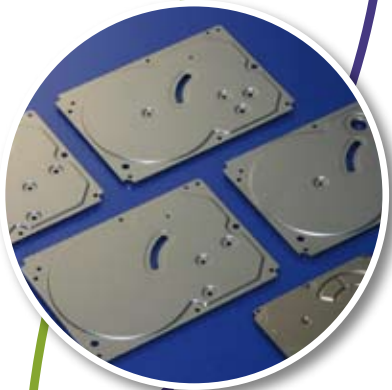




MIYOSHI PRECISION LIMITED



Powering  
**AHEAD** through  
**INTEGRATION**

2010 annual report

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## CORPORATE PROFILE



Established in 1987 and subsequently listed on the SGX Mainboard 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, Medical & Automotive Industries, our Regional Business Ring revolves around our headquarters in Singapore and manufacturing plants in Singapore, Malaysia, Thailand, Philippines, Indonesia & 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.

## CEO'S STATEMENT

Dear shareholders,

FY2010 started for the Group on a bright note. Buoyed by improving sentiments, we started to witness a mild recovery in the final quarter of the preceding financial year. This continued into the first and second quarters of this financial year that translated into higher sales and net earnings. In the third quarter however, several factors came into play to impede this progress.

Lower seasonal demand began to chip away sales growth for the Consumer Electronics segment. This was exacerbated by the re-alignment and consolidation by a major consumer electronics customer of its contract manufacturers, resulting in lower sales allocation to Miyoshi. Fortunately, Data Storage revenue for the first nine-months grew on-year, in line with industry trends. So did Automotive, Microshaft & Others.

The fourth and final quarter saw no easing of the pressures of the earlier one. Consumer Electronics, still reeling from the loss of a major customer, is at the cusp of instituting recovery measures, but this would take time. Whilst Data Storage which before had experienced consistent sales growth, fell prey to low shipment volumes due to the time lag between product change-over to new models.

Overall, full-year net profit declined by \$3.62 million or 39.54% to \$5.54 million as compared to \$9.16 million last year. This was partly due to one-off charges of \$1.91 million at our Malaysian operations, and \$0.42 million start-up expenses at one of our China operations.

Other factors that impacted our bottom line included the under-utilization of production capacity at our Malaysian operations, foreign exchange losses, and higher employee benefit expenses as compared with last year.

Amidst this barrage of challenges, the Group welcomes a silver lining that had since lifted both our financial performance and enhanced the prospects of future business opportunities. Giken Sakata (S) Limited, listed on SGX-Catalist, has now become our subsidiary with the acquisition of 53.16% of Giken's shares through two tranches of convertible loans that amounted to \$3 million.

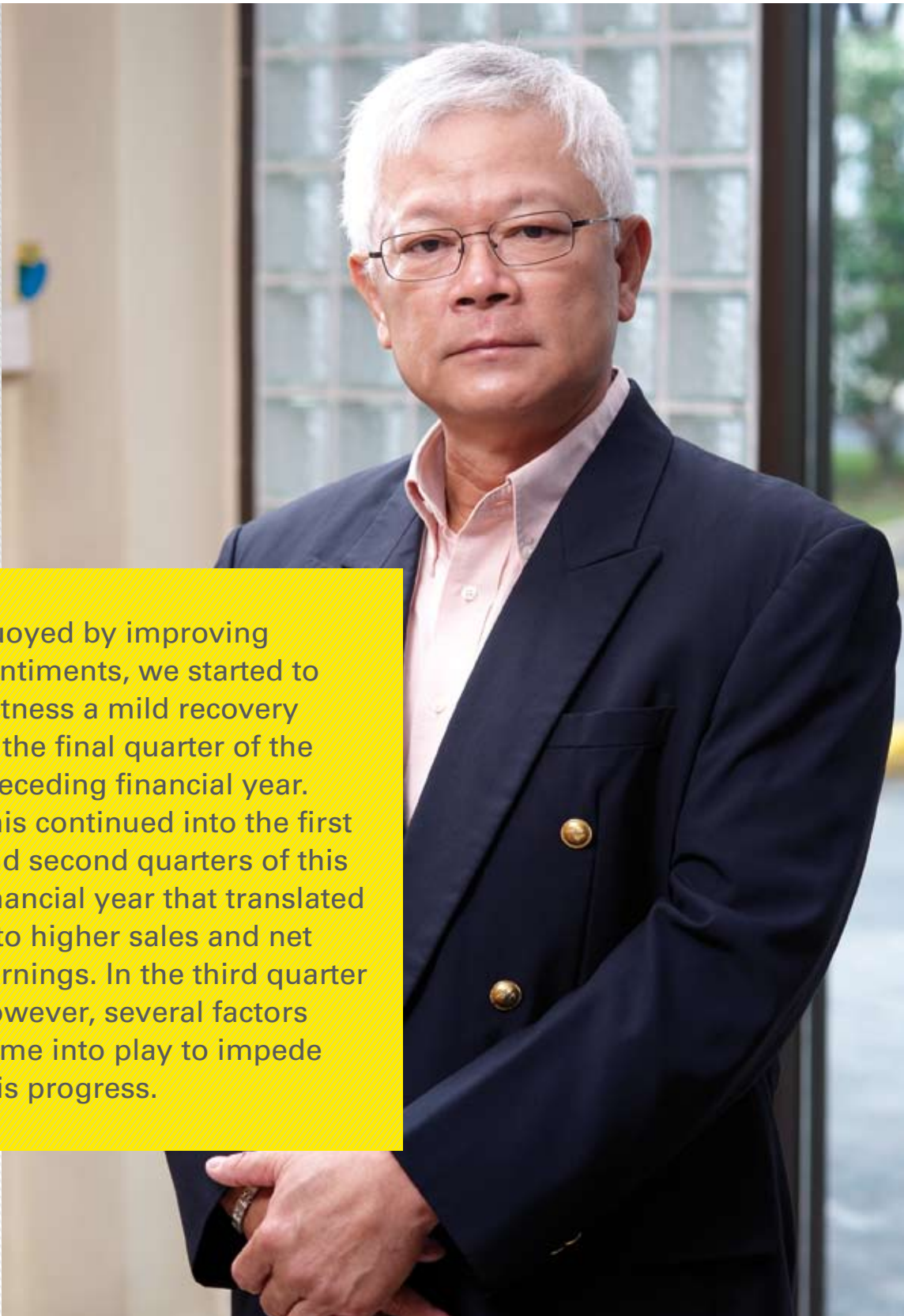
This investment has introduced fresh revenue streams and opened up a vista of marketing cross-referral opportunities. More importantly, it has turned in solid tangible results. For FY2010, Giken and its subsidiaries earned a profit of \$1.72 million on a revenue of \$48.36 million. The Group's investment in Giken is a prime example of its constant drive to enhance shareholder value through synergistic alliances that would bear sustainable long-term returns.

Building on last year's payout, I am pleased to announce, on behalf of our Board of Directors, a final dividend of 0.3 cent per share to reward our shareholders. It is our sincere hope that you would stay with the Group for the long haul as we ride the crest.

In line with our measured and prudent business approach, we would continue to maintain a cautious stance for the next 12 months. The outlook for the coming quarters still look fraught with some potential headwinds but I am quietly confident, that with the resilience of our management and staff and the support of our customers, key business partners as well as the acumen of our Board of Directors, we would stand in good stead to overcome these challenges. Allow me to take this opportunity to express my heartfelt appreciation to our key stakeholders for their valuable contribution.

**SIN KWONG WAH, ANDREW**

Chief Executive Officer



Buoyed by improving sentiments, we started to witness a mild recovery in the final quarter of the preceding financial year. This continued into the first and second quarters of this financial year that translated into higher sales and net earnings. In the third quarter however, several factors came into play to impede this progress.

**OPERATIONS REVIEW**

The year in review saw the expansion of the breadth and depth of Miyoshi's products and services, in large part due to Miyoshi's integration with its new subsidiary, Giken Sakata (S) Limited. By leveraging on each other's unique capabilities, the union has given rise to higher economies of scale, more efficient use of resources and the transfer of technical knowledge. Marketing cross-referrals have evolved into actual business leads translating into higher sales at the unit and Group levels.

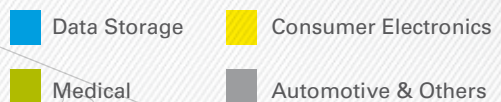
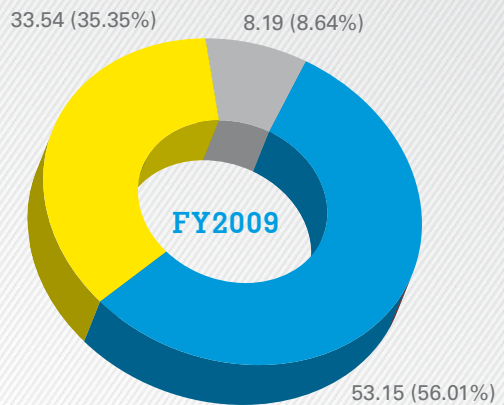
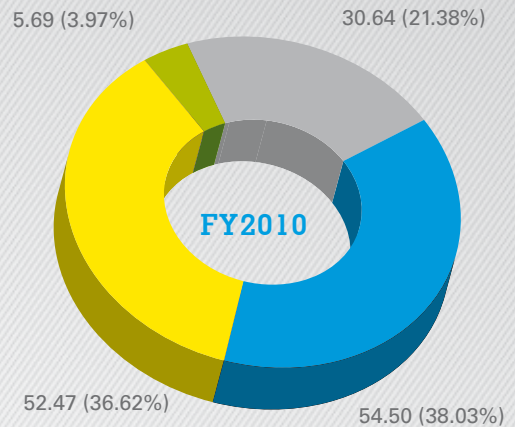
The Automotive, Microshaft & Others (AMO) segment, a product of Miyoshi's integration with Giken, chalked up significant revenue growth, predominantly from consolidating the revenue of Giken's Microshaft products, whilst a new Medical segment, relating to Giken's exposure in the medical sphere, injected a fresh wave of contribution into the Group's revenue base.

The Medical segment now accounts for 3.97% of Group sales, to date the smallest revenue contributor, but this is expected to grow, as the segment enlarges and diversifies its customer portfolio. For the full-year, AMO came in third, with the inclusion of Giken's microshaft products and bringing in \$30.64 million, an increase of 274.11%, from \$8.19 million to \$30.64 million.

Miyoshi's Consumer Electronics segment has been one of the biggest beneficiaries from the integration with Giken, both in terms of sales and synergies. Excluding Giken's contribution, Consumer Electronics revenue for the year would have fallen 19.38% but increased significantly after consolidation. The final tally for Consumer Electronics full-year revenue stood at \$52.47 million, as compared to \$33.54 million in FY2009.

Data Storage, the mainstay of the Group's business, retained its pole position as the largest revenue contributor at \$54.50 million, as it built on its growth momentum for the first nine months thanks to

**Revenue by Business Segment (\$'million)**





positive industry sentiments, but lost steam in the final quarter as a result of time lag issues between new and existing models. As a result, full-year Data Storage revenue grew marginally by 2.55%, from \$53.15 million to \$54.50 million.

The prognosis for the hard disk drive sector going forward may raise some concerns based on industry analysis. Personal computer sales are lackluster at best, back-to-school sales in the United States are somewhat disappointing and visibility is limited. Unless PC sales make a quick turnaround, the optimistic forecasts and positive outlook from earlier this year are likely to be eroded. This would have trickle-down effects for contract manufacturers like Miyoshi, who may face inventory build-up and price stability issues that would eventually surface in our financial performance in the coming quarters.

To mitigate such cyclical challenges, the Group is constantly looking at strengthening its Regional Business Ring to be close to its key customers and to provide ample and timely support. Our new Huizhou plant in Guangdong province is finally completed after a series of production trials. Construction began in 2008 and took slightly more than two years to complete. Built at a cost of \$2.26 million (RMB11.34 million), it will focus on serving customers in the electronic and automotive sectors.

China will continue to be one of the key growth drivers for Miyoshi in the near future. Where it accounted for 7.90% of Group revenue in FY2009, it

now makes up for 11.61% in FY2010, equivalent to \$16.64 million sales. Likewise, China is likely to be a game-changer for Giken. As such, the Group has added new factory space in Changzhou in Jiangsu province in response to strong demand from Giken's multi-national and local enterprise customers. Altogether, the Group now has a network of three manufacturing facilities in the mainland, namely in Wuxi, Huizhou and Changzhou.

The extension to Changzhou Giken Precision's existing plant has more than doubled the production space from 3,000 to 8,000 square meters. The expansion will allow it to increase its shafts and turned parts production capacity. With investments in new CNC machines and other equipment, the plant is poised to reap the benefits of the buoyant demand in China. Construction started in late 2009 and full operations commenced in October 2010. Construction and equipment costs totaled about RMB10.60 million.

For the full-year, the Group spent a total of \$10.5 million on capital expenditure; primarily in acquiring new plant and machinery and expanding its floor space. Following its investment in Giken, Miyoshi also acquired a 60% interest in AWP Precision Engineering Pte Ltd, a machining house principally engaged in the fabrication of industrial equipment and machine tool parts and components. These key investments and new milestones will equip the Group to take on the challenges of the year ahead, chart new progress and build new frontiers.

## FINANCIAL REVIEW

### Revenue and Earnings

Group revenue for the current financial year ("FY2010") came in at \$143.30 million as compared with \$94.88 million for the previous year ("FY2009"), a growth of \$48.42 million or 51.03%. Giken Sakata (S) Limited ("Giken"), which became a subsidiary of the Company during the first quarter of the current financial year, contributed \$48.05 million to revenue. Excluding Giken, the Group's revenue was flat over last year.

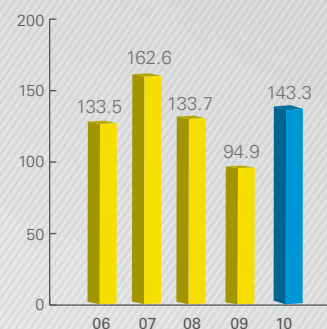
Data Storage ("DS") revenue grew for the first three quarters in line with industry trends; but with 4QFY2010 revenue dampened by low shipment volumes due to the time lag between product change-over to new models. Overall, full-year DS revenue grew marginally by 2.55%. Consumer Electronics ("CE") revenue increased significantly from last year as a result of consolidating Giken's revenue. Excluding Giken, CE revenue for the year fell 19.38% due to the loss of a major customer. Automotive, Microshaft and Others ("AMO") also saw significant revenue growth, predominantly from consolidating the revenue of Giken's Microshaft products.

Full-year profit declined by \$3.62 million or 39.54% to \$5.54 million, as compared with \$9.16 million for last year; this despite a 51.03% increase in revenue. Significant one-off allowances and expenses were incurred in FY2010. \$1.24 million of allowance for doubtful receivables were made relating to a specific product line at our Malaysian operations, in addition to a \$0.37 million allowance for impairment of its quoted investment, and end-of-life stock write-downs of \$0.30 million. Start-up expenses at one of our China operations also contributed \$0.42 million to the FY2010 loss. Apart from these one-off charges, other factors which contributed to the weaker profit were the under-utilization of production capacity at our Malaysian operations on reduced sales orders; foreign exchange losses stemming from a weak USD; and higher employee benefit expenses, as wage restraint measures implemented during last year were discontinued in the current year. Current year profit includes a one-off gain from bargain purchase of \$1.11 million from the acquisition of Giken.

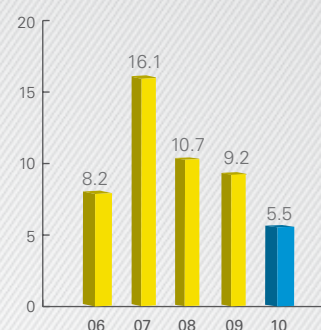
### Balance Sheet

Net asset value of the Group grew \$0.96 million to \$75.56 million as at 31 August 2010 as compared with \$74.60 million as at 31 August 2009. Profit for year contributed \$5.54 million to net asset growth. An increase in the exchange translation reserve (debit) balance of

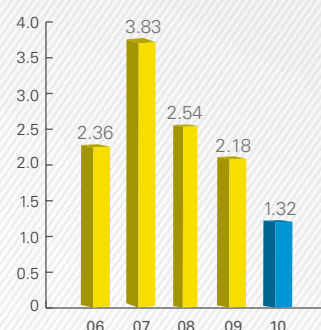
Revenue  
(\$'million)



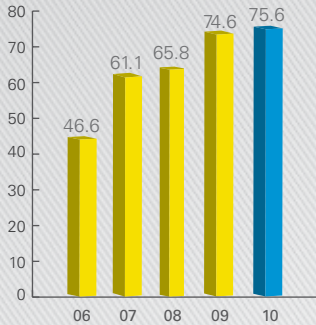
Earnings  
(\$'million)



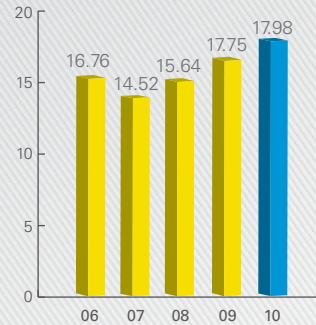
Earnings per Share  
(cents)



**Net Assets Value (\$'million)**



**Net Assets Value Per Share (cents)**



\$3.22 million, due largely to a weaker USD against the SGD, THB and MYR; and a dividend payment of \$1.27 million reduced net assets.

Cash balance (cash & bank and fixed deposits, net of bank overdrafts) was \$30.27 million as compared with \$26.57 million as at 31 August 2009. Borrowings (bank loans, other loans and finance leases) stood at \$17.98 million, with the corresponding balance last year at \$9.96 million. The significant increase in borrowings of \$8.02 million was due to the consolidation of Giken's borrowings. It should be noted that neither the Company nor any of the subsidiaries of the Group is a guarantor for Giken's borrowings. Net cash balance (cash net of borrowings) as at the end of the current year and last year were \$12.29 million and \$16.61 million respectively.

**Cash Flows**

Cash and cash equivalents (cash & bank and fixed deposits, net of bank overdrafts and restricted cash) increased by \$3.69 million during the 12 months to 31 August 2010. \$14.58 million of cash was generated from operating activities. \$3.52 million of cash was used in investing activities; mainly outflows from the acquisition of production machinery at our Thailand, Singapore, Philippines and China operations; and inflows of net cash

acquired in the Giken investment. \$4.58 million of cash was used in financing activities, mainly to reduce the level of borrowings. Cash and cash equivalents in SGD terms decreased by \$2.79 million as a result of currency translation due to a weaker USD against the SGD, THB and MYR.

**Other Significant Matters**

On 15 September 2008, the Company converted the first of two loan tranches of \$1.50 million each given to Giken Sakata (S) Limited on 18 February 2008 under an investment agreement entered into on 4 February 2008. With the conversion, the Company controlled 27.64% of the equity shares of Giken.

On 19 November 2008, the Company disbursed the second loan tranche, and converted it during the current financial year on 3 September 2009. With the conversion, the Company now controls 53.16% of Giken making it a subsidiary of the Company.

Giken is listed on SGX-Catalist. It is primarily engaged in the manufacture of components for the consumer electronics, commercial equipment, medical and data storage sectors; with major operating subsidiaries located in Singapore, Indonesia (Batam) and China (Changzhou).

BOARD OF DIRECTORS



SIN KWONG WAH, ANDREW



TAN KAY GUAN



GANYOKE FONG, KAREN



MASAYOSHITAIRA



U KEAN SENG



TAY PENG LIM

**SIN KWONG WAH, ANDREW**  
*Chief Executive Officer*

Mr. Sin was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 29 December 2009. Mr. Sin, with more than 19 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**  
*Executive Director*

Mr. Tan was first appointed to the Board of Directors on 1 September 1999 and was last re-elected on 29 December 2009. Mr. Tan has more than 13 years of experience in the metal stamping industry. From 1 November 2009, Mr. Tan assumed the Chief Executive Officer role in Giken Sakata (S) Limited, one of the Company's subsidiaries. Mr. Tan plays a pivotal role in collaborating and synergizing marketing effort between Miyoshi Group and Giken Group of companies. 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.

**GANYOKE FONG, KAREN**

*Executive Director*

Ms. Gan was first appointed to the Board of Directors on 6 December 1995 and was last re-elected on 29 December 2008. Ms. Gan, with more than 22 years of experience in the metal stamping industry, is responsible for the Company's development activities as well as supply chain management. She also oversees our operations in Thailand and is a member of the Nominating Committee. Ms. Gan holds a Bachelor of Science degree in Physics and Mathematics from the National University of Singapore.

**MASAYOSHITAIRA**

*Non-Executive Chairman*

Mr. Taira was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 27 December 2007. He has been proposed for re-election at the Company's forthcoming Annual General Meeting on 29 December 2010. He was appointed as Chairman of the Company since 31 December 2002. 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 20 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 27 December 2007. He has been proposed for re-election at the Company's forthcoming Annual General Meeting on 29 December 2010. 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. With more than 16 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 29 December 2008. Mr. Tay currently chairs the Audit Committee and is a member of the Nominating and Remuneration Committees. With more than 23 years of experience in financial and general management, Mr. Tay's substantial work experience includes appointments as Financial Controller and Assistant General Manager in the manufacturing and IT industries. Mr. Tay is a member of the Chartered Institute of Management Accountants, United Kingdom and Institute of Certified Public Accountants of Singapore.

## CORPORATE INFORMATION

**DIRECTORS**

Executive:

Mr. Sin Kwong Wah, Andrew *Chief Executive Officer*Mr. Tan Kay Guan *Executive Director*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*

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)

**COMPANY REGISTRATION NO.**

198703979K

**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 &amp; Advisory Services Pte Ltd

50 Raffles Place #32-01 Singapore Land Tower

Singapore 048623

**AUDITORS**

BDO LLP

Public Accountants and Certified Public Accountants

Partner-in-charge: Ms. Goh Chern Ni

(First appointed in respect of the financial year ended 31 August 2009)

**PRINCIPAL BANKERS**

United Overseas Bank Limited

DBS Bank Limited

Malayan Banking Berhad

Oversea-Chinese Banking Corporation Limited

OUR REGIONAL PRESENCE

Thailand  
(Chachoengsao)



Thailand  
(Ayuthaya)



Japan  
(Aomori)



Japan  
(Niigata)



Japan  
(Yokohama)



China (Changzhou)



China (Wuxi)



China (Huizhou)



Philippines  
(Laguna)



Indonesia  
(Batam)



Malaysia  
(Skudai)



Singapore

## 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 2010.

### 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 financial year 2010 by the Board and the attendance thereat are as follows:

	Board Meetings	
	No. of meetings	Attendance
Mr Masayoshi Taira (Non-Executive Chairman)	4	3
Mr Sin Kwong Wah, Andrew (Chief Executive Officer)	4	4
Mr Tan Kay Guan (Executive Director)	4	4
Ms Gan Yoke Fong, Karen (Executive Director)	4	3
Mr U Kean Seng (Independent Director)	4	4
Mr Tay Peng Lim (Independent Director)	4	4

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

#### Board Composition and Balance

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

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

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

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.

#### 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.

## 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 financial year 2010 by the Nominating Committee and the attendance thereat are as follows:

	Nominating Committee Meeting	
	No. of meeting	Attendance
Mr U Kean Seng - Chairman	1	1
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.

In selecting new directors and in re-nominating directors for re-election, the Nominating Committee will seek to identify the competencies required to enable the Board to fulfill its responsibilities. In re-nominating directors, the Nominating Committee will have regard to the results of the annual evaluation of directors. Recommendations are put to the Board for its consideration.

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 pages 8 and 9 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 effectiveness of the Board as a whole. 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 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.

### 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 Secretaries. The role of the Company Secretaries have 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 specialised knowledge or expert opinion, the Board has adopted a policy to seek independent professional advice.

**REMUNERATION MATTERS****Procedures for Developing Remuneration Policies Level and Mix of Remuneration**

The Remuneration Committee comprises the following members:

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

The number of meeting held in the financial year 2010 by the Remuneration Committee and the attendance thereat are as follows:

	Remuneration Committee Meeting	
	No. of meeting	Attendance
Mr U Kean Seng - Chairman	1	1
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 2010 are as follows:

<b>Remuneration Band and Name of Directors</b>	<b>Salary %</b>	<b>Bonuses %</b>	<b>Directors' Fees %</b>	<b>Others %</b>	<b>Total Compensation %</b>
<b>\$500,000 and above</b>					
Mr Sin Kwong Wah, Andrew	68.3	30.1	–	1.6	100.0
<b>\$250,000 to \$499,999</b>					
Ms Gan Yoke Fong, Karen	64.5	33.3	–	2.2	100.0
Mr Tan Kay Guan	79.3	13.8	–	6.9	100.0
<b>Below \$250,000</b>					
Mr Masayoshi Taira	–	–	100.0	–	100.0
Mr U Kean Seng	–	–	100.0	–	100.0
Mr Tay Peng Lim	–	–	100.0	–	100.0
<b>Remuneration Band and Name of Key Executives</b>					
<b>Below \$250,000</b>					
Tan Sin Ger	95.1	–	–	4.9	100.0
Brian Especkerman	87.5	10.2	–	2.3	100.0
Lee Ah Kow, David	83.4	–	–	16.6	100.0
Lim Swee Cheong	87.0	9.3	–	3.7	100.0
Wee Soon Ghee	86.8	9.0	–	4.2	100.0

**DISCLOSURE ON REMUNERATION (cont'd)**

b) Details of options granted are as follows:

Details of options granted to Directors are disclosed in paragraph 3 of the Report of the 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 2010
<b>Pursuant to options granted on 29 January 2002</b>		
Tan Sin Ger	–	–
Brian Especkerman	–	–
Lee Ah Kow, David	180,000	–
Lim Swee Cheong	–	–
Wee Soon Ghee	80,000	–
<b>Pursuant to options granted on 29 January 2004</b>		
Tan Sin Ger	–	–
Brian Especkerman	–	–
Lee Ah Kow, David	180,000	229,000*
Lim Swee Cheong	40,000	51,000*
Wee Soon Ghee	80,000	102,000*
<b>Pursuant to options granted on 29 January 2005</b>		
Tan Sin Ger	–	–
Brian Especkerman	–	–
Lee Ah Kow, David	180,000	–
Lim Swee Cheong	80,000	–
Wee Soon Ghee	150,000	–
<b>Pursuant to options granted on 31 January 2007</b>		
Tan Sin Ger	–	–
Brian Especkerman	–	–
Lee Ah Kow, David	180,000	229,000*
Lim Swee Cheong	80,000	102,000*
Wee Soon Ghee	150,000	191,000*

\* After adjustment arising from a rights issue during the financial year ended 31 August 2007.

Summarised details of the Miyoshi Employees' Share Options Scheme are included in paragraph 5 of the Report of the 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 quarterly 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 financial year 2010 and the attendance thereat are as follows:

	Audit Committee Meeting	
	No. of meetings	Attendance
Mr Tay Peng Lim - Chairman	4	4
Mr U Kean Seng	4	4
Mr Masayoshi Taira	4	3

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 meetings with each group of auditors;
- (4) Evaluates the adequacy and effectiveness 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 confirms that it has undertaken a review of all the non-audit services provided by the Company's auditor during the financial year (fees: \$23,000) 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.

**ACCOUNTABILITY AND AUDIT (cont'd)****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 quarterly 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 two weeks before the announcement of the Company's financial statements for the first three quarters of its financial year or one month before the announcement of the Company's full year financial statements.

**INTERESTED PERSON TRANSACTIONS**

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

<b>Name of interested person</b>	<b>Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)</b>	<b>Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)</b>
<b>Miyoshi Industry Co., Ltd</b>		
Type of transactions		
Sales	–	161,425
Purchases	–	137,077
Marketing Services	–	118,389
Total	–	416,891

**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 2010 or still subsisting as at 31 August 2010 which involved the interests of the CEO, Director or controlling shareholders of the Company.

### FINANCIAL REPORTS

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## REPORT OF THE DIRECTORS

The Directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 August 2010.

### 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 shares and debentures of the Company and its related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act") except as follows:

Name of Directors and company in which interests are held	Shareholdings registered in the name of Directors or their nominees		Shareholdings in which Directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<b>The Company</b>	<b>Number of ordinary shares</b>			
Sin Kwong Wah, Andrew	78,439,000	93,439,000	61,674,000	46,444,000
Tan Kay Guan	5,806,000	4,006,000	3,876,000	–
Gan Yoke Fong, Karen	18,252,960	18,252,960	–	–
Masayoshi Taira	–	–	104,509,290	99,509,290

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

<b>Name of Directors and company in which interests are held</b>	<b>At beginning of year</b>	<b>At end of year</b>
<b><u>Subsidiaries</u></b>		
	<b><u>Ordinary shares of Thai Baht 100 each</u></b>	
	<b>Held in the name of Directors</b>	
<b>- Miyoshi Precision (Thailand) Co., Ltd</b>		
Mr Sin Kwong Wah, Andrew	2 <sup>(2)</sup>	–
Mr Tan Kay Guan	2 <sup>(2)</sup>	–
Ms Gan Yoke Fong, Karen	2 <sup>(2)</sup>	2 <sup>(2)</sup>
	<b><u>Ordinary shares of Thai Baht 100 each</u></b>	
	<b>Held in the name of Directors</b>	
<b>- Miyoshi Hi-Tech Co., Ltd</b>		
Mr Sin Kwong Wah, Andrew	399,996 <sup>(2)</sup>	–
Ms Gan Yoke Fong, Karen	1 <sup>(2)</sup>	1 <sup>(2)</sup>
	<b><u>Ordinary shares of Philippine Peso 1,000 each</u></b>	
	<b>Held in the name of Directors</b>	
<b>- Miyoshi Technologies Phils., Inc.</b>		
Mr Sin Kwong Wah, Andrew	1 <sup>(2)</sup>	1 <sup>(2)</sup>
Mr Tan Kay Guan	1 <sup>(2)</sup>	1 <sup>(2)</sup>
	<b><u>Number of share options to subscribe for the Company's ordinary shares</u></b>	
<b>Name of Directors and company in which interests are held</b>	<b>At beginning of year</b>	<b>At end of year</b>
<b>Options granted on 29 January 2004</b>		
Mr Tan Kay Guan	381,000	381,000
Ms Gan Yoke Fong, Karen	381,000	381,000
<b>Options granted on 29 January 2005</b>		
Mr Tan Kay Guan	381,000	381,000
Mr U Kean Seng	127,000	–
<b>Options granted on 31 January 2007</b>		
Mr Tan Kay Guan	381,000	381,000
Ms Gan Yoke Fong, Karen	381,000	381,000
Mr U Kean Seng	254,000	254,000
Mr Tay Peng Lim	127,000	127,000

(1) By virtue of Section 7 of the 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.

There was no change in any of the abovementioned interests between the end of the financial year and 21 September 2010.

#### 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 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.

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 Securities Trading Limited for the last five consecutive market days immediately preceding the date of grant.

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

a) Options granted (cont'd)

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 its subsidiaries were granted during the financial year.

b) Unissued shares under option

At the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option except as follows:

Date of grant	At beginning of year or date of grant, if later	Options adjustments	Exercised	Forfeited /expired/ cancelled	At end of year	Original exercise price (\$)	Adjusted exercise price (\$)	Exercise period
29 Jan 02	51,000	-	-	-	51,000	0.144	0.114	29 Jan 03 to 28 Jan 12
29 Jan 02	51,000	-	-	-	51,000	0.144	0.114	29 Jan 04 to 28 Jan 13
29 Jan 04	847,000	-	-	(95,000)	752,000	0.252	0.199	29 Jan 05 to 28 Jan 14
29 Jan 04	848,000	-	-	(96,000)	752,000	0.252	0.199	29 Jan 06 to 28 Jan 15
29 Jan 05	203,000	-	-	(6,000)	197,000	0.180	0.142	29 Jan 06 to 28 Jan 15
29 Jan 05	204,000	-	-	(7,000)	197,000	0.180	0.142	29 Jan 07 to 28 Jan 16
29 Jan 05	63,000	-	-	(63,000)	-	0.180	0.142	29 Jan 06 to 28 Jan 10
29 Jan 05	64,000	-	-	(64,000)	-	0.180	0.142	29 Jan 07 to 28 Jan 11
31 Jan 07	1,629,000	-	-	(272,000)	1,357,000	0.239	0.188	31 Jan 08 to 30 Jan 17
31 Jan 07	1,672,000	-	-	(314,000)	1,358,000	0.239	0.188	31 Jan 09 to 30 Jan 18
31 Jan 07	190,000	-	-	-	190,000	0.239	0.188	31 Jan 08 to 30 Jan 12
31 Jan 07	191,000	-	-	-	191,000	0.239	0.188	31 Jan 09 to 30 Jan 13
Total	6,013,000	-	-	(917,000)	5,096,000			

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 is 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)

### c) 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 year	Aggregate options granted since commencement of Scheme to end of the year	Aggregate options exercised/ cancelled since commencement of Scheme to end of the year	Aggregate options outstanding at end of the year
<b>Directors of the Company</b>				
Mr Tan Kay Guan	–	1,443,000	300,000	1,143,000
Ms Gan Yoke Fong, Karen	–	1,362,000	600,000	762,000
Mr U Kean Seng	–	381,000	127,000	254,000
Mr Tay Peng Lim	–	127,000	–	127,000
<b>Employees</b>				
Mr Lee Ah Kow	–	818,000	360,000	458,000
Mr Seah Kin Song	–	843,000	385,000	458,000

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

## 6 AUDIT COMMITTEE

The members of the Audit Committee are:

Mr Tay Peng Lim (Chairman)  
 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 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 of Directors for approval;

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

- 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 also carried out annual review of non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors prior to recommending their re-nomination.

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

**7 AUDITORS**

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

**8 ADDITIONAL DISCLOSURE REQUIREMENTS OF THE LISTING MANUAL OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED**

The auditors of the subsidiaries of the Company are disclosed in Note 13 to the financial statements. In the opinion of the Board of Directors and Audit Committee, Rule 716 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

ON BEHALF OF THE DIRECTORS

Sin Kwong Wah, Andrew

Gan Yoke Fong, Karen

Singapore  
23 November 2010

## 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 30 to 103 which comprise the statements of financial position of the Group and of the Company as at 31 August 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

#### **Management's Responsibility for the Financial Statements**

Management is 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:

- (a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets;
- (b) selecting and applying appropriate accounting policies; and
- (c) 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 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 management 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.

## INDEPENDENT AUDITORS' REPORT

to the Members of Miyoshi Precision Limited

### Opinion

In our opinion,

- (a) the consolidated financial statements of the Group and the statement of financial position 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 2010 and of the results, changes in equity and cash flows of the Group 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 those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

### **BDO LLP**

Public Accountants and  
Certified Public Accountants

Singapore  
23 November 2010

# STATEMENTS OF FINANCIAL POSITION

as at 31st August 2010

	Note	Group		Company	
		2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and bank balances	6	22,593	19,156	6,844	11,324
Fixed deposits	6	9,670	8,437	–	2,000
Trade receivables	7	27,061	21,120	11,262	13,288
Other receivables and prepayments	8	8,162	6,385	5,449	3,988
Inventories	9	11,429	7,607	2,261	2,057
Asset held for sale	10	4,091	–	–	–
<b>Total current assets</b>		<b>83,006</b>	<b>62,705</b>	<b>25,816</b>	<b>32,657</b>
<b>Non-current assets:</b>					
Investment in associates	11	37	2,786	53	1,584
Investment in joint venture	12	–	–	–	–
Subsidiaries	13	–	–	28,016	22,746
Available-for-sale financial assets	14	66	438	4	5
Other receivables	8	37	50	–	–
Property, plant and equipment	15	45,992	42,195	8,615	7,952
Intangible assets	16	858	–	–	–
Deferred tax assets	17	95	319	–	–
Loans receivable	18	4,939	2,477	2,370	2,477
<b>Total non-current assets</b>		<b>52,024</b>	<b>48,265</b>	<b>39,058</b>	<b>34,764</b>
<b>Total assets</b>		<b>135,030</b>	<b>110,970</b>	<b>64,874</b>	<b>67,421</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Bank overdrafts	19	1,991	1,026	–	–
Trade payables	20	18,129	12,047	3,792	5,593
Other payables and accruals	21	8,361	5,934	2,034	2,009
Provisions	22	50	–	–	–
Current income tax payable		1,312	1,324	1,097	1,433
Finance leases	23	1,364	1,191	217	291
Bank loans	24	5,811	3,699	2,500	3,000
<b>Total current liabilities</b>		<b>37,018</b>	<b>25,221</b>	<b>9,640</b>	<b>12,326</b>
<b>Non-current liabilities:</b>					
Finance leases	23	2,197	895	338	32
Bank loans	24	8,348	3,916	375	–
Other loan	25	260	254	–	–
Provisions	22	473	–	–	–
Deferred tax liabilities	26	657	882	657	499
<b>Total non-current liabilities</b>		<b>11,935</b>	<b>5,947</b>	<b>1,370</b>	<b>531</b>
<b>Total liabilities</b>		<b>48,953</b>	<b>31,168</b>	<b>11,010</b>	<b>12,857</b>
<b>Equity:</b>					
Share capital	27	37,389	37,389	37,389	37,389
Treasury share reserve	27	(55)	(55)	(55)	(55)
Fair value reserve	27	(10)	(12)	–	–
Other reserve	27	767	–	–	–
Share options reserve	27	707	798	707	798
Currency translation reserve	27	(8,733)	(5,512)	(10,294)	(6,963)
Retained earnings	27	45,493	41,990	26,117	23,395
<b>Equity attributable to owners of the parent</b>		<b>75,558</b>	<b>74,598</b>	<b>53,864</b>	<b>54,564</b>
Non-controlling interests		10,519	5,204	–	–
<b>Total equity</b>		<b>86,077</b>	<b>79,802</b>	<b>53,864</b>	<b>54,564</b>
<b>Total liabilities and equity</b>		<b>135,030</b>	<b>110,970</b>	<b>64,874</b>	<b>67,421</b>

See accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

year ended 31 August 2010

	Note	2010 \$'000	2009 \$'000
<b>Revenue</b>	29	<b>143,300</b>	<b>94,883</b>
Other operating income	30	5,990	4,014
Changes in inventories of finished goods and work-in-progress		(827)	(1,377)
Raw materials and consumables used		(76,369)	(54,780)
Employee benefit expenses	31	(28,155)	(13,813)
Depreciation expense		(8,173)	(4,999)
Other operating expenses	32	(26,537)	(13,463)
Finance costs		(1,003)	(315)
Share of results of associates		37	390
<b>Profit before income tax</b>		<b>8,263</b>	<b>10,540</b>
Income tax expense	33	(1,570)	(1,053)
<b>Profit for the financial year</b>	34	<b>6,693</b>	<b>9,487</b>
<b>Other comprehensive income:</b>			
Exchange differences on translating foreign operations		(3,584)	777
Available-for-sale financial assets			
– Fair value loss		2	(5)
Reclassification of currency translation reserves on de-consolidation of subsidiaries		(235)	–
<b>Other comprehensive income for the financial year, net of tax</b>		<b>(3,817)</b>	<b>772</b>
<b>Total comprehensive income for the financial year</b>		<b>2,876</b>	<b>10,259</b>
<b>Profit attributable to:</b>			
Owners of the parent		5,540	9,163
Non-controlling interests		1,153	324
		<b>6,693</b>	<b>9,487</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		2,312	9,843
Non-controlling interests		564	416
		<b>2,876</b>	<b>10,259</b>
<b>Earnings per share</b>			
Basic (cents)	35	1.32	2.18
Diluted (cents)	35	1.32	2.18

See accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 August 2010

	Share Capital \$'000	Treasury Share Reserve \$'000	Fair Value Reserve \$'000	Other Reserve \$'000	Share Options Reserve \$'000	Currency Translation Reserve \$'000	Retained Earnings \$'000	Equity Attributable to Owners of the Parent \$'000	Non- controlling Interests \$'000	Total Equity \$'000
<b>Balance at 1 September 2008</b>	37,389	(29)	(7)	–	756	(6,197)	33,862	65,774	4,593	70,367
Total comprehensive income for the financial year	–	–	(5)	–	–	685	9,163	9,843	416	10,259
Acquisition of interest in subsidiary	–	–	–	–	–	–	–	–	220	220
Disposal of interest in subsidiary	–	–	–	–	–	–	–	–	(25)	(25)
Dividends	–	–	–	–	–	–	(1,262)	(1,262)	–	(1,262)
Statutory reserve of a subsidiary	–	–	–	–	–	–	227	227	–	227
Share-based payments expense for the year	–	–	–	–	48	–	–	48	–	48
Share options lapsed	–	–	–	–	(6)	–	–	(6)	–	(6)
Repurchase of share and held as treasury share	–	(26)	–	–	–	–	–	(26)	–	(26)
<b>Balance at 31 August 2009</b>	<b>37,389</b>	<b>(55)</b>	<b>(12)</b>	<b>–</b>	<b>798</b>	<b>(5,512)</b>	<b>41,990</b>	<b>74,598</b>	<b>5,204</b>	<b>79,802</b>
Total comprehensive income for the financial year	–	–	2	767	–	(3,221)	4,764	2,312	564	2,876
Acquisition of interest in subsidiary	–	–	–	–	–	–	–	–	4,751	4,751
Dividends	–	–	–	–	–	–	(1,261)	(1,261)	–	(1,261)
Share options lapsed	–	–	–	–	(91)	–	–	(91)	–	(91)
<b>Balance at 31 August 2010</b>	<b>37,389</b>	<b>(55)</b>	<b>(10)</b>	<b>767</b>	<b>707</b>	<b>(8,733)</b>	<b>45,493</b>	<b>75,558</b>	<b>10,519</b>	<b>86,077</b>

See accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

year ended 31 August 2010

	2010 \$'000	2009 \$'000
<b>Operating activities:</b>		
Profit before income tax and share of results of associates	8,226	10,150
Adjustments for:		
Allowance for impairment of machinery	–	43
Allowance for doubtful trade receivables	–	163
Allowance for doubtful trade receivables no longer required	(115)	–
Allowance for doubtful other receivables	1,248	–
Allowance for impairment of available-for-sale financial assets	365	–
Amortisation of intangible assets	429	–
Bad debts written off - trade	2	1
Depreciation expense	8,173	4,999
Gain on disposal of interest in subsidiary	–	(202)
Gain from bargain purchase of a subsidiary	(1,106)	–
Gain on deconsolidation of subsidiary	(433)	–
Gain on disposal of property, plant and equipment	(388)	(70)
Interest expense	1,003	315
Interest income	(129)	(255)
Negative goodwill on acquisition of subsidiary	–	(6)
Negative goodwill on acquisition of associate	–	(894)
Allowance for inventory obsolescence	24	489
Property, plant and equipment written off	198	332
Share-based payments expense	(91)	42
<b>Operating cash flows before changes in working capital</b>	<b>17,406</b>	<b>15,107</b>
Trade receivables	573	9,288
Other receivables and prepayments	(2,479)	(3,683)
Inventories	2,472	3,596
Trade payables	1,853	(7,280)
Other payables and accruals	(1,671)	(3,080)
<b>Cash generated from operations</b>	<b>18,154</b>	<b>13,948</b>
Interest paid	(1,003)	(315)
Interest received	129	255
Income tax paid	(1,440)	(1,998)
Dividend paid	(1,261)	(1,262)
<b>Net cash from operating activities</b>	<b>14,579</b>	<b>10,628</b>

See accompanying notes to the financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

year ended 31 August 2010

	2010 \$'000	2009 \$'000
<b>Investing activities:</b>		
Acquisition of subsidiary, net of cash acquired (Note 13)	7,685	(717)
Loans receivable	(2,594)	(29)
Proceeds from disposal of other investment	108	–
Proceeds from disposal of interest in subsidiary (Note 13)	–	461
Proceeds from disposal of property, plant and equipment	684	194
Purchase of property, plant and equipment (Note 15)	(9,401)	(7,300)
<b>Net cash used in investing activities</b>	<b>(3,518)</b>	<b>(7,391)</b>
<b>Financing activities:</b>		
Proceeds from bank loans	2,304	3,000
Proceeds from other loans	–	254
Repayment of bank loans	(5,026)	(5,226)
Repayment of finance leases	(1,847)	(1,050)
Repurchase of shares and held as treasury shares	–	(26)
Restricted cash	(12)	113
<b>Net cash used in financing activities</b>	<b>(4,581)</b>	<b>(2,935)</b>
Currency translation adjustment	(2,787)	605
Increase in cash and cash equivalents	3,693	907
Cash and cash equivalents at beginning of financial year	26,432	25,525
<b>Cash and cash equivalents at end of financial year (Note 6)</b>	<b>30,125</b>	<b>26,432</b>

See accompanying notes to the financial statements.

**1 GENERAL**

The statement of financial position of Miyoshi Precision Limited (the “Company”) and the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 August 2010 were authorised for issue by the Board of Directors on 23 November 2010.

The Company (Registration No. 198703979K) is a public limited company 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 dollar (\$) and all values are rounded to the nearest thousand (\$'000) except where 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, joint venture and subsidiaries are disclosed in Notes 11, 12 and 13 to the financial statements respectively.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****(a) Basis of preparation of financial statements**

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards (“FRS”) including related Interpretations of FRS (“INT FRS”) and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company’s functional currency is United States dollar. The financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar as the Company is listed on the Stock Exchange of Singapore, and management is of the opinion that the Singapore dollar is the currency which would best facilitate trading in its shares.

In the current financial year, the Group and the Company have adopted all the new and revised FRS and INT FRS that are relevant to their operations and effective for the current financial year. The adoption of these new/revised FRS and INT FRS did not result in changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current or prior financial years except as disclosed below.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

(a) Basis of preparation of financial statements (cont'd)

FRS 1 (2008) Presentation of Financial Statements

The Group has adopted FRS 1 (2008) for annual periods beginning 1 September 2009. FRS 1 (2008) requires the Group to present all changes in equity arising from transactions with non-owners in a statement of comprehensive income separately from those equity changes arising from transactions with owners in their capacity as owners to be presented in the statement of changes in equity. FRS 1 (2008) also requires the Group to disclose income tax relating to each component of other comprehensive income and to disclose reclassification adjustments relating to components of other comprehensive income. The Group has chosen to present both the income statement and the statement of comprehensive income in a consolidated statement of comprehensive income. Where the Group restates or reclassifies comparative information, the Group will be required to present a restated balance as of the beginning of the earliest comparative period in addition to the current requirement to present the statements of financial position as at the end of the current period and comparative period.

FRS 23 (2007) Borrowing Costs

The Group has adopted FRS 23 (2007) prospectively for annual periods beginning 1 September 2009. FRS 23 (2007) requires the Group to capitalise borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The Group has not capitalised such borrowing costs during the financial year ended 31 August 2010.

FRS 27 (2009) Consolidated and Separate Financial Statements

The Group has adopted FRS 27 (2009) prospectively to transactions with non-controlling interests from 1 September 2009. FRS 27 (2009) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. In the event when control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss.

FRS 103 (2009) Business Combinations

The Group has adopted FRS 103 (2009) prospectively to all business combinations taking place from 1 September 2009. FRS 103 (2009) applies the acquisition method with certain significant changes from the purchase method referred to in FRS 103 (2006). For example, all considerations given to purchase a business are to be recorded at fair value at the acquisition date, with contingent considerations classified as debt subsequently re-measured through profit or loss if the fair value changes were to take place after the measurement period. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the fair value of the acquiree's net assets. All acquisition-related costs should be expensed.

Amendments to FRS 107 Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments

The Group has adopted Amendments to FRS 107 Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments from 1 September 2009. The amendments to FRS 107 expand the disclosures required in respect of fair value measurements and liquidity risk. There was no significant impact on the Group's disclosures arising from these amendments.

# NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

### (a) Basis of preparation of financial statements (cont'd)

#### FRS 108 Operating Segments

The Group has adopted FRS 108 for annual periods beginning 1 September 2009. FRS 108 replaces FRS 14 Segment Reporting and requires a "management approach", under which segment information is presented on the same basis as that used for internal reporting purposes to the chief operating decision-maker. There is no significant change in the presentation of the reportable segments from that reported in 2009.

At the date of authorisation of these financial statements, the following FRS and INT FRS were issued but not effective until future periods:

		<b>Effective date (Annual periods beginning on or after)</b>
FRS 24	: Related Party Disclosures (Revised)	1 January 2011
FRS 32	: Amendment to FRS 32 - Classification of Rights Issues	1 February 2010
FRS 101	: Amendments to FRS 101 - Additional Exemptions for First-time Adopters	1 January 2010
	: Amendment to FRS 101 - Limited Exemption from Comparative FRS 107 Disclosures for First-time Adopters	1 July 2010
FRS 102	: Amendments to FRS 102 - Group Cash-settled Share-based Payment Transactions	1 January 2010
INT FRS 114	: Amendments to INT FRS 114 - Prepayments of a Minimum Funding Requirement	1 January 2011
INT FRS 115	: Agreements for the Construction of Real Estate	1 January 2011
INT FRS 119	: Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

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

The Group and the Company expect that the adoption of the above FRS and INT FRS, if applicable, will have no material impact on the financial statements in the period of initial application.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities or the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries in the Company's statement of financial position are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

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

## (c) Business combinations

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration 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. Acquisition-related costs are recognised in the consolidated profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant FRS. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with FRS 105 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

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

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

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

#### (c) Business combinations (cont'd)

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

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

#### (d) Financial instruments

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

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss which are initially measured at fair value.

##### Financial assets

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The Group classifies its financial assets as loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of these financial assets and is determined at the time of initial recognition.

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

## (d) Financial instruments (cont'd)

Financial assets (cont'd)Available-for-sale financial assets

Certain shares held by the Group are classified as being available-for-sale if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in the fair value reserve with the exception of impairment losses, interests calculated using the effective interest method and foreign exchange gains and losses. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the fair value reserve is included in profit or loss for the period.

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

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost, where applicable, using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

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

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

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

(d) Financial instruments (cont'd)

#### Financial assets (cont'd)

##### Derecognition of financial assets

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

##### Financial liabilities and equity instruments

##### Classification as debt or equity

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

##### Equity instruments

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

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

##### Financial liabilities

Financial liabilities are classified as other financial liabilities.

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

(d) Financial instruments (cont'd)

Other financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest 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 accordance with the Group's accounting policy for borrowing costs (Note 2(q)).

Derecognition of financial liabilities

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

(e) Leases

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

The Group as lessee

(i) Finance 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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in accordance with the Group's general policy on borrowing costs (Note 2(q)).

(ii) Operating leases

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

The Group as lessor

(i) Operating leases

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the line pattern in which use benefit derived from the leased asset is diminished. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

(f) 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 work-in-progress and 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.

(g) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, cash at banks and fixed deposits net of fixed deposits pledged with bank.

(i) Property, plant and equipment

(i) Land and buildings

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(ii) Other property, plant and equipment

All other items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

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

(i) Property, plant and equipment (cont'd)

(ii) Other property, plant and equipment (cont'd)

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that the future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the Company and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

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

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

Depreciation is provided using the straight-line method so as to write off the cost of the property, plant and equipment over their estimated useful lives as follows:

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	-	11/2 to 10 years
Office furniture and equipment	-	3 to 8 years
Motor vehicles	-	4 to 8 years

The residual values and useful lives of property, plant and equipment are reviewed and adjusted as appropriate, at the end of each financial year. Gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the item disposed and is recognised in profit or loss.

(j) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, if any, on the same basis as intangible assets acquired separately.

Amortisation is provided using the straight-line method so as to write off the cost of the intangible assets over their estimated useful lives as follows:

Customer list	-	3 years
Trademark and Know-how	-	3 years

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

#### (k) 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 these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Group's statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss 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, unless the Group has incurred legal or constructive obligations or made payment on behalf of the associate.

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 profit or loss.

Where a Group entity transacts with an associate of the Group, gains and losses are eliminated to the extent of the Group's interest in the relevant associate. This applies to unrealised losses which are also eliminated but only to the extent that there is no impairment.

#### (l) Joint venture

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, which is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

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

## (l) Joint venture (cont'd)

Where the Group transacts with its jointly controlled entities, unrealised profits are eliminated to the extent of the Group's interest in the joint venture. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

## (m) Impairment of tangible and intangible assets

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible 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 profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased only to the extent that the asset's increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment losses had been recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

## (n) Provisions

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

(o) 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-transferability, exercise restrictions and behavioural considerations.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

(i) Sale of goods

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

(ii) Rendering of services

Revenue from rendering of services is recognised when the services are rendered.

(iii) Interest income

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

(iv) Rental income

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

(q) Borrowing costs

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

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

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

## (r) Employee benefits

## (i) Retirement benefit costs

Defined contribution plans

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 Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

Certain subsidiaries operate a defined benefit pension plan, which is unfunded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised as income or expense when the net cumulative unrecognised actuarial gains and losses for each individual plan at the end of the previous financial year exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plans.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised, reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Retirement gratuity

Retirement benefits payable to certain categories of employees upon their retirement are provided for in the financial statements based on their entitlement under the staff benefit plan.

The Group's net obligation in respect of retirement benefits is the amount of future benefits that employees have earned in return for their service in current and prior periods. The obligation is calculated using projected salary increases and is discounted to its present value, and the fair value of any related assets is deducted.

## (ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

(s) Government Grant - Jobs Credit Scheme

The Singapore government introduced a cash grant known as the Jobs Credit Scheme in its Budget for 2009 in a bid to help businesses preserve jobs in the economic downturn. The amounts received for jobs credit are to be paid to eligible employers in instalments and the amount an employer can receive would depend on the fulfilment of the conditions as stated in the Scheme.

The Group recognises the amounts received for jobs credit at their fair values as other income in the month of receipt of these grants from the government.

(t) 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 financial year. Taxable profit differs from profit as reported in profit or loss 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 subsidiaries operate by the end of the financial year. 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 are accounted for using the balance sheet liability method.

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

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates and interests in joint venture, 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 the end of each financial year 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 tax 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)**

## (t) Income tax (cont'd)

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

## (u) Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

## (v) Foreign currencies transactions and translation

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. 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 other comprehensive income in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings are taken to the currency translation reserve.

## (w) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors who make strategic decisions.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

(x) 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 fulfil 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 profit or loss 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 end of the financial year, 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. As at 31 August 2010, the carrying amounts of the Group's and the Company's inventories were \$11,429,000 (2009: \$7,607,000) and \$2,261,000 (2009: \$2,057,000) respectively.

Allowances for doubtful receivables

The Group makes allowances for doubtful receivables 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 receivables requires the use of management's assessment of collectibility. 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 carrying amounts of the Group's and the Company's trade and other receivables and prepayments as at 31 August 2010 were \$35,260,000 (2009: \$27,555,000) and \$16,711,000 (2009: \$17,276,000) respectively.

**3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)**Impairment of investments in subsidiaries and associates

In 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 end of the financial year. For those subsidiaries with indication of impairment, management has assessed the value in use using the future cash flows expected to arise from subsidiaries over a period of five to ten years beginning with FY2011 and using a discount rate of between 5.25% to 8.99%. Estimates of future cash flows is based on a forecast annual growth in revenue of between 1% to 32%. The carrying amounts of the Company's investments in subsidiaries and associates as at 31 August 2010 were \$28,016,000 (2009: \$22,746,000) and \$53,000 (2009: \$1,584,000) respectively.

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 2010 were \$45,992,000 (2009: \$42,195,000) and \$8,615,000 (2009: \$7,952,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets.

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. As at 31 August 2010, the Group's deferred tax assets, current income tax payable and deferred tax liabilities were \$95,000 (2009: \$319,000), \$1,312,000 (2009: \$1,324,000) and \$657,000 (2009: \$882,000) respectively and the Company's current income tax payable and deferred tax liabilities were \$1,097,000 (2009: \$1,433,000) and \$657,000 (2009: \$499,000) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 4 FINANCIAL RISKS 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. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures them. The Group's policies for managing specific risks and its risk exposures are summarised below.

#### (a) 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 trade receivables

Trade receivables that are neither past due nor impaired are substantially from companies with good collection track record with the Group. The Group's and the Company's trade receivables which are past due as indicated in the table below are not considered to be impaired.

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Past due 0 to 3 months	7,900	4,239	2,108	1,149
Past due 3 to 6 months	1,126	191	45	78
Past due over 6 months	3,767	294	3,732	3,902
	12,793	4,724	5,885	5,129

The Group's and the Company's trade receivables which are past due and impaired are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Past due 0 to 3 months	–	9	–	9
Past due 3 to 6 months	478	11	–	11
Past due over 6 months	103	264	10	101
	581	284	10	121

#### Credit risk on loan to associate

The Group's exposure to credit risk on loans to associate is monitored on an ongoing basis. Regular reviews of financial performance and operations are used to evaluate credit risk.

# NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

## 4 FINANCIAL RISKS MANAGEMENT (cont'd)

### Financial risk management objectives and policies (cont'd)

#### (b) Market Risk

##### Foreign exchange risk

The Group transacts in various foreign currencies, including United States dollar (USD), Singapore dollar (SGD), Japanese yen (JPY), Philippine peso (PHP), Malaysia ringgit (MYR), Thailand baht (THB) and Chinese renminbi (RMB) and therefore is exposed to foreign exchange risk.

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

The Group utilises foreign currency forward exchange contracts on a 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. The Group has no contracts outstanding as at the end of the financial year.

The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the financial year are as follows:

##### Net Monetary Assets/(Liabilities)

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
United States dollar	12,837	8,912	–	–
Singapore dollar	(65)	1,897	25	2,533
Japanese yen	(87)	1,577	384	2,333
Philippine peso	282	84	–	–
Malaysia ringgit	(2,400)	(1,065)	–	–
Thailand baht	601	590	601	590
Chinese renminbi	740	–	–	–
Others	(17)	–	(37)	–
<b>Total</b>	<b>11,891</b>	<b>11,995</b>	<b>973</b>	<b>5,456</b>

The following table details the Group's sensitivity to a 10% change in USD against the SGD, JPY, PHP, MYR, THB and RMB. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in SGD, JPY, PHP, MYR, THB and RMB are included in the analysis.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

Financial risk management objectives and policies (cont'd)

(b) Market Risk (cont'd)

Foreign exchange risk (cont'd)

Foreign currency sensitivity analysis

	← Gain / (Loss) →			
	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b><u>SGD</u></b>				
Strengthens against USD	7	(190)	(3)	(253)
Weakens against USD	(7)	190	3	253
<b><u>JPY</u></b>				
Strengthens against USD	9	(158)	(38)	(233)
Weakens against USD	(9)	158	38	233
<b><u>PHP</u></b>				
Strengthens against USD	(28)	(8)	–	–
Weakens against USD	28	8	–	–
<b><u>MYR</u></b>				
Strengthens against USD	240	107	–	–
Weakens against USD	(240)	(107)	–	–
<b><u>THB</u></b>				
Strengthens against USD	(60)	(59)	(60)	(59)
Weakens against USD	60	59	60	59
<b><u>RMB</u></b>				
Strengthens against USD	(74)	–	–	–
Weakens against USD	74	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

#### Financial risk management objectives and policies (cont'd)

#### (b) Market Risk (cont'd)

##### Interest rate risk

The Group's exposure to interest rate risk mainly arises from bank overdrafts, finance leases, bank loans and other loan. Their interest rates and terms of repayment are disclosed in Notes 19, 23, 24 and 25 respectively.

The Group's and the Company's borrowings as at the end of the financial year are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Bank overdrafts	1,991	1,026	–	–
Finance leases	3,561	2,086	555	323
Bank loans	14,159	7,615	2,875	3,000
Other loan	260	254	–	–
	19,971	10,981	3,430	3,323

Assuming that the amount of borrowings outstanding at the end of the financial year was outstanding for the whole year; and interest rates increase/decrease instantaneously by 10% from the end of the financial year, with all other variables held constant, the interest expense of the Group would increase/decrease by \$100,000 (2009: \$32,000), while the interest expense of the Company would increase/decrease by \$8,000 (2009: 11,000).

#### (c) Liquidity Risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. The Group's and the Company's liquidity risk management policy is to maintain a sufficient level of liquid financial assets through proper management of its receivables and payables and by arranging for appropriate bank financing facilities. The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

Financial risk management objectives and policies (cont'd)

(c) Liquidity Risk (cont'd)

Financial Liabilities

	2010				2009			
	1 year or less \$'000	1 year to 5 years \$'000	After 5 years \$'000	Total \$'000	1 year or less \$'000	1 year to 5 years \$'000	After 5 years \$'000	Total \$'000
<b>Group</b>								
Bank overdrafts	1,991	–	–	1,991	1,026	–	–	1,026
Trade payables	18,129	–	–	18,129	12,047	–	–	12,047
Other payables and accruals	8,361	–	–	8,361	5,934	–	–	5,934
Finance leases	1,499	2,190	61	3,750	1,379	934	8	2,321
Bank loans	5,811	8,348	–	14,159	3,699	3,916	–	7,615
Other loan	–	260	–	260	–	254	–	254
	<b>35,791</b>	<b>10,798</b>	<b>61</b>	<b>46,650</b>	<b>24,085</b>	<b>5,104</b>	<b>8</b>	<b>29,197</b>
<b>Company</b>								
Trade payables	3,792	–	–	3,792	5,593	–	–	5,593
Other payables and accruals	2,034	–	–	2,034	2,009	–	–	2,009
Finance leases	238	334	24	596	300	32	–	332
Bank loans	2,500	375	–	2,875	3,000	–	–	3,000
	<b>8,564</b>	<b>709</b>	<b>24</b>	<b>9,297</b>	<b>10,902</b>	<b>32</b>	<b>–</b>	<b>10,934</b>

(d) Capital Management Policies and Objectives

The Group manages its capital to ensure that it is able to continue as a going concern. It 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.

Management monitors its capital through the gearing ratio to ensure that there is adequate liquidity, taking into consideration internal funding requirements as well as external economic conditions.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

#### Financial risk management objectives and policies (cont'd)

#### (d) Capital Management Policies and Objectives (cont'd)

The Group's and the Company's gearing ratio as at the end of the financial year were as follows:

#### Gearing ratio

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade payables	18,129	12,047	3,792	5,593
Other payables and accruals	8,361	5,934	2,034	2,009
Bank overdrafts	1,991	1,026	–	–
Bank loans	14,159	7,615	2,875	3,000
Other loan	260	254	–	–
Finance leases	3,561	2,086	555	323
Less: Cash and cash equivalents	(30,125)	(26,432)	(6,844)	(13,324)
<b>Net debt / (cash)</b>	<b>16,336</b>	<b>2,530</b>	<b>2,412</b>	<b>(2,399)</b>
Equity attributable to equity holders of the Company	75,558	74,598	53,864	54,564
<b>Total Capital</b>	<b>91,894</b>	<b>77,128</b>	<b>56,276</b>	<b>52,165</b>
<b>Gearing Ratio</b>	<b>17.8%</b>	<b>3.3%</b>	<b>4.3%</b>	<b>NM</b>

NM: Not meaningful

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 August 2009 and 2010.

The Group's overall strategy remains unchanged from 2009.

#### 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 the financial statements. The fair value of financial assets with standard terms and conditions and trade in an active liquid market is determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 5 RELATED PARTY TRANSACTIONS

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

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

During the financial year, the Group entities entered into the following transactions with related parties:

	Associates		Related Party (A shareholder)		Joint Venture		Director	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sales	–	–	(161)	(25)	(39)	–	–	–
Purchases	–	8	137	277	–	–	–	–
Sales commission expense	–	–	51	68	–	–	–	–
Interest income	(31)	(35)	–	–	(9)	–	–	–
Interest expense	–	–	1	1	–	–	–	–
Marketing fees expense	–	–	118	110	–	–	–	–
Other income	–	(212)	–	–	–	–	–	–
Other expense	37	56	–	18	–	–	–	–
Loan waived <sup>(1)</sup>	–	–	–	–	–	–	–	–
Investment	–	–	–	775	–	–	–	–

#### Compensation of directors and key management personnel

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

	Group	
	2010	2009
	\$'000	\$'000
Short-term benefits	2,433	1,868
Post-employment benefits	166	86
Share-based payments	–	25
	2,599	1,979

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

The above amounts are included under employee benefit expenses (Note 31).

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 5 RELATED PARTY TRANSACTIONS (cont'd)

<sup>(1)</sup> During the financial year, funds were misappropriated from Miyoshi Precision (Malaysia) Sdn. Bhd. ("MPM"), a wholly-owned subsidiary of the Company, by a director of MPM. The misappropriation involved an aggregate amount of MYR1,296,104 (SGD542,679 equivalent). The full amount of the funds misappropriated was returned to MPM by a Director of the Company before the year-end and the Director has waived his rights of recovery against MPM in respect of the funds returned; and therefore, neither MPM nor the Group has suffered a shortfall of funds as a result of the misappropriation. Details of this matter were disclosed in a SGX announcement made by the Company on 29 October 2010.

### 6 CASH AND CASH EQUIVALENTS

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash and bank balances	22,593	19,156	6,844	11,324
Fixed deposits	9,670	8,437	–	2,000
Bank overdrafts (Note 19)	(1,991)	(1,026)	–	–
	30,272	26,567	6,844	13,324
Restricted cash	(147)	(135)	–	–
	30,125	26,432	6,844	13,324

Fixed deposits of the Group bear interest ranging from 0.06% to 8.25% (2009: 0.05% to 3.70%) per annum and are for a tenor of approximately 365 days (2009: 365 days).

Restricted cash pertains to fixed deposits of certain subsidiaries pledged with banks as securities for banking facilities granted (Note 19).

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

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
United States dollar	7,815	2,930	–	–
Singapore dollar	4,394	4,921	4,394	4,921
Japanese yen	497	1,722	425	1,722
Malaysia ringgit	378	208	–	–
Philippine peso	114	219	–	–
Thailand baht	602	589	602	590
Indonesia rupiah	155	–	–	–
Chinese renminbi	3,197	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 7 TRADE RECEIVABLES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Outside parties	27,542	21,404	6,995	6,432
Allowance for doubtful receivables	(581)	(284)	(10)	(121)
	26,961	21,120	6,985	6,311
Subsidiaries	–	–	4,273	6,977
Joint venture	36	–	–	–
Related parties	64	–	4	–
	<b>27,061</b>	<b>21,120</b>	<b>11,262</b>	<b>13,288</b>

Trade receivables are non-interest bearing and are generally on a 30 to 60 (2009: 30 to 60) days credit terms. The amounts owing from subsidiaries, joint venture and related parties are unsecured, interest-free and repayable on demand.

Movements in the allowance for doubtful trade receivables are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At beginning of financial year	284	–	121	–
Acquisition of subsidiary	325	126	–	–
(Credit)/Charge to profit or loss	(115)	163	(106)	124
Currency realignment	87	(5)	(5)	(3)
At end of financial year	581	284	10	121

The allowance for doubtful trade receivables are recognised in profit or loss in “other operating income” line item subsequent to the assessment on the recoverable amount performed by the management.

The Group’s trade receivables of \$5,398,000 (2009: \$Nil) have been pledge as a collateral for bank loans (Note 24).

The Group’s and the Company’s trade receivables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
United States dollar	6,983	6,741	–	–
Singapore dollar	1,373	794	847	790
Malaysia ringgit	271	68	–	–
Philippine peso	779	–	–	–
Chinese renminbi	1,886	–	–	–
Japanese yen	80	–	–	–
Euro	169	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 8 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Outside parties	9,310	3,915	4,349	721
Allowance for doubtful receivables	(1,213)	–	–	–
	8,097	3,915	4,349	721
Subsidiaries	–	–	1,095	797
Associates	–	1,695	–	1,695
Joint venture	60	–	–	–
Related party	5	775	5	775
	<b>8,162</b>	<b>6,385</b>	<b>5,449</b>	<b>3,988</b>
<b>Non-current</b>				
Outside parties	37	50	–	–

Current amounts receivable from associates at the end of the previous financial year included a loan to Giken Sakata (S) Limited (“Giken”) of \$1,500,000 which was convertible into new ordinary shares of Giken subject to fulfilment of the conversion conditions. During the current financial year, the Company had exercised its option to convert the loan into new ordinary shares of Giken, making Giken a subsidiary of the Company. The terms of the investment agreement are disclosed in Note 11.

Current amounts receivable from a related party in the previous financial year represented an investment relating to a business collaboration venture between Miyoshi Industry Co., Ltd, Mitsue Mold Engineering Co., Ltd and the Company. No interest was charged on the amount receivable which was repayable over 4 years. The investment was aborted, and the amount receivable had since been repaid in full.

Current receivables include deposits, prepayments, advances and expenses paid on behalf of related companies.

The amounts due from subsidiaries, associates and a joint venture are unsecured, interest-free and repayable on demand.

Movements in the allowance for doubtful other receivables are as follows:

	Group	
	2010	2009
	\$'000	\$'000
At beginning of financial year	–	–
Charge to profit or loss	1,248	–
Currency realignment	(35)	–
At end of financial year	1,213	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 8 OTHER RECEIVABLES AND PREPAYMENTS (cont'd)

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

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Singapore dollar	121	2,402	1,005	3,080
Japanese yen	–	775	–	775
Malaysia ringgit	342	1,791	–	–
Philippine peso	383	390	–	–
Chinese renminbi	90	–	–	–

### 9 INVENTORIES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Finished goods	4,513	4,198	999	736
Work-in-process	1,153	446	629	611
Raw materials	5,763	2,963	633	710
Total inventories at lower of cost and net realisable value	11,429	7,607	2,261	2,057

The Group's cost of inventories recognised as expense during the financial year amounted to \$77,196,000 (2009: \$56,157,000).

The Group's inventories of \$3,319,000 (2009: \$Nil) have been pledged as a collateral for bank loans (Note 24).

### 10 ASSET HELD FOR SALE

#### Group

In the current financial year, a leasehold building with gross floor area of approximately 6,659.2 sqm owned by a subsidiary located at 8 Enterprise Road Singapore 629820 is now in the process of being sold. The property which is used in the manufacturing process was classified as property, plant and equipment last year. The sales is expected to be completed within 12 months period.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 11 INVESTMENT IN ASSOCIATES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Quoted equity shares at cost	–	1,500	–	1,500
Unquoted equity shares at cost	68	68	68	68
	68	1,568	68	1,568
Currency realignment	–	–	(15)	16
Share of post-acquisition accumulated (losses)/profits	(19)	351	–	–
Share of post-acquisition other reserves	(12)	(27)	–	–
Negative goodwill	–	894	–	–
	37	2,786	53	1,584

Details of the Group's associates are as follows:

Associate	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2010 %	2009 %
Miyoshi International Philippines, Inc. <sup>(1)</sup>	Property holding	Philippines	40	40
Giken Sakata (S) Limited <sup>(2)</sup>	Manufacture of parts and assembly of mechanisms for electronic products	Singapore	–	27.64

<sup>(1)</sup> Audited by BDO Alba Romeo & Co., Philippines.

<sup>(2)</sup> Audited by Ernst & Young LLP, Singapore in 2009.

On 15 September 2008, pursuant to the terms of an Investment Agreement with Giken Sakata (S) Limited ("Giken") dated 4 February 2009, the Company converted a loan to Giken of \$1,500,000 into new ordinary Giken shares at a price of \$0.06375 a share, resulting in an allotment of 23,529,411 shares to the Company. The shares allotted to the Company represents 27.64% of the enlarged share capital of Giken; and with the allotment, Giken became an associate of the Company.

On 3 September 2009, the Company further converted the remaining loan to Giken of \$1,500,000 into new ordinary Giken shares at a price of \$0.03234 a share, resulting in an allotment of 46,382,189 shares to the Company. With the additional allotment, the Company increased its equity interests in Giken to 53.16%, resulting in Giken becoming a subsidiary of the Company (Note 13).

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 11 INVESTMENT IN ASSOCIATES (cont'd)

The net tangible assets and market price for each Giken share as at the end of the previous financial year were \$0.102 per share and \$0.075 per share respectively.

Summarised financial information in respect of the Group's associates is set out below:

	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Total assets	2,412	32,832
Total liabilities	(2,319)	(22,835)
Net assets	93	9,997
Group's share of associates' net assets	37	2,786
Profit for the financial year	176	1,388
Group's share of associates' profit for the financial year	37	390

The Group's cumulative share of unrecognised losses were \$Nil (2009: \$32,000) which was the share of the current year's losses. The Group has no obligation in respect of those losses.

### 12 INVESTMENT IN JOINT VENTURE

On 3 September 2009, a wholly-owned subsidiary, Miyoshi Technologies Phils, Inc. ("MTP"), has entered into a Joint Venture Agreement with MFS Corporation, a company incorporated in the Republic of Korea.

Details of the Company's joint venture is as follows:

Joint venture	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2010	2009
			%	%
Miyoshi FL Systems, Inc. <sup>(1)</sup>	Manufacture and assembly of automated cash counting and dispensing machine components	Philippines	51%	–

<sup>(1)</sup> Audited by BDO Alba Romeo & Co., Philippines.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 12 INVESTMENT IN JOINT VENTURE (cont'd)

The following amounts represented the Group's share of the assets and liabilities and income and expenses of the joint venture that were included in the Group's financial statements using the line-by-line format of proportionate consolidation:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		
Current assets	1,009	–
Non-current assets	2	–
<b>Total assets</b>	<b>1,011</b>	<b>–</b>
<b>Liabilities</b>		
Current liabilities	1,088	–
<b>Net liabilities</b>	<b>(77)</b>	<b>–</b>
Revenue	36	–
Expenses	(132)	–
Loss before income tax	(96)	–
Income tax expense	–	–
<b>Loss for the financial year</b>	<b>(96)</b>	<b>–</b>

### 13 SUBSIDIARIES

	<b>Company</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Quoted equity shares, at cost	3,000	–
Unquoted equity shares, at cost	9,176	9,946
Advances	16,404	13,083
	28,580	23,029
Allowance for impairment losses	(564)	(283)
	28,016	22,746

The management has performed a review on the recoverable amount of its investment in subsidiaries as at the end of financial year. The review led to the recognition of an impairment loss of \$281,000 (2009: \$283,000 recognised in "other operating expenses" line item of profit or loss of the Company).

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 13 SUBSIDIARIES (cont'd)

As at the end of the financial year, the balance of advances made by the Company to its subsidiaries were as follows:

- (a) advances of \$8,240,000 (2009: \$8,307,000) which are interest-free and with no fixed repayment terms;
- (b) advances of \$3,175,000 (2009: \$3,109,000) which bear interest of between 4.05% and 5% per annum with no fixed repayment terms, and not expected to be repaid within the next 12 months from the end of the financial year;
- (c) advances of \$634,000 (2009: \$555,000) which bear interest of 0.50% per annum with monthly repayment of principal over 36 months starting September 2010, amounts varying between \$16,000 and \$18,000;
- (d) advances of \$709,000 (2009: \$712,000) which bear interest of 2.37% per annum with monthly repayment of principal over 12 months starting November 2010, amounts varying between \$59,000 and \$71,000;
- (e) advances of \$Nil (2009: \$100,000) which bear interest of 2.28% per annum with monthly repayment of principal over 12 equal monthly instalment of \$8,000 starting June 2010;
- (f) advances of \$204,000 (2009: \$200,000) which bear interest of 2.28% per annum with monthly repayment of principal over 12 equal monthly instalment of \$17,000 starting July 2010;
- (g) advances of \$1,000 (2009: \$100,000) which bear interest of 2.28% per annum with monthly repayment of principal over 12 equal monthly instalment of \$8,000 starting August 2010;
- (h) advances of \$101,000 (2009: \$Nil) which bear interest of 2.28% per annum with monthly repayment of principal over 12 equal monthly instalment of \$8,000 starting January 2011;
- (i) advances of \$101,000 (2009: \$Nil) which bear interest of 2.28% per annum with monthly repayment of principal over 12 equal monthly instalment of \$8,000 starting February 2011;
- (j) advances of \$101,000 (2009: \$Nil) which bear interest of 2.28% per annum with monthly repayment of principal over 12 equal monthly instalment of \$8,000 starting March 2011;
- (k) advances of \$3,003,000 (2009: \$Nil) which bear interest of 2.29% per annum with monthly repayment of principal over 36 equal monthly instalment of \$82,000 starting September 2013;
- (l) advances of \$135,000 (2009: \$Nil) which bear interest of 1.79% per annum with monthly repayment of principal over 36 equal monthly instalment of \$4,000 starting September 2013;

The advances to subsidiaries are unsecured.

It is not practicable to determine the fair value of advances in (a) and (b) as they have no fixed term of repayment. The fair value of advances in (c) to (l) approximates their carrying amount.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 13 SUBSIDIARIES (cont'd)

During the current financial year, the Company made a provision for impairment of \$281,000 (2009: \$283,000) against the cost of its investment in Miyoshi Precision (Thailand) Co. Ltd. The provision was made in view of the operating loss sustained by the subsidiary during the current financial year; and losses forecasted in the foreseeable future. The amount provided for is recognised in the Company's profit or loss and reported under the subsidiary's business segments as follows:

	Company	
	2010 \$'000	2009 \$'000
At beginning of financial year	283	–
Data storage	–	1
Consumer electronics	87	104
Automotive and others	194	178
Charge to profit or loss for the financial year	281	283
At end of financial year	564	283

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

	Company	
	2010 \$'000	2009 \$'000
Singapore dollar	3,873	4,628
Japanese yen	221	300

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 13 SUBSIDIARIES (cont'd)

Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activities/Country of incorporation and operations	Proportion of ownership interest and voting power held	
		2010 %	2009 %
<i>Held by Miyoshi Precision Limited</i>			
Miyoshi Saitoh Pte Ltd <sup>(1)</sup>	Investment holding and trading of machines Singapore	100	100
Miyoshi Precision (Malaysia) Sdn. Bhd. <sup>(2)</sup>	Metal stamping, fabrication of parts and components of machine tools Malaysia	100	100
Miyoshi Technologies Phils., Inc. <sup>(3)</sup>	Metal stamping, fabrication of parts and components of machine tools Philippines	100	100
Miyoshi Precision (Thailand) Co., Ltd. <sup>(4)</sup>	Metal stamping and plastic injection moulding Thailand	70	70
Miyoshi Hi-Tech Co., Ltd <sup>(4)</sup>	Metal stamping Thailand	80	80
iNovuus Technologies Pte Ltd <sup>(1)</sup>	System integration service provider, application and development solutions and e-commerce web development services Singapore	92.99	92.99
AWP Precision Engineering Pte Ltd <sup>(1)</sup>	Fabrication of parts and components of industrial equipment and machine tools Singapore	60	60
Giken Sakata (S) Limited <sup>(1)</sup>	Manufacture of parts and assembly of mechanisms for electronic products Singapore	53.16	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 13 SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities/Country of incorporation and operations	Proportion of ownership interest and voting power held	
		2010 %	2009 %
<i>Held through Miyoshi Precision (Malaysia) Sdn Bhd</i>			
Miyoshi Bio-Energy (Malaysia) Sdn Bhd <sup>(2)</sup>	Processing of bio energy activities Malaysia	100	100
<i>Held through Wuxi Miyoshi Precision Co., Ltd</i>			
Miyoshi Precision Huizhou Co., Ltd <sup>(9)</sup>	Metal stamping and assembly of electronic components People's Republic of China	49	49
<i>Held through Giken Sakata (S) Limited</i>			
Changzhou Giken Precision Co, Ltd. <sup>(5)</sup>	Manufacturing and sale of microshafts and other precision parts People's Republic of China	50.50	–
PT Giken Precision Indonesia <sup>(6)</sup>	Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products Indonesia	53.16	–
Giken Precision Vietnam (HCMC) Co, Ltd. <sup>(7)</sup>	Manufacturing of microshafts and other precision parts Vietnam	50.50	–
<i>Held through Miyoshi Saitoh Pte Ltd</i>			
Wuxi Miyoshi Precision Co., Ltd <sup>(8)</sup>	Metal stamping and plastic injection moulding People's Republic of China	100	100
Miyoshi Precision Huizhou Co., Ltd <sup>(9)</sup>	Metal stamping and assembly of electronic components People's Republic of China	51	51

<sup>(1)</sup> Audited by BDO LLP, Singapore.

<sup>(2)</sup> Audited by BDO, Malaysia.

<sup>(3)</sup> Audited by BDO Alba Romeo & Co., Philippines.

<sup>(4)</sup> Audited by BDO Limited, Thailand.

<sup>(5)</sup> Audited by BDO China Shu Lun Pan Certified Public Accountants, People's Republic of China.

<sup>(6)</sup> Audited by Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International.

<sup>(7)</sup> Has not commenced operations since date of incorporation, not required to be audited under the laws of country of incorporation.

<sup>(8)</sup> Audited by another firm of auditors namely, Jiangsu Gongzheng Tianye Certified Public Accountants Co., Ltd, People's Republic of China.

<sup>(9)</sup> Audited by another firm of auditors namely, Huizhou East Certified Public Accountants, People's Republic of China.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 13 SUBSIDIARIES (cont'd)

#### Acquisition of subsidiaries / additional interest in subsidiaries

On 8 July 2010, the Company acquired 60% equity interest in AWP Precision Engineering Pte Ltd ("AWP") for a cash consideration of \$324,000.

During the current financial year, the Company has allotted additional shares in Giken through conversion of loan as disclosed in Notes 8 and 11. With the allotment the Company increased its share in Giken to 53.16%, making Giken a subsidiary of the Company.

The Group recognised a negative goodwill of \$894,000 for the financial year ended 31 August 2009 when it acquired 27.64% of Giken's shares, and a further gain from bargain purchase of \$1,106,000 for the financial year ended 31 August 2010 when it increased its share to 53.16%. The price paid by the Group for the shares in Giken was agreed upon after taking into consideration Giken's financial performance, in particular its cash position; and the potential for Giken group.

The fair value and carrying amounts of the identifiable assets and liabilities of the subsidiaries as at the date of acquisition were:

	At date of acquisition			
	Fair value		Carrying amount	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Property, plant and equipment (Note 15)	6,702	6,218	6,702	5,994
Investment in associates	109	–	109	–
Intangible assets (Note 16)	1,287	–	112	–
Trade and other receivables	7,042	876	6,933	876
Inventories	6,320	–	6,320	–
Cash and cash equivalents	7,685	(393)	7,685	(393)
	29,145	6,701	27,861	6,477
Less:				
Trade and other payables	7,610	2,068	7,610	2,068
Provisions (Note 22)	1,103	–	1,103	–
Bank loans and finance leases	11,645	4,120	11,645	4,120
Current income tax payable	34	(37)	34	(37)
	20,392	6,151	20,392	6,151
Net identifiable assets	8,753	550	7,469	326

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 13 SUBSIDIARIES (cont'd)

#### Acquisition of subsidiaries / additional interest in subsidiaries (cont'd)

From the date of acquisition, Giken incurred a net profit after tax of \$1,805,000, which has been included in the Group's profit or loss for the current financial year.

From the date of acquisition, AWP incurred a net loss after tax of \$18,000, which has been included in the Group's profit or loss in the previous financial year. If the combination had taken place at the beginning of the financial year, the Group's net profit would have been \$9,559,000 and revenue would have been \$98,261,000.

The effects of the acquisitions on the cash flows are as follows:

	2010 \$'000	2009 \$'000
Trade and other receivables	7,042	876
Inventories	6,319	–
Cash and bank balances / (bank overdraft)	7,685	(393)
Property, plant and equipment	6,703	6,218
Investment in associates	109	–
Intangible assets	1,287	–
Trade payables	(4,229)	(589)
Other payables	(4,484)	(1,479)
Bank loans and finance leases	(11,645)	(4,120)
Current income tax payable	(34)	37
Non-controlling interests	(6,147)	(220)
Gain from bargain purchase / Negative goodwill	(1,106)	(6)
Purchase consideration	1,500	324
Less: purchase consideration paid through conversion of loan	(1,500)	–
(Cash and bank balances) / bank overdraft	(7,685)	393
Cash flow on acquisition, net of cash acquired	(7,685)	717

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 13 SUBSIDIARIES (cont'd)

#### Disposal of a subsidiary

On 21 August 2009, the Company disposed of its entire 51% equity interest in Fastrack Pte Ltd ("Fastrack") for a cash consideration of \$228,000. The carrying amounts of the identifiable assets and liabilities of Fastrack as at the date of disposal were:

	<b>Carrying amount before disposal \$'000</b>
Property, plant and equipment	1,050
Trade and other receivables	284
Inventories	123
Cash and cash equivalents	(233)
	<u>1,224</u>
Less:	
Trade and other payables	1,005
Bank loans and finance leases	82
Current income tax payable	86
	<u>1,173</u>
<b>Net identifiable assets</b>	<b>51</b>

The effects of the disposal of Fastrack on the cash flows are as follows:

	<b>2009 \$'000</b>
Trade receivables	236
Other receivables	48
Inventories	123
Property, plant and equipment	1,050
Bank overdraft	(233)
Trade payables	(256)
Other payables	(749)
Bank loans and finance leases	(82)
Current income tax payable	(86)
Non-controlling interests	(25)
Gain on disposal	202
Cash proceeds from disposal	228
Add: Bank overdraft	233
<b>Cash flow on disposal, net of cash disposed</b>	<b>461</b>

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 14 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
At beginning of financial year	438	446	5	9
Currency realignment	(6)	(3)	(1)	(4)
Impairment loss for the financial year	(365)	–	–	–
Fair value adjustment	(1)	(5)	–	–
At end of financial year	66	438	4	5

The impairment loss was recognised in profit or loss in “other operating expenses” line item subsequent to the assessment on the recoverable amount performed by the management.

At the end of the financial year, available-for-sale financial assets included the following:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unquoted equity shares				
- At cost less impairment loss	21	21	4	5
Quoted equity shares				
- At market value less impairment loss	45	417	–	–
	66	438	4	5

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 15 PROPERTY, PLANT AND EQUIPMENT

Group	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
<b>Cost :</b>								
At 31 August 2008	1,924	6,261	15,771	44,564	2,995	1,358	27	72,900
Reclassification	-	-	(598)	(186)	175	-	598	(11)
Currency realignment	(21)	21	146	456	11	5	12	630
Additions	-	-	2,317	1,529	262	166	4,786	9,060
Acquisition of subsidiary	-	-	4,277	1,634	25	58	-	5,994
Transfer from construction- in- progress	-	-	121	2,693	-	71	(2,885)	-
Disposal/Write-offs	-	-	-	(1,327)	(31)	(132)	-	(1,490)
Disposal of subsidiary	-	-	-	(2,395)	(178)	(34)	-	(2,607)
At 31 August 2009	1,903	6,282	22,034	46,968	3,259	1,492	2,538	84,476
Reclassification	-	-	(585)	-	-	-	585	-
Currency realignment	20	20	(443)	(1,735)	(119)	(64)	(119)	(2,440)
Additions	-	-	1,170	4,592	613	987	3,120	10,482
Acquisition of subsidiary	-	-	2,214	4,283	188	15	2	6,702
Transfer from construction- in- progress	-	-	4	2,950	1	-	(2,955)	-
Reclassified as held for sale	-	-	(4,806)	-	-	-	-	(4,806)
Disposal/Write-offs	-	-	(2)	(4,089)	(177)	(654)	(63)	(4,985)
At 31 August 2010	1,923	6,302	19,586	52,969	3,765	1,776	3,108	89,429

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

Group	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
<b>Accumulated depreciation :</b>								
At 31 August 2008	-	415	5,217	31,087	1,977	820	-	39,516
Reclassifications	-	-	-	(182)	171	-	-	(11)
Currency realignment	-	61	20	250	8	-	-	339
Depreciation for the year	-	-	981	3,846	(12)	184	-	4,999
Disposal/Write-offs	-	-	-	(915)	(37)	(96)	-	(1,048)
Disposal of subsidiary	-	-	-	(1,373)	(117)	(24)	-	(1,514)
At 31 August 2009	-	476	6,218	32,713	1,990	884	-	42,281
Currency realignment	-	62	(427)	(1,296)	(99)	(51)	-	(1,811)
Depreciation for the year	-	-	1,631	6,198	35	309	-	8,173
Reclassified as held for sale	-	-	(715)	-	-	-	-	(715)
Disposal/Write-offs	-	-	-	(3,817)	(170)	(504)	-	(4,491)
At 31 August 2010	-	538	6,707	33,798	1,756	638	-	43,437
<b>Accumulated impairment :</b>								
At 31 August 2008	-	-	-	-	-	-	-	-
Impairment loss	-	-	-	-	43	-	-	43
Disposal of a subsidiary	-	-	-	-	(43)	-	-	(43)
At 31 August 2009 and 2010	-	-	-	-	-	-	-	-
<b>Net carrying value :</b>								
At 31 August 2009	1,903	5,806	15,816	14,255	1,269	608	2,538	42,195
At 31 August 2010	1,923	957	17,686	19,171	2,009	1,138	3,108	45,992

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

Company	Leasehold land and buildings \$'000	Plant and equipment \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
<b>Cost:</b>						
At 31 August 2008	8,179	14,173	1,246	696	–	24,294
Reclassifications	–	(186)	186	–	–	–
Currency realignment	155	265	26	14	–	460
Additions	218	600	73	31	135	1,057
Disposal	–	(620)	(29)	(62)	–	(711)
At 31 August 2009	8,552	14,232	1,502	679	135	25,100
Currency realignment	(512)	(851)	(90)	(41)	(8)	(1,502)
Additions	113	1,354	290	682	–	2,439
Transfer from construction-in- progress	–	127	–	–	(127)	–
Disposal/Write-offs	(1)	(171)	(114)	(546)	–	(832)
At 31 August 2010	8,152	14,691	1,588	774	–	25,205
<b>Accumulated depreciation:</b>						
At 31 August 2008	3,206	11,664	1,182	468	–	16,520
Reclassifications	–	(182)	182	–	–	–
Currency realignment	53	203	27	7	–	290
Depreciation for the year	325	561	39	90	–	1,015
Disposal	–	(593)	(22)	(62)	–	(677)
At 31 August 2009	3,584	11,653	1,408	503	–	17,148
Currency realignment	(224)	(716)	(86)	(33)	–	(1,059)
Depreciation for the year	316	682	48	136	–	1,182
Disposal/Write-offs	(1)	(128)	(114)	(438)	–	(681)
At 31 August 2010	3,675	11,491	1,256	168	–	16,590
<b>Net carrying value:</b>						
At 31 August 2009	4,968	2,579	94	176	135	7,952
At 31 August 2010	4,477	3,200	332	606	–	8,615

During the financial year, the Group acquired plant and equipment amounting to \$10,482,000 (2009: \$9,060,000) of which cash payments of \$9,401,000 (2009: \$7,300,000) were made to purchase the plant and equipment and the remaining were purchased by means of financial leases and loans.

Included in the Group's and the Company's plant and equipment and motor vehicles are items with aggregate net carrying value of \$3,141,000 (2009: \$3,189,000) and \$976,000 (2009: \$846,000) respectively under finance lease agreements.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 15 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, expired on 16 August 2010. Lease period has been extended for another 30 years from 16 August 2010)	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
Tongqiao Industrial Base Huicheng District Huizhou, Guangdong China 516001	Leasehold (50 years from 12 March 2009)	A factory cum office building
8 Enterprise Road Singapore 629820	Leasehold (30 years from 16 July 1978, expired on 16 July 2009. Lease period has been extended for another 22 years from 16 July 2009)	A factory cum office building

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

Location	Title	Description
PLO 122, Jalan Cyber 5, Senai III Industrial Estate 81400 Senai Johor Malaysia	Leasehold (30 years expiring in August 2025)	A factory cum office building
Block 9 Coty Garden, #16-02 Changzhou Jiangsu Province People's Republic of China	Leasehold (64 years from August 1998)	An apartment
No. 206, Taishan Road, New Area, Changzhou, Jiangsu Province People's Republic of China	Leasehold (50 years from January 1994)	A factory cum office building

### 16 INTANGIBLE ASSETS

Group	Customer list \$'000	Trade name and Know-how \$'000	Total \$'000
<b>Cost:</b>			
At 31 August 2009	–	–	–
Acquisition of a subsidiary (Note 13)	633	654	1,287
At 31 August 2010	633	654	1,287
<b>Accumulated amortisation:</b>			
At 31 August 2009	–	–	–
Amortisation for the financial year	211	218	429
At 31 August 2010	211	218	429
<b>Net carrying value:</b>			
At 31 August 2010	422	436	858

The amortisation expense for the financial year is included in "other operating expenses" in the Group's profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 17 DEFERRED TAX ASSETS

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

	Group	
	2010 \$'000	2009 \$'000
<u>Unutilised tax losses</u>		
At beginning of financial year	291	100
(Charge)/Credit to profit or loss for the financial year	(289)	191
At end of financial year	2	291
<u>Other temporary differences</u>		
At beginning of financial year	28	20
Credit to profit or loss for the financial year	63	8
Currency realignment	2	–
At end of financial year	93	28
Total at beginning of financial year	319	120
Total at end of financial year	95	319

### 18 LOANS RECEIVABLE

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Current</b>				
Outside parties	299	299	299	299
Allowance for doubtful loans receivable	(299)	(299)	(299)	(299)
	–	–	–	–
<b>Non-Current</b>				
Outside parties	1,739	101	101	101
Associate	2,370	2,477	2,370	2,477
Joint venture	931	–	–	–
Allowance for doubtful loans receivable	(101)	(101)	(101)	(101)
	4,939	2,477	2,370	2,477

In the previous financial year, the non-current loans receivable from outside parties of \$101,000 comprised a loan extended to a sub-contractor for the purchase of equipment to support the activities of the Company. The loan was unsecured and interest-free. The sub-contractor is currently under judicial management and allowance has been made in full for the amount receivable.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 18 LOANS RECEIVABLE (cont'd)

The loans receivable from associate include an amount of \$2,107,000 (2009: \$2,214,000) given for the purpose of financing the purchase of a property by the associate. These loans are secured against the properties owned by the associate, repayable on demand and not expected to be repaid within the next 12 months. The loans are subject to interest at 2% (2009: 2%) per annum.

Also included in the loans receivable from associate is an amount of \$263,000 (2009: \$263,000) which is unsecured, interest-free and repayable on demand but not expected to be repaid within the next 12 months.

The loans receivable from joint venture amounting to \$931,000 given to support the activities of the joint venture. These loans are unsecured, repayable on demand and not expected to be repaid within the next 12 months. The loans are subject to interest at 2.29% per annum.

The loans receivable from outside parties include an amount of \$1,637,000 given to the joint venture partner to support the activities of a joint venture. These loans are unsecured, repayable on demand and not expected to be repaid within the next 12 months. The loans are subject to interest at 2.29% per annum.

It is not practicable to determine the fair value of non-current loans as there are no fixed repayment terms.

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

	Group and Company	
	2010	2009
	\$'000	\$'000
Singapore dollar	263	263

### 19 BANK OVERDRAFTS

	Group	
	2010	2009
	\$'000	\$'000
Secured	1,991	1,026

The secured bank overdrafts are covered by a corporate guarantee issued by the Company and bear interest at 6% to 7.65% (2009: 5%) per annum.

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

	Group	
	2010	2009
	\$'000	\$'000
Malaysia ringgit	861	683

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 20 TRADE PAYABLES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Outside parties	17,620	11,629	3,044	3,777
Subsidiaries	–	–	726	1,807
Associate	–	2	–	2
Related party	509	416	22	7
	18,129	12,047	3,792	5,593

Trade payables are non-interest bearing and are normally settled on 30 to 60 (2009: 30 to 60) days terms.

The amounts due to subsidiaries, associate and a related party are unsecured, interest-free and repayable on demand.

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

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
United States dollar	1,852	652	–	–
Singapore dollar	1,289	1,407	1,313	1,432
Japanese yen	192	151	22	151
Malaysia ringgit	361	201	–	–
Euro	155	–	37	–
Chinese renminbi	2,536	–	–	–
Indonesia rupiah	185	–	–	–
Others	5	19	1	–

### 21 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accrued wages and salaries	1,834	1,221	540	511
Other accrued expenses	3,723	2,491	957	1,076
Outside parties	2,606	1,808	225	159
Subsidiaries	–	–	291	244
Associates	3	47	–	–
Related parties	195	367	21	19
	8,361	5,934	2,034	2,009

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 21 OTHER PAYABLES AND ACCRUALS (cont'd)

Other payables to outside parties, subsidiaries, associates and related parties are unsecured, interest-free and repayable on demand.

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

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
United States dollar	108	108	–	–
Singapore dollar	1,798	1,752	1,739	1,779
Japanese yen	106	290	19	–
Malaysia ringgit	594	526	–	–
Philippine peso	1,008	505	–	–
Chinese renminbi	430	–	–	–

### 22 PROVISIONS

	Group	
	2010 \$'000	2009 \$'000
Provision for retirement gratuities (a)	280	–
Provision for employee service entitlement benefits (b)	243	–
	523	–
Less: Current portion	(50)	–
Non-current portion	473	–

(a) Provision for retirement gratuities

	Group	
	2010 \$'000	2009 \$'000
At beginning of financial year	–	–
Addition from acquisition of a subsidiary (Note 13)	684	–
Utilised during the financial year	(404)	–
At end of financial year	280	–
Less: Current portion	(50)	–
Non-current portion	230	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 22 PROVISIONS (cont'd)

(b) Provision for employee service entitlement benefits

	Group	
	2010	2009
	\$'000	\$'000
<b>Defined benefit plan</b>		
Defined benefit obligation	536	–
Fair value of plan assets	–	–
	536	–
Unrecognised net actuarial loss	(213)	–
Unrecognised past service cost – non vested	(80)	–
<b>Net benefit liability</b>	<b>243</b>	<b>–</b>

Changes in the present value of the defined benefit obligation are as follows:

	Group	
	2010	2009
	\$'000	\$'000
At beginning of financial year	–	–
Addition from acquisition of a subsidiary (Note 13)	419	–
Current service cost	70	–
Interest cost	75	–
Net actuarial gains recognised	19	–
Amortisation - net	14	–
Benefits paid	(354)	–
<b>At end of financial year</b>	<b>243</b>	<b>–</b>

The cost of providing for employee benefits is calculated by an independent actuary, PT Bu Dharma Aktuarial. The actuarial valuation was carried out using the following key assumptions:

	Group	
	2010	2009
<b>Financial assumptions:</b>		
- Annual discount rate	9%	–
- Annual salary growth rate	8%	–
<b>Demographic assumptions:</b>		
- Table of mortality	CSO-1980	–
- Turnover rate	5%	–
- Normal retirement age	55years	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 23 FINANCE LEASES

	Group				Company			
	Minimum Lease Payments		Present Value of Minimum Lease Payments		Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<u>Amounts payable under finance leases</u>								
Within one year	1,499	1,379	1,364	1,191	238	300	217	291
In the second to fifth year inclusive	2,190	934	2,139	889	334	32	314	32
After five years	61	8	58	6	24	–	24	–
Less: Future finance charges	(189)	(235)	–	–	(41)	(9)	–	–
Present value of lease obligations	<u>3,561</u>	<u>2,086</u>	<u>3,561</u>	<u>2,086</u>	<u>555</u>	<u>323</u>	<u>555</u>	<u>323</u>
Less: Current portion			<u>(1,364)</u>	<u>(1,191)</u>			<u>(217)</u>	<u>(291)</u>
Non-current portion			<u>2,197</u>	<u>895</u>			<u>338</u>	<u>32</u>

The finance lease terms range from 2 to 10 years.

The rate of interest for the Group and the Company ranges from 2.40% to 6.66% (2009: 2.42% to 6.25%) per annum. The finance leases are secured on the plant and equipment purchased under finance lease arrangements (Note 15).

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The carrying amounts of finance leases approximate their fair values.

The Group's and the Company's finance leases that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Singapore dollar	555	323	555	323
Japanese yen	367	478	–	–
Malaysia ringgit	12	53	–	–
Chinese renminbi	201	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 24 BANK LOANS

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Secured</b>				
Bank loan I	344	374	–	–
Bank loan II	459	495	–	–
Bank loan III	760	800	–	–
Bank loan IV	2,612	2,610	–	–
Bank loan V	171	287	–	–
Bank loan VI	–	49	–	–
Bank loan VII	2,777	–	–	–
Bank loan VIII	1,859	–	–	–
Bank loan IX	1,036	–	–	–
Bank loan X	110	–	–	–
Bank loan XI	269	–	–	–
Bank loan XII	488	–	–	–
Bank loan XIII	399	–	–	–
	11,284	4,615	–	–
<b>Unsecured</b>				
Bank loan XIV	1,875	3,000	1,875	3,000
Bank loan XV	1,000	–	1,000	–
	14,159	7,615	2,875	3,000
Current portion	(5,811)	(3,699)	(2,500)	(3,000)
Non-current portion	8,348	3,916	375	–

Bank loan I bears interest at 7.40% (2009: 7.40%) 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 II bears interest at 6.45% (2009: 6.45%) 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.

Bank loan III bears interest at 6.45% (2009: 6.45%) 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 IV bears interest at 5.25% (2009: 4.5%) per annum and is repayable in 180 monthly instalments commencing June 2007. It is secured by legal charges over the leasehold land and building of a subsidiary at 8 Enterprise Road, Singapore 629820.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 24 BANK LOANS (cont'd)

Bank loan V bears interest at 4.5% (2009:4.5%) per annum and is repayable in 60 monthly instalments commencing February 2009. It is secured by legal charges over the leasehold land and building of a subsidiary at 8 Enterprise Road, Singapore 629820.

Bank loan VI bears interest at 7.25% (2009: 7.25%) per annum and is repayable in 6 monthly instalments commencing July 2010. It is secured by legal charges over the leasehold land and building of a subsidiary at 8 Enterprise Road, Singapore 629820. The loan has been fully repaid as at 31 August 2010.

Bank loan VII bears interest at 4.25% (2009: Nil) per annum and is repayable in 72 monthly instalments commencing September 2008. It is secured by fixed and floating charge on assets and properties of Giken and its subsidiary, PT Giken Precision Indonesia.

Bank loan VIII bears interest at 4.25% (2009: Nil) per annum and is repayable in 72 monthly instalments commencing September 2008. It is secured by fixed and floating charge on assets and properties of Giken and its subsidiary, PT Giken Precision Indonesia.

Bank loan IX bears interest at 4.25% (2009: Nil) per annum and is repayable in 72 monthly instalments commencing September 2008. It is secured by fixed and floating charge on assets and properties of Giken and its subsidiary, PT Giken Precision Indonesia.

Bank loan X bears interest at 5.31% (2009: Nil) per annum and is repayable in 12 monthly instalments commencing March 2010. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd

Bank loan XI bears interest at 5.31% (2009: Nil) per annum and is repayable in 12 monthly instalments commencing March 2010. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd.

Bank loan XII bears interest at 6.39% (2009: Nil) per annum and is repayable in 12 monthly instalments commencing April 2010. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd.

Bank loan XIII bears interest at 4.01% (2009: Nil) per annum and is repayable in 12 monthly instalments commencing April 2010. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd.

Bank loan XIV bears interest at 1.64% (2009:1.53%) per annum and is repayable 3 years after the date of drawdown on 19 December 2009.

Bank loan XV bears interest at 2.65% (2009: Nil) per annum and is repayable 6 months after the date of drawdown on 6 July 2010, with option to rollover for another 6 months.

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

The Group's and the Company's bank loans that are not denominated in the functional currencies of the respective entities are as follows:

	Group and Company	
	2010	2009
	\$'000	\$'000
Singapore dollar	2,875	3,000

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 25 OTHER LOAN

#### Group

Other loan represents a loan given by Yajima Works Co., Ltd. ("Yajima") to Miyoshi Precision (Thailand) Co., Ltd., a subsidiary of the Company. Yajima is a non-controlling shareholder of Miyoshi Precision (Thailand) Co., Ltd., holding 30% of its ordinary shares. The loan bears interest of 0.5% per annum and is repayable over 3 years.

The carrying amount of the loan approximates its fair value.

### 26 DEFERRED TAX LIABILITIES

	Group		Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Deferred tax liabilities	657	882	657	499
		<b>Accelerated tax depreciation \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
<b>Group</b>				
<b>2010</b>				
At beginning of financial year		994	(112)	882
Currency realignment (Credit) /Charge to profit or loss		(8) (310)	(1) 94	(9) (216)
At end of financial year		676	(19)	657
<b>2009</b>				
At beginning of financial year		1,100	(100)	1,000
Currency realignment Disposal of subsidiary Charge/(Credit) to profit or loss		(95) (81) 70	– – (12)	(95) (81) 58
At end of financial year		994	(112)	882
<b>Company</b>				
<b>2010</b>				
At beginning of financial year		593	(94)	499
Currency realignment Charge/(Credit) to profit or loss		(35) 117	– 76	(35) 193
At end of financial year		675	(18)	657
<b>2009</b>				
At beginning of financial year		598	(84)	514
Currency realignment Charge/(Credit) to profit or loss		(95) 90	– (10)	(95) 80
At end of financial year		593	(94)	499

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 27 EQUITY

#### Share capital and treasury reserves

	Group and Company			
	2010		2009	
	Number of shares '000	\$'000	Number of shares '000	\$'000
Issued and fully paid:				
At beginning of financial year	420,670	37,389	420,670	37,389
Treasury shares	(499)	(55)	(499)	(55)
At end of financial year	420,171	37,334	420,171	37,334

- (i) During the current financial year, there were no shares issued upon exercise of share options granted pursuant to the Company's share option scheme.

The Company has one class of ordinary shares which have no par value and carry no right to fixed income.

- (ii) During the current financial year, there were no share purchases by the Company.

#### Reserves

	Group	
	2010 \$'000	2009 \$'000
<b>Fair value reserve (a)</b>		
At beginning of financial year	(12)	(7)
Fair value gain/(loss)	2	(5)
At end of financial year	(10)	(12)
<b>Other reserve (b)</b>		
At beginning of financial year	–	–
Transfer from retained earnings	767	–
At end of financial year	767	–
<b>Share options reserve (c)</b>		
At beginning of financial year	798	756
Share-based payments expense for the financial year	–	48
Share options lapsed	(91)	(6)
At end of financial year	707	798
<b>Currency translation reserve (d)</b>		
At beginning of financial year	(5,512)	(6,197)
Net effect of translating foreign operations	(3,575)	777
Transfer to profit or loss on de-consolidation of subsidiaries	(235)	–
Non-controlling interest	589	(92)
At end of financial year	(8,733)	(5,512)

# NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

### Reserves (cont'd)

(a) The cumulative change in the fair value of available-for-sale financial assets until they are derecognised.

(b) Statutory reserve of subsidiaries in the following countries:

i) People's Republic of China

In accordance with the Foreign Enterprise Law applicable to foreign companies in the People's Republic of China (PRC), the companies are required to make appropriation to a Statutory Reserve Fund (SRF) of at least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

ii) Thailand

Under the provisions of the Civil and Commercial Code, companies in Thailand are required to appropriate at least 5% of their net earnings as reserve fund until the reserve reaches 10% of the authorised capital. This reserve fund is not available for dividend distribution.

(c) Share options reserve

Share options reserve represents the equity-settled share options granted to employees and certain Directors (Note 28). 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 the Company and foreign operations whose functional currencies are different from that of the Group's presentation currency.

(e) Retained earnings

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Distributable	45,104	41,243
Non-distributable	389	747
At end of financial year	45,493	41,990

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

#### Reserves (cont'd)

(e) Retained earnings (cont'd)

Movements in the retained earnings of the Company are as follows:

	Company	
	2010 \$'000	2009 \$'000
At beginning of financial year	23,395	21,310
Net profit for the financial year	3,983	3,347
Dividend (Note 36)	(1,261)	(1,262)
At end of financial year	26,117	23,395

Fair value, share options, currency translation, and other reserves are non-distributable.

### 28 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 ended 31 August 2007 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.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

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

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

	Group and Company			
	2010		2009	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Outstanding at beginning of financial year	6,013,000	0.228	6,064,000	0.228
Forfeited during the financial year	(917,000)	0.233	(51,000)	0.239
Outstanding at end of financial year	5,096,000	0.227	6,013,000	0.228
Exercisable at end of financial year	5,096,000		6,013,000	

There were no share options exercised during the current financial year. The share options outstanding at the end of the financial year have a weighted average remaining contractual life of 5.49 (2009: 6.47) 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. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 29 REVENUE

	Group	
	2010	2009
	\$'000	\$'000
Sales of goods	140,235	94,883
Revenue from services rendered	3,065	–
	143,300	94,883

### 30 OTHER OPERATING INCOME

	Group	
	2010	2009
	\$'000	\$'000
Allowance for doubtful trade receivables no longer required	115	–
Bad trade receivables recovered	125	–
Gain on disposal of a subsidiary	–	202
Gain from bargain purchase of a subsidiary	1,106	–
Gain on deconsolidation of subsidiaries	433	–
Gain on disposal of property, plant and equipment	388	70
Gain on foreign exchange, net	–	286
Government grant - Job credit	306	133
Income from sales of scrap	2,045	1,687
Interest income from an associate	31	35
Interest income from bank deposits	98	220
Negative goodwill on acquisition of subsidiary	–	6
Negative goodwill on acquisition of an associate	–	894
Rental income	748	141
Miscellaneous income	595	340
	5,990	4,014

### 31 EMPLOYEE BENEFIT EXPENSES

	Group	
	2010	2009
	\$'000	\$'000
Short-term benefits	26,357	12,909
Post-employments benefits	1,889	862
Share-based payments	(91)	42
	28,155	13,813

The above includes remuneration of Directors and key management as disclosed in Note 5 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 32 OTHER OPERATING EXPENSES

	Group	
	2010 \$'000	2009 \$'000
Allowance for doubtful other receivables	1,248	–
Allowance for impairment of available-for-sale financial assets	365	–
Allowance for inventory obsolescence	24	489
Amortisation of intangible assets	429	–
Bad trade receivables written off	2	1
Insurance expense	390	186
Loss on foreign exchange, net	653	–
Maintenance	1,831	755
Office expenses	774	307
Operating lease expense	353	109
Professional fees	962	768
Plant and equipment written off	198	332
Supplies and services	9,346	5,735
Transportation and travelling	2,548	1,210
Utilities	5,451	2,645
Others	1,963	926
	26,537	13,463

### 33 INCOME TAX EXPENSE

	Group	
	2010 \$'000	2009 \$'000
Current tax		
- Current year	1,577	1,359
- Over provision in prior years	(17)	(165)
	1,560	1,194
Deferred tax		
- Current year	(281)	(120)
- Under/(Over) provision in prior years	291	(21)
	10	(141)
	1,570	1,053

Domestic income tax is calculated at 17% of the estimated assessable profit for the financial year. Taxation of other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 33 INCOME TAX EXPENSE (cont'd)

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

	Group	
	2010	2009
	\$'000	\$'000
Profit before income tax	8,263	10,540
Income tax calculated at statutory tax rate of 17%	1,405	1,809
Effect of different tax rates of overseas operations	274	284
Expenses not deductible for income tax purposes	718	700
Income not subject to tax	(46)	(344)
Income tax exemptions	(1,494)	(1,376)
Deferred tax assets not recognised in profit or loss	628	81
Utilisation of deferred tax assets previously not recognised	(327)	(128)
Overprovision of current income tax in prior years	(17)	(165)
Overprovision of deferred income tax in prior years	291	(21)
Effect of change of functional currency	–	17
Other items	138	196
	1,570	1,053

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

	Group	
	2010	2009
	\$'000	\$'000
Unutilised tax losses	2,906	1,137
Deferred tax benefits not recognised	494	193

Deferred tax benefits for certain subsidiaries have not been recognised due to the unpredictability of future profit stream.

The realisation of the future income tax benefits from tax loss carry-forwards is available for an unlimited future period except for tax losses with aggregate amount of \$789,000 (2009: 375,000) which expires in 2013 to 2015 (2009: 2013), subject to the conditions imposed by law including the retention of majority shareholders.

A subsidiary in the People's Republic of China, Wuxi Miyoshi Precision Co., Ltd 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.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 34 PROFIT FOR THE FINANCIAL YEAR

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

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Non-audit fees:		
Auditors of the Company	23	14
Other auditors	20	55
Directors' remuneration:		
Directors of the Company	820	1,062
Other directors of the subsidiaries	1,158	326
Directors' fees:		
Directors of the Company	75	83
Other directors of the subsidiaries	87	50
Fees paid to a firm in which a director has an interest	2	6

Number of directors in remuneration bands are as follows:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
\$500,000 and above	1	1
\$250,000 to \$499,999	2	2
Below \$250,000	3	3
Total	6	6

### 35 EARNINGS PER SHARE

(a) Basic earnings per share

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

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
Profit attributable to owners of the parent (\$'000)	5,540	9,163
Weighted average number of ordinary shares in issue ('000)	420,170	420,333
Basic earnings per share (cents per share)	1.32	2.18

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 35 EARNINGS PER SHARE (cont'd)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to owners of the parent and the weighted average number of ordinary shares in issue 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	
	2010	2009
Profit attributable to owners of the parent (\$'000)	5,540	9,163
Weighted average number of ordinary share in issue for basic earnings per share ('000)	420,669	420,670
Adjustment for assumed exercise of share options ('000)	62	-
Adjustment for treasury shares ('000)	(499)	(337)
Adjusted weighted average number of ordinary shares ('000)	420,232	420,333
Diluted earnings per share (cents per share)	1.32	2.18

### 36 DIVIDENDS

During the current financial year, the Company declared and paid a final exempt dividend of \$0.003 per ordinary share on the ordinary shares of the Company totalling \$1,261,000 for the financial year ended 31 August 2009.

Subsequent to 31 August 2010, the Directors of the Company recommended that a final exempt dividend be paid at \$0.003 per ordinary share on the ordinary shares of the Company totalling \$1,261,000 for the financial year just ended. 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.

### 37 CONTINGENT LIABILITIES

#### Corporate Guarantees

The Company has given corporate guarantees of \$5,993,000 (2009: \$1,994,000) to financial institutions in connection with banking facilities granted by the financial institutions to the subsidiaries. The Directors are of the view that no material losses will arise from these contingent liabilities. The fair values of the corporate guarantees are immaterial based on the management's estimates.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 37 CONTINGENT LIABILITIES (cont'd)

#### Legal Proceeding

As at the end of the financial year, a supplier of a subsidiary has commenced legal proceedings to claim for payments in relation to the supply of machinery to the subsidiary. The agreed price for the machinery is USD1,530,000, and the sale and purchase agreement provides for 50% (i.e. USD765,000) to be paid to the supplier as full settlement, provided that the subsidiary relinquishes its claim over the machinery. The machinery has not been delivered as at the end of the financial year.

As at the date of these financial statements, the management is unable to form an opinion as to the likely outcome of the legal action; nor estimate with reasonable certainty the amount of losses or damages, if any. Hence, no provisions have been made in the financial statements in respect of this legal claim.

### 38 COMMITMENTS

As at the end of the financial year, estimated amounts committed for future capital commitments for property, plant and equipment but not provided for in the financial statements:

	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>
Authorised and contracted for	435	238

### 39 OPERATING LEASE ARRANGEMENTS

#### The Group and the Company as a lessee

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Minimum lease payments under operating leases included in profit or loss	716	523	142	128

As at the end of the financial year, the commitments in respect of non-cancellable operating leases were as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Within one year	1,589	534	158	127
In the second to fifth year inclusive	1,978	1,649	633	479
After five years	4,330	6,499	4,059	3,114
Total	7,897	8,682	4,850	3,720

Leases for the rental of leasehold land and building are negotiated for a term of 30 years. For rental of office premises, the leases are negotiated for terms from 1 to 3 years, with an option to renew the lease after that date. Lease payments are usually increased upon renewals to reflect market rates.

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 39 OPERATING LEASE ARRANGEMENTS (cont'd)

The Group as a lessor

	Group	
	2010	2009
	\$'000	\$'000
Minimum lease income under operating leases included in profit or loss	748	141

As at the end of the financial year, the commitments in respect of non-cancellable operating leases were as follows:

	Group	
	2010	2009
	\$'000	\$'000
Within one year	8	644
In the second to fifth year inclusive	32	416
After five years	159	–
	199	1,060

Leases for the rental of office premises are negotiated for an average of 2 years, with an option to renew the lease after that date. Lease payments are usually increased upon renewals to reflect market rates.

### 40 GROUP SEGMENTAL INFORMATION

#### a) Analysis by Business Segments

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker. A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operation profit or loss which is similar to the accounting profit or loss.

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

## a) Analysis by Business Segments (cont'd)

Income taxes are managed by the management of the Group.

The accounting policies of the operating segments are the same of those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operation before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise corporate assets, liabilities and expenses.

Segment assets consist primarily of property, plant and equipment, inventories, receivables and cash and cash equivalents. Segment liabilities comprise operating liabilities and exclude tax liabilities.

The Group is primarily engaged in four business segments, namely:

- (i) Data Storage;
- (ii) Consumer Electronics;
- (iii) Medical; and
- (iv) Automotive and others

The Group adopts these four business segments for segment reporting.

The revenue from two customers of the Group's data storage segment represent approximately \$35,521,000 (2009: \$29,943,000).

# NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

## 40 GROUP SEGMENTAL INFORMATION (cont'd)

a) Analysis by Business Segments (cont'd)

	Data storage		Consumer electronics		Medical		Automotive and others		Unallocated		Group	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
<b>Revenue</b>												
External sales	54,499	53,147	52,472	33,542	5,686	-	30,643	8,194	-	-	143,300	94,883
<b>Results</b>												
Segment results	8,680	6,981	(3,868)	2,723	(608)	-	4,896	506	-	-	9,100	10,210
Interest expense	-	-	-	-	-	-	-	-	(1,003)	(315)	(1,003)	(315)
Interest income	-	-	-	-	-	-	-	-	129	255	129	255
Share of results of associates	-	-	-	-	-	-	-	-	37	390	37	390
Profit before income tax and non-controlling interests	8,680	6,981	(3,868)	2,723	(608)	-	4,896	506	(837)	330	8,263	10,540
Income tax expense											(1,570)	(1,053)
Profit for the financial year											6,693	9,487
Allowance for doubtful other receivables	1	-	1,247	-	-	-	-	-	-	-	1,248	-
Allowance for impairment of available-for-sale financial assets	-	-	365	-	-	-	-	-	-	-	365	-
Depreciation	3,130	2,633	3,336	1,613	15	-	1,692	753	-	-	8,173	4,999
Amortisation	-	-	429	-	-	-	-	-	-	-	429	-
<b>Segment assets</b>	47,423	50,473	54,245	36,917	1,528	-	31,636	20,037	198	3,543	135,030	110,970
Segments assets includes:												
Investment in associates	-	-	-	-	-	-	-	-	37	2,768	37	2,768
Additions to:												
- Capital expenditure	3,987	5,075	3,838	3,203	416	-	2,241	782	-	-	10,482	9,060
- Intangible assets	-	-	1,287	-	-	-	-	-	-	-	1,287	-
<b>Segment liabilities</b>	3,432	6,326	10,290	4,621	98	-	13,192	7,034	21,941	13,187	48,953	31,168

## NOTES TO THE FINANCIAL STATEMENTS

year ended 31 August 2010

### 40 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:

	External sales		Non-current assets		Capital Expenditure	
	2010	2009	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	49,544	15,505	12,406	17,664	2,632	1,263
Malaysia	7,446	14,086	9,467	9,853	679	2,395
Thailand	20,935	22,031	8,341	8,209	2,145	2,602
Philippines	8,838	10,547	8,809	5,804	2,006	945
Indonesia	6,015	1	3,251	–	654	–
Japan	2,346	443	–	–	–	–
China	39,317	30,670	9,750	6,735	2,366	1,855
Germany	6,661	–	–	–	–	–
Others	2,198	1,600	–	–	–	–
	143,300	94,883	52,024	48,265	10,482	9,060

## STATEMENT OF DIRECTORS

In our opinion,

- (a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company, the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 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 2010 and of the results, changes in equity and cash flows of the Group 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  
23 November 2010

## STATISTICS OF SHAREHOLDINGS

as at 18 November 2010

Class of equity securities	:	Ordinary Shares
No. of equity securities	:	420,170,490
Voting Rights	:	One vote per share

As at 18 November 2010, the total number of treasury shares held is 499,000 (0.12%)

### DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 - 999	131	4.09	22,707	0.00
1,000 - 10,000	1,325	41.42	6,924,196	1.65
10,001 - 1,000,000	1,721	53.80	113,980,363	27.13
1,000,001 and above	22	0.69	299,243,224	71.22
<b>TOTAL</b>	<b>3,199</b>	<b>100.00</b>	<b>420,170,490</b>	<b>100.00</b>

### LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
<b>Substantial shareholders</b>				
Miyoshi Industry Co., Ltd	99,509,290	23.68	–	–
Masayoshi Taira	–	–	99,509,290	23.68
Sin Kwong Wah Andrew	91,439,000	21.76	48,444,000	11.53
Pek Yee Chew	31,269,000	7.44	108,614,000	25.85

#### Notes:

- Mr Masayoshi Taira is deemed to have an interest in the 99,509,290 shares held by Miyoshi Industry Co., Ltd.
- Mr Sin Kwong Wah, Andrew is deemed to have an interest in the 15,175,000 shares held by DBS Nominees Pte Ltd, 31,269,000 shares held by his spouse, Mdm Pek Yee Chew and 2,000,000 shares held by his daughter, Sin Shi Min Andrea.
- 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.

## STATISTICS OF SHAREHOLDINGS

as at 18 November 2010

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MIYOSHI INDUSTRY CO LTD	99,509,290	23.68
2	SIN KWONG WAH ANDREW	91,439,000	21.76
3	PEK YEE CHEW	31,269,000	7.44
4	GAN YOKE FONG KAREN	18,252,960	4.34
5	DBS NOMINEES PTE LTD	17,409,329	4.14
6	TAN KAY GUAN	4,006,000	0.95
7	HONG LEONG FINANCE NOMINEES PTE LTD	3,942,000	0.94
8	UOB KAY HIAN PTE LTD	3,803,000	0.91
9	PHILLIP SECURITIES PTE LTD	3,598,545	0.86
10	PEK EE PERH THOMAS	3,434,000	0.82
11	LIM YUH PING	3,205,000	0.76
12	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	2,651,700	0.63
13	OCBC SECURITIES PRIVATE LTD	2,550,000	0.61
14	WONG SIN TIN	2,190,000	0.52
15	ANDREA SIN SHI MIN	2,000,000	0.48
16	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,906,200	0.45
17	KIM ENG SECURITIES PTE. LTD.	1,687,200	0.40
18	WONG BARK CHUAN DAVID	1,500,000	0.36
19	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,483,000	0.35
20	KOH BEOW KO	1,200,000	0.29
<b>TOTAL</b>		<b>297,036,224</b>	<b>70.69</b>

As at 18 November 2010, 37.73% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST 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 Wednesday, 29 December 2010 at 3.00 p.m. for the following purposes:

### AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 August 2010 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final tax-exempt (one-tier) dividend of 0.3 Singapore cent per share for the year ended 31 August 2010 (2009: Final tax-exempt (one-tier) dividend of 0.3 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)**
4. To approve the payment of Directors’ fees of \$120,000 for the year ended 31 August 2010 (2009: \$75,000). **(Resolution 5)**
5. To re-appoint BDO LLP 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

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 (“SGX - ST”), the Directors of the Company be authorised and empowered to:

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

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

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

## NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX - ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX - ST for the time being in force (unless such compliance has been waived by the SGX - ST) and the 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 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 (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 total number of issued shares (excluding treasury 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 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 total number of issued shares (excluding treasury shares) in the capital of the Company (as ascertained as at the date of Annual General Meeting (“AGM”) of the Company) at the price of up to but not exceeding the Maximum Price as defined in Appendix A to the AGM Notice to Shareholders dated 13 December 2010 (“Appendix A”), in accordance with the “Authority and Limits of the Shares Purchase Mandate” set out in Appendix A, 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 (iii)]

**(Resolution 9)**

### 10. **Renewal of Shareholders’ Mandate for Interested Person Transactions**

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

- (a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in paragraph 2.4 of the Appendix B to the AGM Notice to Shareholders dated 13 December 2010 (“Appendix B”) with any party who is of the class of Interested Persons described in Appendix B, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in Appendix B (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 (iv)]

**(Resolution 10)**

By Order of the Board

Tan Cher Liang  
Tan San-Ju  
Secretaries  
Singapore, 13 December 2010

## NOTICE OF ANNUAL GENERAL MEETING

### Explanatory Notes:

- (i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors of the Company, effective 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 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 total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury 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 any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective 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 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 aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iii) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company effective 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 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 total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price as defined in Appendix A to the AGM Notice to Shareholders dated 13 December 2010. 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 2010 are set out in greater detail in Appendix A to the AGM Notice to Shareholders dated 13 December 2010.
- (iv) The Ordinary Resolution 10 proposed in item 10 above, if passed, will authorise the Interested Person Transactions as described in Appendix B to the AGM Notice to Shareholders dated 13 December 2010 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.

### Notes:

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

# MIYOSHI PRECISION LIMITED

Company Registration No. 198703979K  
(Incorporated In The Republic of Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### 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.

I/We, \_\_\_\_\_

of \_\_\_\_\_

being a member/members of Miyoshi Precision Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholding	
		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 Wednesday, 29 December 2010 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 Accounts for the year ended 31 August 2010		
2	Payment of proposed first and final tax-exempt (one-tier) 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 \$120,000		
6	Re-appointment of BDO LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the Miyoshi Employees' Share Option Scheme		
9	Renewal of Share Purchase Mandate		
10	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2010

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 shareholder of the Company appoints more than one proxy, the shareholder may wish to specify in the appointments the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy. If no such proportion is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
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.

**CONTINUOUS**  **BREAKTHROUGH** *With You*<sup>™</sup>

**MIYOSHI PRECISION LIMITED**

Company Registration No.: 198703979K

5 Second Chin Bee Road Singapore 618772

Tel: (65) 6265 5221

Fax: (65) 6265 2058

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