



MIYOSHI PRECISION LIMITED

INTEGRATING SOLUTIONS, MEETING CHALLENGES



ANNUAL REPORT 2013

From our roots as a metal stamping plant, we have grown to offer a range of expertise from new product development to precision engineering and mass production for diverse industries such as Data Storage, Consumer Electronics and Medical & Automotive.

With this diverse expertise, and regional manufacturing sites close to customers, we are able to offer comprehensive, integrated solutions, customised to meet today's challenges in mechatronics.

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CORPORATE PROFILE



MIYOSHI PRECISION LIMITED

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



“ We embarked on several initiatives that would allow us to be more nimble, adaptable and responsive to our customers’ needs. Our Business Ring Strategy, the hallmark of Miyoshi’s cross-border co-operation among our Asia-Pacific operations continues to work towards our advantage. ”

Dear shareholders,

The year in review saw the Group consolidating its core competence and streamlining its operations to sharpen our competitiveness and strengthen our key capabilities. We embarked on several initiatives that would allow us to be more nimble, adaptable and responsive to our customers’ needs. Our Business Ring Strategy, the hallmark of Miyoshi’s cross-border co-operation among our Asia-Pacific operations continues to work towards our advantage. It provides a strategic platform to manufacture and market our products and services across different geographies and where necessary reallocate essential resources flexibly to better optimize production capacity utilization. As a result, we are able to cement Miyoshi’s reputation within the industry and build on our presence in our key markets.

Unlocking Shareholders’ Returns

In our bid to unlock and realise shareholder returns in the long haul, the Company, in August 2013, decided to embark on an active corporate restructuring exercise with a view to lifting the Company’s future performance. The restructuring exercise may entail strategic joint ventures, divestments of existing subsidiaries or business units and acquisitions of synergistic new businesses. Such potential acquisitions will be carefully evaluated by Miyoshi’s Board of Directors to align with the Group’s vision and growth blueprint.

A principal subsidiary of the Group, Giken Sakata (S) Ltd (“Giken”), had entered into a placement agreement and a subscription agreement in August 2013, pursuant to which, Giken would issue approximately 100% of the then Giken’s existing share capital and the Group’s shareholding interest in Giken would therefore be diluted from 53.16% to 26.58%. In view of the intention of the Company to embark on a corporate restructuring exercise, the Company had sought the Shareholders’ approval of the dilution in an extraordinary general meeting held in October 2013. Following the completion of the placement and subscription by Giken in October 2013, Giken has since become an associated company of the Group.

In July this year, the Company entered into a sale and purchase agreement for the sale of 7 Second Chin Bee Road, a property belonging to Miyoshi sited adjacent to its flagship building at 5 Second Chin Bee Road for a consideration of S\$7.20 million. The sale of the property, in line with our strategic plan to streamline our operations, had been completed in October 2013.

Building a Stronger Cash Position

The sale of the property brought to the Company a considerable gain in its first quarter of FY2014 and a cash inflow of S\$7.20 million. The resultant sale proceeds would enable the Group to reduce its borrowings and consequently reduce the Group's interest expenses and be used as working capital for its businesses and operations. Ultimately, it would further improve the gearing ratio of the Group and strengthen the balance position to meet the challenges ahead.

Reconstructing Capability after Disasters

Over the recent years, the Group has been facing different calamities and their after-effects, namely, the prolonged global economic crisis since FY2009, Japan Triple Disaster in FY2011 and Thailand Floods in FY2012. The Group and its management teams across the countries worked together to overcome the difficult times and strive for maintaining the level of business and operations.

Cautious Outlook

Despite that the global economy has started to show initial signs of stability, the general business environment remains fluid and any significant risks could undermine this recovery. As such, Miyoshi will continue to adopt a measured business approach in the light of the cautious economic outlook. We expect demand will continue to be soft in the next quarter contributing to an operating loss for the

period while visibility for the subsequent quarters is somewhat unclear. Nonetheless, I believe with the acumen and guidance of our Board Directors and the dedication and commitment of our key management team and staff, Miyoshi will be well-placed to leverage on new opportunities and tackle any challenges that may come our way.

Dividends

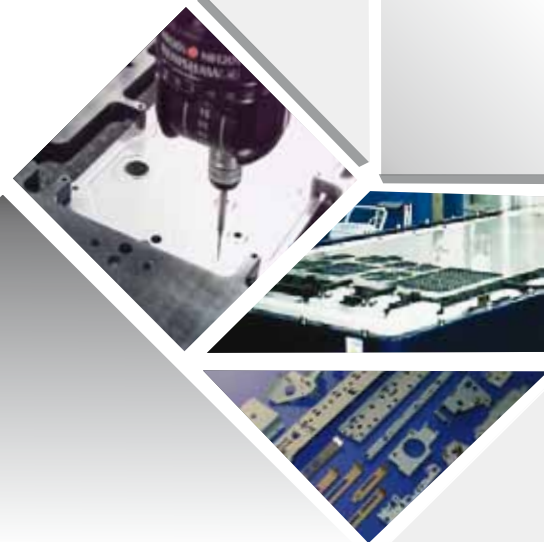
The Board of Directors has recommended one-tier tax exempt dividend of 0.4 cent per share to be approved at the forthcoming annual general meeting.

Note of Appreciation

On behalf of the Board of Directors, we are pleased to thank all of you as our valued shareholders for your faith and trust placed upon the Board and Management team. We would also like to express our thanks and appreciation to our customers, business associates and dedicated team of staff for their unstinting support. I personally thank my fellow directors for their invaluable advice and counsel.

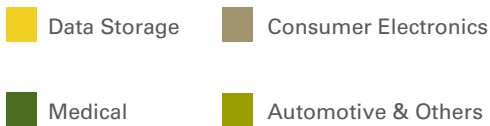
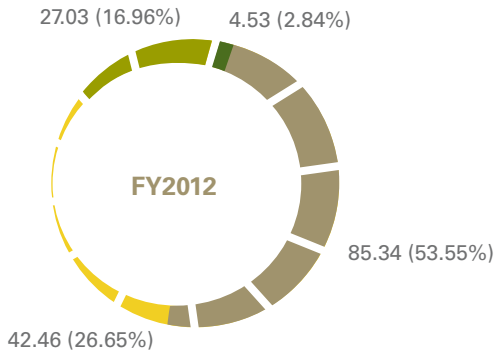
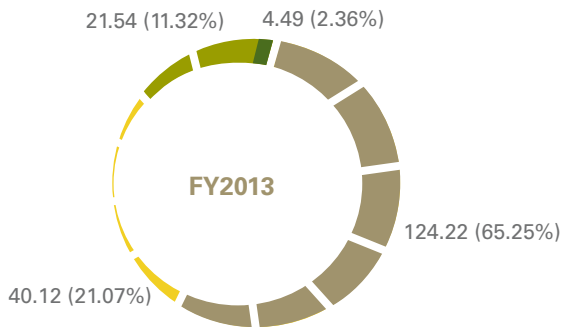
SIN KWONG WAH, ANDREW

Chief Executive Officer



OPERATIONS REVIEW

Revenue by Business Segment (\$'million)



Ongoing Consolidation Efforts

Building on the ongoing consolidation efforts of the Group, the year in review saw Miyoshi centering its focus on optimizing the strengths of its Regional Business Ring. Where needed, resources such as equipment and machinery were moved flexibly to locations where production was ramped up to meet customers' demands and orders. This concerted and strategic initiative allowed the Group to manage its costs more effectively by tapping into more cost-competitive manufacturing centers within the business ring.

It also enabled the Group to be sited closer to customers so that it could respond more expeditiously to clients' needs and requirements thus enhancing the overall client-supplier relationship. The close collaboration within the different units of the business ring made for a synergistic co-operation underpinned by marketing cross-referrals as well as the sharing of technological know-how.

Singapore's Key Role

Singapore continued to play the role of Group's headquarter, helping and navigating Miyoshi's key corporate functions such as marketing and sales, prototyping, tooling design, technical support, research and development, training and recruitment. The Republic continued to account for the bulk of Group revenue in FY2013, generating \$117.41 million – equivalent to 61.7% of Group sales - an increase of 23.7% from FY2012's \$94.90 million. Thailand was the second largest revenue contributor, posting \$24.10 million, up by 30.3% from the previous year's sales figure of \$18.48 million. The Group's Thai operations have since been restored after the debilitating aftermath of the torrential floods that hit the kingdom's capital two years ago. Miyoshi's Thailand manufacturing

facility has now been consolidated and back in full swing serving customers in the electronics industry, among them our key multi-national client in the data storage sector.

China has traditionally been our third largest income earner. For the financial year in review, sales slid by 23.9% from \$19.42 million to \$14.77 million, dragged down by weaker orders and the overall softer outlook of the China economy. Going forward, Miyoshi expects its China operations, namely Huizhou and Wuxi, to improve its production capacity utilization as it anticipates new orders from the consumer electronics industry. Philippines, the Group's fourth biggest sales earner, increased sales by 16.8% to \$10.80 million, from \$9.25 million previously.

The Group's Philippine plant is benefitting from global trends in the data storage sphere where its key customer has recently been gaining market share. This would further strengthen Miyoshi's revenue base in the Philippines which has of late experienced a period of relative political stability that has afforded an element of calm to the general economic and business sentiments in the country.

Focusing on Core Strengths

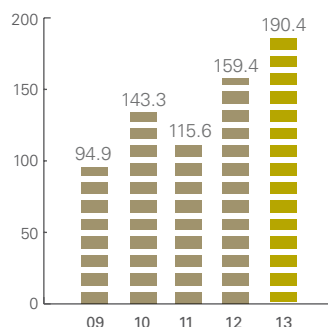
Across the business segments, Consumer Electronics accounted for the lion's share of Group revenue, at 65.3%, mainly due to the revenue contribution of a new consumer electronic product of a leading brand of video gaming device, manufactured at one of our subsidiaries. It posted four consecutive quarters of revenue growth since it was launched in 3QFY2012 contributing to the 45.6% rise in Consumer Electronics revenue in FY2013, from \$85.34 million to \$124.22 million. Sales from this product, however, has since 3QFY2013, started to slow down due to lackluster demand.

Data Storage sales reduced marginally by \$2.34 million, from \$42.46 million to \$40.12 million while Automotive & Others revenue also eased by \$5.49 million from \$27.03 million to \$21.54 million due to slowing demand. We will be keeping a close watch on the worldwide developments of the hard-disk drive sector, in particular, the ramifications of the consolidation between the giants of the data storage industry. Our people continue to be the pillar of our strengths and with the necessary systems and processes in place, Miyoshi looks poised to make strides and build on a stronger recovery.

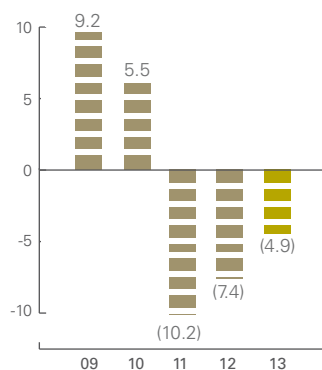


FINANCIAL REVIEW

Revenue (\$'million)



Earnings (\$'million)

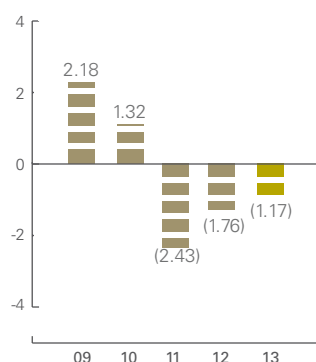


Year to Date Revenue by Business Segment	DS	CE	MED	AMO	Total
FY2013 revenue (\$'mil)	40.12	124.22	4.49	21.54	190.37
FY2013 % by business segment	21.1%	65.3%	2.3%	11.3%	100.0%
FY2012 revenue (\$'mil)	42.46	85.34	4.53	27.03	159.36
FY2012 % by business segment	26.6%	53.6%	2.8%	17.0%	100.0%

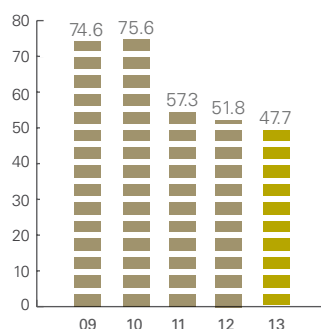
Group revenue was \$190.37m in FY2013 as compared with \$159.36m in FY2012, an increase of \$31.01m or 19.5% mainly due to new Consumer Electronics (“CE”) product which had contributed to the robust growth in revenue for continuous four quarters since it was launched in 3QFY2012. The revenue from the new CE product started to slow down from 3QFY2013, resulting from weaker product demand. The increase in FY2013 revenue was also partly offset by (i) the decrease in revenue from Data Storage (“DS”) segment by \$2.34m to \$40.12m in FY2013 and (ii) the decrease in revenue from Automotive, Microshaft and Others (“AMO”) segment by \$5.49m to \$21.54m in FY2013, both due to lower demand as a result of global economic situation. Out of the drop of \$5.49m in revenue from AMO segment, \$4.21m was due to the de-consolidation of the revenue of a subsidiary, AWP Precision Engineering Pte Ltd, which was disposed of in 2QFY2012. Revenue from Medical (“MED”) segment for FY2013 recorded similar level as compared to FY2012.

Full year Group loss attributable to the owners for FY2013 and FY2012 were \$4.90m and \$7.41m respectively. The loss for FY2013 included the non-recurring and exceptional charges of \$3.21m

Earnings per Share (cents)



Net Assets Value (\$'million)



which mainly comprised of impairment of property, plant and equipment and impairment of disposal group, while the loss for FY2012 included the non-recurring and exceptional charges of \$4.47m which mainly comprised of impairment of investment in an associate, allowance for doubtful trade receivables and doubtful loan receivables, net of insurance claims in relation to the flood damage of our Thailand factory in FY2012. Excluding the effects of these non-recurring and exceptional charges, the losses for FY2013 and FY2012 were recorded at \$1.69m and \$2.94m respectively.

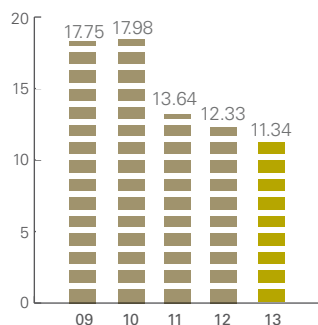
The increase in revenue for FY2013 came almost from the new CE product mentioned above. Together with other CE products, the margin was higher than other product lines (other than MED products). The raw materials and consumables used had increased by 27.9% for FY2013 which was higher than the 19.5% increase in revenue due to the higher cost of materials and components was required in the new CE product as compared with the Group's other product lines as a whole.

Statement of Financial Position

Net asset value ("NAV") of the Group fell by \$4.14m to \$47.66m as at 31 August 2013 as compared with \$51.80m as at 31 August 2012. The drop in NAV was a result of the loss for the year of \$4.90m, after offsetting the change of exchange translation reserve (debit) balance of \$0.76m. The decline in the exchange translation reserve (debit) balance is attributable largely to a stronger USD and THB against the SGD.

FINANCIAL REVIEW

Net Assets Value Per Share (cents)



Cash balance (cash and bank balances and fixed deposits, net of bank overdrafts) is \$14.40m (part of which was included in the assets of a disposal group classified as held for sale) as compared with \$16.29m as at 31 August 2012. Borrowings (bank loans, other loans and finance leases) stood at \$8.78m (part of which was included in the liabilities of a disposal group classified as held for sale), with the corresponding balance last year at \$11.29m. Net cash balance (cash net of borrowings) as at the end of the current financial year and last financial year were \$5.62m and \$5.00m respectively.

The assets held for sale balance of \$3.91m as at the end of the financial year comprise leasehold properties of the Company and a subsidiary in Malaysia, which are in the process of being sold.

The assets and liabilities of Giken Sakata (S) Limited (“Giken”) and its subsidiaries were presented as assets and liabilities of a disposal group classified as held for sale in relation to the proposed dilution of the Company’s shareholding interest in Giken. The balances of assets and liabilities as at 31 August 2013 were \$24.19m and \$17.50m respectively (31 August 2012: \$30.38m and \$22.38m).

Consolidated Statement of Cash Flows

Cash and cash equivalents decreased by \$1.06m to \$14.25m as at 31 August 2013 from \$15.31m as at 31 August 2012.

The Group generated a positive net cash inflow of \$1.61m from operations. In FY2013, the Group disposed and purchased certain plant and equipment, with a net purchase of \$1.13m mainly for the Philippines and Thailand plants. The Group also reduced its bank loans by \$1.84m during the year.

OUR REGIONAL PRESENCE



BOARD OF DIRECTORS



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 28 December 2012. He was appointed as a member of the Nominating Committee on 3 September 2013. Mr. Sin, with more than 22 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 Singapore, China and Malaysia. 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



MASAYOSHI TAIRA
Non-Executive Chairman

Mr. Taira was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 29 December 2010. He has been proposed for re-election at the company forthcoming Annual General Meeting on 27 December 2013. 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 23 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.



Academy.

U KEAN SENG

Non-Executive and Independent Director

Mr. U was first appointed to the Board of Directors on 13 February 2004 and was last re-elected on 29 December 2010. He has been proposed for re-election at the company forthcoming Annual General Meeting on 27 December 2013. 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 15 years of experience in the legal practice, he specialises in the area of corporate law and corporate finance. Mr. U currently holds the professional appointment as the Head of Corporate and Legal Affairs of Agria Corporation, a company listed on the New York Stock Exchange. Mr. U is a non-executive director of China Pipe Group Limited, a company listed on the Hong Kong Stock Exchange and PGG Wrighton Limited, a company listed on the New Zealand Stock Exchange. 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 2011. Mr. Tay currently chairs the Audit Committee and is a member of the Nominating and Remuneration Committees. With more than 26 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 Singapore Chartered Accountants.

CORPORATE INFORMATION

DIRECTORS

Executive:

Mr. Sin Kwong Wah, Andrew Chief Executive Officer

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

Mr. Sin Kwong Wah, Andrew

Mr. Tay Peng Lim

REMUNERATION COMMITTEE

Mr. U Kean Seng Chairman

Mr. Masayoshi Taira

Mr. Tay Peng Lim

COMPANY SECRETARY

Ms. Kim Yi Hwa (ACIS)

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 & Advisory Services Pte Ltd

50 Raffles Place #32-01 Singapore Land Tower

Singapore 048623

Tel: (65) 6536 5355 Fax: (65) 6536 1360

AUDITORS

BDO LLP

Public Accountants and Certified Public Accountants

21 Merchant Road #05-01

Singapore 058267

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

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 in compliance with the Code of Corporate Governance 2005 that were in place for the financial year ended 31 August 2013. The revised Code of Corporate Governance 2012 would be applicable to the Company for the financial year commencing 1 September 2013.

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 2013 by the Board and the attendance thereat are as follows:

	Board Meetings	
	No. of meetings	Attendance
Mr Masayoshi Taira (Non-Executive Chairman)	5	5
Mr Sin Kwong Wah, Andrew (Chief Executive Officer)	5	5
Mr U Kean Seng (Independent Director)	5	4
Mr Tay Peng Lim (Independent Director)	5	5
Mr Tan Kay Guan (Executive Director)*	5	1
Ms Gan Yoke Fong, Karen (Executive Director)**	5	4

Note:

* Resigned on 28 December 2012.

** Resigned on 16 July 2013.

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.

CORPORATE GOVERNANCE

Board Composition and Balance

The Board currently has one Executive Director, two Non-Executive and Independent Directors, and one Non-Executive Director. Mr Tan Kay Guan, an Executive Director, resigned on 28 December 2012 while Ms Gan Yoke Fong Karen, Executive Director resigned on 16 July 2013.

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)
Mr Sin Kwong Wah, Andrew	Member (Executive, Non-Independent) (Appointed on 3 September 2013)
Mr Tay Peng Lim	Member (Non-Executive and Independent)

Ms Gan Yoke Fong, Karen ceased to be a member on 16 July 2013.

The number of meeting held in the financial year 2013 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.

CORPORATE GOVERNANCE

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 10 and 11 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.

CORPORATE GOVERNANCE

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 and Level of 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 2013 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.

CORPORATE GOVERNANCE

DISCLOSURE ON REMUNERATION

- a) Details of the remuneration of the Company's Directors and five key executives for the financial year ended 31 August 2013 are as follows:

Directors' Remuneration Band and Name of Directors	Salary %	Bonuses %	Fees %	Others %	Total Compensation %
\$500,000 and above					
None	–	–	–	–	–
\$250,000 to \$499,999					
Mr Sin Kwong Wah, Andrew	85.0	–	13.1	1.9	100.0
Below \$250,000					
Mr Masayoshi Taira	–	–	100.0	–	100.0
Mr U Kean Seng	–	–	100.0	–	100.0
Mr Tay Peng Lim	–	–	100.0	–	100.0
Remuneration Band and Name of Key Executives					
\$250,000 to \$499,999					
Ms Gan Yoke Fong, Karen	82.5	3.2	11.2	3.1	100.0
Mr Tan Kay Guan	69.1	4.7	8.1	18.1	100.0
Below \$250,000					
Mr Wee Soon Ghee	95.3	3.0	–	1.7	100.0
Mr Ho Sin Yam, Patrick	97.6	–	–	2.4	100.0
Mr Lee Ah Kow, David	97.9	2.1	–	–	100.0

Ms Goh Yoke Fong, Karen and Mr Tan Kay Guan resigned as directors of the Company on 16 July 2013 and 28 December 2012 respectively. The percentages of remuneration shown above are computed after taking into account the directors' remuneration before their resignation.

CORPORATE GOVERNANCE

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 2013
Pursuant to options granted on 29 January 2002		
Ms Gan Yoke Fong, Karen	300,000	–
Mr Tan Kay Guan	300,000	–
Mr Wee Soon Ghee	80,000	–
Mr Ho Sin Yam, Patrick	–	–
Mr Lee Ah Kow, David	180,000	–
Pursuant to options granted on 29 January 2004		
Ms Gan Yoke Fong, Karen	300,000	381,000*
Mr Tan Kay Guan	300,000	381,000*
Mr Wee Soon Ghee	80,000	102,000*
Mr Ho Sin Yam, Patrick	–	–
Mr Lee Ah Kow, David	180,000	229,000*
Pursuant to options granted on 29 January 2005		
Ms Gan Yoke Fong, Karen	300,000	–
Mr Tan Kay Guan	300,000	381,000*
Mr Wee Soon Ghee	150,000	–
Mr Ho Sin Yam, Patrick	–	–
Mr Lee Ah Kow, David	180,000	–
Pursuant to options granted on 31 January 2007		
Ms Gan Yoke Fong, Karen	300,000	381,000*
Mr Tan Kay Guan	300,000	381,000*
Mr Wee Soon Ghee	150,000	191,000*
Mr Ho Sin Yam, Patrick	–	–
Mr Lee Ah Kow, David	180,000	229,000*

* 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.

CORPORATE GOVERNANCE

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 2013 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	4

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.

CORPORATE GOVERNANCE

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 and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

The aggregate amount of fees paid to the external auditors amounted to approximately \$170,000 for audit services and \$24,000 for non audit services.

The Company has complied with Rules 712 and 715 of the SGX-ST listing manual.

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

Internal Controls

The Board acknowledges its responsibilities for the Group's system of internal controls to safeguard the Group's assets. As at the date of these financial statements, certain changes were made to the Group's system of internal controls to improve its effectiveness.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve its 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. The Audit committee reviews and approves the internal audit plans annually; and the internal auditor's activities on a quarterly basis.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls in respect of financial, operational and compliance risks, were adequate as at 31 August 2013.

Internal Audit

The Group outsources its internal audit functions to an external consultant firm ("Internal Auditor"). 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.

CORPORATE GOVERNANCE

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 Code of Best Practices Guide on Securities Transactions by the Company and its officers which states that the Company and 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 normal commercial terms. Details of interested person transactions during the financial year which fall under rule 920 of the Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Miyoshi Industry Co., Ltd		
Type of transactions		
Sales (Note)	–	–
Purchases (Note)	–	–
Marketing Services (Note)	–	–
Total	–	–
Tai Hua Food Industries Pte Ltd		
Type of transactions		
Sales	236,348	–
Total	236,348	–

Note: In compliance with the SGX-ST listing requirements, the Group confirms that there were interested person transactions occurring during the financial period under the shareholders' mandate but the individual transactions were less than \$100,000.

MATERIAL CONTRACTS

There were no material contracts entered between the Company or any of its subsidiaries with any Director or controlling shareholders during the financial year ended 31 August 2013.

FINANCIAL REPORT

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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 2013.

1. Directors

The Directors of the Company in office at the date of this report are:

Mr Sin Kwong Wah, Andrew
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 of this report.

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
The Company	Number of ordinary shares			
Mr Sin Kwong Wah, Andrew	76,439,000	76,439,000	63,444,000	63,444,000
Mr Masayoshi Taira	–	–	99,509,290	99,509,290
Subsidiaries				
- Giken Sakata (S) Limited				
Mr Sin Kwong Wah, Andrew	–	–	150,000 ⁽²⁾	150,000 ⁽²⁾

REPORT OF THE DIRECTORS

3. Directors' interests in shares and debentures (Continued)

Name of Directors and company in which interests are held	Shareholdings Registered in the name of the Directors	
	At beginning of year	At end of year
Subsidiaries	Ordinary shares of Philippine Peso 1,000 each	
- Miyoshi Technologies Phils., Inc.		
Mr Sin Kwong Wah, Andrew	1 ⁽³⁾	1 ⁽³⁾
Name of Directors and company in which interests are held	Number of share options to subscribe for the Company's ordinary shares	
	At beginning of year	At end of year
Options granted on 31 January 2007		
Mr U Kean Seng	127,000	–
Mr Tay Peng Lim	64,000	–

(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) Mr Sin Kwong Wah, Andrew is deemed to have an interest in the shares held by his spouse.

(3) 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 2013.

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. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations as disclosed in Note 5 to the financial statements.

REPORT OF THE DIRECTORS

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 as at 31 August 2013 are:

- Mr Sin Kwong Wah, Andrew (Chairman)
- Mr Masayoshi Taira

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.

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.

REPORT OF THE DIRECTORS

5. Share options (Continued)

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	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 04 to 28 Jan 13
29 Jan 04	726,000	-	-	-	726,000	0.252	0.199	29 Jan 05 to 28 Jan 14
29 Jan 04	727,000	-	-	-	727,000	0.252	0.199	29 Jan 06 to 28 Jan 15
29 Jan 05	197,000	-	-	-	197,000	0.180	0.142	29 Jan 06 to 28 Jan 15
29 Jan 05	197,000	-	-	-	197,000	0.180	0.142	29 Jan 07 to 28 Jan 16
31 Jan 07	1,280,000	-	-	(77,000)	1,203,000	0.239	0.188	31 Jan 08 to 30 Jan 17
31 Jan 07	1,281,000	-	-	(77,000)	1,204,000	0.239	0.188	31 Jan 09 to 30 Jan 18
31 Jan 07	191,000	-	-	(191,000)	-	0.239	0.188	31 Jan 09 to 30 Jan 13
Total	<u>4,650,000</u>	-	-	<u>(396,000)</u>	<u>4,254,000</u>			

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.

REPORT OF THE DIRECTORS

5. Share options (Continued)

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
Directors of the Company				
Mr U Kean Seng	–	127,000	(127,000)	–
Mr Tay Peng Lim	–	64,000	(64,000)	–
Employees				
Mr Tan Kay Guan	–	1,143,000	–	1,143,000
Ms Gan Yoke Fong, Karen	–	762,000	–	762,000
Mr Lee Ah Kow	–	458,000	–	458,000
Mr Seah Kin Song	–	458,000	–	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:

- (i) Reviews the audit plans and scope of audit examination of external auditors and approves the audit plans of the internal auditors;
- (ii) Reviews the nature and extent of non-audit services performed by the external auditors;
- (iii) Evaluates the overall effectiveness of both the internal and external audits through meetings with each group of auditors;
- (iv) 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;

REPORT OF THE DIRECTORS

6. Audit committee (Continued)

- (v) Reviews the annual and interim financial statements and announcements to shareholders before submission to the Board of Directors for approval;
- (vi) Reviews interested person transactions; and
- (vii) 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 SGX-ST

The auditors of the subsidiaries of the Company are disclosed in Note 14 to the financial statements. In the opinion of the Board of Directors and the Audit Committee, Rules 712 and 715 of the Listing Manual of SGX-ST have been complied with.

On behalf of the Directors

Sin Kwong Wah, Andrew

Masayoshi Taira

Singapore
2 December 2013

STATEMENT OF DIRECTORS

In the opinion of the Directors,

- (a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2013 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

Masayoshi Taira

Singapore
2 December 2013

INDEPENDENT AUDITOR'S REPORT

To the members of Miyoshi Precision Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Miyoshi Precision Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 32 to 110 which comprise the statements of financial position of the Group and of the Company as at 31 August 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 of financial statements that give a true and fair view 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.

Opinion

In our opinion, 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 2013 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

INDEPENDENT AUDITOR'S REPORT

To the members of Miyoshi Precision Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those 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
Chartered Accountants

Singapore
2 December 2013

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2013

		Group		Company	
	Note	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
ASSETS					
Current assets:					
Cash and bank balances	6	9,127	11,771	2,057	4,094
Fixed deposits	6	1,822	5,321	–	827
Trade receivables	7	16,582	33,515	4,946	11,862
Other receivables and prepayments	8	2,559	1,518	1,458	3,380
Inventories	9	7,555	11,819	2,708	2,574
		37,645	63,944	11,169	22,737
Non-current assets held for sale	10	3,908	1,932	1,943	–
Assets of a disposal group held for sale	11	24,188	–	–	–
Total current assets		65,741	65,876	13,112	22,737
Non-current assets:					
Investments in associates	12	53	34	120	49
Investment in joint venture	13	–	–	–	–
Subsidiaries	14	–	–	21,552	24,042
Available-for-sale financial assets	15	18	20	4	4
Other receivables	8	–	68	–	–
Property, plant and equipment	16	23,316	33,786	4,610	7,612
Intangible assets	17	–	–	–	–
Deferred tax assets	18	50	10	–	–
Loans receivable	19	2,313	2,257	2,313	2,257
Total non-current assets		25,750	36,175	28,599	33,964
Total assets		91,491	102,051	41,711	56,701
LIABILITIES AND EQUITY					
Current liabilities:					
Bank overdrafts	20	578	806	–	–
Trade payables	21	7,978	24,222	2,750	3,831
Other payables and accruals	22	4,313	5,896	1,161	1,382
Provisions	23	–	344	–	–
Current income tax payable		32	432	–	526
Finance leases	24	97	755	97	234
Bank loans	25	4,865	7,032	4,742	5,024
Other loan	26	–	239	–	–
		17,863	39,726	8,750	10,997
Liabilities of a disposal group held for sale	11	17,502	–	–	–
Total current liabilities		35,365	39,726	8,750	10,997

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2013

	Note	Group		Company	
		2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Non-current liabilities:					
Finance leases	24	45	621	45	154
Bank loans	25	1,058	2,646	–	–
Other loan	26	337	–	–	–
Provisions	23	260	463	–	–
Deferred tax liabilities	27	–	–	–	–
Total non-current liabilities		1,700	3,730	45	154
Total liabilities		37,065	43,456	8,795	11,151
Equity:					
Share capital	28	37,389	37,389	37,389	37,389
Treasury share reserve	28	(55)	(55)	(55)	(55)
Fair value reserve	28	(8)	(10)	–	–
Other reserve	28	1,063	1,076	–	–
Share options reserve	28	474	505	474	505
Currency translation reserve	28	(12,840)	(13,597)	(13,811)	(14,250)
Retained earnings	28	21,634	26,494	8,919	21,961
Equity attributable to owners of the parent		47,657	51,802	32,916	45,550
Non-controlling interests		6,769	6,793	–	–
Total equity		54,426	58,595	32,916	45,550
Total liabilities and equity		91,491	102,051	41,711	56,701

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 August 2013

	Note	2013 \$'000	2012 \$'000
Revenue	30	190,371	159,357
Other income	31	2,695	3,711
Changes in inventories of finished goods and work-in-progress		(2,245)	(2,579)
Raw materials and consumables used		(131,829)	(103,067)
Employee benefit expenses	32	(31,389)	(28,151)
Depreciation expense		(6,497)	(7,169)
Other operating expenses	33	(25,198)	(28,538)
Finance costs	34	(479)	(605)
Share of results of associates		(51)	(262)
Loss before income tax		(4,622)	(7,303)
Income tax expense	35	(32)	(20)
Loss for the financial year	36	(4,654)	(7,323)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on fair value change of available-for-sale financial assets		2	-
Exchange differences on translating foreign operations		969	2,013
Other comprehensive income for the financial year, net of tax		971	2,013
Total comprehensive income for the financial year		(3,683)	(5,310)
Loss attributable to:			
Owners of the parent		(4,904)	(7,410)
Non-controlling interests		250	87
		(4,654)	(7,323)
Total comprehensive income attributable to:			
Owners of the parent		(4,145)	(5,500)
Non-controlling interests		462	190
		(3,683)	(5,310)
Loss per share			
Basic (cents)	37	(1.17)	(1.76)
Diluted (cents)	37	(1.17)	(1.76)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 August 2013

	Share capital	Treasury share reserve	Fair value reserve	Other reserve	Share options reserve	Currency translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 September 2012	37,389	(55)	(10)	1,076	505	(13,597)	26,494	51,802	6,793	58,595
Loss for the financial year	-	-	-	-	-	-	(4,904)	(4,904)	250	(4,654)
Other comprehensive income for the financial year:										
Gain on fair value change of available-for-sale financial assets	-	-	2	-	-	-	-	2	-	2
Exchange differences on translating foreign operations	-	-	-	-	-	757	-	757	212	969
Total other comprehensive income for the financial year	-	-	2	-	-	757	-	759	212	971
Total comprehensive income for the financial year	-	-	2	-	-	757	(4,904)	(4,145)	462	(3,683)
Transactions with owners of the parent recognised directly in equity										
Statutory reserve by a subsidiary	-	-	-	155	-	-	(155)	-	-	-
Share options lapsed	-	-	-	-	(31)	-	31	-	-	-
Total transactions with owners of the parent recognised directly in equity	-	-	-	155	(31)	-	(124)	-	-	-
Transaction with non-controlling interests										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(405)	(405)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(17)	(17)
Deconsolidation of a subsidiary	-	-	-	(168)	-	-	168	-	(64)	(64)
Balance at 31 August 2013	37,389	(55)	(8)	1,063	474	(12,840)	21,634	47,657	6,769	54,426

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 August 2013

	Share capital	Treasury share reserve	Fair value reserve	Other reserve	Share options reserve	Currency translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 September 2011	37,389	(55)	(10)	918	549	(15,507)	34,018	57,302	8,617	65,919
Loss for the financial year	-	-	-	-	-	-	(7,410)	(7,410)	87	(7,323)
Other comprehensive income for the financial year:										
Exchange differences on translating foreign operations	-	-	-	-	-	1,910	-	1,910	103	2,013
Total other comprehensive income for the financial year	-	-	-	-	-	1,910	-	1,910	103	2,013
Total comprehensive income for the financial year	-	-	-	-	-	1,910	(7,410)	(5,500)	190	(5,310)
Transactions with owners of the parent recognised directly in equity										
Statutory reserve by a subsidiary	-	-	-	158	-	-	(158)	-	-	-
Share options lapsed	-	-	-	-	(44)	-	44	-	-	-
Total transactions with owners of the parent recognised directly in equity	-	-	-	158	(44)	-	(114)	-	-	-
Transaction with non-controlling interests										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(1,213)	(1,213)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(801)	(801)
Balance at 31 August 2012	37,389	(55)	(10)	1,076	505	(13,597)	26,494	51,802	6,793	58,595

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 August 2013

	2013 \$'000	2012 \$'000
Operating activities:		
Loss before income tax and share of results of associates	(4,571)	(7,041)
Adjustments for:		
Allowance for impairment of plant and equipment	1,024	1,643
Allowance for impairment of investment in associate	–	2,847
Allowance for impairment of disposal group	2,100	–
Allowance for impairment of available-for-sale financial assets	–	42
Allowance for doubtful trade receivables	16	371
Allowance for doubtful other receivables	–	98
Allowance for doubtful loan receivables	–	328
Allowance for/(Reversal of) inventory obsolescence	77	(496)
Amortisation of intangible assets	–	429
Bad trade receivables written off	1	231
Depreciation expense	6,497	7,169
Gain on deconsolidation of subsidiary	(127)	–
Gain on disposal of plant and equipment	(216)	(67)
Loss/(Gain) on disposal of subsidiary	51	(239)
Interest expense	479	605
Interest income	(306)	(282)
Provision for legal claim no longer required	(39)	(381)
Provision for retirement gratuities	260	–
Plant and equipment written off	22	–
Operating cash flows before changes in working capital	5,268	5,257
Trade receivables	3,165	(12,329)
Other receivables and prepayments	(1,651)	(126)
Inventories	(1,025)	(1,982)
Trade payables	(4,139)	11,279
Other payables and accruals	768	(2,081)
Cash generated from operations	2,386	18
Interest paid	(479)	(605)
Interest received	306	282
Income tax paid	(203)	(626)
Dividend paid to non-controlling interests	(405)	(1,213)
Net cash from/(used in) operating activities	1,605	(2,144)

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 August 2013

	2013 \$'000	2012 \$'000
Investing activities:		
Disposal of subsidiaries, net of cash disposed (Note 14)	47	1,088
Loans receivable	(22)	292
Proceeds from disposal of property, plant and equipment	2,620	815
Purchase of property, plant and equipment (Note 16)	(3,753)	(6,288)
Net cash used in investing activities	(1,108)	(4,093)
Financing activities:		
Proceeds from other loans	355	–
Repayment of bank loans	(1,841)	(3,877)
Repayment of other loans	(257)	–
Repayment of finance leases	(766)	(848)
Decrease/(increase) in restricted cash	828	(831)
Net cash used in financing activities	(1,681)	(5,556)
Currency translation adjustment	124	(328)
Decrease in cash and cash equivalents	(1,060)	(12,121)
Cash and cash equivalents at beginning of financial year	15,314	27,435
Cash and cash equivalents at end of financial year (Note 6)	14,254	15,314

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

1. General corporate information

Miyoshi Precision Limited (“the Company”) is a public limited company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited. The Company’s registration number is 19870397K. Its principal place of business and registered office is at No. 5 Second Chin Bee Road, Singapore 618772. 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 12, 13 and 14 to the financial statements respectively.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 August 2013 were authorised for issue by the Board of Directors on 2 December 2013.

2. Summary of significant accounting policies

2.1 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.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Group’s application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management’s best knowledge of current events and actions, actual results may differ from those estimates. Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

During the financial year, the Group and the Company adopted the new or revised FRS and Interpretations of FRS (“INT FRS”) that are relevant to their operations and effective for the current financial year. Changes to the Group’s and the Company’s accounting policies have been made as required in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of the new or revised FRS and INT FRS did not result in any substantial changes to the Group’s and the Company’s accounting policies and has no material effect on the amounts reported for the current and prior financial years, except as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

Amendments to FRS 1 - Presentation of Items of Other Comprehensive Income

The Group has adopted the amendments to FRS 1 beginning 1 September 2012. The amendments to FRS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments only affect the presentation of items that are already recognised in other comprehensive income.

FRS and INT FRS issued but not yet effective

As at the date of authorisation of these financial statements, the Group and the Company have not adopted the following FRS and INT FRS that have been issued but not yet effective:

		Effective date (annual periods beginning on or after)
FRS 19 (Revised)	: Employee Benefits	1 January 2013
FRS 27 (Revised)	: Separate Financial Statements	1 January 2014
FRS 27 (Amendments)	: Investment Entities	1 January 2014
FRS 28 (Revised)	: Investments in Associates and Joint Ventures	1 January 2014
FRS 32 (Amendments)	: Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 36 (Amendments)	: Recoverable Amount Disclosures for Non-financial Assets	1 January 2014
FRS 39 (Amendments)	: Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
FRS 101 (Amendments)	: Government Loans	1 January 2013
FRS 107 (Amendments)	: Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 110	: Consolidated Financial Statements	1 January 2014
FRS 110 (Amendments)	: Investment Entities	1 January 2014
FRS 111	: Joint Arrangements	1 January 2014
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014
FRS 112 (Amendments)	: Investment Entities	1 January 2014
FRS 113	: Fair Value Measurement	1 January 2013
INT FRS 120	: Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
INT FRS 121	: Levies	1 January 2014
Improvements to FRSs 2012		1 January 2013

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

The management anticipates that the adoption of the above FRS and INT FRS in future periods, where applicable, will not have a material impact on the financial statements of the Group and the Company in the period of initial application, except as discussed below:

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*. FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from the financial year beginning 1 September 2014, with full retrospective application. When the Group adopts FRS 110, entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation. The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

FRS 111 Joint Arrangements

FRS 111 changes the definition of joint arrangements as either joint operations or joint ventures. FRS 111 requires the use of equity accounting method to account for joint ventures and no longer allows the choice of using the proportionate consolidation method for jointly controlled entities. The Group and the Company would need to assess their arrangements to determine whether they have invested in a joint operation or a joint venture upon adoption of this new standard which becomes effective from the financial year beginning 1 September 2014.

As the Group currently uses proportionate consolidation for its joint ventures, a change in accounting policy will be required on adoption of FRS 111 which will have an impact on the statement of financial position.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Company is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group upon adoption of this standard from the financial year beginning 1 September 2014.

FRS 113 Fair Value Measurement

FRS 113 provides guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosure about fair values. It does not address or change the requirements on when fair values should be used. When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. It establishes a fair value hierarchy for doing this. This FRS is to be applied for annual periods beginning 1 September 2013. The Group and the Company are currently assessing the impact of this standard when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.2 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, so 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 intragroup 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 of 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 September 2009

The acquisition of subsidiaries is accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

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 re-measured 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 financial year 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, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 September 2009 (Continued)

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 acquisition-date fair value 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.

Business combinations before 1 September 2009

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

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.

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 and cash and cash equivalents 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

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.

Other financial liabilities

Trade and other payables

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. 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.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.5 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.

(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 time pattern in which user 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.

2.6 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.7 Non-current assets (or disposal group) classified as 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. The assets are not depreciated or amortised while classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

2.8 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, bank overdraft and fixed deposits net of fixed deposits pledged with bank.

2.9 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 statements 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 losses. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.9 Property, plant and equipment (Continued)

(ii) Other property, plant and equipment (Continued)

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.

Freehold land is not depreciated. Depreciation for property, plant and equipment other than freehold land is provided using the straight-line method so as to write off the depreciable amount of the property, plant and equipment over their estimated useful lives as follows:

Freehold buildings	- 20 to 40 years
Freehold building improvements	- 5 years
Leasehold land and buildings	- 8 to 50 years (over remaining terms of lease with effect from date of purchase)
Plant and equipment	- 3 to 10 years
Office furniture and equipment	- 3 to 8 years
Motor vehicles	- 4 to 5 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.

2.10 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.10 Intangible assets (Continued)

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

2.11 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.

Investments in associates 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.

2.12 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.12 Joint venture (Continued)

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.

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.

Investment in joint venture in the Company's statement of financial position is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.13 Impairment of tangible and intangible assets excluding goodwill

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.14 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.

Changes in the estimation timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.15 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.

2.16 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.16 Revenue recognition (Continued)

(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.

2.17 Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised as an expense in profit or loss in the financial year in which they are incurred. Borrowing costs are recognised on a time-proportion basis in profit or loss using the effective interest method.

2.18 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

- (i) Retirement benefit costs (Continued)

Defined benefit plans (Continued)

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.

2.19 Income tax

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the 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 (and tax laws) that have been enacted or substantively enacted in countries where the subsidiaries operate by the end of the financial year, and any adjustment to income tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.19 Income tax (Continued)

Deferred tax

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 differences arise 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 on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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 based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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.

Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- when the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

2. Summary of significant accounting policies (Continued)

2.20 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.

2.21 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 Company and 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.

2.22 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 2013

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgements in applying the accounting policies

In the process of applying the Group's accounting policies, the 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 except as discussed below.

- (i) Impairment of investments in subsidiaries, associates, joint venture and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether an investment or a financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment or a financial asset is less than its cost and the financial health of and near-term business outlook for the investment or financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

3.2 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 and the Company'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 the 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 financial year. As at 31 August 2013, the carrying amounts of the Group's and the Company's inventories were \$7,555,000 (2012: \$11,819,000) and \$2,708,000 (2012: \$2,574,000) 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 and advances to subsidiaries and associates 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 aggregate carrying amounts of the Group's and the Company's trade receivables, other receivables, loans receivable and advances to subsidiaries as at 31 August 2013 were \$21,280,000 (2012: \$36,978,000) and \$23,294,000 (2012: \$32,281,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.2 Key sources of estimation uncertainty (Continued)

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 years (2012: five years) using a discount rate ranging from 5.03% to 6.50% (2012: 4.4% to 7.19%). Estimates of future cash flows are based on a forecast annual growth in revenue between 5% to 53% (2012: 3% to 700%). The carrying amounts of the Company's investments in subsidiaries and associates as at 31 August 2013 were \$10,073,000 (2012: \$13,501,000) and \$120,000 (2012: \$49,000) 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 2013 were \$23,316,000 (2012: \$33,786,000) and \$4,610,000 (2012: \$7,612,000) 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 2013, the Group's deferred tax assets and current income tax payable were \$50,000 (2012: \$10,000) and \$32,000 (2012: \$432,000) respectively and the Company's current income tax payable was \$Nil (2012: \$526,000).

4. Financial instruments, financial risks and capital 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.

The following analysis excludes the financial instruments of the disposal group (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

4. Financial instruments, financial risks and capital management (Continued)

4.1 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. 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Past due < 3 months	4,068	10,038	323	1,097
Past due 3 to 6 months	143	379	212	612
Past due over 6 months	150	642	37	4,476
	4,361	11,059	572	6,185

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Past due over 6 months	292	492	6,581	271

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 2013

4. Financial instruments, financial risks and capital management (Continued)

4.2 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 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
United States dollar	2,113	5,445	–	–
Singapore dollar	(4,560)	(5,777)	(6)	4,205
Japanese yen	20	(115)	204	227
Philippine peso	(93)	(686)	–	–
Malaysia ringgit	(1,308)	(1,819)	–	–
Thailand baht	4	4	1,368	(30)
Chinese renminbi	–	806	–	–
Others	(9)	(42)	(9)	–
Total	(3,833)	(2,184)	1,557	4,402

The Group and the Company are mainly exposed to USD and SGD, where applicable.

The following table details the Group's sensitivity to a 5% change in USD against the SGD. The sensitivity analysis assumes an instantaneous 5% 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 USD and SGD are included in the analysis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

4. Financial instruments, financial risks and capital management (Continued)

4.2 Market risk (Continued)

Foreign currency sensitivity analysis

	Gain/(Loss)			
	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
USD				
Strengthens against SGD	106	272	-	-
Weakens against SGD	(106)	(272)	-	-
SGD				
Strengthens against USD	(228)	289	-	210
Weakens against USD	228	289	-	(210)

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 20, 24, 25 and 26 respectively.

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

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Bank overdrafts	578	806	-	-
Finance leases	142	1,376	142	388
Bank loans	5,923	9,678	4,742	5,024
Other loan	337	239	-	-
	6,980	12,099	4,884	5,412

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 5% from the end of the financial year, with all other variables held constant, the interest expense of the Group would increase/decrease by approximately \$24,000 (2012: \$30,000), while the interest expense of the Company would increase/decrease by approximately \$8,000 (2012: \$9,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

4. Financial instruments, financial risks and capital management (Continued)

4.3 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.

Financial liabilities

	2013				2012			
	1 year or less \$'000	2 to 5 years \$'000	After 5 years \$'000	Total \$'000	1 year or less \$'000	2 to 5 years \$'000	After 5 years \$'000	Total \$'000
Group								
Bank overdrafts	578	–	–	578	806	–	–	806
Trade payables	7,978	–	–	7,978	24,222	–	–	24,222
Other payables and accruals	4,313	–	–	4,313	5,896	–	–	5,896
Finance leases	101	47	–	148	773	626	–	1,399
Bank loans	4,867	589	471	5,927	7,039	1,989	657	9,685
Other loan	–	337	–	337	243	–	–	243
	17,837	973	471	19,281	38,979	2,615	657	42,251
Company								
Trade payables	2,750	–	–	2,750	3,831	–	–	3,831
Other payables and accruals	1,161	–	–	1,161	1,382	–	–	1,382
Finance leases	101	47	–	148	246	159	–	405
Bank loans	4,743	–	–	4,743	5,026	–	–	5,026
	8,755	47	–	8,802	10,485	159	–	10,644

4.4 Capital management policies and objectives

The Group and the Company manage 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 2013

4. Financial instruments, financial risks and capital management (Continued)

4.4 Capital management policies and objectives (Continued)

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Trade payables	7,978	24,222	2,750	3,831
Other payables and accruals	4,313	5,896	1,161	1,382
Bank loans	5,923	9,678	4,742	5,024
Other loan	337	239	–	–
Finance leases	142	1,376	142	388
Less: Cash and cash equivalents	(10,228)	(15,314)	(2,057)	(4,094)
Net debt	8,465	26,097	6,738	6,531
Equity attributable to owners of the parent	47,657	51,802	32,916	45,550
Total capital	56,122	77,899	39,654	52,081
Gearing ratio	15.1%	33.5%	17.0%	12.5%

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 August 2012 and 2013.

The Group's overall strategy remains unchanged from 2012.

4.5 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 2013

4. Financial instruments, financial risks and capital management (Continued)

4.5 Fair value of financial assets and financial liabilities (Continued)

The carrying amounts of financial assets and financial liabilities recorded at amortised costs, which approximate their fair values, are as follows:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Financial assets				
Loans and receivables				
Cash and bank balances	9,127	11,771	2,057	4,094
Fixed deposits	1,822	5,321	–	827
Trade receivables	16,582	33,515	4,946	11,862
Other receivables	2,385	1,206	1,407	3,338
Loans receivable	2,313	2,257	2,313	2,257
Advances to subsidiaries	–	–	8,159	3,672
	32,229	54,070	18,882	26,050
Financial liabilities				
Other financial liabilities				
Bank overdrafts	578	806	–	–
Trade payables	7,978	24,222	2,750	3,831
Other payables and accruals	4,313	5,896	1,161	1,382
Finance leases	142	1,376	142	388
Bank loans	5,923	9,678	4,742	5,024
Other loan	337	239	–	–
	19,271	42,217	8,795	10,625

It is not practicable to determine the fair value of advances to subsidiaries amounting to \$6,469,000 (2012: \$11,152,000) as they have no fixed term of repayment (Note 14).

5. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

5. Significant related party transactions (Continued)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

The Group has transactions and arrangements with related parties and the effect of these on the basis determined between the parties is 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 significant transactions with related parties at rates and terms agreed between the parties:

	Related party (Shareholder)	
	2013 \$'000	2012 \$'000
Sales	(279)	(109)
Purchases	70	27

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

5. Significant related party transactions (Continued)

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	
	2013 \$'000	2012 \$'000
Short-term benefits	2,347	2,303
Post-employment benefits	84	128
	2,431	2,431

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 32).

6. Cash and cash equivalents

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Cash and bank balances	9,127	11,771	2,057	4,094
Fixed deposits	1,822	5,321	–	827
Bank overdrafts (Note 20)	(578)	(806)	–	–
Restricted cash	(143)	(972)	–	(827)
	10,228	15,314	2,057	4,094
Cash and cash equivalents of disposal group (Note 11)	4,026	–	–	–
	14,254	15,314	2,057	4,094

Fixed deposits of the Group earn interest ranging from 0.5% to 3.25% (2012: 0.03% to 3.25%) per annum and are for a tenor of approximately 365 days (2012: 365 days).

As at 31 August 2012, fixed deposit of the Company earned interest at 0.2% per annum and were for a tenor of approximately 30 days.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

6. Cash and cash equivalents (Continued)

As at 31 August 2012, the Group's cash and cash equivalents of \$1,817,000 have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 25). In the current financial year, these cash and cash equivalents were classified as assets of a disposal group held for sale (Note 11) and as at 31 August 2013, \$1,362,000 have been pledged as a collateral for bank loans granted to those subsidiaries (Note 25). Pursuant to the debt restructuring agreement, the subsidiaries shall not dispose of the asset pledged except in the ordinary course of business.

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
United States dollar	890	6,993	–	–
Singapore dollar	1,115	5,184	1,115	911
Japanese yen	24	1,011	24	29
Malaysia ringgit	343	391	–	–
Philippine peso	187	103	–	–
Thailand baht	4	558	4	4
Indonesia rupiah	–	83	–	–
Chinese renminbi	–	1,872	–	–

7. Trade receivables

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Third parties	16,592	33,674	3,315	4,645
Subsidiaries	–	–	7,941	7,217
Associate	271	271	271	271
Related parties	11	19	–	–
Joint venture	–	43	–	–
	16,874	34,007	11,527	12,133
Allowance for doubtful receivables	(292)	(492)	(6,581)	(271)
	16,582	33,515	4,946	11,862

Trade receivables from third parties are non-interest bearing and are generally on a 30 to 60 (2012: 30 to 60) days credit terms. The amounts owing from subsidiaries, associate, joint venture and related parties are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

7. Trade receivables (Continued)

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At beginning of financial year	492	254	271	25
Bad receivables written off	(215)	–	(5)	–
Charge to profit or loss	16	371	6,152	247
Disposal of a subsidiary	–	(127)	–	–
Currency realignment	(1)	(6)	163	(1)
At end of financial year	292	492	6,581	271
Comprising:				
- third parties	21	178	–	–
- subsidiaries	–	–	6,310	–
- associate	271	271	271	271
- joint venture	–	43	–	–
	292	492	6,581	271

Allowance for doubtful trade receivables are recognised in profit or loss in “other operating expenses” subsequent to the assessment on the recoverable amount performed by the management.

As at 31 August 2012, the Group’s trade receivables of \$14,344,000 have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 25). In the current financial year, these trade receivables were classified as assets of a disposal group held for sale (Note 11) and as at 31 August 2013, \$9,682,000 have been pledged as a collateral for bank loans granted to those subsidiaries (Note 25).

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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
United States dollar	1,945	14,639	–	–
Singapore dollar	356	558	373	554
Malaysia ringgit	180	339	–	–
Philippine peso	13	32	–	–
Chinese renminbi	–	1,242	–	–
Japanese yen	1	205	1	–
Euro	–	491	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

8. Other receivables and prepayments

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Current				
Third parties	3,553	3,654	1,156	251
Subsidiaries	–	–	3,596	3,131
Joint venture	–	98	–	–
	3,553	3,752	4,752	3,382
Allowance for doubtful receivables	(994)	(2,234)	(3,294)	(2)
	2,559	1,518	1,458	3,380
Non-current				
Third parties	–	68	–	–

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

As at 31 August 2012, the Group's other receivables of \$220,000 have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 25). In the current financial year, these other receivables were classified as assets of a disposal group held for sale (Note 11) and as at 31 August 2013 \$390,000 have been pledged as a collateral for bank loans granted to those subsidiaries (Note 25).

The Group's and the Company's prepayments which are included above amounted to \$174,000 (2012: \$380,000) and \$51,000 (2012: \$42,000) respectively.

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

The management has determined the carrying amount of non-current other receivable to approximate its fair value.

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
At beginning of financial year	2,234	1,955	2	–
Charge to profit or loss	–	98	3,210	2
Bad receivable written off	(1,142)	–	–	–
Currency realignment	(98)	181	82	–
At end of financial year	994	2,234	3,294	2
Comprising:				
- third parties	994	2,136	–	2
- subsidiaries	–	–	3,294	–
- joint venture	–	98	–	–
	994	2,234	3,294	2

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

8. Other receivables and prepayments (Continued)

Allowance for doubtful other receivables are recognised in profit or loss in “other operating expenses” subsequent to the assessment on the recoverable amount performed by the management.

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

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Singapore dollar	1,193	610	1,424	1,725
Malaysia ringgit	190	206	–	–
Philippine peso	640	136	–	–
Thailand baht	–	190	–	–
Chinese renminbi	–	450	–	–

9. Inventories

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Finished goods	3,699	5,727	1,047	1,126
Work-in-process	1,155	1,468	1,096	883
Raw materials	2,701	4,624	565	565
Total inventories at lower of cost and net realisable value	7,555	11,819	2,708	2,574

The Group’s cost of inventories recognised as expense during the financial year amounted to \$134,074,000 (2012: \$105,646,000).

As at 31 August 2012, the Group’s inventories of \$3,303,000 have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 25). In the current financial year, these inventories were classified as assets of a disposal group held for sale (Note 11) and as at 31 August 2013, \$3,543,000 have been pledged as a collateral for bank loans granted to those subsidiaries (Note 25).

During the financial year, allowance for inventory obsolescence of \$77,000 (2012: \$Nil) was recognised in profit or loss and included in “other operating expenses” after a review of the realisability of the inventories conducted at the end of the financial year.

In the previous financial year, a reversal of allowance of \$496,000 was recognised in profit or loss and included in “other operating expenses” when the related inventories were sold above the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

10. Non-current assets held for sale

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Properties	3,908	1,932	1,943	–

During the current financial year, the Company has entered into a sale and purchase agreement to dispose of a leasehold building with gross floor area of approximately 4,883.7 sqm owned by the Company located at No. 7 Second Chin Bee Road, Singapore 618774 for sale consideration of \$7,200,000. The carrying value of the property as at 31 August 2013 was \$1,943,000 (2012: \$Nil). The sale was completed on 31 October 2013.

During the financial year ended 31 August 2011, the Group entered into a sale and purchase agreement to sell its leasehold building with gross floor area of approximately 6,454.8 sqm owned by a subsidiary located at PLO122 Jalan Cyber 5, Senai III Industrial Estate 81400 Senai, Johor Malaysia. Owing to circumstances beyond the Group's control, the asset which was expected to be sold in the previous financial year, has not been sold as at the reporting date. The management remains committed to its plan to sell the asset. As at 31 August 2013, the carrying value of the asset was \$1,965,000.

11. Assets of disposal group held for sale

Dilution of equity interest in Giken Sakata (S) Limited

On 23 August 2013, the Company's subsidiary, Giken Sakata (S) Limited ("Giken") entered into a placement agreement with DMG & Partners Securities Pte Ltd in relation to a proposed placement of up to 55,234,000 new ordinary shares in the capital of Giken ("New Giken Shares") ("Proposed Placement"), and a subscription agreement with Roots Capital Asia Limited in relation to a proposed subscription of 76,275,000 New Giken Shares ("Proposed Subscription"). Upon completion of the Proposed Placement and Proposed Subscription, the Company's equity interest in Giken will be diluted from 53.16% to 26.58% based on the enlarged issued share capital of Giken.

The dilution of the Company's equity interest in Giken is considered a deemed disposal of its interest in Giken and accordingly, the Group has accounted for Giken and its subsidiaries as a disposal group held for sale.

The disposal group does not represent a separate major line of business or geographical area of operations and is not part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Hence, the disposal group's operations were not considered as discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

11. Assets of disposal group held for sale (Continued)

Dilution of equity interest in Giken Sakata (S) Limited (Continued)

The major classes of assets and liabilities comprising the above disposal group classified as held for sale are as follows:

	2013
	\$'000
Assets	
Property, plant and equipment	4,920
Inventories	5,151
Trade receivables	9,509
Other receivables and prepayments	582
Cash and bank balances	4,026
Total assets of a disposal group classified as held for sale	24,188
Liabilities	
Trade and other payables	14,611
Provisions	510
Finance leases	467
Bank loans	1,914
Total liabilities of a disposal group classified as held for sale	17,502
Net assets	6,686

12. Investments in associates

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Unquoted equity shares at cost	3,821	3,751	138	68
Currency realignment	92	106	(18)	(19)
Share of post-acquisition accumulated losses	(997)	(930)	–	–
Share of post-acquisition other reserves	(45)	(46)	–	–
Allowance for impairment loss	(2,818)	(2,847)	–	–
	53	34	120	49

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

12. Investments in associates (Continued)

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	
			2013 %	2012 %
Miyoshi International Philippines, Inc. ⁽¹⁾	Property holding	Philippines	40	40
iNovuus Technologies Pte Ltd ⁽²⁾	System integration service provider, application and development solutions and e-commerce web development services	Singapore	29.43	–
<i>Held through Cerise Group Limited</i>				
Galaxy Pte Ltd ⁽³⁾	Developing, manufacturing and selling coating materials	British Virgin Islands	42.86	42.86
<i>Held through Galaxy Pte Ltd</i>				
SPN International Pte Ltd ⁽⁴⁾	Electroplating and plating of metals and formed products	Singapore	42.86	42.86

Notes:

- (1) Audited by BDO Alba Romeo & Co., Philippines.
- (2) Audited by J. Tan & Co., Singapore, for the financial year ended 31 August 2013. The associate is not considered a significant associate as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (3) Not required to be audited under the laws of its country of incorporation. The associate is not considered a significant associate as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (4) In the process of winding up under the High Court of Singapore since April 2012.

The Company disposed of its 63.56% equity interest in Inovuus Technologies Pte Ltd on 30 August 2013 and accordingly, the remaining equity interest of 29.43% has been classified as investment in associate as at end of the financial year (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

12. Investments in associates (Continued)

Summarised financial information of associates is set out below:

	Group	
	2013 \$'000	2012 \$'000
Assets	3,198	2,260
Liabilities	(7,158)	(6,262)
Revenue	–	–
Net loss for the financial year	(128)	(611)

In the previous financial year, the Company made an allowance for impairment of \$2,847,000 against the cost of its investment in SPN International Pte Ltd (“SPN”). SPN had planned to develop new surface coating materials, processes and related machinery to be used in a wide range of products including those from the data storage and consumer electronics industries. The floods in Thailand in October 2011 had severely damaged the production facilities of SPN’s product development partners and prospective end-customer, who have, as a result, decided to suspend further development for an indefinite period of time. Given the uncertainty as to whether the development work will re-start, and considering that SPN lacks the necessary funding to continue its operations, the Company had made full allowance for impairment in this investment.

13. Investment in joint venture

Details of the Company’s joint venture are as follows:

Joint venture	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2013 %	2012 %
<i>Held through Miyoshi Technologies Phils. Inc.</i>				
Miyoshi FL Systems, Inc. ⁽¹⁾	Manufacture and assembly of automated cash counting and dispensing machine components	Philippines	51	51

Note:

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

13. Investment in joint venture

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:

	Group	
	2013 \$'000	2012 \$'000
Assets		
Current assets	-	-
Non-current assets	-	1
Total assets	-	1
Liabilities		
Current liabilities	-	1,215
Net liabilities	-	(1,214)
Profit or loss		
Revenue	-	-
Other income	1,205	-
Expenses	(1)	(12)
Profit/(loss) before income tax	1,204	(12)
Income tax expense	-	-
Profit/(loss) for the financial year	1,204	(12)

14. Subsidiaries

	Company	
	2013 \$'000	2012 \$'000
Quoted equity shares, at cost	3,000	3,000
Unquoted equity shares, at cost	12,880	15,159
Advances	24,123	21,700
Currency alignment	(3,149)	(4,283)
	36,854	35,576
Allowance for impairment losses	(15,302)	(11,534)
	21,552	24,042

The management had performed a review on the recoverable amount of its investment in subsidiaries as at the end of the financial year. The review led to the recognition of impairment losses of investments in subsidiaries of \$947,000 (2012: \$547,000) and advances of \$2,440,000 (2012: \$6,946,000) in view of the operating losses sustained by the subsidiaries and negative cash flows projected for the next five years.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

14. Subsidiaries (Continued)

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 \$12,567,000 (2012: \$9,505,000) which are interest-free and with no fixed repayment terms;
- (b) advances of \$3,397,000 (2012: \$3,666,000) which bear interest between 4.05% and 5.00% 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 \$Nil (2012: \$545,000) which bear interest at 0.50% per annum with no fixed repayment terms. The amount pertains to loan given to Miyoshi Precision (Thailand) Co Ltd. which was liquidated during the financial year.
- (d) advances of \$4,610,000 (2012: \$4,312,000) which bear interest at 2.37% per annum. In the previous financial year, the advances were restructured with interest at 4.49% per annum with monthly repayment of principal over 72 equal monthly instalment of approximately \$92,000 starting July 2015;
- (e) advances of \$2,185,000 (2012: \$3,542,000) which bear interest at 2.29% per annum. In the previous financial year, the advances were restructured with interest at 4.24% per annum with monthly repayment of principal over 72 equal monthly instalment of approximately \$33,000 starting February 2014;
- (f) advances of \$1,364,000 (2012: \$Nil) which bear interest at 3.08% per annum with monthly repayment of principal over 36 equal monthly instalment of approximately \$37,000 starting September 2014; and
- (g) advances of \$Nil (2012: \$130,000) which bear interest at 1.79% per annum was fully repaid in the current financial year.

The advances to subsidiaries are unsecured.

It is not practicable to determine the fair value of advances in (a) to (c) as they have no fixed term of repayment. The carrying amounts of advances in (d) and (f) approximate their fair value.

Movements in the allowance for impairment losses in investments in subsidiaries are as follows:

	Company	
	2013	2012
	\$'000	\$'000
At beginning of financial year	4,658	4,815
Addition during the financial year	934	547
Currency realignment	215	(704)
At end of financial year	5,807	4,658

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

14. Subsidiaries (Continued)

Movements in the allowance for impairment losses in advances given to subsidiaries is as follows:

	Company	
	2013	2012
	\$'000	\$'000
At beginning of financial year	6,876	–
Addition during the financial year	2,440	6,946
Currency realignment	179	(70)
At end of financial year	9,495	6,876

The amount provided for is recognised in the Company's profit or loss and reported under the subsidiaries' business segments as follows:

	Company	
	2013	2012
	\$'000	\$'000
Data storage	2,503	6,971
Consumer electronics	742	242
Automotive and others	129	280

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

	Company	
	2013	2012
	\$'000	\$'000
Singapore dollar	3,637	3,623
Japanese yen	180	221
Thailand baht	1,364	567

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

14. Subsidiaries (Continued)

Details of the Company's subsidiaries are as follows:

Name of subsidiary/Country of incorporation and operations	Principal activities	Proportion of ownership interest and voting power held	
		2013 %	2012 %
<i>Held by Miyoshi Precision Limited</i>			
Miyoshi Saitoh Pte Ltd ⁽¹⁾ Singapore	Investment holding and trading of machine	100	100
Miyoshi Precision (Malaysia) Sdn. Bhd ⁽²⁾ Malaysia	Metal stamping, fabrication of parts and components of machine tools	100	100
Miyoshi Technologies Phils., Inc. ⁽³⁾ Philippines	Metal stamping, fabrication of parts and components of machine tools	100	100
Miyoshi Precision (Thailand) Co., Ltd. ⁽⁴⁾ Thailand	Metal stamping and plastic injection moulding	–	70
Miyoshi Hi-Tech Co., Ltd ⁽⁵⁾ Thailand	Metal stamping	80	80
iNovuus Technologies Pte Ltd ⁽⁶⁾ Singapore	System integration service provider, application and development solutions and e-commerce web development services	–	92.99
Giken Sakata (S) Limited ⁽¹⁾ Singapore	Manufacture of parts and assembly of mechanisms for electronic products	53.16	53.16
Cerise Group Limited ⁽⁷⁾ British Virgin Islands	Investment holding	100	100
<i>Held through Miyoshi Saitoh Pte Ltd</i>			
Wuxi Miyoshi Precision Co., Ltd. ⁽⁸⁾ People's Republic of China	Metal stamping and plastic injection moulding	100	100
Miyoshi Precision Huizhou Co., Ltd ⁽⁸⁾ People's Republic of China	Metal stamping and assembly of electronic components	51	51
<i>Held through Wuxi Miyoshi Precision Co., Ltd.</i>			
Miyoshi Precision Huizhou Co., Ltd ⁽⁸⁾ People's Republic of China	Metal stamping and assembly of electronic components	49	49

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

14. Subsidiaries (Continued)

Name of subsidiary/Country of incorporation and operations	Principal activities	Proportion of ownership interest and voting power held	
		2013 %	2012 %
<i>Held through Giken Sakata (S) Limited</i>			
Changzhou Giken Precision Co., Ltd. ⁽⁸⁾ People's Republic of China	Manufacturing and sale of microshafts and other precision parts	50.50	50.50
PT Giken Precision Indonesia ⁽⁹⁾ Indonesia	Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products	53.16	53.16
Giken Precision Vietnam (HCMC) Co, Ltd. ⁽¹⁰⁾ Vietnam	Dormant	53.16	53.16

Notes:

- (1) Audited by BDO LLP, Singapore.
- (2) Audited by BDO, Malaysia.
- (3) Audited by BDO Alba Romeo & Co., Philippines.
- (4) Not audited as the subsidiary is under voluntary winding up. Winding up was completed on 1 October 2012.
- (5) Audited by BDO Limited, Thailand.
- (6) The Company disposed of its 63.56% equity interest on 30 August 2013, and accordingly, it is classified as investment in associate as at 31 August 2013 (Note 12).
- (7) Not considered as a significant subsidiary as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (8) Audited by BDO China Shu Lun Pan Certified Public Accountants, People's Republic of China, for consolidation purposes.
- (9) Audited by Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International.
- (10) Has not commenced operations since date of incorporation, not required to be audited under the laws of country of incorporation.

Disposal of subsidiaries

On 30 August 2013, the Company disposed of its 63.56% equity interest in iNovuus Technologies Pte Ltd ("iNovuus") for a cash consideration of \$100,000. Accordingly, the remaining equity interest of 29.43% has been classified as investment in associate as at the end of the financial year (Note 12).

In the previous financial year, the Company disposed of its entire 60% equity interest in AWP Precision Engineering Pte Ltd ("AWP") for a cash consideration of \$1,440,000. Accordingly, AWP ceased to be subsidiary of the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

14. Subsidiaries (Continued)

Disposal of subsidiaries (Continued)

The carrying amounts of the identifiable assets and liabilities of iNovuus and AWP as at the date of disposal were:

	Carrying amounts before disposal	
	iNovuus 2013 \$'000	AWP 2012 \$'000
Property, plant and equipment (Note 16)	64	1,566
Trade and other receivables	823	1,868
Inventories	62	286
Cash and cash equivalents	53	352
	1,002	4,072
Less:		
Trade and other payables	729	1,600
Deferred revenue	35	–
Bank loans and finance leases	–	470
Net identifiable assets	238	2,002

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

Net identifiable assets disposed (as above)	238	2,002
Transferred to investment in associate	(70)	–
Non-controlling interest	(17)	(801)
(Loss)/Gain on disposal (Note 33, 31)	(51)	239
Cash proceeds from disposal	100	1,440
Cash and bank balances	(53)	(352)
Cash flow on disposal, net of cash disposed	47	1,088

15. Available-for-sale financial assets

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
<i>Unquoted equity shares</i>				
At beginning of financial year	20	59	4	4
Currency realignment	–	3	–	–
Gain on fair value change of available-for-sale financial assets	(2)	–	–	–
Impairment loss for the financial year	–	(42)	–	–
At end of financial year	18	20	4	4

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

16. Property, plant and equipment

	Freehold land \$'000	Freehold buildings and improvements \$'000	Leasehold land and buildings \$'000	Plant and equipment \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Group								
Cost:								
At 1 September 2011	1,745	6,077	16,196	47,807	2,490	1,465	3,203	78,983
Currency realignment	27	64	763	1,153	101	56	(60)	2,104
Additions	-	570	238	5,788	346	34	280	7,256
Transfer from construction-in- progress	-	119	2,545	541	140	19	(3,364)	-
Disposal of subsidiary	-	-	(432)	(4,944)	(40)	(160)	-	(5,576)
Disposals/Write-offs	-	(237)	(1,095)	(5,195)	(808)	(109)	(7)	(7,451)
At 31 August 2012	1,772	6,593	18,215	45,150	2,229	1,305	52	75,316
Reclassification	-	-	5,860	40,175	2,362	818	-	49,215
Currency realignment	11	23	565	917	57	34	-	1,607
Additions	-	26	140	2,349	332	139	905	3,891
Transfer from construction-in- progress	-	-	41	32	-	-	(73)	-
Reclassified as held for sale	-	-	(9,152)	(35,346)	(2,069)	(676)	-	(47,243)
Disposal of subsidiary	-	-	-	-	(200)	(42)	-	(242)
Disposals/Write-offs	-	-	(3,318)	(6,291)	(121)	(112)	(104)	(9,946)
At 31 August 2013	1,783	6,642	12,351	46,986	2,590	1,466	780	72,598

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

16. Property, plant and equipment (Continued)

	Freehold land \$'000	Freehold buildings and improvements \$'000	Leasehold land and buildings \$'000	Plant and equipment \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Group								
Accumulated depreciation and impairment:								
At 1 September 2011	-	1,702	6,028	33,557	266	742	-	42,295
Currency realignment	-	(11)	253	673	190	29	-	1,134
Depreciation for the financial year	-	402	887	5,311	327	242	-	7,169
Disposal of subsidiary	-	-	(78)	(3,801)	(20)	(111)	-	(4,010)
Disposals/Write-offs	-	(186)	(901)	(4,717)	(793)	(104)	-	(6,701)
Impairment loss	-	-	1,756	(223)	93	17	-	1,643
At 31 August 2012	-	1,907	7,945	30,800	63	815	-	41,530
Reclassification	-	-	5,860	40,175	2,362	818	-	49,215
Currency realignment	-	(11)	308	672	40	27	-	1,036
Depreciation for the financial year	-	413	854	4,643	366	221	-	6,497
Reclassification as held for sale	-	-	(6,955)	(32,806)	(1,890)	(672)	-	(42,323)
Disposal of subsidiary	-	-	-	-	(136)	(42)	-	(178)
Disposals/Write-offs	-	-	(1,375)	(5,965)	(110)	(69)	-	(7,519)
Impairment loss	-	-	1,251	(105)	(105)	(17)	-	1,024
At 31 August 2013	-	2,309	7,888	37,414	590	1,081	-	49,282
Net carrying value:								
At 31 August 2012	1,772	4,686	10,270	14,350	2,166	490	52	33,786
At 31 August 2013	1,783	4,333	4,463	9,572	2,000	385	780	23,316

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

16. Property, plant and equipment (Continued)

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Company						
Cost:						
At 1 September 2011	7,367	12,990	1,477	689	9	22,532
Currency realignment	290	511	58	27	–	886
Additions	114	977	75	–	52	1,218
Transfer from construction-in-progress	–	18	–	–	(18)	–
Disposals/Write-offs	–	(2,288)	(516)	–	–	(2,804)
At 31 August 2012	7,771	12,208	1,094	716	43	21,832
Currency realignment	132	208	19	12	–	371
Additions	68	455	9	–	259	791
Transfer from construction-in-progress	41	28	–	–	(69)	–
Reclassification as held for sale	(3,318)	–	–	–	–	(3,318)
Disposals/Write-offs	–	(4,460)	(34)	(41)	(105)	(4,640)
At 31 August 2013	4,694	8,439	1,088	687	128	15,036
Accumulated depreciation:						
At 1 September 2011	3,532	10,152	1,203	282	–	15,169
Currency realignment	136	393	45	10	–	584
Depreciation for the financial year	261	650	109	133	–	1,153
Disposals/Write-offs	–	(2,171)	(515)	–	–	(2,686)
At 31 August 2012	3,929	9,024	842	425	–	14,220
Currency realignment	73	170	18	10	–	271
Depreciation for the financial year	241	620	108	123	–	1,092
Reclassification as held for sale	(1,375)	–	–	–	–	(1,375)
Disposals/Write-offs	–	(3,725)	(34)	(23)	–	(3,782)
At 31 August 2013	2,868	6,089	934	535	–	10,426
Net carrying value:						
At 31 August 2012	3,842	3,184	252	291	43	7,612
At 31 August 2013	1,826	2,350	154	152	128	4,610

During the financial year, the Group acquired plant and equipment amounting to \$3,891,000 (2012: \$7,256,000) of which cash payments of \$3,753,000 (2012: \$6,288,000) were made to purchase the plant and equipment and the remaining were purchased by means of finance leases and loans.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

16. Property, plant and equipment (Continued)

At the end of the financial year, included in the Group's and the Company's plant and equipment and motor vehicles are items with aggregate net carrying value of \$265,000 (2012: \$612,000) and \$265,000 (2012: \$396,000) respectively purchased under finance lease arrangements.

In the previous financial year, the Group had insurance claims amounting to \$1,042,000 as compensation for plant and equipment damaged by the floods in Thailand in October 2011.

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
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
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
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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

17. Intangible assets

	Customer list \$'000	Trade name and know-how \$'000	Total \$'000
Group			
Cost:			
At 1 September 2011, 31 August 2012 and 31 August 2013	633	654	1,287
Accumulated amortisation:			
At 1 September 2011	422	436	858
Amortisation for the financial year	211	218	429
At 31 August 2012 and 31 August 2013	633	654	1,287
Net carrying value:			
At 31 August 2012 and At 31 August 2013	–	–	–

The amortisation expense for the financial year is included in “other operating expenses” in the Group’s profit or loss.

18. Deferred tax assets

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

	Unutilised tax losses \$'000	Others \$'000	Total \$'000
Group			
At 1 September 2011	30	–	30
Currency realignment	(2)	–	(2)
Charge to profit or loss	–	(18)	(18)
At 31 August 2012	28	(18)	10
Currency realignment	–	(1)	(1)
Charge to profit or loss	–	41	41
At 31 August 2013	28	22	50

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

19. Loans receivable

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Third party	–	1,647	–	–
Associate	2,643	2,582	2,313	2,257
Joint venture	–	1,013	–	–
Allowance for doubtful loans receivable	(330)	(2,985)	–	–
	2,313	2,257	2,313	2,257

The loans receivable from associate included an amount of \$2,050,000 (2012: \$1,995,000) 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% (2012: 2%) per annum.

Also included in the loans receivable from associate is an amount of \$593,000 (2012: \$587,000) 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 in the previous financial year were given to support the activities of the joint venture. These loans were unsecured, repayable on demand and not expected to be repaid within the next 12 months. The loans were subject to interest at 2.29% per annum. In the current financial year, these loans have been written off against the allowance which was recognised in the previous financial year.

The loans receivable from a third party in the previous financial year of \$1,647,000 comprised amounts given to the joint venture partner to support the activities of the joint venture. These loans were unsecured, repayable on demand and not expected to be repaid within the next 12 months. The loans were subject to interest at 2.29% per annum. In the current financial year, these loans have been written off against the allowance which was recognised in the previous financial year.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

19. Loans receivable (Continued)

Movements in the allowance for doubtful loans receivable are as follows:

	Group	
	2013	2012
	\$'000	\$'000
At beginning of financial year	2,985	2,560
Bad receivables written off	(2,638)	–
Charge to profit or loss	–	328
Currency realignment	(17)	97
At end of financial year	330	2,985
Comprising:		
- third party	–	1,647
- associate	330	235
- joint venture	–	1,103
	330	2,985

The management has performed a review on the recoverable amount of its loan receivables as at the end of financial year. The review led to the recognition of impairment losses \$Nil (2012: \$328,000) in view of the operating losses sustained by the associate and joint venture and lack of immediate funds of the joint venture partner. Allowance for doubtful loans receivable was recognised in profit or loss in “other operating expenses”.

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	
	2013	2012
	\$'000	\$'000
Singapore dollar	263	263

20. Bank overdrafts

	Group	
	2013	2012
	\$'000	\$'000
Secured	578	806

The bank overdrafts bear interest at 7.10% (2012: 7.18%) per annum and are secured by legal charges over the leasehold land and building of a subsidiary at No. 4, Jalan Wira, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia and supported by a corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

20. Bank overdrafts (Continued)

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

	Group	
	2013 \$'000	2012 \$'000
Malaysia ringgit	578	800
Thailand baht	–	6

21. Trade payables

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Third parties	7,968	24,220	2,390	3,441
Subsidiaries	–	–	354	388
Related party	10	2	6	2
	7,978	24,222	2,750	3,831

Trade payables to third parties are non-interest bearing and are normally settled on 30 to 60 (2012: 30 to 60) days terms.

The amounts due to subsidiaries 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
United States dollar	723	10,553	–	–
Singapore dollar	771	1,401	827	1,462
Japanese yen	–	350	–	2
Malaysia ringgit	–	300	–	–
Euro	9	297	9	–
Chinese renminbi	–	1,863	–	–
Indonesia rupiah	–	413	–	–
Others	4	37	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

22. Other payables and accruals

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Accrued wages and salaries	1,075	991	413	614
Other accrued expenses	1,524	3,230	472	358
Third parties	1,705	1,638	257	341
Subsidiaries	–	–	15	49
Associate	3	–	3	–
Related parties	6	37	1	20
	4,313	5,896	1,161	1,382

Other payables 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	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
United States dollar	–	171	–	–
Singapore dollar	1,891	1,070	1,129	1,171
Japanese yen	4	32	–	20
Malaysia ringgit	225	262	–	–
Philippine peso	668	886	–	–
Chinese renminbi	–	258	–	–

23. Provisions

	Group	
	2013 \$'000	2012 \$'000
Provision for retirement gratuities	–	252
Provision for employee service entitlement benefits	260	245
Provision for legal claim	–	310
	260	807
Less: Current portion	–	(344)
Non-current portion	260	463

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

23. Provisions (Continued)

- (a) Provision for retirement gratuities

	Group	
	2013	2012
	\$'000	\$'000
At beginning of financial year	252	252
Utilised during the financial year	–	–
Addition during the financial year	–	–
Reclassified to liabilities of a disposal group held for sale	(252)	–
At end of financial year	–	252
Less: Current portion	–	(34)
Non-current portion	–	218

- (b) Provision for employee service entitlement benefits

	Group	
	2013	2012
	\$'000	\$'000
<u>Defined benefit plan</u>		
Present value of defined benefit obligation	449	568
Unrecognised net actuarial losses	(201)	(272)
Currency alignment	12	–
Unrecognised past service cost non-vested	–	(51)
Net benefit liability	260	245

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

	Group	
	2013	2012
	\$'000	\$'000
At beginning of financial year	245	228
Current service cost	61	38
Current employment benefit cost	275	–
Interest cost	41	11
Net actuarial gains recognised	(5)	(1)
Amortisation - net	5	5
Benefits paid	(89)	(36)
Currency realignment	(15)	–
Reclassified to liabilities of a disposal group held for sale	(258)	–
At end of financial year	260	245

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

23. Provisions (Continued)

- (b) Provision for employee service entitlement benefits (Continued)

The cost of providing for employee benefits is calculated by independent actuaries. The actuarial valuations were carried out using the following key assumptions:

	Group	
	2013	2012
Financial assumptions:		
- Annual discount rate	5%	10%
- Annual salary growth rate	5%	5%
Demographic assumptions:		
- Table of mortality	TMI II-2000	TMI II-2000
- Turnover rate	2.5%	2.5%
- Normal retirement age	55-60 years	55 years

As at 31 August 2013, the provision for retirement gratuities and certain provision for employee service entitlement benefits were classified as liabilities of a disposal group held for sale (Note 11).

- (c) Provision for legal claim

	Group	
	2013 \$'000	2012 \$'000
At beginning of financial year	310	2,117
Reversal during the financial year	(39)	(381)
Utilised during the financial year	(269)	(1,456)
Currency realignment	(2)	30
At end of financial year	-	310

In the financial year 2010, a supplier (the "Claimant") of Miyoshi Precision (Malaysia) Sdn Bhd. ("MPM"), a subsidiary of the Company, had commenced arbitration proceedings against MPM for certain alleged breaches of a sale and purchase agreement for equipment to be supplied to MPM at a consideration of US\$1,530,000 (\$1,930,840 equivalent) (the "Consideration").

In financial year 2011, the Claimant had submitted a statement of claim to the arbitrator for the remaining balance of the Consideration of US\$1,520,000 (\$1,918,220 equivalent); losses and damages of an additional NTD837,669 (\$35,753 equivalent) for transportation costs, storage fees and costs of returning the equipment from customs, further losses and damages to be assessed, including interests and costs.

In the previous financial year, the arbitrator issued the final award and adjudged that MPM shall pay the Claimant compensation pursuant to breaches of the sale and purchase agreement. As at the end of the current financial year, the management had made full payment of the damages and interest and no further claims shall be made by the Claimant against the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

24. Finance leases

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Amounts payable under finance leases</u>								
Within one year	101	773	97	755	101	246	97	234
In the second to fifth year inclusive	47	626	45	621	47	159	45	154
After five years	–	–	–	–	–	–	–	–
Less: Future finance charges	(6)	(23)	–	–	(6)	(17)	–	–
Present value of lease obligations	<u>142</u>	<u>1,376</u>	<u>142</u>	<u>1,376</u>	<u>142</u>	<u>388</u>	<u>142</u>	<u>388</u>
Less: Current portion			<u>(97)</u>	<u>(755)</u>			<u>(97)</u>	<u>(234)</u>
Non-current portion			<u>45</u>	<u>621</u>			<u>45</u>	<u>154</u>

The finance lease terms range from 2 to 10 (2012: 2 to 10) years. In the current financial year, the finance lease liabilities of \$467,000 were reclassified to liabilities of a disposal group classified as held for sale (Note 11).

The rate of interest for the Group and the Company ranges from 4.15% to 4.76% (2012: 2.40% to 6.66%) per annum. The finance leases are secured on the plant and equipment purchased under finance lease arrangements (Note 16).

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	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	82	179	82	179
Chinese renminbi	–	49	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

25. Bank loans

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Secured				
Bank loan I	466	531	–	–
Bank loan II	715	813	–	–
Bank loan III	–	1,388	–	–
Bank loan IV	–	929	–	–
Bank loan V	–	518	–	–
Bank loan VI	–	277	–	–
Bank loan VII	–	198	–	–
	1,181	4,654	–	–
Unsecured				
Bank loan VIII	37	–	37	–
Bank loan IX	28	–	28	–
Bank loan X	650	1,000	650	1,000
Bank loan XI	1,011	1,004	1,011	1,004
Bank loan XII	1,004	1,007	1,004	1,007
Bank loan XIII	1,006	1,009	1,006	1,009
Bank loan XIV	1,006	1,004	1,006	1,004
	5,923	9,678	4,742	5,024
Current portion	(4,865)	(7,032)	(4,742)	(5,024)
Non-current portion	1,058	2,646	–	–

Bank loan I bears interest at 6.60% (2012: 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 supported by a corporate guarantee by the Company.

Bank loan II bears interest at 6.62% (2012: 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 supported by a corporate guarantee by the Company.

Bank loans III to V bear interest at 4.25% (2012: 4.25%) 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 VI bears interest at 6.28% (2012: 6.28%) per annum and is repayable in 12 monthly instalments commencing January 2013. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

25. Bank loans (Continued)

Bank loan VII bears interest at 6.28% (2012: 6.28%) per annum and is repayable in 12 monthly instalments commencing August 2013. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd.

Bank loan VIII bears interest ranging 1.93% (2012: Nil%) per annum and is repayable in September 2013.

Bank loan IX bears interest ranging 1.94% (2012: Nil%) per annum and is repayable in October 2013.

Bank loan X bears interest at 3.60% (2012: 3.60%) per annum and is repayable 3 months after the date of drawdown in June 2013, with option to rollover for another 3 months.

Bank loan XI bears interest at 2.52% (2012: 2.24%) per annum and is repayable 6 months after the date of drawdown in April 2013, with option to rollover for another 6 months.

Bank loan XII bears interest at 2.27% (2012: 2.27%) per annum and is repayable 6 months after the date of drawdown in June 2013, with option to rollover for another 6 months.

Bank loan XIII bears interest at 3.30% (2012: 2.75%) per annum and is repayable 3 months after the date of drawdown in July 2013, with option to rollover for another 3 months.

Bank loan XIV bears interest at 3.94% (2012: 4.04%) per annum and is repayable 6 months after the date of drawdown in July 2013, with option to rollover for another 6 months.

Bank loans III to VII represent loans of Giken Sakata (S) Limited. As at 31 August 2013, these loans were reclassified as liabilities of a disposal group held for sale (Note 11).

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		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Singapore dollar	4,742	7,860	4,742	5,024
Malaysia ringgit	1,181	1,343	–	–
Chinese renminbi	496	474	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

26. Other loan

Other loan is repayable as follows:

	Group	
	2013 \$'000	2012 \$'000
Within one year	–	239
After one year but within five years	337	–
	337	239

In the current financial year, the Group has obtained a loan from a non-controlling shareholder of a subsidiary, Miyoshi Hi-Tech Co., Ltd. The loan is unsecured, bears interest of 3.08% per annum and is repayable over 3 years.

In the previous financial year, the Group obtained a loan from a non-controlling shareholder of a subsidiary, Miyoshi Precision (Thailand) Co., Ltd. The loan was unsecured, bore interest of 0.5% (2012: 0.5%) per annum and was repayable over 3 years. The loan was fully settled during the current financial year.

The carrying amount of the loan approximates its fair value.

Other loan is denominated in Thailand baht.

27. Deferred tax liabilities

	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000
Group and Company			
At 1 September 2011	342	(18)	324
Currency realignment	13	–	13
(Credit)/Charge to profit or loss	(355)	18	(337)
At 31 August 2012 and 31 August 2013	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

28. Share capital and reserves

Share capital and treasury reserves

	Group and Company			
	2013		2012	
	Number of ordinary shares '000	\$'000	Number of ordinary shares '000	\$'000
Issued and fully paid:				
Share capital	420,670	37,389	420,670	37,389
Treasury shares	(499)	(55)	(499)	(55)
	420,171	37,334	420,171	37,334

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

Reserves

	Group	
	2013 \$'000	2012 \$'000
Fair value reserve		
At beginning and end of financial year	(10)	(10)
Fair value adjustment	2	-
At end of financial year	(8)	(10)
Other reserve		
At beginning of financial year	1,076	918
Transfer from retained earnings	(13)	158
At end of financial year	1,063	1,076
Share options reserve		
At beginning of financial year	505	549
Share options lapsed	(31)	(44)
At end of financial year	474	505
Currency translation reserve		
At beginning of financial year	(13,597)	(15,507)
Net effect of translating foreign operations	969	2,013
Non-controlling interests	(212)	(103)
At end of financial year	(12,840)	(13,597)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

28. Share capital and reserves (Continued)

Reserves (Continued)

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

(b) Other reserve comprises 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 29). 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

	Group	
	2013 \$'000	2012 \$'000
Distributable	22,218	27,026
Non-distributable	(584)	(532)
	<u>21,634</u>	<u>26,494</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

28. Share capital and reserves (Continued)

Reserves (Continued)

(e) Retained earnings (Continued)

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

	Company	
	2013 \$'000	2012 \$'000
At beginning of financial year	21,961	23,812
Net loss for the financial year	(13,042)	(1,851)
At end of financial year	8,919	21,961

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

29. 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 2013

29. Share-based payments (Continued)

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

	Group and Company			
	2013		2012	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Outstanding at beginning of financial year	4,650,000	0.233	5,096,000	0.227
Forfeited during the financial year	(396,000)	0.216	(446,000)	0.219
Outstanding at end of financial year	<u>4,254,000</u>	0.234	<u>4,650,000</u>	0.233
Exercisable at end of financial year	<u>4,254,000</u>		<u>4,650,000</u>	

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 2.79 (2012: 3.63) 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 2013

30. Revenue

	Group	
	2013	2012
	\$'000	\$'000
Sales of goods	182,101	153,799
Revenue from services rendered	8,270	5,558
	190,371	159,357

31. Other income

	Group	
	2013	2012
	\$'000	\$'000
Gain on disposal of plant and equipment	216	67
Gain on disposal of a subsidiary	–	239
Gain on deconsolidation of subsidiary	127	–
Income from sales of scrap	996	1,162
Interest income from an associate	24	26
Interest income from bank deposits	282	256
Insurance claim, net	517	1,042
Provision for legal claim no longer required	39	381
Rental income	112	110
Miscellaneous income	382	428
	2,695	3,711

32. Employee benefit expenses

	Group	
	2013	2012
	\$'000	\$'000
Short-term benefits	29,529	26,351
Post-employment benefits	1,860	1,800
	31,389	28,151

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 2013

33. Other operating expenses

	Group	
	2013 \$'000	2012 \$'000
Allowance for doubtful trade receivables	16	371
Allowance for doubtful other receivables	–	98
Allowance for doubtful loan receivables	–	328
Allowance for/(Reversal of) inventory obsolescence	77	(496)
Allowance for impairment of property, plant and equipment	1,024	1,643
Allowance for impairment of investment in associate	–	2,847
Allowance for impairment of disposal group	2,100	–
Allowance for impairment of quoted investment	–	42
Amortisation of intangible assets	–	429
Bad trade receivables written off	1	231
Insurance expense	391	369
Loss on disposal of interest in subsidiary	51	–
(Gain)/Loss on foreign exchange, net	(43)	46
Repairs and maintenance	1,571	1,795
Office expenses	586	604
Operating lease expense	247	375
Professional fees	1,287	1,140
Plant and equipment written off	22	–
Supplies and services	8,353	9,458
Transportation and travelling	2,104	2,164
Utilities	5,696	5,797
Others	1,715	1,297
	25,198	28,538

34. Finance costs

	Group	
	2013 \$'000	2012 \$'000
Interest expense on:		
- bank loans	359	455
- bank overdraft	72	62
- finance leases	48	88
	479	605

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

35. Income tax expense

	Group	
	2013 \$'000	2012 \$'000
Current tax		
- Current year	205	582
- Over provision in prior years	(435)	(334)
	(230)	248
Deferred tax		
- Current year	59	-
- Over provision in prior years	(100)	(319)
	(41)	(319)
Withholding tax	303	91
	32	20

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.

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

	Group	
	2013 \$'000	2012 \$'000
Loss before income tax	(4,622)	(7,303)
Income tax calculated at statutory tax rate of 17%	(786)	(1,241)
Effect of different tax rates of overseas operations	62	(498)
Expenses not deductible for income tax purposes	769	3,277
Income not subject to tax	(513)	(697)
Income tax exemptions	(374)	(917)
Deferred tax assets not recognised in profit or loss	1,466	463
Utilisation of deferred tax assets previously not recognised	-	(6)
Overprovision of current income tax in prior years	(435)	(334)
Overprovision of deferred income tax in prior years	(100)	(319)
Withholding tax	303	91
Other items	(360)	201
	32	20

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

35. Income tax expense (Continued)

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

	Group	
	2013 \$'000	2012 \$'000
Unutilised tax losses	29,706	21,087
Deferred tax benefits not recognised	5,050	3,584

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

The future income tax benefits of the Group's tax loss carryforwards as at 31 August 2013 is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders.

As at 31 August 2012, tax losses with an aggregate amount of \$91,000 will expire in 2016. These tax losses are in respect of a subsidiary included as part of a disposal group held for sale as at 31 August 2013 (Note 11).

36. Loss for the financial year

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

	Group	
	2013 \$'000	2012 \$'000
Audit fees:		
Auditors of the Company	170	183
Other auditors	92	92
Non-audit fees:		
Auditors of the Company	24	23
Other auditors	137	25
Directors' remuneration:		
Directors of the Company	675	672
Other directors of the subsidiaries	760	1,201
Directors' fees:		
Directors of the Company	312	-
Other directors of the subsidiaries	145	167

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

36. Loss for the financial year (Continued)

Number of Directors in remuneration bands is as follows:

	Group	
	2013	2012
\$250,000 to \$499,999	1	3
Below \$250,000	3	3
Total	4	6

37. Loss per share

(a) Basic earnings per share

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

	Group	
	2013	2012
Loss attributable to owners of the parent (\$'000)	(4,904)	(7,410)
Actual number of ordinary shares in issue ('000)	420,171	420,171
Basic loss per share (cents per share)	(1.17)	(1.76)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, loss 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).

Diluted loss per share is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the shares conversion would be to decrease the loss per share.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

38. Dividends

The Directors of the Company did not recommend any dividend in respect of the financial year ended 31 August 2012.

Subsequent to 31 August 2013, the Directors of the Company recommended a final tax-exempt dividend be paid at \$0.004 (2012: \$Nil) per ordinary share. The proposal is subject to the approval of shareholders at the Annual General Meeting.

39. Contingent liabilities

Corporate guarantees

As at 31 August 2013, the Company has given corporate guarantees of \$1,895,000 (2012: \$2,360,000) to financial institutions and a certain supplier in connection with facilities granted by the latter to the subsidiaries. The Directors are of the view that no material losses will arise from these contingent liabilities.

40. Operating lease arrangements

The Group and the Company as a lessee

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under operating leases included in profit or loss	1,470	1,595	200	159

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

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Within one year	1,186	679	163	158
In the second to fifth year inclusive	1,624	1,105	585	631
After five years	4,419	4,920	3,006	3,470
	7,229	6,704	3,754	4,259

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 2013

40. Operating lease arrangements (Continued)

The Group as a lessor

	Group	
	2013	2012
	\$'000	\$'000
Minimum lease income under operating leases included in profit or loss	80	80

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

	Group	
	2013	2012
	\$'000	\$'000
Within one year	80	80
In the second to fifth year inclusive	53	137
	133	217

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.

41. Group segmental information

41.1 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 operating profit or loss which is similar to the accounting profit or loss.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

41. Group segmental information (Continued)

41.1 Analysis by Business Segments (Continued)

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.

Segment assets and segment liabilities as at 31 August 2013 exclude the assets and liabilities of a disposal group held for sale.

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

- (i) Data Storage;
- (ii) Consumer Electronics;
- (iii) Medical; and
- (iv) Automotive, Microshaft and Others.

The Group adopts these four business segments for segment reporting.

The revenue from two customers of the Group's data storage segment represents approximately \$28,103,000 (2012: \$23,075,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

41. Group segmental information (Continued)

41.1 Analysis by Business Segments (Continued)

	Data Storage		Consumer Electronics		Medical		Automotive, Microshaft and others		Unallocated		Group	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Revenue												
External sales	40,118	42,463	124,225	85,343	4,487	4,524	21,541	27,027	-	-	190,371	159,357
Results												
Segment results	(2,803)	(1,733)	(2,949)	(4,568)	1,170	976	184	(1,393)	-	-	(4,398)	(6,718)
Interest expense	-	-	-	-	-	-	-	-	(479)	(605)	(479)	(605)
Interest income	-	-	-	-	-	-	-	-	306	282	306	282
Share of results of associates	-	-	-	-	-	-	-	-	(51)	(262)	(51)	(262)
Loss before income tax	(2,803)	(1,733)	(2,949)	(4,568)	1,170	976	184	(1,393)	(224)	(585)	(4,622)	(7,303)
Income tax expense											(32)	(20)
Loss for the financial year											(4,654)	(7,323)
Allowance for impairment of:												
- trade and other receivables	-	-	16	-	-	-	-	797	-	-	16	797
- available-for-sale financial assets	-	-	-	42	-	-	-	-	-	-	-	42
- plant and equipment	-	-	1,024	2,565	-	-	-	(922)	-	-	1,024	1,643
- investment in associate	-	-	-	-	-	-	-	2,847	-	-	-	2,847
- disposal group	443	-	1,370	-	49	-	238	-	-	-	2,100	-
(Reversal)/												
Allowance for inventory obsolescence	73	(410)	4	(40)	-	-	-	(46)	-	-	77	(496)
Depreciation	3,316	3,369	2,189	2,329	1	3	991	1,468	-	-	6,497	7,169
Amortisation	-	-	-	429	-	-	-	-	-	-	-	429
Segment assets	34,836	43,241	20,843	45,339	-	907	7,378	12,486	4,246	78	67,303	102,051
Segment assets includes:												
Investment in associates	-	-	-	-	-	-	-	-	53	34	53	34
Non-current assets held for sale	-	-	-	-	-	-	-	-	3,908	1,932	3,908	1,932
Additions to:												
- Capital expenditure	820	1,886	2,539	3,791	92	201	440	1,378	-	-	3,891	7,256
Segment liabilities	2,973	4,385	3,812	15,860	-	387	5,766	10,373	7,012	12,451	19,563	43,456

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2013

41. Group segmental information (Continued)

41.2 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	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	117,406	94,897	6,787	9,918	736	1,457
Thailand	24,098	18,482	6,886	7,050	74	2,888
China	14,773	19,417	5,625	8,289	392	299
Philippines	10,802	9,248	6,444	6,496	470	1,381
Indonesia	9,114	1,642	–	2,664	761	878
Germany	5,682	6,261	–	–	–	–
Malaysia	1,942	3,791	8	1,758	1,458	353
Japan	1,150	1,682	–	–	–	–
Others	5,404	3,937	–	–	–	–
	190,371	159,357	25,750	36,175	3,891	7,256

42. Events after the reporting period

- 42.1 On 22 October 2013, Giken had completed the allotment and issuance of 131,509,000 New Giken Shares pursuant to the Placement and Subscription. Accordingly, the Company's shareholding interest in Giken, comprising 69,911,600 Giken shares, had been diluted from 53.16% to 26.58%. Pursuant to the completion, Giken has ceased to be a subsidiary of the Company and has become an associate of the Company.
- 42.2 On 20 November 2013, the Company sold its entire 499,000 treasury shares for cash and the sale proceeds were used for the working capital purpose. Following the sale, the total number of issued and fully paid ordinary shares is 420,669,490 shares and the Company does not hold any treasury shares.

STATISTICS OF SHAREHOLDINGS

As at 28 November 2013

Class of equity securities	:	Ordinary Shares
No. of equity securities	:	420,669,490
Voting Rights	:	One vote per share

As at 28 November 2013, the Company does not hold any treasury shares.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	128	4.38	23,086	0.01
1,000 - 10,000	1,229	42.00	6,329,649	1.50
10,001 - 1,000,000	1,547	52.87	108,886,631	25.88
1,000,001 and above	22	0.75	305,430,124	72.61
TOTAL	2,926	100.00	420,669,490	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Substantial shareholders				
Miyoshi Industry Co., Ltd	99,509,290	23.65	–	–
Masayoshi Taira	–	–	99,509,290	23.65
Sin Kwong Wah Andrew	76,439,000	18.17	63,444,000	15.08
Pek Yee Chew	31,269,000	7.43	108,614,000	25.82

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 30,175,000 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 28 November 2013

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MIYOSHI INDUSTRY CO LTD	99,509,290	23.65
2	SIN KWONG WAH ANDREW	76,439,000	18.17
3	DBS NOMINEES PTE LTD	32,590,629	7.75
4	PEK YEE CHEW	31,269,000	7.43
5	GAN YOKE FONG KAREN	13,852,960	3.29
6	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	9,292,100	2.21
7	LOW HUAT YEW	7,497,500	1.78
8	PEK EE PERH THOMAS	5,954,500	1.42
9	LIM YUH PING	5,752,000	1.37
10	PHILLIP SECURITIES PTE LTD	3,289,545	0.78
11	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,624,700	0.62
12	WONG SIN TIN	2,190,000	0.52
13	OCBC SECURITIES PTE LTD	2,164,500	0.51
14	ANDREA SIN SHI MIN	2,000,000	0.48
15	WONG BARK CHUAN DAVID	1,950,000	0.46
16	UOB KAY HIAN PRIVATE LIMITED	1,585,500	0.38
17	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,462,200	0.35
18	KUAN BON HENG	1,391,000	0.33
19	MAYBANK KIM ENG SECURITIES PTE LTD	1,295,700	0.31
20	KOH BEOW KO	1,200,000	0.29
TOTAL		303,310,124	72.10

As at 28 November 2013, 39.80% 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 Friday, 27 December 2013 at 10:00 a.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 2013 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final tax-exempt (one-tier) dividend of 0.4 Singapore cent per share for the year ended 31 August 2013 (2012: Nil). **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Article 89 of the Articles of Association of the Company:

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

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

Mr U Kean Seng will, upon re-election as Director of the Company, remain as a member of the Audit Committee and Chairman of the Nominating Committee and the Remuneration Committee and will be considered independent.
4. To approve the payment of Directors' fees of S\$156,000 for the year ended 31 August 2013 (2012: S\$288,000). **(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

NOTICE OF ANNUAL GENERAL MEETING

- (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,

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)

NOTICE OF ANNUAL GENERAL MEETING

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 prevailing 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 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 A to the AGM Notice to Shareholders dated 11 December 2013 ("Appendix A") with any party who is of the class of Interested Persons described in Appendix A, 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 A (the "Shareholders' Mandate");
- (b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and
- (c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

[See Explanatory Note (iii)]

(Resolution 9)

By Order of the Board

Kim Yi Hwa
Secretary

Singapore, 11 December 2013

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 authorise the Interested Person Transactions as described in Appendix A to the AGM Notice to Shareholders dated 11 December 2013 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)

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 27 December 2013 at 10:00 a.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 2013		
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 S\$156,000		
6	Re-appointment of BDO LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the prevailing Miyoshi Employees' Share Option Scheme		
9	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this _____ day of _____ 2013

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.



MIYOSHI PRECISION LIMITED

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