 486 | 514 | – | – |
| Bank loan III | 639 | 683 | – | – |
| Bank loan IV | 1,026 | – | – | – |
| | 2,151 | 1,375 | – | 178 |
| Unsecured | | | | |
| Bank loan V | – | 14 | – | – |
| Bank loan VI | 155 | 837 | – | – |
| Bank loan VII | 266 | – | – | – |
| Bank loan VIII | – | 1,000 | – | 1,000 |
| Bank loan IX | – | 2,000 | – | 2,000 |
| Bank loan X | – | 500 | – | 500 |
| Bank loan XI | 1,000 | – | 1,000 | – |
| Bank loan XII | 2,100 | – | 2,100 | – |
| Bank loan XIII | 2,000 | – | 2,000 | – |
| Bank loan XIV | 3,000 | – | 3,000 | – |
| | 10,672 | 5,726 | 8,100 | 3,678 |
| Less: Within one year | (8,679) | (4,526) | (8,100) | (3,678) |
| In the second to fifth year inclusive | 1,993 | 1,200 | – | – |

Bank loan I of the company and of the group bears fixed interest at 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. The loan has been fully repaid as at 31 August 2007.

Bank loan II of the group bears interest at 8% (2006 : 8%) 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 III of the group bears interest at 3.48% (2006 : 3.48%) per annum and is repayable in 180 monthly instalments commencing September 2006. It is secured by legal charges over the freehold land and building of a subsidiary at No 4, Jalan Wira 3, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia and a corporate guarantee by the company.

**20 BANK LOANS** (cont'd)

Bank loan IV of the group bears interest at 3.48% per annum and is repayable in 120 monthly instalments commencing January 2007. It is secured by legal charges over the freehold land and building of a subsidiary at No 4, Jalan Wira 3, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, 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. The loan has been fully repaid as at 31 August 2007.

Bank loan VI of the group bears interest at 6.20% (2006: 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 group bears interest at 4.35% per annum and is fully repayable in January 2008. It is covered by a corporate guarantee from the company.

Bank loan VIII of the company and of the group bears interest at 4.62% 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. The loan has been fully repaid as at 31 August 2007.

Bank loan IX of the company and of the group bears interest at 5.38% 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. The loan has been fully repaid as at 31 August 2007.

Bank loan X of the company and of the group bears interest at 5.18% 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. The loan has been fully repaid as at 31 August 2007.

Bank loan XI of the company and of the group bears interest at 3.65% per annum and is repayable 1 month after the date of drawdown on 24 August 2007, with an option to rollover for another 1 month.

Bank loan XII of the company and of the group bears interest at 3.62% per annum and is repayable 3 months after the date of drawdown on 21 June 2007, with an option to rollover for another 3 months.

Bank loan XIII of the company and of the group bears interest at 3.46% per annum and is repayable 3 months after the date of drawdown on 29 June 2007, with an option to rollover for another 3 months.

Bank loan XIV of the company and of the group bears interest at 3.80% per annum and is repayable 3 months after the date of drawdown on 27 August 2007, with an option to rollover for another 3 months.

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

**21 DEFERRED TAX LIABILITIES**

| | Group | | Company | |
|---|---|---|---|---|
| | **2007** | **2006** | **2007** | **2006** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Deferred tax liabilities | 994 | 757 | 554 | 471 |

## 21 DEFERRED TAX LIABILITIES (cont'd)

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

| | 2007 | | |
|---|---|---|---|
| | Accelerated tax depreciation $'000 | Others $'000 | Total $'000 |
| **Group** | | | |
| At beginning of year | 792 | (35) | 757 |
| Charge to income statement for the current year | 288 | (54) | 234 |
| Foreign exchange adjustment | 4 | (1) | 3 |
| At end of year | 1,084 | (90) | 994 |

| | 2006 | | |
|---|---|---|---|
| | Accelerated tax depreciation $'000 | Others $'000 | Total $'000 |
| **Group** | | | |
| At beginning of year | 1,276 | (29) | 1,247 |
| Credit to income statement for the current year | (475) | (7) | (482) |
| Foreign exchange adjustment | (9) | 1 | (8) |
| At end of year | 792 | (35) | 757 |

| | 2007 | | |
|---|---|---|---|
| | Accelerated tax depreciation $'000 | Others $'000 | Total $'000 |
| **Company** | | | |
| At beginning of year | 476 | (5) | 471 |
| Charge to income statement for the current year | 209 | (126) | 83 |
| At end of year | 685 | (131) | 554 |

## 21 DEFERRED TAX LIABILITIES (cont'd)

| | 2006 Accelerated tax depreciation $'000 | 2006 Others $'000 | 2006 Total $'000 |
|---|---|---|---|
| **Company** | | | |
| At beginning of year | 1,075 | (5) | 1,070 |
| Credit to income statement for the current year | (599) | – | (599) |
| At end of year | 476 | (5) | 471 |

## 22 SHARE CAPITAL AND RESERVES

(a) Share capital

| | | Group and Company 2007 Number of shares '000 | 2007 $'000 | 2006 Number of shares '000 | 2006 $'000 |
|---|---|---|---|---|---|
| Issued and fully paid: | | | | | |
| At beginning of year | | 277,818 | 22,871 | 277,818 | 13,891 |
| Effect of Companies Amendment (Act) 2005 | (i) | – | – | – | 8,980 |
| Rights issue during the year | (ii) | 140,029 | 14,003 | – | – |
| Exercise of Employees' Share Options | (iii) | 2,823 | 515 | – | – |
| At end of year | | 420,670 | 37,389 | 277,818 | 22,871 |

(i) The Companies (Amendment) Act 2005 came into effect on 30 January 2006. Among others things, the Singapore Companies Act, Cap. 50 was amended to abolish the concepts of par value, authorised share capital, share premium and capital redemption reserve. As a result, the balances of share premium and capital redemption reserve amounting to $8,643,000 and $337,000 respectively were transferred to issued and paid-up share capital as of that date. From 30 January 2006, share capital does not have a par value and there is no authorised share capital.

(ii) On 27 February 2007, the company announced a one off bonus cash dividend of $0.061 less tax of 18% per ordinary share and a renounceable non-underwritten rights issue of new ordinary shares in the capital of the company at an issue price of $0.10 for each rights share, on the basis of one rights share for every two ordinary shares held. On 25 May 2007, the company alloted and issued 140,028,830 rights shares.

(iii) During the financial year ended 31 August 2007, pursuant to the company's share option schemes, the company issued 2,823,000 ordinary shares upon the exercise of the options granted.

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

## 22 SHARE CAPITAL AND RESERVES (cont'd)

(b) Fair value reserve

The fair value reserve includes the cumulative change in the fair value of available-for-sale financial assets until they are derecognised.

(c) Share options reserve

Share options reserve represents the equity-settled share options granted to employees and certain directors (Note 23). The reserve is made up of the cumulative value of services received from employees and certain directors recorded on grant of equity-settled share options.

(d) Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of foreign operations whose functional currencies are different from that of the group's presentation currency.

Fair value, share options and currency translation reserves are non-distributable. Movements in fair value, share options and currency translation accounts were shown in the statements of changes in equity.

## 23 SHARE-BASED PAYMENTS

The company has a share options scheme for certain employees and directors 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 Limited 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 option; 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 option.

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 Participant ceasing to be employed by the company or its subsidiaries.

Arising from a rights issue during the financial year and pursuant to Rule 10 of Miyoshi Employees' Share Option Scheme, the aggregate number of outstanding shares under options and the exercise price has been adjusted.

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

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

| | Group and Company | | | |
|---|---|---|---|---|
| | 2007 | | 2006 | |
| | Number of share options | Weighted average exercise prices | Number of share options | Weighted average exercise prices |
| | | $ | | $ |
| Outstanding at beginning of the year | 4,570,000 | 0.207 | 5,410,000 | 0.206 |
| Granted during the year | 3,150,000 | 0.239 | – | – |
| Exercised during the year | (2,823,000) | 0.183 | – | – |
| Adjustment due to rights issue | 1,477,000 | 0.185 | – | – |
| Forfeited during the year | (284,000) | 0.236 | (840,000) | 0.201 |
| Outstanding at end of the year | 6,090,000 | 0.228 | 4,570,000 | 0.207 |
| Exercisable at end of the year | 2,331,000 | | 3,455,000 | |

The weighted average share price at the date of exercise for share options exercised during the year was $0.183 (2006 : $Nil). The share options outstanding at the end of the year have a weighted average remaining contractual life of 8.49 years (2006 : 8.20 years).

The weighted average fair value of the share options are as follows:

Share options granted on 29 January 2004 - $0.10
Share options granted on 29 January 2005 - $0.06
Share options granted on 31 January 2007 - $0.15

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

| | Granted on 31 January 2007 | Granted on 29 January 2005 | Granted on 29 January 2004 |
|---|---|---|---|
| Weighted average share price ($) | 0.220 | 0.185 | 0.245 |
| Weighted average exercise price ($) | 0.239 | 0.180 | 0.252 |
| Expected life of share options (years) | 4 to 9 | 5 to 7 | 5 to 7 |
| Risk free interest rate (%) | 3.07% to 3.18% | 2.25% to 2.57% | 2.33% to 2.83% |
| Expected volatility (%) | 77% | 30% | 42% |
| Dividend yield (%) | 1.85% | 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

| | Group 2007 $'000 | Group 2006 $'000 |
|---|---|---|
| Gain on disposal of available-for-sale financial assets | – | 113 |
| Gain on disposal of associate | 400 | – |
| Gain on disposal of property, plant and equipment | 188 | – |
| Income from sales of scrap | 3,788 | 2,374 |
| Interest income from associates | 39 | 40 |
| Interest income from non-related companies | 214 | 91 |
| Miscellaneous income | 60 | 209 |
| Negative goodwill on acquisition of additional interest in subsidiary | 721 | – |
| Other income | 99 | 26 |
| | 5,509 | 2,853 |

## 26 OTHER OPERATING EXPENSES

| | Group 2007 $'000 | Group 2006 $'000 |
|---|---|---|
| Maintenance | 796 | 664 |
| Supplies and services | 10,305 | 8,897 |
| Professional fees | 1,174 | 762 |
| Transportation and travelling | 1,505 | 1,410 |
| Utilities | 2,894 | 2,506 |
| Others | 3,352 | 2,782 |
| | 20,026 | 17,021 |

## 27 INCOME TAX EXPENSE

| | Group 2007 $'000 | Group 2006 $'000 |
|---|---|---|
| Current tax | | |
| Current year | 4,396 | 2,079 |
| Underprovision in prior years | 17 | 683 |
| Deferred tax | | |
| Current year | (87) | 118 |
| Under/(over)provision in prior years | 322 | (646) |
| | 4,648 | 2,234 |

Domestic income tax is calculated at 18% (2006 : 20%) of the estimated assessable profit for the year. Taxation of other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 27 INCOME TAX EXPENSE (cont'd)

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

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Profit before income tax | 21,770 | 11,714 |
| Income tax calculated at statutory tax rate of 18% (2006 : 20%) | 3,918 | 2,343 |
| Effect of change in tax rates | (68) | – |
| Effect of different tax rates of overseas operations | 1,375 | 358 |
| Expenses not deductible for income tax purposes | 898 | 480 |
| Income not subject to tax | (434) | – |
| Income tax exemptions | (1,404) | (957) |
| Deferred tax assets not recognised in income statement | 33 | – |
| Utilisation of deferred tax assets previously not recognised | (34) | (77) |
| Underprovision of current income tax in prior years | 17 | 683 |
| Under/(over)provision of deferred income tax in prior years | 322 | (646) |
| Other items | 25 | 50 |
| | 4,648 | 2,234 |

The amount of deductible temporary differences and unutilised tax losses for which no deferred tax assets is recognised are as follows:

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| | $'000 | $'000 |
| Unutilised tax losses | 1,124 | 1,103 |
| Allowance for slow moving inventories | 95 | – |
| | 1,219 | 1,103 |
| Deferred tax benefits not recognised | 220 | 221 |

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:

| | 2007 | 2006 |
|---|---|---|
| $500,000 and above | 2 | 1 |
| $250,000 to $499,999 | 1 | 2 |
| Below $250,000 | 3 | 4 |
| Total | 6 | 7 |

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

| | Group | |
|---|---|---|
| | 2007<br>$'000 | 2006<br>$'000 |
| Employee benefit expenses (including directors' remuneration) | 19,391 | 16,637 |
| Costs of defined contribution plans included in employee benefit expenses | 1,025 | 847 |
| Allowance for impairment in goodwill on acquisition of subsidiary | – | 117 |
| Allowance for impairment in value of available-for-sale financial assets | – | 39 |
| (Write-back)/allowance for doubtful receivables and loans receivable | (82) | 131 |
| Allowance for inventory obsolescence | 513 | 337 |
| Impairment in value of club membership | 1 | – |
| Non-audit fees: | | |
| Auditors of the company | 10 | – |
| Other auditors | 24 | 2 |
| Directors' remuneration: | | |
| Directors of the company | 1,650 | 1,106 |
| Other directors of the subsidiaries | 498 | 264 |
| Directors' fees: | | |
| Directors of the company | 75 | 72 |
| Other directors of the subsidiaries | 20 | 27 |
| Fees paid to a firm in which a director has an interest | 141 | 13 |
| Foreign exchange adjustment loss (net) | 661 | 433 |
| (Gain)/loss on disposal of property, plant and equipment (net) | (188) | 38 |
| Bad debts written off | 20 | 19 |

## 29 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the financial year:

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| Profit attributable to equity holders of the company ($'000) | 15,242 | 8,244 |
| Weighted average number of ordinary share in issue ('000) | 420,670 | 349,232 |
| Basic earnings per share (cents per share) | 3.62 | 2.36 |

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The company has only one type of dilutive potential ordinary shares which are the share options granted under its share option schemes.

For the share options, the weighted average number of shares in issue is adjusted as if all share options that are dilutive were exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the company's average share price for the financial year) for the same total proceeds is added to the denominator as the number of shares issued for no consideration with no adjustment to earnings (numerator).

| | Group | |
|---|---|---|
| | 2007 | 2006 |
| Profit attributable to equity holders of the company ($'000) | 15,242 | 8,244 |
| Weighted average number of ordinary share in issue for basic earnings per share ('000) | 420,670 | 349,232 |
| Adjustment for assumed exercise of share options ('000) | 850 | 66 |
| Adjusted weighted average number of ordinary shares ('000) | 421,520 | 349,298 |
| Diluted earnings per share (cents per share) | 3.62 | 2.36 |

The 2006 comparative have been restated for the effect of the rights issue in financial year 2007.

## 30 DIVIDENDS

In the previous financial year ended 31 August 2006, 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 $666,702 in relation to financial year ended 31 August 2005.

During the financial year, the company declared and paid final and special dividends of $0.004 and $0.002 per ordinary share less tax at 20% on the ordinary shares of the company totalling $889,016 and $444,508 respectively in relation to financial year ended 31 August 2006.

## 30 DIVIDENDS (cont'd)

During the financial year, the company declared and paid an interim dividend of $0.061 per ordinary share less tax at 18% on the ordinary shares of the company totalling $14,002,883 in relation to financial year ended 31 August 2007.

Subsequent to 31 August 2007, the directors of the company recommended that a final dividend be paid at $0.004 per ordinary share (tax exempt-one tier) on the ordinary shares of the company totalling $1,682,678 for the financial year just ended. A special dividend of $0.001 ordinary share (tax exempt-one tier) on the ordinary shares of the company totalling $420,669 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

The company has given corporate guarantees of $3,343,000 (2006: $2,561,000) to financial institutions in connection with banking facilities granted by the financial institutions to the group's subsidiaries. The directors are of the view that no material losses will arise from these contingent liabilities.

## 32 COMMITMENTS

(a) Property, plant and equipment

As at balance sheet date, estimated amounts committed for future capital commitments but not provided for in the financial statements:

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 | 2006 | 2007 | 2006 |
| | $'000 | $'000 | $'000 | $'000 |
| Authorised and contracted for | 4,360 | 4,276 | 425 | 16 |
| Authorised and but not contracted for | 239 | – | – | – |
| | 4,599 | 4,276 | 425 | 16 |

(b) Forward currency options

As at 31 August 2007, the company has a forward currency option not in a designated hedge accounting relationship entered into on 23 August 2007 whereby the company has the option to buy a notional amount of US$500,000 or US$1,000,000 at an exchange rate of $1.528 to $1.519 depending on the spot exchange rate as at the expiration date and time.

The fair value loss of the forward currency option as at 31 August 2007 amounting to $8,160 (2006 : $Nil) has not been recognised in the financial statement as it is not significant to the result of the group.

## 33 OPERATING LEASE ARRANGEMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Minimum lease payments under operating leases included in the income statement | 425 | 390 | 159 | 171 |

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 | 2007 $'000 | 2006 $'000 |
| Within one year | 436 | 308 | 151 | 135 |
| In the second to fifth year inclusive | 841 | 688 | 532 | 578 |
| After five years | 3,630 | 3,214 | 3,514 | 3,214 |
| | 4,907 | 4,210 | 4,197 | 3,927 |

Leases for the rental of leasehold land and building are negotiated for a term of 34 years. For rental of premises, the terms are negotiated for an average term of 3 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 income 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 other 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.

## 34 GROUP SEGMENTAL INFORMATION (cont'd)

a) Analysis by Business Segments (cont'd)

| | Data Storage 2007 $'000 | Data Storage 2006 (Restated) $'000 | Consumer Electronics 2007 $'000 | Consumer Electronics 2006 (Restated) $'000 | Automotive and Others 2007 $'000 | Automotive and Others 2006 (Restated) $'000 | Group 2007 $'000 | Group 2006 (Restated) $'000 |
|---|---|---|---|---|---|---|---|---|
| **Revenue** | | | | | | | | |
| Revenue | 102,922 | 66,865 | 47,263 | 53,766 | 12,884 | 12,859 | 163,069 | 133,490 |
| **Results** | | | | | | | | |
| Profit from operations | 16,675 | 6,600 | 2,585 | 4,193 | 2,784 | 1,305 | 22,044 | 12,098 |
| Interest expense | | | | | | | (534) | (403) |
| Interest income | | | | | | | 253 | 131 |
| Share of results of associates | | | | | | | 7 | (112) |
| Profit before tax and minority interests | | | | | | | 21,770 | 11,714 |
| Income tax expense | | | | | | | (4,648) | (2,234) |
| Profit for the year | | | | | | | 17,122 | 9,480 |
| **Attributable to:** | | | | | | | | |
| Equity holders of the company | | | | | | | 15,242 | 8,244 |
| Minority interests | | | | | | | 1,880 | 1,236 |
| | | | | | | | 17,122 | 9,480 |

| | Data Storage 2007 $'000 | Data Storage 2006 (Restated) $'000 | Consumer Electronics 2007 $'000 | Consumer Electronics 2006 (Restated) $'000 | Automotive and Others 2007 $'000 | Automotive and Others 2006 (Restated) $'000 | Group 2007 $'000 | Group 2006 (Restated) $'000 |
|---|---|---|---|---|---|---|---|---|
| Segment assets | 72,321 | 51,430 | 40,863 | 37,126 | 7,720 | 7,592 | 120,904 | 96,148 |
| Unallocated corporate assets | | | | | | | 60 | 59 |
| Consolidated total assets | | | | | | | 120,964 | 96,207 |
| Segment liabilities | 18,148 | 15,105 | 14,851 | 16,599 | 2,743 | 3,033 | 35,742 | 34,737 |
| Borrowings | | | | | | | 12,898 | 8,174 |
| Unallocated segment liabilities | | | | | | | 6,387 | 3,490 |
| Consolidated total liabilities | | | | | | | 55,027 | 46,401 |
| Capital expenditure | 4,096 | 3,089 | 1,881 | 2,484 | 513 | 594 | 6,490 | 6,167 |
| Depreciation | 2,818 | 2,209 | 1,455 | 2,032 | 602 | 550 | 4,875 | 4,791 |

## 34 GROUP SEGMENTAL INFORMATION (cont'd)

b) Analysis by Geographical Segments

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

| | Revenue | | Assets | | Capital Expenditure | |
|---|---|---|---|---|---|---|
| | 2007 $'000 | 2006 $'000 (Restated) | 2007 $'000 | 2006 $'000 (Restated) | 2007 $'000 | 2006 $'000 (Restated) |
| Singapore | 29,055 | 26,304 | 48,133 | 43,267 | 1,781 | 1,175 |
| Malaysia | 28,452 | 30,218 | 13,674 | 7,500 | 2,312 | 2,437 |
| Thailand | 40,526 | 34,884 | 41,906 | 29,583 | 1,549 | 1,305 |
| Philippines | 12,526 | 11,663 | 10,562 | 10,808 | 776 | 888 |
| China | 49,043 | 28,508 | 6,689 | 5,049 | 72 | 362 |
| Others | 3,467 | 1,913 | – | – | – | – |
| | 163,069 | 133,490 | 120,964 | 96,207 | 6,490 | 6,167 |

## 35 COMPARATIVE FIGURES

(a) The comparative figures have been restated to account for the effects of the change in functional currency of Miyoshi Technologies Phils., Inc., a subsidiary of the company, in financial year 2006.

| | 2006 As previously reported $'000 | 2006 As restated $'000 |
|---|---|---|
| **Group** | | |
| **Balance Sheet** | | |
| Cash and bank balances | 12,907 | 12,906 |
| Fixed deposits | 1,801 | 1,803 |
| Trade receivables | 30,648 | 30,692 |
| Other receivables and prepayments | 4,211 | 4,213 |
| Inventories | 11,528 | 11,537 |
| Available-for-sale financial assets | 37 | 38 |
| Property, plant and equipment | 32,211 | 32,403 |
| Trade payables | 28,470 | 27,854 |
| Income tax payable | 2,732 | 2,733 |
| Currency translation reserve | 402 | (156) |
| Retained earnings | 22,123 | 23,545 |

## 35 COMPARATIVE FIGURES (cont'd)

| | 2006 As previously reported $'000 | 2006 As restated $'000 |
|---|---|---|
| **Income Statement** | | |
| Revenue | 133,345 | 133,490 |
| Other operating income | 2,840 | 2,853 |
| Changes in inventories of finished goods and work-in-process | (455) | (416) |
| Raw materials and consumables used | (85,167) | (85,249) |
| Employee benefits expenses | (15,942) | (15,957) |
| Depreciation expense | (4,805) | (4,791) |
| Other operating expenses | (17,889) | (17,701) |
| Income tax expense | (2,239) | (2,234) |

(b) The comparative figures have been reclassified to better reflect the nature of the balances and to be consistent with the current year's presentation.

| | 2006 As previously reported $'000 | 2006 As restated $'000 | 2006 After reclassification $'000 |
|---|---|---|---|
| **Group** | | | |
| **Balance Sheet** | | | |
| Other receivables and prepayments | 4,211 | 4,213 | 4,192 |
| Deferred tax assets | – | – | 21 |
| **Income Statement** | | | |
| Employee benefits expenses | (15,942) | (15,957) | (16,637) |
| Other operating expenses | (17,889) | (17,701) | (17,021) |

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In our opinion,

(a) the accompanying financial statements comprising the balance sheets of the group and of the company, consolidated income statement, statements of changes in equity of the group and of the company and consolidated cash flow statement together with the notes thereon 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 2007 and of the results, changes in equity and cash flows of the group and changes in equity of the company for the financial year ended on that date; and

(b) 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
9 November 2007

# Statistics of Shareholdings

## As at 22 November 2007

| CLASS OF EQUITY SECURITIES | NUMBER OF EQUITY SECURITIES | VOTING RIGHTS |
|---|---|---|
| Ordinary share | 420,669,490 | One vote per share |

### DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 - 999 | 134 | 3.98 | 22,257 | 0.00 |
| 1,000 - 10,000 | 1,445 | 42.85 | 7,643,647 | 1.82 |
| 10,001 - 1,000,000 | 1,771 | 52.52 | 100,062,663 | 23.79 |
| 1,000,001 and above | 22 | 0.65 | 312,940,923 | 74.39 |
| **TOTAL** | **3,372** | **100.00** | **420,669,490** | **100.00** |

### SUBSTANTIAL SHAREHOLDERS AS AT 22 NOVEMBER 2007 (As recorded in the Register of Substantial Shareholders)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| MIYOSHI INDUSTRY CO., LTD ("MIC") | 104,509,290 | 24.84 | – | – |
| MASAYOSHI TAIRA | – | – | 104,509,290 | 24.84 |
| SIN KWONG WAH, ANDREW | 77,825,000 | 18.50 | 61,244,000 | 14.56 |
| PEK YEE CHEW | 45,455,000 | 10.81 | 93,614,000 | 22.25 |

Mr. Masayoshi Taira is deemed to have an interest in the 104,509,290 shares held by Miyoshi Industry Co., Ltd.

Mr. Sin Kwong Wah, Andrew is deemed to have an interest in the 15,000,000 shares held by United Overseas Bank Nominees (Pte) Ltd, the 789,000 shares held by DBS Nominees Pte Ltd, and the 45,455,000 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 | 104,509,290 | 24.84 |
| 2 | SIN KWONG WAH ANDREW | 77,825,000 | 18.50 |
| 3 | PEK YEE CHEW | 45,455,000 | 10.81 |
| 4 | GAN YOKE FONG KAREN | 18,252,960 | 4.34 |
| 5 | UNITED OVERSEAS BANK NOMINEES (PTE) LTD | 17,606,700 | 4.19 |
| 6 | TAN KAY GUAN | 6,096,000 | 1.45 |
| 7 | HONG LEONG FINANCE NOMINEES PTE LTD | 4,330,000 | 1.03 |
| 8 | UOB KAY HIAN PTE LTD | 4,048,500 | 0.96 |
| 9 | CIMB BANK NOMINEES (SINGAPORE) SDN BHD | 4,000,000 | 0.95 |
| 10 | DBS NOMINEES PTE LTD | 3,972,829 | 0.94 |
| 11 | MAH WAI PHENG | 3,876,000 | 0.92 |
| 12 | OCBC SECURITIES PRIVATE LTD | 3,864,000 | 0.92 |
| 13 | MAYBAN NOMINEES (SINGAPORE) PTE LTD | 3,428,100 | 0.81 |
| 14 | PHILLIP SECURITIES PTE LTD | 3,142,144 | 0.75 |
| 15 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 2,196,000 | 0.52 |
| 16 | WONG SIN TIN | 2,190,000 | 0.52 |
| 17 | OCBC NOMINEES SINGAPORE PRIVATE LIMITED | 1,735,200 | 0.41 |
| 18 | KIM ENG SECURITIES PTE. LTD. | 1,549,200 | 0.37 |
| 19 | WONG BARK CHUAN DAVID | 1,500,000 | 0.36 |
| 20 | KOH BEOW KO | 1,200,000 | 0.29 |
| | **TOTAL** | **310,776,923** | **73.88** |

As at 22 November 2007, 35.39% of the company's shares are held in the hands of public. Accordingly, the company has compiled with Rule 723 of the Listing Manual of SGX-ST which require that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

# Notice of Annual General Meeting

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 Thursday, 27 December 2007 at 3.00 p.m. for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 August 2007 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To declare a final tax-exempt (one-tier) dividend of 0.4 Singapore cent per share and final special tax-exempt (one-tier) dividend of 0.1 Singapore cent per share for the financial year ended 31 August 2007 (2006: First and final dividend of 0.4 Singapore cent per share and a special dividend of 0.2 Singapore cent per share). **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 89 of the Articles of Association of the Company:

   Mr Masayoshi Taira **(Resolution 3)**
   Mr U Kean Seng **(Resolution 4)**

   Mr Masayoshi Taira will, upon re-election as Director of the Company, remain as member of the Audit Committee and Remuneration Committee and will be considered non-independent.

   Mr U Kean Seng will, upon re-election as a Director of the Company, remain as Chairman of Nominating Committee and Remuneration Committee and member of the Audit Committee and will be considered independent.

4. To approve the payment of Directors' fees of S$97,500 for the year ended 31 August 2007 (2006: S$72,083). **(Resolution 5)**

5. To re-appoint BDO Raffles as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

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

**AS SPECIAL BUSINESS**

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

7. **Authority to issue shares up to 50 per centum (50%) of the 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 of the Company be authorised and empowered to:

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

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

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

7. **Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company** (cont'd)

(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 of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

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

(c) any subsequent consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company 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 pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.
[See Explanatory Note (i)] **(Resolution 7)**

8. **Authority to issue shares under the Miyoshi Employees' Share Option Scheme**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Miyoshi Employees' Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the issued shares in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company 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 (ii)] **(Resolution 8)**

9. **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 a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) authority be given to the Directors of the Company 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 (iii)] **(Resolution 9)**

10. **Renewal of Share Purchase Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases or otherwise acquire issued shares in the capital of the Company 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 shares in the 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 the Maximum Price as defined in the Appendix to AGM Notice to Shareholders dated 7 December 2007 ("Appendix"), in accordance with the "Authority and Limits of the Shares Purchase Mandate" set out in the Appendix, and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company 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 (iv)] **(Resolution 10)**

By Order of the Board

Tan Cher Liang / Tan San-Ju
Secretaries
Singapore, 7 December 2007

**Explanatory Notes:**

(i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the issued shares in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the issued shares in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(ii) The Ordinary Resolution 8 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 of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the issued shares in the capital of the Company from time to time.

(iii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will authorise the Interested Person Transactions as described in the Circular and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held whichever is the earlier.

(iv) The Ordinary Resolution 10 proposed in item 10 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, 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 shares in the capital of the Company at the Maximum Price as defined in the Appendix to AGM Notice to Shareholders dated 7 December 2007 ("Appendix"). The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Purchase Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 August 2007 are set out in greater detail in Appendix.

**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.

*This page has been intentionally left blank.*

# 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 | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and/or (delete as appropriate)

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

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 Thursday, 27 December 2007 at 3.00 p.m. and at 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 Financial Statements for the year ended 31 August 2007 | | |
| 2 | Payment of proposed final dividend and final special dividend | | |
| 3 | Re-election of Mr Masayoshi Taira as a Director | | |
| 4 | Re-election of Mr U Kean Seng as a Director | | |
| 5 | Approval of Directors' fees amounting to S$97,500 | | |
| 6 | Re-appointment of BDO Raffles as Auditors | | |
| 7 | Authority to issue new shares | | |
| 8 | Authority to issue shares under the Miyoshi Employees' Share Option Scheme | | |
| 9 | Renewal of Shareholders' Mandate for Interested Person Transactions | | |
| 10 | Renewal of Share Purchase Mandate | | |

Dated this ________ day of ____________________ 2007

| 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 :**

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:**

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.