



MIYOSHI PRECISION LIMITED

A TOMORROW-FOCUSED MANUFACTURER
ANNUAL REPORT 2014



The 晚霞红 (Red Glow Marble) is the design inspiration for the cover of this year's Miyoshi Annual Report. This particular piece of marble is located in our newly acquired factory in Wuxi.

Marble has always been a cultural symbol of tradition and refined taste. The extremely varied and colourful patterns on the rock add to its popularity. 晚霞红 can only be found in the southwest mountains of Henan Province, China. The rock on the cover was selected for its natural shape, colour, surface patterns, texture and the suitability of the rock to be sited at our new plant.

The words “三德行中佼，吉爱百年基” engraved on the rock were penned by our CEO. Besides having our Company's name “三吉” as the first words of the first and second phrases, reading from right to left, the deeper meaning is:

“Be the Industry Leader through Cost Competency, Quality Excellence and Timely Delivery.

With Business Luck and Love, we shall establish a 100-year old company.”

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CORPORATE PROFILE

Established in 1987 and subsequently listed on the SGX Mainboard in September 2000, Miyoshi Precision Limited has grown progressively from a metal stamping plant to become an Integrated Engineering Corporation with in-house capabilities ranging from new product development to mass production. Serving the Data Storage, Consumer Electronics, Medical & Automotive Industries, our Regional Business Ring revolves around our headquarters in Singapore and manufacturing plants in Singapore, Malaysia, Thailand, Philippines, Indonesia & China.

Coupled with our strategic partner in Japan, this strategy of locating our operations in cost-competitive hubs beyond Singapore sites us in proximity with our customers and strongly positions us to capitalise on the opportunities in the region.



Miyoshi Technologies Phils., Inc, the Philippines

STATISTICAL HIGHLIGHTS

	2014	2013	2012	2011	2010
FOR THE YEAR (\$'000)					
Revenue	70,086	190,371	159,357	115,629	143,300
Profit/(Loss) before tax expense	354	(4,622)	(7,303)	(10,346)	8,263
Income tax expense	(334)	(32)	(20)	(340)	(1,570)
Profit/(Loss) after tax	20	(4,654)	(7,323)	(10,686)	6,693
<u>Profit/(Loss) attributable to:</u>					
Owners of the parent	547	(4,904)	(7,410)	(10,204)	5,540
Non-controlling interests	(527)	250	87	(482)	1,153
AT YEAR - END (\$'000)					
Property, plant & equipment	23,672	23,316	33,786	36,688	45,992
Other non - current assets	2,334	2,434	2,389	6,016	6,032
Cash and bank balances	10,090	10,949	17,092	28,385	32,263
Trade and other receivables	15,171	19,141	32,033	24,729	35,223
Inventories	6,807	7,555	11,819	9,627	11,429
Assets held for sale	1,924	28,096	1,932	1,859	4,091
Total assets	59,998	91,491	102,051	107,304	135,030
Shareholders' funds	44,004	47,657	51,802	57,302	75,558
Non - controlling interests	2,028	6,769	6,793	8,617	10,519
Total borrowings	2,676	6,402	11,293	16,084	17,980
Trade and other payables	10,440	12,323	30,550	21,571	27,802
Liabilities held for sale	-	17,502	-	-	-
Other liabilities	850	838	1,613	3,730	3,171
Total liabilities and equity	59,998	91,491	102,051	107,304	135,030

Definition:

1. Cash and bank balances include fixed deposits.
2. Trade and other receivables include prepayments.
3. Trade and other payables include income tax payable and accruals.

STATISTICAL HIGHLIGHTS

SELECTED FINANCIAL RATIOS

	2014	2013	2012	2011	2010
Earnings/ (Loss) per share (cents)	0.13	(1.17)	(1.76)	(2.43)	1.32
Net asset value per share (cents)	10.46	11.34	12.33	13.64	17.98
Dividend per share (cent)	0.35	0.40	-	-	0.30
Return on equity (%)	1.24	(10.29)	(14.30)	(17.81)	7.33
Return on assets (%)	0.03	(4.81)	(7.00)	(8.82)	5.44
Gearing ratio	0.06x	0.13x	0.22x	0.28x	0.24x
Current ratio	2.74	1.86	1.66	1.85	2.24
Cash ratio	0.81	0.31	0.43	0.81	0.87

Definition:

1. Earnings / (Loss) per share = profit / (loss) attributable to owners of the parent / average number of shares
2. Return on equity = equity attributable to owners of the parent
3. Return on assets = profit / (loss) after tax / average total assets
4. Gearing ratio = total borrowings / total equity attributable to owners of the parent
5. Current ratio = total current assets / total current liabilities
6. Cash ratio = cash and bank balances / total current liabilities



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BOARD OF DIRECTORS



From Left to Right:

Wee Piew, Masayoshi Taira, Thomas Pek Ee Perh, Andrew Sin Kwong Wah, Lim Thean Ee

BOARD OF DIRECTORS



SIN KWONG WAH, ANDREW

Chief Executive Officer

Andrew was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 28 December 2012. He has been proposed for re-election at the Company's forthcoming Annual General Meeting on 29 December 2014. He was appointed as a member of the Nominating Committee on 3 September 2013.

Andrew, with more than 23 years of experience in the metal stamping industry, is the driving force behind the Group's success and business expansion. His 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.

Andrew was formerly with the Singapore Armed Forces. He holds a Bachelor of Science (First Class Honors) degree in Management from the Japan National Defence Academy.



MASAYOSHI TAIRA

Non-Executive Chairman

Taira-san was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 29 December 2013. He was appointed as Chairman of the Company since 31 December 2002. Taira-san currently is a member of both the Audit and Remuneration Committees. He has served as our Marketing Director from 1992 to 1999. Taira-san has more than 24 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.

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



WEE PIEW

Non-Executive Independent Director

Wee Piew was appointed as Non-Executive Independent Director of the Company on 1 May 2014. He has been proposed for re-election at the Company's forthcoming Annual General Meeting on 29 December 2014. He is also the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees.

Wee Piew was formerly the CEO and Executive Director of HG Metal Manufacturing Ltd until 2010. Prior to joining HG Metal, he was the CEO and Executive Director of Kian Ho Bearings Ltd. From 1988 to 1999, Wee Piew was in the corporate banking industry with DBS Bank, ABN AMRO and Vereinsbank. He is now also an independent director with other public listed companies.

Wee Piew holds a Bachelor of Accountancy (Honours) from the National University of Singapore and is a Fellow Chartered Accountant of Singapore.



PEK EE PERH, THOMAS

Non-Executive Non-Independent Director

Thomas Pek was appointed as Non-Executive Non-Independent Director of the Company on 27 October 2014. He has been proposed for re-election at the Company's forthcoming Annual General Meeting.

He has been at Tai Hua Food Industries Pte Ltd for more than 30 years and is appointed the Managing Director since 2005.

Thomas participates actively in trade and clan associations as well as community and social services. He is the Vice Chairman of the Commerce and Industry Committee of the Singapore Chinese Chamber of Commerce and Industry (SCCCI), President of the Singapore Food Manufacturers Association, Life Honorary President of Singapore Noodles Manufacturers' Association, Patron of the Telok Blangah Community Club Management Committee, Chairman of Clementi Town Secondary School Advisory Committee, Life Honorary President of Kwan-In Welfare Society Singapore and Vice-President of the Peh Clan Association, among many other appointments.

BOARD OF DIRECTORS

Thomas completed a Business Management course at the Singapore Institute of Management. In 2006, Thomas received the Public Service Medal (PBM) from the Singapore President S.R. Nathan.



LIM THEAN EE

Non-Executive Independent Director

Lim Thean Ee was appointed as Non-Executive Independent Director of the Company on 9 January 2014. He has been proposed for re-election at the Company's forthcoming Annual General Meeting on 29 December 2014. He is also the Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee.

He serves as the Managing Director of Coastal Navigation Pte Ltd and Chairman of Masindo Marine Pte Ltd with more than 35 years of experience in the shipbuilding and ship repairing industries. He is also the Non-Executive Independent Director of Ezion Holdings Ltd since 28 July 2000. He chairs their Remuneration Committee since 18 July 2008 and is a member of both their Audit and Nominating Committees.

Lim Thean Ee is an Associate Member of Society of Naval Architects and Marine Engineers, USA since 1974. He participates actively in community work and is also the Chairman of Telok Blangah Citizens' Consultative Committee and Chairman of CCC's Community Development & Welfare Fund Committee. In addition, he serves as the Vice Chairman of Telok Blangah Neighbourhood Standing Committee and is also the Chairman of Depot Estate Businesses Association.

In recognition of his contribution to the community, Lim Thean Ee was conferred both the Public Service Medal (PBM) and the Public Service Star Medal (BBM) in 1998 and 2012 respectively.

OUR REGIONAL PRESENCE



CHINA
(Wuxi)



CHINA
(Huizhou)



JAPAN
(Yokohama)



JAPAN
(Niigata)



JAPAN
(Aomori)



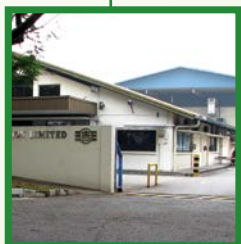
PHILIPPINES
(Laguna)



THAILAND
(Ayutthaya)



MALAYSIA
(Skudai)



SINGAPORE

CORPORATE INFORMATION

DIRECTORS

Executive:

Mr. Sin Kwong Wah, Andrew (Chief Executive Officer)

Non-Executive:

Mr. Masayoshi Taira (Chairman)

Mr. Lim Thean Ee (Independent)

Mr. Wee Piew (Independent)

Mr. Pek Ee Perh, Thomas (Non-Independent)

AUDIT COMMITTEE

Mr. Wee Piew (Chairman)

Mr. Masayoshi Taira

Mr. Lim Thean Ee

NOMINATING COMMITTEE

Mr. Lim Thean Ee (Chairman)

Mr. Masayoshi Taira

Mr. Wee Piew

REMUNERATION COMMITTEE

Mr. Lim Thean Ee (Chairman)

Mr. Sin Kwong Wah, Andrew

Mr. Wee Piew

COMPANY SECRETARY

Mr. Khoo Boo Han

Ms. Goh Wei Lin

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

M & C Services Pte Ltd

112 Robinson Road #05-01

Singapore 068902

Tel: (65) 6227 6660 Fax: (65) 6225 1452

AUDITORS

BDO LLP

Public Accountants and Chartered Accountants

21 Merchant Road #05-01

Singapore 058267

Partner-in-charge: Mr. Lee Yu Min Adrian

(First appointed in respect of the financial year ended 31 August 2014)

PRINCIPAL BANKERS

United Overseas Bank Limited

This endeavour requires a paradigm shift and involves looking beyond our traditional areas of business in our bid to identify new businesses that would offer the Group the best opportunity to add value and garner stronger returns that are sustainable in the long-run. In essence, these new ventures must have the ability to make our assets work harder.



Dear shareholders,

This year marks an eventful milestone for Miyoshi Precision Limited as we embark on a new journey to introduce and develop new growth catalysts.

CRITICAL PARADIGM SHIFT

This endeavour requires a paradigm shift and involves looking beyond our traditional areas of business in our bid to identify new businesses that would offer the Group the best opportunity to add value and garner stronger returns that are sustainable in the long-run. In essence, these new ventures must have the ability to make our assets work harder.

We will pursue this strategic business direction while at the same time continue to grow our existing business in precision metal stamping. Our precision engineering business has afforded us the valuable foundation to build upon the Group's heritage for more than two decades. We have forged close ties with our network of global customers and built upon our reputation in the contract manufacturing

sphere. Customers have come to rely on our seal of quality and reliability. As such, we will strive to support our customers and continue to offer high value-adding solutions that meet their needs.

For the year in review, Group revenue came in at \$70.1 million, posting a net profit of \$20,000, reversing the loss position of \$4.7 million, a year earlier, on the back of \$190.4 million revenue. The decrease in revenue was mainly attributed to the dilution in the shareholding interest and subsequent disposal of Giken Sakata (S) Limited ("Giken") in FY2014. Only two months of Giken's revenue of \$13.0 million was consolidated into the Group's revenue.

Earnings per share rebounded from a loss of 1.17 cents in FY2013 to positive territory of 0.13 cents in FY2014. Cash and cash equivalents remained healthy at \$9.4 million after taking into account \$3.7 million net cash used in financing activities, mainly to repay bank borrowings and \$1.8 million net cash used in investing activities.

CEO'S STATEMENT

POTENTIAL GROWTH CATALYST

In July 2014, the Company entered into a Memorandum of Understanding in relation to a proposed joint venture with Promise New Energy Development Ltd ("Promise") with a view to acquiring a majority stake in the JV company.

Miyoshi and Promise plan to develop, manufacture, assemble and sell electric vehicles, focusing on light electric vehicles in the People's Republic of China. Miyoshi has since 1 September 2014 - the date of the First Completion - owned 5.31% of Green Galaxy Limited, the JV company that forms the subject of the partnership. We are now awaiting the Second Completion when we will officially own 55% of Green Galaxy's entire issued share capital.

Entering into the rechargeable automotive sector is a prime example of the Group's ongoing efforts to transform ourselves into a more nimble and dynamic organisation by leveraging on our technological capabilities and by collaborating with synergistic industry partners. The vast Chinese market with its expansive demand for affordable modes of transport offers immense potential and the fact that the light electric vehicle runs on rechargeable battery ties in with our commitment to engage in businesses that have a bearing on the environment.



Extending our business-to-business model to the business-to-customer format would be a welcomed game changer for the Group too. It will allow us to address our customers more directly and have autonomous control over practically the entire supply chain translating to stronger margins and ultimately better shareholder returns.

I am confident, as a cohesive team, we will be able to successfully chart new growth trajectory for the Group. Allow me to take this opportunity to express my heartfelt appreciation to our Board of Directors, key management team and all our staff for their dedication and valued contribution. I would also like to thank our customers and business partners for their loyal and valuable support.

SIN KWONG WAH, ANDREW

Chief Executive Officer





STRENGTHENING REGIONAL OPERATIONS

During the year in review, Miyoshi continued to fortify its regional business operations. This involved new capital investments amounting to \$8.8 million as well as the transfer of machines and equipment within the Group. This exercise allowed the Group to be closer to its customers, mainly in Thailand, the Philippines and the People's Republic of China.

Among the capital investments, of ample significance is the purchase of land in Wuxi, Jiangsu, the People's Republic of China, that will be developed into a new technology hub for the Group's metal stamping and metal forming businesses. Equipped with new machines and advanced tooling capabilities it will be the centre of innovation that will provide a competitive edge as the Group lifts its manufacturing excellence and diversify into new areas of growth such as its recently announced foray into the light electric vehicle market in China.

CHINA RISING

Across the Group's geographical segments, China was the fourth largest revenue contributor with \$13.3 million sales in FY2014, but accounting for the largest capital expenditure at \$5.3 million, in line with Miyoshi's plan to expand its operations in the mainland in the coming year.

As a result of the Group's divestment of its stake in Giken Sakata (S) Limited, Thailand overtook Singapore's pole position as the biggest contributor to Group revenue. The Thai kingdom raked in \$19.3 million revenue, equivalent to 27.5% of overall Group sales. The Philippines and Singapore came in second and third respectively with 21.8% and 20.7% of total sales respectively.

DISPOSAL OF NON-CORE ASSETS

On 9 July 2014, the Company announced that its wholly-owned subsidiary, Miyoshi Precision (Malaysia) Sdn Bhd had entered into a sale and purchase agreement to dispose of its non-core asset, a factory-cum-office building, for cash consideration of RM 4.7 million. The transaction is pending completion, having been given six months for it to be finalised.

Save for this transaction, the Group has generally completed its restructuring exercise with regards to the disposal of non-core assets. This will allow Miyoshi to strengthen its balance sheet with higher liquidity and total assets ratios as well as to reduce its gearing ratios from the repayment of bank loans.

The dilution of Miyoshi's shareholding interest and subsequent disposal of Giken also had a bearing on the Group's revenue composition across the business segments. In FY2014, Data Storage accounted for the lion's share of Group revenue, bringing in \$34.3 million revenue equivalent to 49.0% of total sales. It however, registered a 14.4% dip year-on-year due to weaker sales orders from Thailand and China. Consumer Electronics - last year's biggest revenue earner owing to Giken's revenue contribution - came in second with \$28.8 million or 41.1% of Group sales.

With the consolidation of its operations, the Group is now on a stronger footing to capitalise on new opportunities in both its mainstay and green shoot businesses. Overall customer demand may continue to be soft in the upcoming quarters but guided by its prudent and considered business approach, the Group will strive to manage costs effectively while at the same time manage its business risk through the diversification of its revenue base.



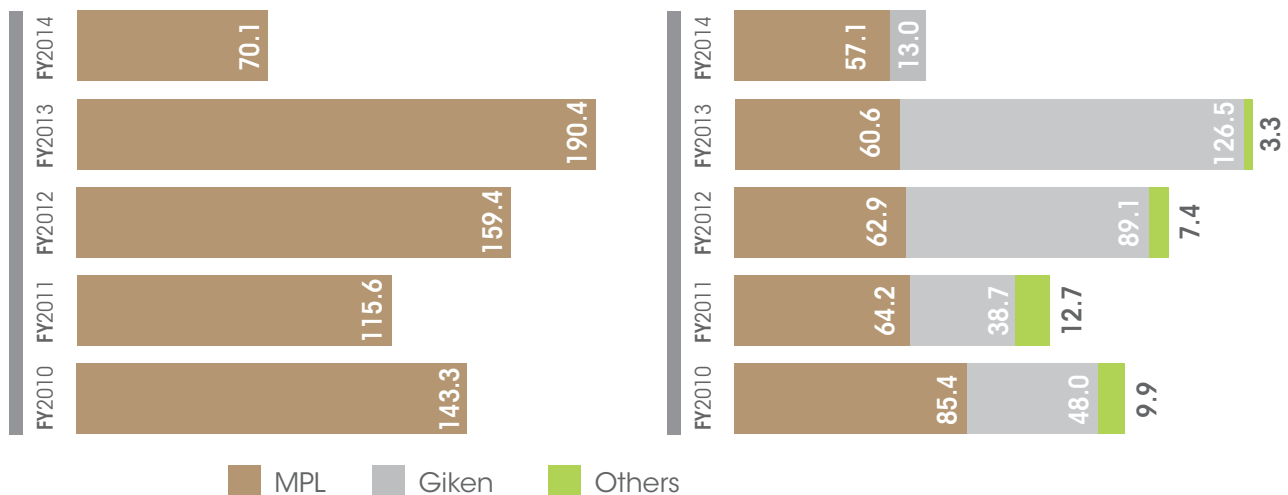
FINANCIAL REVIEW

KEY FINANCIAL HIGHLIGHTS

	FY2014 \$'000	FY2013 \$'000	Change %
Revenue	70,086	190,371	(63.2)
Other income	7,575	2,695	> 100
Raw materials and consumables used and changes in inventories	(40,529)	(134,074)	(69.8)
Employee benefit expenses	(15,696)	(31,389)	(50.0)
Depreciation expense	(4,360)	(6,497)	(32.9)
Other operating expenses	(16,521)	(25,198)	(34.4)
Finance costs	(337)	(479)	(29.6)
Share of results of associates	136	(51)	n.m.
Profit / (Loss) before income tax	354	(4,622)	n.m.
Income tax expense	(334)	(32)	> 100
Profit / (Loss) for the year	20	(4,654)	n.m.
Profit / (Loss) attributable to owners of the parent	547	(4,904)	n.m.
Earnings / (Loss) per share (cents)	0.13	(1.17)	n.m.
Net asset value per share (cents)	10.46	11.34	(7.8)
Dividend per share (cent)	0.35	0.40	(12.5)
Return on equity (%)	1.24	(10.29)	11.53 point
Return on assets (%)	0.03	(4.81)	4.8 point
Gearing ratio (times)	0.06x	0.13x	-0.07x

GROUP REVENUE

(amounts in S\$million)



GROUP EARNINGS

During the financial year, operating conditions in the precision industry continued to be tough with intense competition and overcapacity, thereby placing downward pressure on margins.

Group revenue decreased by 63.2% to \$70.1 million year-on-year in FY2014. The significant decrease of \$120.3 million was mainly due to the dilution of shareholding interest and subsequent disposal of Giken Sakata (S) Limited ("Giken"). In FY2014, only two months of Giken's revenue of \$13.0 million was consolidated into the Group's revenue. In FY2013, Giken's revenue consolidated into the Group was \$126.8 million.

Total costs and expenses decreased by \$120.3 million from \$197.7 million in FY2013 to \$77.4 million in FY2014. This was mainly due to less raw materials and consumables used, lower employee benefits and lower other operating expenses, in line with the lower revenue in FY2014.



Other income increased by \$4.9 million from \$2.7 million in FY2013 to \$7.6 million in FY2014. This was mainly due to gain on disposal of property in Singapore.

Consequently, the Group's profit before tax improved by \$5.0 million to \$354,000 for the financial year ended 31 August 2014. The Group reported a loss before tax of \$4.6 million for the financial year ended 31 August 2013.

Profit attributable to owners of the parent also improved by \$5.5 million to \$547,000 for the financial year ended 31 August 2014. The loss attributable to owners of the parent was \$4.9 million for the financial year ended 31 August 2013.

Net asset value per share decreased from 11.34 cents as at 31 August 2013 to 10.46 cents as at 31 August 2014 mainly due to dividend payments.

FINANCIAL POSITION

As at 31 August 2014, equity attributable to owners of the parent decreased by \$3.7 million or 7.7% mainly due to payment of final dividend in respect of FY2013 of \$1.7 million and payment of FY2014 interim dividends of \$1.5 million.

Total Group assets decreased by \$31.5 million or 34.4% to \$60.0 million as at 31 August 2014 mainly due to the disposal of assets held for sale and lower trade receivables.

Total Group liabilities decreased by \$23.1 million or 62.3% to \$14.0 million as at 31 August 2014. This was mainly due to reduction in liabilities of a disposal group held for sale, reduction in bank loans and lower trade payables. Consequently, net asset value per share was down by 7.8 per cent to 10.46 cents.

CAPITAL EXPENDITURE AND CASH FLOW OF THE GROUP

Proceeds from the disposal of Giken and a property in Singapore of \$11.0 million, together with new bank loans of \$1.2 million were primarily utilised in capital expenditure of \$8.8 million and repayment of bank loans of \$4.8 million. Gearing ratio decreased by 0.07 times to 0.06 times as at 31 August 2014.

FINANCIAL REVIEW

Capital expenditure was \$8.8 million, 133.2% higher than last year. About 60.8% of the capital spending was for land and buildings, plant and equipment in China. The Philippines and Thailand accounted for 31.1% of the capital spending, mainly on plant and equipment.

BUSINESS SEGMENT PERFORMANCE

Revenue from Data Storage declined by \$5.8 million or 14.5% from \$40.1 million in FY2013 to \$34.3 million in FY2014 mainly due to consolidation within the hard disk drive ("HDD") industry. Contributing factors for the consolidation in the HDD industry include competition from solid-state drive (SSD) and ever-reducing physical sizes of HDDs.

Revenue from Consumer Electronics decreased from \$124.2 million in FY2013 to \$28.8 million in FY2014, a decrease of \$95.4 million or 76.8%. This

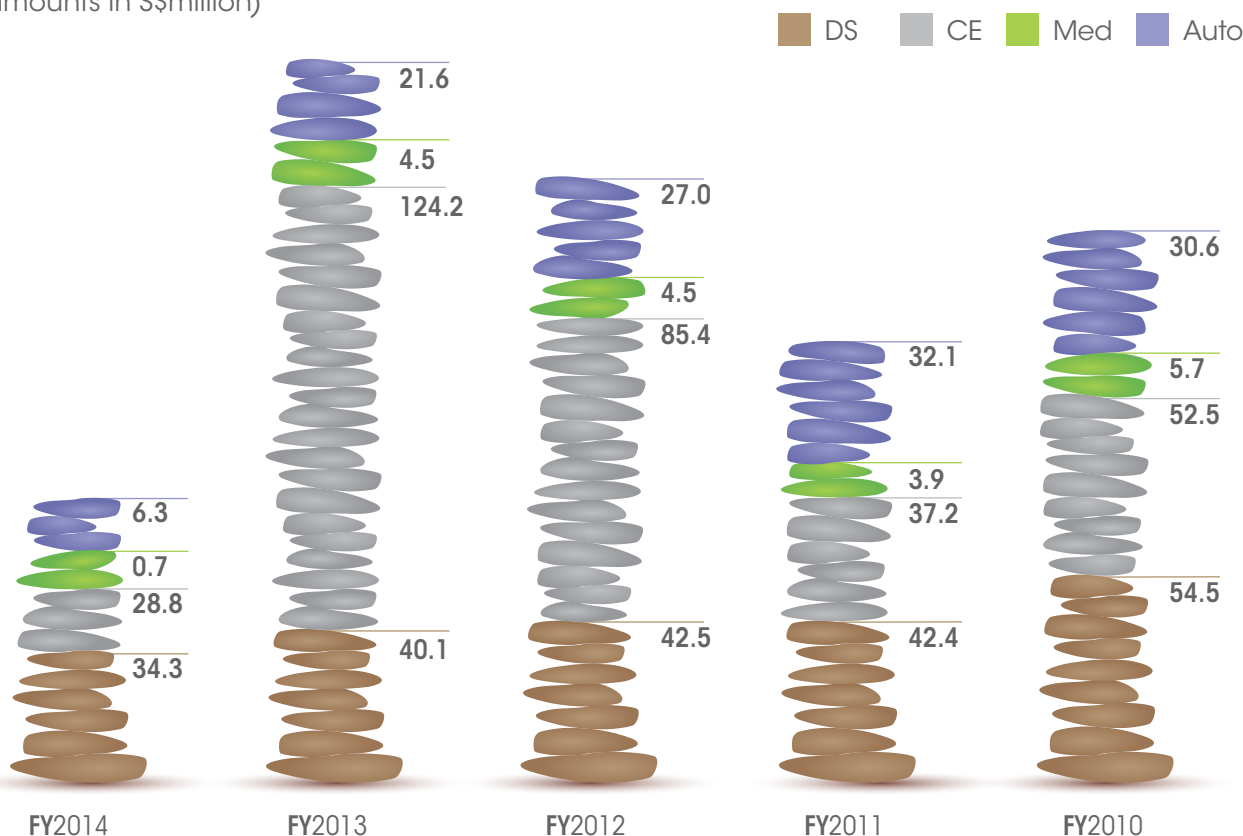
was mainly due to the dilution of shareholding interest and subsequent disposal of Giken resulting in lower revenue contribution by \$98.4 million year-on-year. This is offset by an increase of \$4.5 million year-on-year revenue from the Philippines' operations in the printing and imaging businesses.

Revenue from Medical decreased from \$4.5 million in FY2013 to \$0.7 million in FY2014, a decrease of \$3.8 million or 84.4%. Revenue from Medical was only from Giken.

Revenue from Automotive, Microshaft and Others decreased by 70.7% year-on-year to \$6.3 million in FY2014. This is mainly due to the dilution of shareholding interest and subsequent disposal of Giken in FY2014.

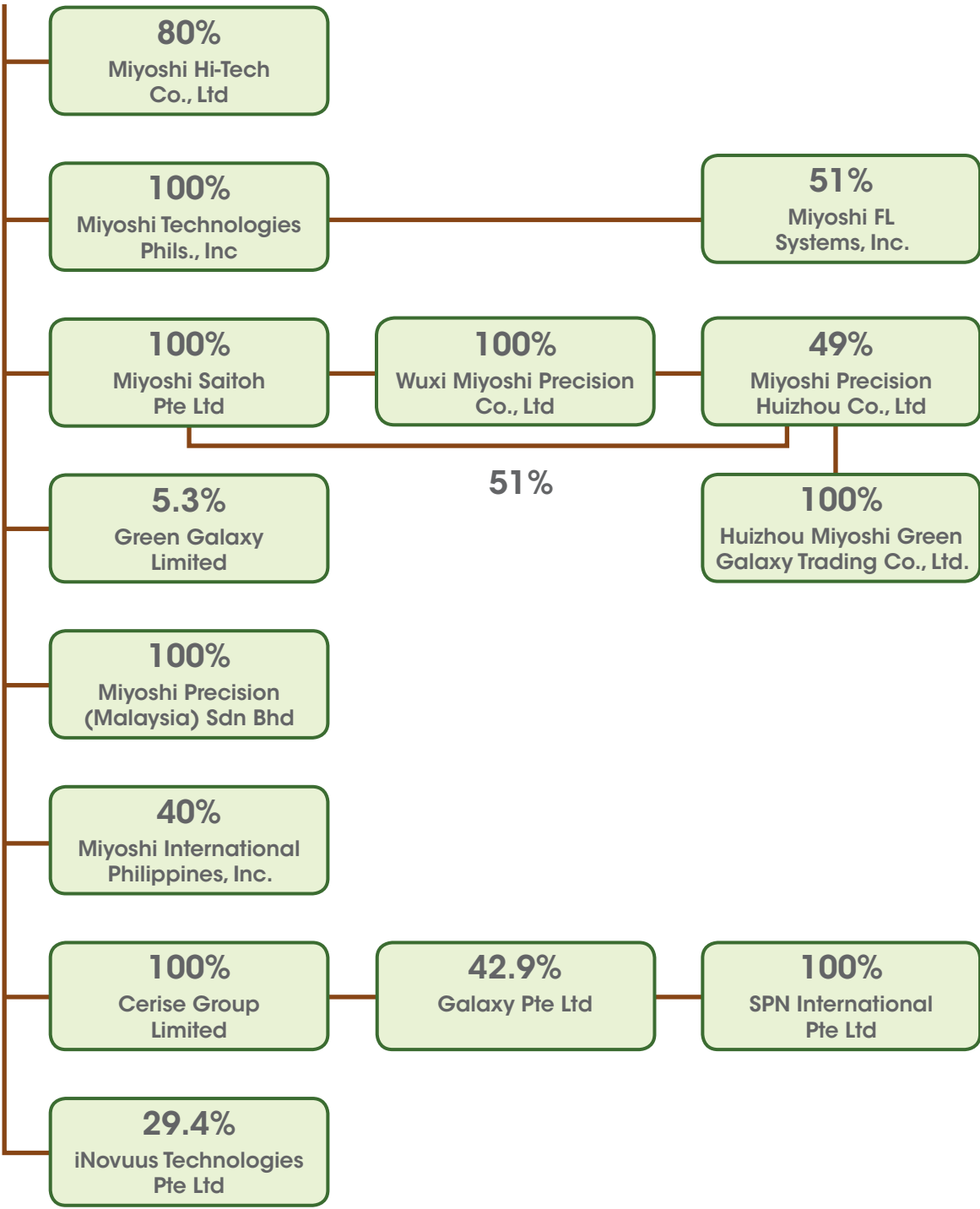
REVENUE BY BUSINESS SEGMENT

(amounts in S\$million)





MIYOSHI PRECISION LIMITED



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CORPORATE GOVERNANCE REPORT

Miyoshi Precision Limited (“**Miyoshi**” or the “**Company**”) is committed to the highest standard of corporate governance and degree of transparency within the Group to achieve sustainable development, safeguard our financial position, protect shareholders’ interest and enhance shareholders’ value.

This report sets out the Company’s Corporate Governance processes and activities for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the “Code”). The Board is pleased to report that the Company has complied in all material aspects with the principles and guidelines set out in the Code and where applicable, it has identified and explained areas of non-compliance under respective sections.

BOARD MATTERS

BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1:

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with management to achieve this objective and the management remains accountable to the Board.

Guideline 1.1 Principal role of the Board

The Board supervises the overall management of the business and affairs of the Group. The Board also sets the Group’s values and standards and ensures its obligations to all shareholders and other stakeholders are understood and met, thereby taking responsibility for the overall corporate governance of the Group.

Apart from its statutory responsibilities, the principal functions of the Board encompass the following:

- Providing stewardship to the Company including charting its corporate strategies and business plans;
- Ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- Authorising and monitoring major investments and strategic commitments;
- Reviewing and accessing the performance of the management (comprising executive Director and executive officers) of the Company;
- Overseeing the evaluation of the adequacy of internal controls, addressing risk management, financial reporting and compliance, and satisfying itself as to the sufficiency of such processes;
- Establishing a framework for effective control, including the safeguarding of shareholders’ interests and the company’s assets;
- Providing guidance and advice to management;
- Being responsible for good corporate governance;
- Considering sustainability issues, including environmental and social factors, as part of the Company’s strategic formulation;
- Identifying key stakeholder groups of the Company and recognising that their perceptions affect the Company’s reputation; and
- Setting the Company’s values and standards, including ethical standards, and ensuring that the obligations to its shareholders and other stakeholders are understood and met.

CORPORATE GOVERNANCE REPORT

Guideline 1.2 Discharge of duties and responsibilities

The Board has established three (3) board committees to assist the Board in discharging its duties and responsibilities. The board committees are the Audit Committee (“AC”), the Nominating Committee (“NC”) and the Remuneration Committee (“RC”). Each board committee has been constituted with clear written terms of reference which have been detailed in the appendices of this report. All the board committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

All Directors are expected to exercise independent judgement and objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company.

Guideline 1.3 Delegation of authority by the Board

While the Board remains responsible for providing oversight in the preparation and presentation of the financial statements, it has delegated to management the task of ensuring that the financial statements are drawn up and presented in compliance with the relevant provisions of the Singapore Companies Act, Cap. 50 and the Singapore Financial Reporting Standards. The Board delegates responsibility to the Chief Executive Officer (“CEO”) to manage the business of the Group and to its various board committees to deal with the specific areas described hereinafter.

The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to board committees and the management via an Authorisation Matrix. This matrix is reviewed on a regular basis and accordingly revised when necessary. The board committees and the management remain accountable to the Board.

Guideline 1.4 Meetings of the Board

The Board convenes scheduled meetings on a quarterly basis to coincide with the announcement of the Group’s quarterly results. Special Board meetings may be convened as and when they are deemed necessary by the board members.

To facilitate the Board’s decision-making process, the Company’s Articles of Association provides for Directors to participate in Board meetings by teleconference or video conference. Decisions of the Board and board committees may be obtained via circulation.

The Corporate Secretary attends all Board and board committee meetings and is responsible for ensuring that Board procedures are observed. The number of Board and board committee meetings held in FY2014, as well as attendance of each board member at these meetings, are disclosed in the table below:

Name of Director	Board Meetings	Board Committee Meetings		
		Audit	Nominating	Remuneration
Masayoshi Taira	6	4	0	1
Sin Kwong Wah, Andrew	8	4	1	0
Lim Thean Ee ¹	5	3	0	0
Wee Piew ²	3	1	0	0
Pek Ee Perh, Thomas ³	0	0	0	0
U Kean Seng ¹	3	1	1	1
Tay Peng Lim ²	3	2	1	1
No. of Meetings Held	8	4	1	1

Notes:

- Mr U Kean Seng retired as Independent Director and ceased to be the chairman of both the NC and RC, and member of the AC on 27 December 2013. On 9 January 2014, Mr Lim Thean Ee was appointed as an Independent Director and member of the AC, and chairs both the NC and RC.
- Mr Tay Peng Lim resigned as Independent Director and ceased to be a chairman of the AC, and member of both the NC and RC on 24 January 2014. On 1 May 2014, Mr Wee Piew was appointed as an Independent Director and chairs the AC and member of the NC and RC.
- Mr Pek Ee Perh, Thomas was appointed as Non-Executive Director on 27 October 2014.

CORPORATE GOVERNANCE REPORT

If a Director is unable to attend a Board or board committee meeting, he or she would receive all the papers and materials for discussion at that meeting. He or she would review them and advise the Chairman or the board committee chairman of his or her views and comments on the matters to be discussed so that they may be conveyed to other members at the meeting. Minutes of all board committee meetings will also be circulated to the Board so that the Directors are aware and kept updated as to the proceedings and matters discussed during such meetings.

Guideline 1.5 Internal guidelines for matters requiring Board approval

The Company has adopted internal guidelines setting forth matters that require Board's approval. These include approval of annual budgets, capital expenditure and/or lease exceeding \$3.0 million by a Group company, material transactions such as major investment or acquisition, divestments and funding proposals, declaration of dividends, release of the Group's quarterly and full year's results and interested person transactions of a material nature.

Guideline 1.6 Board orientation and training

All newly-appointed Directors receive comprehensive and tailored induction on joining the Board which includes management presentations on the history, business operations, strategic plans and corporate governance practices of the Group. The Company will also provide training for first-time directors in areas such as accounting, legal and industry specific knowledge as appropriate.

The orientation and induction programme to familiarise new directors with its business and corporate governance practices is conducted by management. The programme allows new directors to get acquainted with management, thereby facilitating board interaction and independent access to management.

All Directors are provided with briefings and regular updates on changes in the relevant laws and regulations to enable them to make well-informed decisions. Where necessary, the Company will also arrange for the Directors to attend any training programmes in connection with their duties as directors.

Guideline 1.7 Letter to Director on Appointment

A formal letter is sent to newly-appointed Directors upon their appointment explaining their duties and obligations as directors.

BOARD COMPOSITION AND GUIDANCE

Principle 2:

There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Guideline 2.1 Independent element of the Board

The Board comprises five (5) Directors, four (4) of whom are non-executive Directors with two (2) of them independent, thereby fulfilling the Code's requirement that at least one-third of the Board should comprise independent Directors.

The NC determines on an annual basis whether or not a director is independent bearing in mind the 2012 Code of Corporate Governance's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. The Committee carried out the review on the independence of each independent Director in October 2014 based on the respective director's self-declaration and their actual performance on the Board and board committees.

Guideline 2.2 Composition of Independent Directors on the Board

The Company is aware of Guideline 2.2 of the Code that independent Directors should constitute at least half of the Board where the Chairman is not an independent Director. As the Chairman of the Company is not an independent Director, the NC is reviewing the composition of the Board, and the Company has plans to comply with the requirements of the Code.

Guidelines 2.3 and 2.4 Independence of directors

The independence of each Director will be reviewed annually by the NC in accordance with the definition of independence in the Code.

CORPORATE GOVERNANCE REPORT

The NC, in its deliberation as to the independence of a director, took into account examples of relationships as set out in the Code, considered whether a director had business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent judgements.

The NC, having considered the relevant factors, determined that Mr Wee Piew and Mr Lim Thean Ee have no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company. Mr Wee Piew and Mr Lim Thean Ee have also confirmed that they do not have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Company. The NC also took into account Mr Wee Piew and Mr Lim Thean Ee's actual performance on the Board and board committees and agreed that they have been exercising independent judgement in the best interests of the Company in the discharge of their director's duties and should therefore continue to be deemed independent directors.

In this respect, the NC affirmed that Mr Wee Piew and Mr Lim Thean Ee remain as Independent Directors of the Company.

Guideline 2.5 Composition and size of the Board

The NC conducted its annual review on the composition of the Board which comprises members of different backgrounds whose core competencies, qualifications, skills and experiences are extensive. Taking into account the scope and nature of the operations of the Group, the NC considered the current Board size to be appropriate to facilitate effective decision making for the existing needs and demands of the Group's business and that no individual or small group of individuals dominates the decisions of the Board. Nevertheless, the NC has recommended to the Board to consider changing the Board composition so as to comply with the requirements of the Code.

A summary of the current directors' appointments and details of their memberships on board committees are set out below:-

Director	Board Membership	Committee Membership		
		Audit	Nominating	Remuneration
Masayoshi Taira	Chairman	Member	–	Member
Sin Kwong Wah, Andrew	Chief Executive Officer	–	Member	–
Lim Thean Ee	Independent	Member	Chairman	Chairman
Wee Piew	Independent	Chairman	Member	Member
Pek Ee Perh, Thomas	Non-Independent & Non-Executive	–	–	–

Guideline 2.6 Competency of the Board

The composition of the Board will be reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making. The NC is satisfied that members of the Board as a group possess the relevant core competencies such as accounting and finance, strategic planning, business and management experience. In particular, the Executive Director possesses good industry knowledge while the non-executive Directors, who are professionals and experts in their own fields, are able to take a broader view of the Group's activities, contribute their valuable experiences and provide independent judgement during Board deliberations.

Guideline 2.7 Role of non-executive Directors

The Board encourages its members, in particular, the non-executive Directors, to engage in open and constructive debate and challenge management on its assumptions and proposals and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

Guideline 2.8 Regular meetings of non-executive Directors

Non-executive Directors are encouraged to meet regularly without the presence of management as and when the need arose.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3:

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Guidelines 3.1 and 3.2 Separation of the roles of Chairman and Chief Executive Officer

Mr Masayoshi Taira is the non-executive Chairman of the Company and Mr Andrew Sin Kwong Wah is the CEO of the Company. There is a clear division of responsibility between the Chairman and the CEO to ensure that there is balance of power and authority.

The Chairman is responsible for the workings of the Board and ensures that all directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board, the management and shareholders of the Company. He encourages interactions between the Board and the management, as well as between the executive and non-executive Directors and promotes a culture of openness and debate at the Board. In addition, the Chairman takes a leading role in ensure the Company's compliance with corporate governance guidelines.

The CEO is the highest ranking executive officer of the Group. The CEO, assisted by the management team, is responsible for making strategic proposals to the Board and after robust and constructive Board discussions, executing the agreed strategy, managing the day-to-day business of the Group, within the authorities delegated to him by the Board, leading the development of the Group's business including identifying and assessing risks and opportunities for the growth of its business and ensuring that the Chairman is kept apprised in a timely manner of issues faced by the Group and of any important events and developments.

No individual or small group of individuals dominates the Board's decision making process. The Chairman and the CEO are not related.

Guidelines 3.3 and 3.4 Appointment of Lead Independent Director

While the Board acknowledges that the Chairman is not an independent Director, after considering the Company's current business operations and Board size of only five (5) members including two (2) Independent Directors, the Board is of the view that the appointment of a Lead Independent Director for the year under review is not necessary. Nevertheless, the Board will annually examine the need of appointing a Lead Independent Director.

Although no Lead Independent Director was appointed, the Company's Independent Directors confer among themselves when necessary, without the presence of the other directors, and the Independent Directors provide feedback to the Chairman after such meetings as appropriate.

BOARD MEMBERSHIP AND EVALUATION OF PERFORMANCE

Principle 4:

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Guideline 4.1 Composition of the NC

The NC is chaired by Mr Lim Thean Ee. The other members of the NC are Mr Andrew Sin Kwong Wah and Mr Wee Piew. The NC is guided by its written Terms of Reference which stipulates that its principal roles include maintaining a formal and transparent process for the appointment of new directors to the Board, determining the independence of directors and the appropriate Board size, reviewing and approving the appointment of key management personnel of the Group. Key Terms of Reference of the NC are listed in the Appendix to this Report.

CORPORATE GOVERNANCE REPORT

Guideline 4.2 The role of the NC on board appointments

The NC is responsible to make recommendations to the Board on the following matters:

- the review of the size, composition and core competencies of and skills required by the Board and board committees,
- identify and review all nominations of any person for director, both appointments and re-appointments, membership of the RC and AC, the Chairman and the CEO,
- determine on an annual basis, and as and when circumstances require, the independence of each Director and to make appropriate disclosure,
- oversee the conduct of an annual evaluation of the Board,
- decide whether a director is able to and has been adequately carrying out his duties as a director of the Company, particularly where the director has multiple board representations; and
- to examine all other matters which may be referred to the NC by the Board or which may be imposed on the NC by applicable laws or regulations, including without limitation the listing manual of the Singapore Exchange Securities Trading Limited (“Listing Manual”).

All new appointments are subject to the recommendations of the NC based on the following criteria:

- integrity;
- independence mindedness;
- possess core competencies that meet the needs of the Company and complement the skills and competencies of the existing directors on the Board;
- able to commit time and effort to carry out duties responsibilities effectively;
- track record of making good decisions; and
- financially literate.

In the nomination and selection process of a new Director, the NC identifies key attributes of an incoming Director based on the requirements of the Group and recommends to the Board the appointment of the new Director. The NC will take into consideration the current Board size and its composition – including the mix of expertise, skills and attributes of the Directors – and determine if the candidate’s background, experience and knowledge will bolster the core competencies of the Board.

The Company also maintains records of the deliberations and proceedings of the NC.

Guideline 4.3 Assessment of independence of Directors

Procedures and control mechanisms are in place to ensure that the independence of the directors is monitored at regular intervals and updated expeditiously. Directors are required to submit declarations of independence annually and are required to report to the Company any changes in their external appointments, interests in shares and other pertinent information, including any corporate developments relating to their external appointments, which may affect their independence.

The NC is tasked to review and evaluate the independence of each director. The Board will then, in turn, determine the independence of directors, taking into account the evaluation by NC. For the year under review, the Board has determined, after taking into account the NC’s views, that Mr Wee Piew and Mr Lim Thean Ee are independent.

CORPORATE GOVERNANCE REPORT

Guidelines 4.4 and 4.5 Multiple board representations and appointment of alternate Directors

The NC noted the list of other directorships held by the directors taking into consideration their principal commitments. The NC is satisfied that each of the directors is able to devote time to his directorship role in the Company.

The Board has considered and agreed to defer the need to set guidelines for maximum directorships in a listed company that a director can hold. Before a director accepts an invitation to join the Board, he is required to affirm that he is able to commit sufficient time to perform his role effectively. Annually, an incumbent director is asked to affirm that he has adequate time to devote to his Board responsibilities. With these considerations, the Board is of the view that setting a maximum number of board representations on listed companies becomes a matter of formality and has deferred a decision on this for the time being.

No alternate Director has been appointed to the Board in the year under review.

Guideline 4.6 Process for selection, appointment and re-appointment of Directors

The NC is responsible for renewal and succession plans to ensure Board continuity.

Any director appointed during the year is required, under the Company's Articles of Association, to retire and seek re-election by shareholders at the following annual general meeting ("AGM"). The Articles also require that one-third of the directors to retire by rotation each year and seek re-election at the AGM and every director shall retire from office at least every three years but shall be eligible for re-election.

In this respect, the NC has recommended that the following directors, pursuant to the Company's Articles of Association, be re-elected as Directors at the Company's forthcoming AGM:

(a) Mr Andrew Sin Kwong Wah; (b) Mr Wee Piew; (c) Mr Lim Thean Ee and (d) Mr Thomas Pek Ee Perh.

The NC has reviewed and considered all aspects such as, the directors' integrity, independence mindedness, attendance, participation, preparedness, candour and also recognizes the contributions of these Directors who over time have developed deep insight into the Group's businesses and operations. Hence, the NC recommends that Mr Andrew Sin Kwong Wah, Mr Wee Piew, Mr Lim Thean Ee and Mr Thomas Pek Ee Perh be re-appointed as Directors at the Company's forthcoming AGM.

The dates of initial appointment and last re-election/re-appointment of each director are set out below:

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election Re-Appointment
Mr Masayoshi Taira	Non-Executive Chairman	24 September 1991	27 December 2013
Mr Sin Kwong Wah, Andrew	Chief Executive Officer	24 September 1991	28 December 2012
Mr Wee Piew	Independent Director	1 May 2014	–
Mr Lim Thean Ee	Independent Director	9 January 2014	–
Mr Pek Ee Perh, Thomas	Non-Executive Director	27 October 2014	–

Guideline 4.7 Key information on Directors

The profiles and key information of all the directors are set out on pages 4 to 7 of this Report.

CORPORATE GOVERNANCE REPORT

BOARD PERFORMANCE

Principle 5:

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guidelines 5.1, 5.2 and 5.3 Process for assessing Board Performance

Reviewing of the performance of the Board as a whole, the board committees and each director will be conducted by the NC annually. The NC has adopted a system for assessing the effectiveness of the Board as a whole, the boards, and each individual director. Each director was requested to participate in the appraisal process which focused on:

- the composition and degree of independence of the Board;
- information flow from management;
- Board's access to management and external experts;
- Investor relations and corporate social responsibility vis-à-vis the Board;
- Strategy review activities;
- appropriate financial measures to assess the Board's stewardship;
- Board's management of the Company's performance
- Board Committees' effectiveness;
- Chairman of the Board effectiveness; and
- CEO's performance and succession planning.

The Board and the NC have, with its best effort, ensured that directors appointed to the Board possess the background, experience, knowledge in business, finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board's performance, the adequacy of the blend of skillsets and experience of the Board, and the quality and timeliness of Board and board committee meeting agendas and papers submitted by the Management. The review was internally undertaken with each director being asked to complete a questionnaire. Their feedback was collated and shared with the Board. The NC, having reviewed the overall performance of the Board and each board committee in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board, each board committee and each individual Director has been satisfactory.

ACCESS TO INFORMATION

Principle 6:

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Guidelines 6.1 and 6.2 Adequacy of information provided to the Board

Directors are from time to time furnished with detailed information concerning the Group to enable them to be fully aware of the decisions and actions of the management. All directors have unrestricted access to the Company's records and information.

CORPORATE GOVERNANCE REPORT

The agenda for Board meetings is prepared in consultation with the Chairman, the Board and board committee members. To give directors sufficient time to prepare for Board and board committee meetings, the agenda for these meetings are generally sent to the directors two weeks in advance of the relevant meetings. The detailed board papers for these meetings, including background, related materials, copies of disclosure documents, budgets, forecasts and management accounts are circulated to all the directors. These board papers are issued at least seven (7) days in advance to enable the directors to obtain further explanation, where necessary, in order to be properly briefed before the meeting. The management also kept the Board apprised of material variances between the actual results, corresponding period of last year and the budget, with appropriate explanation on such variances. The Board is also updated on current business operations, opportunities and business trends.

Directors have separate, independent and unrestricted access to the CEO, management, internal and external auditors via telephone, e-mail and face-to-face meetings. Where additional information is requested by directors, such information is provided by management in a timely manner.

Guidelines 6.3 and 6.4 Access to and appointment of the Company Secretary

Directors have separate and independent access to the Company Secretary.

As a matter of good corporate governance, the role of the Company Secretary is clearly defined. The Company Secretary attends, administers and prepares minutes of all Board and board committee meetings acting in the capacity of the meeting secretary and is responsible that Board procedures are followed and that applicable rules and regulations are complied with. The agenda for Board and board committee meetings are prepared in consultation with the Chairman, the respective chairpersons of the board committees, and the CEO to ensure good information flows within the Board and board committees, as well as between management and non-executive Directors.

The Company Secretary assists the Chairman and the directors chairing the various board committees in scheduling the Board and board committee meetings respectively, advises the Board on all governance matters, as well as facilitates orientation and professional development as required. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Guideline 6.5 Ability to take independent professional advice

The Board takes independent professional advice as and when necessary to enable it or the independent directors to discharge its or their responsibilities effectively. Subject to the approval of the Chairman, each Director has the right to seek independent legal and other professional advice, at the Company's expense, to assist them in their duties.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7:

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Guideline 7.1 Establishment of the Remuneration Committee

Guideline 7.2 Role of Remuneration Committee

Guideline 7.4 Termination clauses

The RC is chaired by Mr Lim Thean Ee. The other members of the RC are Mr Masayoshi Taira and Mr Wee Piew. All members are non-executive and independent Directors, save for Mr Taira who is a non-executive and non-independent Director. Key Terms of Reference of the RC are listed in the Appendix to this Report.

The RC oversees, reviews and recommends to the Board the remuneration of non-executive and executive Directors, with the aim of building capable and committed management teams through competitive compensation and focused management and progressive policies. The review covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind. The Committee's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the Board. No director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE REPORT

Guideline 7.3 Remuneration consultant

The RC has access to the advice of the Company's Human Resources Manager. It did not require the services of an external remuneration consultant during the year. Nevertheless, the RC has explicit authority to investigate any matter within its Terms of Reference and to seek external expert advice should such need arises.

LEVEL AND MIX OF REMUNERATION

Principle 8:

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Guideline 8.1 Performance-related remuneration

The Company believes that its remuneration and reward system is aligned with the long-term interests of the Company and that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent. In setting remuneration packages, the RC takes into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual Directors.

The CEO, as an Executive Director, does not receive directors' fees from the Company. As the highest ranking executive officer of the Group, his compensation consists of a basic salary component, allowances and a variable component which is the annual bonuses. The annual review of the compensation of Executive Director is carried out by the RC to ensure that his remuneration commensurate with his performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board.

Non-executive Directors, including Independent Directors, are paid directors' fees which take into consideration the time and effort spent and responsibilities of the directors. The directors' fees comprise a basic fee.

The remuneration for key management personnel comprises a basic salary component and a variable component which includes the annual bonuses, based on the performance of the Group as a whole and their individual performance.

Guideline 8.2 Long-term incentive scheme

The Company has in place an Employee Share Option Scheme that serves to provide a longer term incentive better aligned with the long term performance of the Company and of the employee.

Guideline 8.3 Remuneration of non-executive Directors

All non-executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as effort and time spent, responsibilities of the directors and the need to pay competitive fees to attract, motivate and retain the directors yet to not over-compensate them to the extent that their independence may be compromised. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Board concurred with the RC's proposal for non-executive Directors' fees for FY2014. The RC and the Board are of the view that the remuneration of the non-executive Directors is appropriate and not excessive, taking into account the aforesaid factors and the increasingly onerous responsibilities of the directors. The fees for the non-executive Directors are subject to approval by the shareholders at the Company's forthcoming AGM.

Guideline 8.4 Contractual provisions to reclaim incentive components of remuneration

Having reviewed and considered the variable components of the Executive Director and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years.

CORPORATE GOVERNANCE REPORT

DISCLOSURE AND REMUNERATION**Principle 9:**

Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Guideline 9.1 Report to shareholders**Guideline 9.2 Disclosure of remuneration**

The Code recommends the disclosure of the remuneration of directors, the CEO and at least the Group's top 5 key management personnel, who are not also directors or the CEO. As regards to disclosure of the remuneration of Directors and the CEO, the Code recommends full disclosure of remuneration on a named basis, rounded off to the nearest thousand dollars for administrative convenience. After considering this matter carefully, the Board has decided that disclosure of the CEO's detailed remuneration will not be in the interests of the Company given the wage discrepancies in the industry and the competitive pressures that may result from such disclosure. The annual remuneration of directors of the Company for the financial year ended 31 August 2014 is proposed as follows:

Remuneration Band and Name of Director	Fee (%)	Basic Salary (%)	Variable Bonus (%)	Total Remuneration (%)
<u>Below \$250,000:</u>				
Masayoshi Taira	100	–	–	100
Wee Piew ¹	100	–	–	100
Lim Thean Ee ²	100	–	–	100
U Kean Seng ²	100	–	–	100
Tay Peng Lim ¹	100	–	–	100
<u>\$250,000 to \$499,999:</u>				
Sin Kwong Wah, Andrew	–	95.2	4.8	100

Notes:

- ¹ Mr Tay Peng Lim resigned as Independent Director and ceased to be a chairman of the AC, and member of both the NC and RC on 24 January 2014. On 1 May 2014, Mr Wee Piew was appointed as an Independent Director and chairs the AC and member of the NC and RC.
- ² Mr U Kean Seng retired as Independent Director and ceased to be the chairman of both the NC and RC, and member of the AC on 27 December 2013. On 9 January 2014, Mr Lim Thean Ee was appointed as an Independent Director and member of the AC, and chairs both the NC and RC.

Guideline 9.3 Remuneration of Top 5 Key Management Personnel

As regards to the disclosure of the remuneration of the Group's top 5 key management personnel, the Code recommends that the Company should name and disclose the remuneration of the Group's top 5 key management personnel in bands of \$250,000.

After considering this matter carefully, the Board has decided that disclosure of the remuneration of the Group's top 5 key management personnel will not be in the interests of the Company given the wage discrepancies in the industry and the competitive pressures that may result from such disclosure. The total aggregate remuneration paid to the Group's top five key management personnel during FY2014 was \$746,000.

CORPORATE GOVERNANCE REPORT

The remuneration of key management personnel is as follows:

Remuneration Band	Basic Salary (%)	Variable Bonus (%)	Total Remuneration (%)
<u>\$250,000 to \$499,999:</u>			
No. of executives: 1	92.4	7.6	100
<u>Below \$250,000:</u>			
No. of executives: 4	92.2	7.8	100

The RC exercises board discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Company. The mix of fixed and variable reward is considered appropriate for the Group and for each individual role.

The directors, CEO and key management personnel (who are not directors or the CEO) are remunerated on an earned basis and there are no termination, retirement and post-employment benefits that are granted over and above what has been disclosed.

Guideline 9.4 Remuneration of certain related employees

No employee of the Company and its subsidiaries was an immediate family member of a director or the CEO during the financial year ended 31 August 2014. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister or parent.

Guidelines 9.5 and 9.6 Employee share option scheme

There are no new employee share schemes granted to employees in the financial year ended 31 August 2014. The details on the Employee Share Option Scheme granted are included in pages 41 to 43 of this Report.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10:

The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

Guideline 10.1 Extension of Board's responsibility

The Board provides the shareholders with quarterly and full year financial results which included a detailed explanation and analysis of the Company's performance, financial position and prospects. The Board also undertakes such effort with respect to other price sensitive public reports and reports to regulators, where required. Price sensitive information will be publicly released either before the Company meets with any groups of investors or analysts or simultaneously with such meetings. The Company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the Company.

In addition, the Company has established a practice whereby business and finance heads of individual subsidiaries and business units are required to provide quarterly written representation, in certain specific template, to the CEO and Financial Controller who would in turn furnish an overall representation to the AC and the Board confirming, inter alia, that the financial processes and controls, and the integrity of the Group's financial risks and impacts and providing updates on significant financial issues of the Group.

In accordance with the SGX-ST requirements, negative assurance statements were issued by the Board to accompany its quarterly financial results announcement, confirming that to the best of its knowledge, nothing had come to its attention which would render the Company's quarterly results false or misleading in any material aspect.

CORPORATE GOVERNANCE REPORT

Guideline 10.2 Written policies to ensure compliance

The Board has established written policies to ensure compliance with legislative and regulatory requirements, including requirements under the Listing Manual. It ensures that it is updated regularly on relevant changes to laws and regulations so that it can monitor and supervise adequate compliance by the Company with such laws and regulations and requirements of regulatory and governmental authorities.

Guideline 10.3 Monthly provision of information

The Company recognised the importance of providing the Board with a continual flow of relevant information on an accurate and timely basis in order that it may effectively discharge its duties. The management currently provides the Board with appropriately detailed management reports of the Group's performance and position on a quarterly basis.

RISK MANAGEMENT AND INTERNAL CONTROLS**Principle 11:**

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving the strategic objectives.

Guidelines 11.1 and 11.4 Determination of risk tolerance/risk policies and the establishment of a separate risk committee

The Board acknowledges that it is responsible for the governance of the Group's risk management and internal controls. The Board and management of the Company are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets.

The Board determines the Company's levels of risk tolerance and risk policies, and oversees management in the design, implementation and monitoring of the risk management and internal control systems.

During the financial year ended 31 August 2014, management has implemented the Control Self Assessment (CSA) framework to self-assess internal controls in accordance with Group requirements and specifically address any significant weaknesses risks identified. The AC, on behalf of the Board, has also reviewed the effectiveness of the Group's system of internal controls in the light of key business and financial risks affecting the operations. There are formal procedures in place for both the internal and external auditors to report conclusions and recommendations to management and to the AC independently.

Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

Guideline 11.2 Adequacy and effectiveness of risk management and internal control systems**Guideline 11.3 Board's opinion on the adequacy and effectiveness of risk management and internal control systems**

Based on the internal controls established and maintained by the Group, work performed by external and internal auditors and reviews performed by management, the Board, with the concurrence of the AC, is of the opinion that the Company's internal control systems, including financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 August 2014 for the Group's business operations.

For the financial year under review, the CEO and the Financial Controller have provided assurance to the Board that the financial records have been properly maintained, that the financial statements give a true and fair view of the Company's operations and finances and that the risk management and internal control systems of the Group are adequate and effective.

CORPORATE GOVERNANCE REPORT

AUDIT COMMITTEE

Principle 12:

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

Guidelines 12.1 and 12.2 Composition and expertise of the AC

The AC is chaired by Mr Wee Piew. The other members of the AC are Mr Masayoshi Taira and Mr Lim Thean Ee. All members of the AC are non-executive and independent Directors, save for Mr Taira who is a non-executive and non-independent Director. Mr Wee Piew has accounting and related financial management expertise and experience. The Board considered that Mr Masayoshi Taira and Mr Lim Thean Ee have sufficient financial management knowledge and experience to discharge their responsibilities as AC members. Details of the Board profile are set out in page 4 to 7 of this report.

Guideline 12.3 Authority of the AC

The AC has explicit authority to investigate any matter within its responsibilities, full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources (including access to external consultants) to enable it to discharge its functions properly.

The AC also reviews and approves the Group internal auditor's plan to ensure that the plan covered sufficiently in terms of audit scope in reviewing the significant internal controls of the Company. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal and external auditors were forwarded to the AC. Significant issues are discussed at these meetings.

Guideline 12.4 Duties of the AC

The AC's primary role is to assist the Board to ensure integrity of financial reporting, that there is in place sound internal control systems, overseeing internal and external audit processes and overseeing interested party transactions. In particular, the AC's duties include:

- to review significant financial reporting issues and judgments to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- to review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls, including financial, operational, compliance and information technology controls;
- to review the effectiveness of the Company's internal audit function;
- to review the scope and results of the external audit, and the independence and objectivity of the external auditors; and
- to make recommendations to the Board on the proposals to its shareholders on the appointment, re-appointment and removal of external auditors, and approving the remuneration and terms of engagement of the external auditors.

Key Terms of Reference of the AC are listed in the Appendix to this Report.

Apart from the above functions, the AC will also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results or financial position. The AC is authorised to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Group. Each member of the AC will abstain from any deliberations and/or voting in respect of matters in which he is interested.

Guideline 12.5 Private discussion with external and internal auditors

For the financial year ended 31 August 2014, the AC met with the external auditors separately, without the presence of the Management, to discuss the reasonableness of the financial reporting process, and to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the auditors, the scope and quality of their audits and the independence and objectivity of the auditors. Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their annual reviews with the AC. Where necessary, the AC may meet the internal auditors without presence of management.

CORPORATE GOVERNANCE REPORT

Guideline 12.6 Review of independence of external auditors

The AC has reviewed the non-audit services provided to the Group by the external auditors, BDO LLP for FY2014, and is of the opinion that the provision of such non-audit services does not affect the independence and objectivity of the external auditors. Accordingly, the AC has recommended to the Board the nomination of BDO LLP for re-appointment as external auditors at the forthcoming AGM. The fees payable to the external auditors in respect of audit and non-audit services are set out in page 104 of this Report.

The AC is satisfied that BDO LLP and their audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations. In this connection, the Company has complied Rule 712 and Rule 715 read with 716 of the SGX Listing Manual in relation to the proposed re-appointment of its external auditors.

Guideline 12.7 Whistleblowing policy

The Company has in place a Whistle-blowing Policy. This policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting and other matters may be raised by employees directly to any AC member in confidence and in good faith without fear of reprisals. The AC ensures that independent investigations and any appropriate follow up actions are carried out. Details of this policy have been disseminated and made available to all employees of the Group.

Guideline 12.8 Disclosure of AC activities

During the financial year, the AC examined and reviewed the following items:

- the annual and interim financial statements and announcements prior to approving or recommending their release to the Board, as applicable;
- the annual audit plan of the external and internal auditors and the results of the audits performed by them;
- the list of interested person transactions and non-audit services rendered by the external auditors; and
- the re-appointment of the external and internal auditors and their remuneration.

In addition to the activities undertaken to fulfill its responsibility, the AC takes measures to keep itself abreast and is kept informed by the management, external and internal auditors on changes to accounting standards, stock exchange rules and other codes and regulations which could have an impact on Group's business and financial statements.

Guideline 12.9 Exclusion from membership of AC

No former partner or director of the Company's existing auditing firm is a member of the AC.

INTERNAL AUDIT**Principle 13:**

The Company should establish an internal audit function that is independent of the activities it audits.

Guideline 13.1 Independence of the internal audit function

The Internal Audit function ("IA") is currently performed in-house based on an annual audit plan and terms of reference as set in the Internal Audit Charter approved by the AC. The function is headed by an Internal Audit Executive who reports functionally to the Chairman of the AC and administratively to the CEO. The primary object of the internal audit is to report to the AC and the Board the extent that sound risk management processes and controls are in place and operate effectively. The Internal Auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

Guideline 13.2 Adequate resources of the internal audit function

The AC is satisfied that the IA is adequately resourced and has the appropriate standing within the Group to perform its function effectively. During the year, the IA worked with management to align companies to the Group's internal control environment and compliance standards in order to strengthen the self-regulating checks and balances. IA also made periodic visits to overseas subsidiaries to review their operations to ensure compliance with the internal controls framework.

CORPORATE GOVERNANCE REPORT

Guidelines 13.3 and 13.4 Internal audit function

The Internal Audit Executive has the relevant qualifications and experience and carries out its function according to standards set by the Institute of Internal Auditors. A structured and customised training and development roadmap is also in place to ensure that the Internal Auditor Executive is equipped with technical knowledge and skillsets that are current, relevant and appropriate for the work.

Guideline 13.5 Annual review of the adequacy and effectiveness of the internal audit function

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and reviews performed by management and AC, the Board, with the concurrence of the AC, is satisfied that the Group's framework of internal controls and procedures is adequate as at 31 August 2014 to provide reasonable, but not absolute, assurance of achieving its internal control objectives and addressing financial, operational and compliance and information technology risks.

The Board is satisfied that problems are identified on a timely basis and follow-up actions are taken promptly to minimise unnecessary lapses. The Board, through the board committees, is supported in these areas by the IA team of the Company.

SHAREHOLDER RIGHTS

Principle 14:

Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guideline 14.1 Disclosure of information to shareholders

The Company is committed to ensuring that all shareholders have easy access to clear, reliable and meaningful information in order to make informed investment decisions. The Company regularly communicates major developments in its business operations and financial performance that could have a material impact on the price and value of its shares via its results and annual reports, announcements on the SGXNET, press releases, circulars to shareholders, the Company's annual general meetings and other appropriate channels.

Guideline 14.2 Rights at general meetings

In addition, shareholders are encouraged to attend, participate and vote at the general meetings to ensure a greater level of shareholder participation and for them to be kept up to date as to the Group's strategies and goals. Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcement via SGXNET as well as through the notice of the general meeting dispatched to them, together with explanatory notes or a circular on items of special business, at least 14 calendar days before the meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Board views the AGM and EGMs as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or management questions regarding the Company and its operations.

Resolutions tabled at general meetings are passed through a process of voting by poll which procedures are clearly explained by the scrutineers at such general meetings.

Guideline 14.3 Appointment of proxies for nominee corporation

The Board supports the Code's principle to encourage shareholder participation in the Company. The Articles allow a shareholder who is unable to attend the general meetings of the Company to appoint one or two proxies to attend the general meetings and vote in place of the shareholder.

CORPORATE GOVERNANCE REPORT

COMMUNICATION WITH SHAREHOLDERS

Principle 15:

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guideline 15.1 Investor relations policy

The Company is committed to upholding high standards of corporate transparency and disclosure, whilst safeguarding its commercial interests. This commitment is embodied in the Company's Investor Relations Policy which adheres to fair disclosure principles and emphasises active dialogue and engagement with shareholders, investors, analysts and members of the public.

Guideline 15.2 Timely disclosure of information

The Company does not practise selective disclosure. The Company makes every effort to ensure that shareholders and all capital market players have easy access to clear, meaningful and timely information on the Company in order to make informed investment decisions. To do this, various channels including announcements, press releases, shareholder circulars and annual reports are utilised. All price-sensitive and material information are disseminated via SGXNET on a non-selective basis and in a timely and consistent manner. The Company's announcements are also uploaded on the Company's website.

In the event that unpublished material information is inadvertently disclosed to any selected group in the course of the Group's interactions with the investing community, an announcement will be released to the public via SGXNET.

Guideline 15.3 Dialogue with shareholders

General meetings have been and are still the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues and ask the directors or management questions regarding the Company and its operations. They offer opportunities for directors and management to interact first-hand with shareholders, understand their views, gather feedback as well as address concerns. Enquiries by shareholders are dealt with as promptly as practicably possible.

Guideline 15.4 Investor Relations activities

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on value creation. Further, management would meet analysts and fund managers as appropriate.

Guideline 15.5 Dividend payment policy

The Company is committed to achieving sustainable income and growth to enhance total shareholder return. The Group's policy aims to balance cash return to shareholders and investment for sustaining growth, while aiming for an efficient capital structure. The Company does not have a fixed policy on payment of dividends, instead the issue of the payment of dividends is deliberated seriously and at length by the Board annually having regard to various factors.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16:

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Guideline 16.1 Greater shareholder participation

All shareholders are invited to participate in the Company's general meetings.

The Company disseminates information on general meetings through notices in its annual reports or circulars. These notices are also released via SGXNET, published in local newspapers of the meetings to give ample time for shareholders to review the documents. The full Annual Report is also available to all shareholders on the SGXNET or upon request.

CORPORATE GOVERNANCE REPORT

The Company's Articles of Association allow all shareholders the right to appoint up to two proxies to attend general meetings and vote on their behalf. Voting in absentia by mail, facsimile or email is currently not permitted as such voting methods would need to be cautiously evaluated for feasibility to ensure that there is no compromise to the integrity of the information and the authenticity of the shareholders' identity.

The CEO delivers a short presentation at each AGM to shareholders to update them on the performance of Company's business. Every matter requiring approval at a general meeting is proposed as a separate resolution. Shareholders present are given an opportunity to clarify or direct questions on issues pertaining to the proposed resolutions before the resolutions are voted on. The Board and management are in attendance to address these queries or concerns and obtain feedback from shareholders. Where it is not possible to provide immediate answers, the Chairman will undertake to furnish the shareholder with a written answer after the AGM. The external auditors and legal advisors are also present to assist the Board as necessary.

Minutes of shareholder meetings are available upon request by shareholders.

Guideline 16.2 Separate resolutions

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Shareholders can vote either in person or through proxies.

Guideline 16.3 Attendance of Directors and other key persons at AGMs

The Chairmen of the AC, RC and NC are normally available at all general meetings to answer those questions relating to the work of these committees. The Company's external auditors, BDO LLP, are also invited to attend AGMs and will assist in addressing queries from shareholders relating to the conduct of audit and the preparation and content of the auditors' report. The legal advisers will also be present to assist the Board in addressing any relevant queries by the shareholders.

Guideline 16.4 Minutes

The minutes of general meetings, which include substantial comments or queries from shareholders and responses from the Board are available to shareholders upon written request.

Guideline 16.5 Voting by poll

To promote greater transparency and effective participation, the Company will conduct poll voting for all resolutions tabled. The results of the poll voting on each resolution tabled at the next AGM, including the total number of votes cast for or against each resolution, will be announced after the said meeting via SGXNET. The Company will put all resolutions to vote by poll at the forthcoming AGM to be held on 29 December 2014.

Having undertaken a cost/benefit analysis, the Company has decided not to undertake polling by means of electronic polling at this juncture.

Appendix – Key Terms of Reference

Nominating Committee

1. Nomination of new directors to the Board and re-election/re-appointment of directors at regular intervals, having regard to provisions in the Articles of Association of the Company and the Code.
2. Review annually whether or not a director is independent, having regard to the guidelines of the Code and other factors that the NC considers salient.
3. Determine a suitable size of the Board which facilitates effective decision-making, after taking into consideration the scope and nature of the operations of the Company.
4. Develop and maintain internal guidelines to assess a director's ability and his/her performance in carrying out his/her duties as director of the Company. Review the directors' mix of skills, qualities and experiences that the Board requires to function competently and efficiently.
5. Recommend to the Board on appropriate internal guidelines to address the competing time commitments that are faced by directors serving on multiple boards.
6. Develop and maintain, as appropriate, a formal assessment process to evaluate the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board, as appropriate.

CORPORATE GOVERNANCE REPORT

7. To rigorously review, as appropriate, the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment.
8. Review the appointment and termination/dismissal of the Company's CEO and Company Secretary for recommendation to the Board for approval. In addition, review and approve the appointment and termination/dismissal of personnel occupying key positions in the Company such as the CFO, Chief Operation Officer, Vice President, Financial Controller, General Manager or its equivalent.

Remuneration Committee

1. Offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the directors and key management personnel of the Company.
2. Establish appropriate remuneration framework to motivate and retain directors and executives, and ensure that the Company is able to attract appropriate talent from the market in order to maximise value for shareholders.
3. Develop remuneration policy for the Executive Director and key management personnel (or executives of equivalent rank), structuring it to link rewards to Company and individual performance.
4. Determine specific remuneration packages for the Executive Director and key management personnel (or executives of equivalent rank) and any relative of a director and/or substantial shareholder who is employed in a managerial position by the Company.
5. Review and approve the compensation of key management personnel.
6. Review the appropriateness and transparency of remuneration matters for disclosure to shareholders.
7. Have explicit authority to investigate any matter within its terms of reference including seeking expert advice within and/or outside the Company.

Audit Committee

1. Assist the Board in fulfilling its responsibilities for the Company's financial reporting, management of financial and control risks and monitoring of the internal control systems. Review the financial reporting process, the system of internal controls and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.
2. Ensure that arrangements are in place for the independent investigation of possible improprieties in matters of financial reporting or other matters that may be raised and that appropriate follow-up actions are taken.
3. Review and approve the external auditors' proposed audit plan, scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope. Review of the nature and extent of non-audit services provided by the external auditors. Monitor and assess the independence of the external auditors and their performance. Ensure significant findings and recommendations made by the external auditors are received and discussed in a timely manner. Ensure that management responds to recommendations made by the external auditors. Nomination of external auditors for re-appointment.
4. Review the activities and organisational structure of the internal audit function and ensure that there are no unjustified restrictions and limitations. Review and approve the internal audit plan with regard to the complementary roles of the internal and external audit functions. Ensure significant findings and recommendations made by the internal auditors are received and discussed in a timely manner. Ensure that management responds to recommendations made by the internal auditors.
5. Satisfies itself that adequate counter-measures are in place to identify and mitigate any material business risks associated with the Company. Review the adequacy of the Company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems established by the management. Ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually.
6. Evaluate how management is reviewing the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks. Ensure an appropriate system is established to identify and report areas of potential business risk promptly in order for remedial actions to be taken. Assess at least annually the effectiveness of the control and risk management systems. Recommend to the Board its findings and propose course of actions to be taken by management to ensure controls are put in place to address these risks. Management is responsible for the actions to be taken.

CORPORATE GOVERNANCE REPORT

7. Review the relevance and consistency of the accounting standards used by the Company and the Group, significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance. Review of annual and interim financial statements and announcements prior to approving or recommending their release to the Board, as applicable.
8. Review and recommend for the Board's approval, all Interested Person Transactions, as specified under Chapter 9 of the SGX-ST Listing Manual.

ADDITIONAL CORPORATE GOVERNANCE

The Company has in place internal codes of conduct and practices for its Board members and employees on securities transactions while in possession of price-sensitive information and their conduct of business activities. In addition, the Company has established a Whistle-blowing Policy.

DEALING IN SECURITIES – Listing Manual Rule 1207(19)

The Company adopted a policy whereby its directors and officers are prohibited from dealing in the securities of the Company and listed entity(ies) within the Group (collectively the "listed entities") while in possession of unpublished price-sensitive information as well as during the period commencing one month before the announcements of the listed entities' full-year results, and two weeks before the announcements of the first, second and third quarter financial results till the day of such announcements. The Company's directors and officers are also reminded to refrain from dealing in the listed entities' securities for short-term considerations or if they are in possession of unpublished material price sensitive information, and they are required to report on their dealings in shares in the Company.

Directors and officers are also expected to observe insider trading laws at all times even when dealing with securities of the listed entities within the permitted trading period.

CODE OF CONDUCT AND PRACTICES

The Group recognises the importance of integrity, professionalism on the conduct of its business activities. Employees are expected to embrace, practice and adopt these values while performing their duties and always to act in the best interest of the Group and avoid situations that may create conflicts of interest.

WHISTLE-BLOWING POLICY

The Company is committed to a high standard of compliance with accounting, financial reporting, internal controls, corporate governance and auditing requirements and any legislation relating thereto. In line with this commitment, the Whistle-blowing Policy aims to provide an avenue for employees and external parties to raise concerns and offer reassurance that they will be protected from reprisals and victimisation for whistle-blowing in good faith.

The AC addresses issues/concerns raised and arranges for investigation and/or follow-up of appropriate action. The AC reports to the Board any issues/concerns received by it at the ensuing Board meeting. Should the AC receive reports relating to serious offences, and/or criminal activities in the Group, they and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report is made to the relevant governmental authorities for further investigation/action.

The Board believes that the earlier an issue/concern is raised, the easier it would be for the Group to take the necessary action as appropriate.

CORPORATE GOVERNANCE REPORT

INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval if such transactions do occur. The Company ensures that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted on an arm's length basis that is not prejudicial to the interests of the shareholders. When a potential conflict of interest occurs, the Director concerned will be excluded from discussions and will refrain from exercising any influence over other members of the Board.

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.

The AC and the Board have reviewed the transactions and were satisfied that the terms were fair and reasonable and were not prejudicial to the interests of the Company and its minority shareholders.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries with any director or controlling shareholder during the financial year ended 31 August 2014.

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 2014.

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 Lim Thean Ee (appointed on 9 January 2014)
 Mr Wee Piew (appointed on 1 May 2014)
 Mr Pek Ee Perh, Thomas (appointed on 27 October 2014)

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.

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, Chapter 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 or date of appointment, if later	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	89,509,290
Mr Lim Thean Ee	–	100,000	–	–
Subsidiaries				
- Giken Sakata (S) Limited				
Mr Sin Kwong Wah, Andrew	–	–	150,000 ⁽²⁾	–

On 11 March 2014, the Company disposed its entire shareholdings in Giken Sakata (S) Limited.

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.	Held in the name of Directors	
Mr Sin Kwong Wah, Andrew	1 ⁽³⁾	1 ⁽³⁾

(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 2014.

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.

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 the Remuneration Committee ("RC").

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. The options expired on 29 January 2012.

(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 ordinary share with no discount. 2,940,000 options were accepted by the Participants. The options expired on 29 January 2014.

REPORT OF THE DIRECTORS

5. Share options (Continued)

a) Options granted (Continued)

(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 ordinary 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 ordinary 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.

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

As at 31 August 2014, there were no Participants who are Directors of the Company.

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			At end of year	Original exercise price (\$)	Adjusted exercise price (\$)	Exercise period
		adjustments	Exercised	Lapsed				
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 14
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 15
31 Jan 07	1,203,000	-	-	(13,000)	1,190,000	0.239	0.188	31 Jan 08 to 30 Jan 17
31 Jan 07	1,204,000	-	-	(13,000)	1,191,000	0.239	0.188	31 Jan 09 to 30 Jan 17
Total	4,254,000	-	-	(1,479,000)	2,775,000			

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

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

REPORT OF THE DIRECTORS

5. Share options (Continued)

b) Unissued shares under option (Continued)

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 RC 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 2007 and pursuant to Rule 10 of Miyoshi Employees' Share Option Scheme, the exercise price had been adjusted.

6. Audit committee

The members of the Audit Committee are:

Mr Wee Piew (Chairman)

Mr Lim Thean Ee

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;
- (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.

REPORT OF THE DIRECTORS

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
Director

Masayoshi Taira
Director

Singapore
25 November 2014

STATEMENT BY 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, Chapter 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 2014 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
Director

Masayoshi Taira
Director

Singapore
25 November 2014

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 47 to 109 which comprise the statements of financial position of the Group and of the Company as at 31 August 2014 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, Chapter 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 2014 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

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 the subsidiary 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
25 November 2014

Miyoshi Precision Limited

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets:					
Cash and bank balances	6	6,148	9,127	637	2,057
Fixed deposits	6	3,942	1,822	3,006	–
Trade receivables	7	12,303	16,582	4,660	4,946
Other receivables and prepayments	8	2,868	2,559	2,160	1,458
Inventories	9	6,807	7,555	412	2,708
		32,068	37,645	10,875	11,169
Non-current assets held for sale	10	1,924	3,908	–	1,943
Assets of a disposal group held for sale	11	–	24,188	–	–
Total current assets		33,992	65,741	10,875	13,112
Non-current assets:					
Investments in associates	12	20	53	–	120
Investment in joint venture	13	–	–	–	–
Subsidiaries	14	–	–	20,221	21,552
Available-for-sale financial assets	15	18	18	4	4
Property, plant and equipment	16	23,672	23,316	2,513	4,610
Intangible assets	17	–	–	–	–
Deferred tax assets	18	5	50	–	–
Loans receivable	19	2,291	2,313	2,291	2,313
Total non-current assets		26,006	25,750	25,029	28,599
Total assets		59,998	91,491	35,904	41,711
LIABILITIES AND EQUITY					
Current liabilities:					
Bank overdraft	20	588	578	–	–
Trade payables	21	6,696	7,978	886	2,750
Other payables and accruals	22	3,724	4,313	886	1,161
Current income tax payable		20	32	–	–
Finance leases	23	21	97	21	97
Bank loans	24	1,352	4,865	–	4,742
		12,401	17,863	1,793	8,750
Liabilities of a disposal group held for sale	11	–	17,502	–	–
Total current liabilities		12,401	35,365	1,793	8,750

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

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Non-current liabilities:					
Finance leases	23	24	45	24	45
Bank loans	24	947	1,058	–	–
Other loan	25	332	337	–	–
Provisions	26	262	260	–	–
Deferred tax liabilities	27	–	–	–	–
Total non-current liabilities		1,565	1,700	24	45
Total liabilities		13,966	37,065	1,817	8,795
Equity:					
Share capital	28	37,389	37,389	37,389	37,389
Treasury share reserve	28	–	(55)	–	(55)
Fair value reserve	28	(12)	(8)	–	–
Other reserve	28	753	1,063	–	–
Share options reserve	28	379	474	379	474
Currency translation reserve	28	(13,965)	(12,840)	(14,488)	(13,811)
Retained earnings		19,460	21,634	10,807	8,919
Equity attributable to owners of the parent		44,004	47,657	34,087	32,916
Non-controlling interests		2,028	6,769	–	–
Total equity		46,032	54,426	34,087	32,916
Total liabilities and equity		59,998	91,491	35,904	41,711

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year Ended 31 August 2014

	Note	2014 \$'000	2013 \$'000
Revenue	30	70,086	190,371
Other income	31	7,575	2,695
Raw materials, consumables used and changes in inventories		(40,529)	(134,074)
Employee benefit expenses	32	(15,696)	(31,389)
Depreciation expense		(4,360)	(6,497)
Other operating expenses	33	(16,521)	(25,198)
Finance costs	34	(337)	(479)
Share of results of associates		136	(51)
Profit/(Loss) before income tax		354	(4,622)
Income tax expense	35	(334)	(32)
Profit/(Loss) for the financial year	36	20	(4,654)
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
Foreign currency translation		(1,015)	969
Reclassification adjustment for translation reserve upon disposal of a subsidiary		(106)	-
		(1,121)	971
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain on defined benefit plan		43	-
Other comprehensive income for the financial year, net of tax		(1,078)	971
Total comprehensive income for the financial year		(1,058)	(3,683)
Profit/(Loss) attributable to:			
Owners of the parent		547	(4,904)
Non-controlling interests		(527)	250
		20	(4,654)
Total comprehensive income attributable to:			
Owners of the parent		(424)	(4,145)
Non-controlling interests		(634)	462
		(1,058)	(3,683)
Earnings/(Loss) per share			
Basic (cents)	37	0.13	(1.17)
Diluted (cents)	37	0.13	(1.17)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 August 2014

	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 2013	37,389	(55)	(8)	1,063	474	(12,840)	21,634	47,657	6,769	54,426
Profit for the financial year	-	-	-	-	-	-	547	547	(527)	20
Other comprehensive income for the financial year:										
Actuarial gain on defined benefit plan	-	-	-	43	-	-	-	43	-	43
Foreign currency translation	-	-	(4)	-	-	(904)	-	(908)	(107)	(1,015)
Reclassification adjustment for translation reserve upon disposal of a subsidiary	-	-	-	-	-	(106)	-	(106)	-	(106)
Total other comprehensive income for the financial year	-	-	(4)	43	-	(1,010)	-	(971)	(107)	(1,078)
Total comprehensive income for the financial year	-	-	(4)	43	-	(1,010)	547	(424)	(634)	(1,058)
Transactions with owners of the parent recognised directly in equity										
Share options lapsed	-	-	-	-	(95)	-	95	-	-	-
Total transactions with owners of the parent recognised directly in equity	-	-	-	-	(95)	-	95	-	-	-
Contribution by and distribution to owners										
Disposal of treasury shares	-	55	-	-	-	(9)	(14)	32	-	32
Dividends	-	-	-	-	-	-	(3,155)	(3,155)	-	(3,155)
Total contribution by and distribution to owners	-	55	-	-	-	(9)	(3,169)	(3,123)	-	(3,123)
Transaction with non-controlling interests										
Disposal of subsidiary	-	-	-	(353)	-	(106)	353	(106)	(4,107)	(4,213)
Balance at 31 August 2014	37,389	-	(12)	753	379	(13,965)	19,460	44,004	2,028	46,032

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 31 August 2014

	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
Foreign currency translation	-	-	-	-	-	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)	-	-	-
Transactions with non-controlling interests										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(405)	(405)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(17)	(17)
Deconsolidation of a subsidiary	-	-	-	(168)	-	-	168	-	(64)	(64)
Total transactions with non-controlling interests	-	-	-	(168)	-	-	168	-	(486)	(486)
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 CASH FLOWS

Year Ended 31 August 2014

	2014 \$'000	2013 \$'000
Operating activities:		
Profit/(Loss) before income tax	354	(4,622)
Adjustments for:		
Allowance for impairment of plant and equipment	2,076	1,024
Allowance for impairment of disposal group	–	2,100
Allowance for doubtful trade receivables	20	16
Allowance for inventory obsolescence	175	77
Bad trade receivables written off	–	1
Depreciation expense	4,360	6,497
Gain on deconsolidation of subsidiary	–	(127)
Gain/(Loss) on disposal of plant and equipment	307	(216)
Gain on disposal of assets held for sale	(5,132)	–
Gain on disposal of associate	(585)	–
Gain on disposal of subsidiary	–	51
Interest expense	337	479
Interest income	(170)	(306)
Provision for claims no longer required	–	(39)
Provision for retirement gratuities	–	260
Reversal of impairment loss of disposal group	(643)	–
Plant and equipment written off	382	22
Share of results of associates	(136)	51
Operating cash flows before changes in working capital	1,345	5,268
Trade receivables	3,882	3,165
Other receivables and prepayments	437	(1,651)
Inventories	573	(1,025)
Trade payables	(1,487)	(4,139)
Other payables and accruals	(595)	768
Cash generated from operations	4,155	2,386
Interest paid	(337)	(479)
Interest received	170	306
Income tax paid	(248)	(203)
Dividend paid	(3,155)	–
Dividend paid to non-controlling interest	–	(405)
Net cash from operating activities	585	1,605

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year Ended 31 August 2014

	2014 \$'000	2013 \$'000
Investing activities:		
Disposal of subsidiaries, net of cash disposed (Note 14)	(4,926)	47
Loans receivable	–	(22)
Proceeds from disposal of assets held for sale	7,200	–
Proceeds from disposal of interest in associate	3,775	–
Proceeds from disposal of property, plant and equipment	942	2,620
Purchase of property, plant and equipment	(8,752)	(3,753)
Net cash used in investing activities	(1,761)	(1,108)
Financing activities:		
Proceeds from bank loans	1,220	–
Proceeds from other loans	–	355
Proceeds from disposal of treasury shares	32	–
Repayment of bank loans	(4,843)	(1,841)
Repayment of other loans	–	(257)
Repayment of finance leases	(97)	(766)
Decrease in restricted cash	–	828
Net cash used in financing activities	(3,688)	(1,681)
Currency translation adjustment	(39)	124
Decrease in cash and cash equivalents	(4,903)	(1,060)
Cash and cash equivalents at beginning of financial year	14,254	15,314
Cash and cash equivalents at end of financial year (Note 6)	9,351	14,254

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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 198703979K. 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 statements 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 2014 were authorised for issue by the Board of Directors on 25 November 2014.

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, Chapter 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 Singapore Exchange Securities Trading Limited, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)**2.1 Basis of preparation of financial statements (Continued)***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 16 and 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 16 and 41 (Amendments)	: Agriculture: Bearer Plants	1 January 2016
FRS 19 (Amendments)	: Defined Benefit Plans: Employee Contributions	1 July 2014
FRS 27 (Revised)	: Separate Financial Statements	1 January 2014
FRS 27 (Amendments)	: Investment Entities	1 January 2014
FRS 27 (Amendments)	: Equity Method in Separate Financial Statements	1 January 2016
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 110	: Consolidated Financial Statements	1 January 2014
FRS 110 (Amendments)	: Investment Entities	1 January 2014
FRS 110 and 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
FRS 111	: Joint Arrangements	1 January 2014
FRS 111 (Amendments)	: Accounting for Acquisitions of Interests in a Joint Operation	1 January 2016
FRS 112	: Disclosure of Interests in Other Entities	1 January 2014
FRS 112 (Amendments)	: Investment Entities	1 January 2014
FRS 114	: Regulatory Deferral Accounts	1 January 2016
FRS 115	: Revenue from Contracts with Customer	1 January 2017
INT FRS 121	: Levies	1 January 2014
Improvements to FRSs 2014		1 July 2014
Improvements to FRS (November 2014)		1 January 2016

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 2014

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. Management is currently in the process of determining the impact of the adoption on the Group.

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, however, there will be no impact on the financial position or financial performance of the Group on initial adoption of the standard in the financial year beginning on 1 September 2014.

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

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.

2.3 Business combinations

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;

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

- 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.

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.

2.4 Financial instruments

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

Effective interest method

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

Financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial assets (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

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

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share reserve 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 retained earnings 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 2014

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 and the Company as lessees

(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 statements 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 (net of any incentives given to lessees) 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 costs incurred in negotiating and arranging 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

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 and fixed deposits net of fixed deposits pledged and bank overdraft.

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.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.9 Property, plant and equipment (Continued)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

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.

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 are 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 2014

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 Directors and 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

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 net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation (derived using a discount rate based on high quality corporate bonds) at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

Defined benefit costs comprise the following:

- service cost;
- net interest on the net defined benefit liability or asset; and
- remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in other reserve within equity and are not reclassified to profit or loss in subsequent periods.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

- (i) Retirement benefit costs (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.19 Income tax (Continued)

Deferred tax (Continued)

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

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.

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination is taken into account in calculating goodwill on acquisition.

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.

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 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 are recognised initially in other comprehensive income and accumulated in the Group's currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

2. Summary of significant accounting policies (Continued)

2.21 Foreign currencies transactions and translation (Continued)

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.

On disposal of a foreign operation, the accumulated currency translation reserve relating to that operation is reclassified to profit or loss.

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

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 executive director who makes strategic decisions.

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 flows.

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.

Impairment and depreciation of property, plant and equipment

The Group assesses whether there are any indicators of impairment for its property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amount may not be recoverable. For property, plant and equipment with indication of impairment, management has assessed the value-in-use using the future cash flows expected to arise from the assets or the cash-generating unit over a period of five (2013: five) years using a discount rate of 8.30% (2013: 5.03% to 6.50%) per annum. Estimates of future cash flows are based on a forecast annual growth in revenue between 5% to 22% (2013: 5% to 53%).

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as disclosed in Note 2.9 of the financial statements. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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

3.2 Key sources of estimation uncertainty (Continued)

Impairment and depreciation of property, plant and equipment (Continued)

The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 August 2014 were \$23,672,000 (2013: \$23,316,000) and \$2,513,000 (2013: \$4,610,000) 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 receivable 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 and associates as at 31 August 2014 were \$17,104,000 (2013: \$21,280,000) and \$20,105,000 (2013: \$23,294,000) respectively.

Net realisable value of 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 2014, the carrying amounts of the Group's and the Company's inventories were \$6,807,000 (2013: \$7,555,000) and \$412,000 (2013: \$2,708,000) respectively.

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 (2013: five) years using a discount rate of 8.30% (2013: 5.03% to 6.50%) per annum. Estimates of future cash flows are based on a forecast annual growth in revenue between 5% to 22% (2013: 5% to 53%). The carrying amounts of the Company's investments in subsidiaries and associates as at 31 August 2014 were \$12,247,000 (2013: \$10,073,000) and \$Nil (2013: \$120,000) respectively.

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. Certain deferred tax assets have not been recognised as there is uncertainty to whether there will be sufficient future taxable profit to realise the future benefits. As at 31 August 2014, the Group's deferred tax assets and current income tax payable were \$5,000 (2013: \$50,000) and \$20,000 (2013: \$32,000) respectively. As at the same date, the Group and the Company have aggregate unutilised tax losses of approximately \$25,248,000 (2013: \$29,706,000) and \$11,322,000 (2013: \$12,710,000) available for set off against future taxable profits subject to the agreement by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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).

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Past due < 3 months	6,407	4,068	832	323
Past due 3 to 6 months	611	143	96	212
Past due over 6 months	56	150	2,018	37

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Past due over 6 months	68	292	3,864	6,581

Credit risk on loan to associate and advances to subsidiaries

The Group's and the Company's exposure to credit risk on loans to associate and the Company's exposure to credit risk on its advances to subsidiaries are 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 2014

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

4.2 Market risks

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) and Thailand baht (THB) and therefore is exposed to foreign exchange risk.

The Group uses a combination of natural hedges of matching assets and liabilities 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
United States dollar	3,549	2,113	–	–
Singapore dollar	2,641	(4,560)	7,366	(6)
Japanese yen	11	20	188	204
Philippine peso	78	(93)	–	–
Malaysia ringgit	(1,434)	(1,308)	–	–
Thailand baht	4	4	1,388	1,368
Others	–	(9)	–	(9)
Total	4,849	(3,833)	8,942	1,557

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 and SGD against Chinese renminbi (RMB) and USD respectively, which are functional currencies of certain Group entities. 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.

Foreign currency sensitivity analysis

	Gain/(Loss)			
	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
USD				
Strengthens against RMB	121	87	–	–
Weakens against RMB	(121)	(87)	–	–
SGD				
Strengthens against USD	132	(228)	368	–
Weakens against USD	(132)	228	(368)	–

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

4. Financial instruments, financial risks and capital management (Continued)**4.2 Market risks (Continued)**Interest rate risk

The Group's exposure to interest rate risk mainly arises from bank overdraft and bank loans. Their interest rates and terms of repayment are disclosed in Notes 20 and 24 to the financial statements respectively.

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Bank overdraft	588	578	–	–
Bank loans	2,299	5,923	–	4,742
	<u>2,887</u>	<u>6,501</u>	<u>–</u>	<u>4,742</u>

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 100 basis points from the end of the financial year, with all other variables held constant, the interest expense of the Group would increase/decrease by approximately \$29,000 (2013: \$65,000), while the interest expense of the Company would increase/decrease by approximately \$Nil (2013: \$47,000).

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

	2014				2013			
	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 overdraft	630	–	–	630	618	–	–	618
Trade payables	6,696	–	–	6,696	7,978	–	–	7,978
Other payables and accruals	3,724	–	–	3,724	4,313	–	–	4,313
Finance leases	23	24	–	47	101	47	–	148
Bank loans	1,445	720	429	2,594	4,867	589	471	5,927
Other loan	–	352	–	352	–	347	–	347
	<u>12,518</u>	<u>1,096</u>	<u>429</u>	<u>14,043</u>	<u>17,877</u>	<u>983</u>	<u>471</u>	<u>19,331</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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

4.3 Liquidity risk (Continued)

Financial liabilities (Continued)

	2014			Total \$'000	2013			Total \$'000
	1 year or less \$'000	2 to 5 years \$'000	After 5 years \$'000		1 year or less \$'000	2 to 5 years \$'000	After 5 years \$'000	
Company								
Trade payables	886	–	–	886	2,750	–	–	2,750
Other payables and accruals	886	–	–	886	1,161	–	–	1,161
Finance leases	23	24	–	47	101	47	–	148
Bank loans	–	–	–	–	4,887	–	–	4,887
	<u>1,795</u>	<u>24</u>	<u>–</u>	<u>1,819</u>	<u>8,899</u>	<u>47</u>	<u>–</u>	<u>8,946</u>

Corporate guarantees

As at 31 August 2014, the Company has given corporate guarantees of \$1,806,000 (2013: \$1,895,000) to a financial institution and a supplier in connection with facilities granted by the latter to a subsidiary. The carrying amount of the facilities utilised represents the maximum amount of the guarantee that the Company would be called upon to pay. The Directors are of the view that no material losses will arise from these corporate guarantees.

The table below shows the contractual maturity of the Company's financial guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less	
	2014 \$'000	2013 \$'000
Company		
Financial guarantees	<u>1,806</u>	<u>1,895</u>

4.4 Capital management policies and objectives

The Group manages capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. 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.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

As disclosed in Note 28 to the financial statements, the Group's subsidiaries in the People's Republic of China and Thailand are required by local regulations to contribute to and maintain a non-distributable statutory reserve fund.

The Group's overall strategy remains unchanged from 2013.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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

4.5 Fair value of financial assets and financial liabilities

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.

Fair value of financial instruments that are not carried at fair value

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 the Group's non-current financial liabilities in relation to finance leases, bank loans and other loan are disclosed in Notes 23, 24 and 25 to the financial statements respectively. These have been determined using discounted cash flow pricing models and are considered level 3 fair value measurements. Significant inputs to the valuation include adjustments to the discount rate for credit risk associated with the Group.

The fair values of financial assets that are not carried at fair value in relation to non-current other receivables from subsidiaries and loans receivable are disclosed in Notes 14 and 19 to the financial statements respectively and are carried at cost less allowance for impairment loss because it is not practicable to determine the fair value due to the lack of fixed repayment term and the assumptions used in valuation models to value these instruments cannot be reliably measured.

4.6 Categories of financial instruments

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Financial assets				
Loans and receivables				
Cash and bank balances	6,148	9,127	637	2,057
Fixed deposits	3,942	1,822	3,006	–
Trade receivables	12,303	16,582	4,660	4,946
Other receivables	2,510	2,385	2,090	1,407
Loans receivable	2,291	2,313	2,291	2,313
Advances to subsidiaries	–	–	11,064	14,628
	<u>27,194</u>	<u>32,229</u>	<u>23,748</u>	<u>25,351</u>
Available-for-sale financial assets	<u>18</u>	<u>18</u>	<u>4</u>	<u>4</u>
Financial liabilities				
Other financial liabilities, at amortised cost				
Bank overdraft	588	578	–	–
Trade payables	6,696	7,978	886	2,750
Other payables and accruals	3,724	4,313	886	1,161
Finance leases	45	142	45	142
Bank loans	2,299	5,923	–	4,742
Other loan	332	337	–	–
	<u>13,684</u>	<u>19,271</u>	<u>1,817</u>	<u>8,795</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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.
- (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.

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	
	2014	2013
	\$'000	\$'000
Short-term benefits	1,403	2,347
Post-employment benefits	42	84
	1,445	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).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

6. Cash and cash equivalents

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash and bank balances	6,148	9,127	637	2,057
Fixed deposits	3,942	1,822	3,006	–
Bank overdraft (Note 20)	(588)	(578)	–	–
Restricted cash	(151)	(143)	–	–
	9,351	10,228	3,643	2,057
Cash and cash equivalents of disposal group (Note 11)	–	4,026	–	–
	9,351	14,254	3,643	2,057

The Group's and the Company's fixed deposits earn interest ranging from 0.42% to 3.15% (2013: 0.5% to 3.25%) and 0.42% (2013: Nil) per annum respectively and are for a tenor of approximately 365 (2013: 365) days and 165 (2013: Nil) days respectively.

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

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Singapore dollar	3,397	1,115	3,397	1,115
United States dollar	1,341	890	–	–
Malaysia ringgit	493	343	–	–
Philippine peso	131	187	–	–
Japanese yen	22	24	22	24
Thailand baht	4	4	4	4

7. Trade receivables

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Third parties	12,363	16,592	1,575	3,315
Subsidiaries	–	–	6,949	7,941
Associate	–	271	–	271
Related parties	8	11	–	–
	12,371	16,874	8,524	11,527
Allowance for doubtful receivables	(68)	(292)	(3,864)	(6,581)
	12,303	16,582	4,660	4,946

Trade receivables from third parties are non-interest bearing and are generally on a 30 to 60 (2013: 30 to 60) days credit terms. The amounts owing from subsidiaries, associate and related parties are unsecured, interest-free, repayable on demand and expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

7. Trade receivables (Continued)

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At beginning of financial year	292	492	6,581	271
Bad receivables written off	(271)	(215)	(271)	(5)
Charge/(Credit) to profit or loss	20	16	(2,330)	6,152
Currency realignment	27	(1)	(116)	163
At end of financial year	68	292	3,864	6,581
Comprising:				
- third parties	68	21	-	-
- subsidiaries	-	-	3,864	6,310
- associate	-	271	-	271
	68	292	3,864	6,581

As at 31 August 2014, the Group and the Company have determined trade receivables of \$68,000 (2013: \$292,000) and \$3,864,000 (2013: \$6,581,000) respectively as individually impaired. Based on this assessment, impairment loss of \$20,000 (2013: \$16,000) and \$Nil (2013: \$6,152,000) have been recognised by the Group and the Company respectively in profit or loss under "other operating expenses". The impaired trade receivables are due from debtors experiencing financial difficulties.

During the current financial year, the Company reversed allowance for doubtful receivables of approximately \$2,330,000 to profit or loss in view of the improvement of the relevant subsidiary's financial position and financial performance.

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
United States dollar	3,049	1,945	-	-
Malaysia ringgit	117	180	-	-
Singapore dollar	39	356	39	373
Philippine peso	4	13	-	-
Japanese yen	-	1	-	1

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

8. Other receivables and prepayments

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Third parties	3,753	3,553	564	1,156
Subsidiaries	–	–	4,411	3,596
	3,753	3,553	4,975	4,752
Allowance for doubtful receivables	(885)	(994)	(2,815)	(3,294)
	2,868	2,559	2,160	1,458

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

The Group's and the Company's prepayments amounted to \$358,000 (2013: \$174,000) and \$70,000 (2013: \$51,000) respectively.

The amounts due from subsidiaries are unsecured, interest-free, repayable on demand and expected to be settled in cash.

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At beginning of financial year	994	2,234	3,294	2
(Credit)/Charge to profit or loss	–	–	(413)	3,210
Bad receivables written off	(89)	(1,142)	–	–
Currency realignment	(20)	(98)	(66)	82
At end of financial year	885	994	2,815	3,294
Comprising:				
- third parties	885	994	–	–
- subsidiaries	–	–	2,815	3,294
	885	994	2,815	3,294

As at 31 August 2014, the Group and the Company have determined other receivables of \$885,000 (2013: \$994,000) and \$2,815,000 (2013: \$3,294,000) respectively as individually impaired. Based on this assessment, impairment of \$Nil (2013: \$3,210,000) was recognised by the Company in profit or loss. The Company's impaired other receivables are due from subsidiaries experiencing financial difficulties.

In the current financial year, the Company reversed allowance for doubtful other receivables of approximately \$413,000 to profit or loss in view of the improvement of the relevant subsidiary's financial position and financial performance.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

8. Other receivables and prepayments (Continued)

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Philippine peso	853	640	–	–
Singapore dollar	293	1,193	1,769	1,424
Malaysia ringgit	126	190	–	–

9. Inventories

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Finished goods	3,468	3,699	258	1,047
Work-in-process	555	1,155	39	1,096
Raw materials	2,784	2,701	115	565
Total inventories at lower of cost and net realisable value	6,807	7,555	412	2,708

The Group's cost of inventories recognised as expense during the financial year amounted to \$40,529,000 (2013: \$134,074,000).

Allowance for inventory obsolescence of \$175,000 (2013: \$77,000) was recognised in profit or loss under "raw materials, consumables used and changes in inventories" after a review of the realisability of the inventories conducted at the end of the financial year.

10. Non-current assets held for sale

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Properties	1,924	3,908	–	1,943

In the financial year 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 sale of the asset was not completed in the financial years 2012 and 2013. The management remained committed to its plan to sell the asset and accordingly, the classification of the asset remains appropriate.

During the financial year ended 31 August 2014, a revised sale and purchase agreement was signed between the Group and the same buyer with amended terms. The sale is expected to be completed within the next twelve months. As at 31 August 2014, the carrying amount of the asset was \$1,924,000 (2013: \$1,965,000).

In the previous financial year, the Company 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 sale was completed on 31 October 2013.

The Group's property held for sale with aggregate carrying amount \$1,924,000 (2013: \$1,965,000) was mortgaged as a security for a bank loan.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

11. Assets of disposal group held for sale

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 would be diluted from 53.16% to 26.58% based on the enlarged issued share capital of Giken.

As at 31 August 2013, in view of the probable dilution of the Company's equity interest in Giken and expected loss of control, 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.

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	<u>24,188</u>
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	<u>17,502</u>
Net assets	<u><u>6,686</u></u>

As at 31 August 2013, the following assets were pledged as collateral for bank loans granted to certain entities of the disposal group:

	2013
	\$'000
Cash and cash equivalents	1,362
Trade receivables	9,509
Other receivables	390
Inventories	<u>3,543</u>

As at 31 August 2013, the finance lease liabilities of \$467,000 were secured on the plant and equipment purchased under the finance lease arrangements.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

12. Investments in associates

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Unquoted equity shares at cost	3,821	3,821	138	138
Currency realignment	73	92	(18)	(18)
Share of post-acquisition accumulated losses	(1,011)	(997)	–	–
Share of post-acquisition other reserves	(45)	(45)	–	–
Allowance for impairment loss	(2,818)	(2,818)	(120)	–
	20	53	–	120

Associate	Principal activities	Country of incorporation and operations	Effective equity interest held by the Group	
			2014 %	2013 %
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	29.43
Galaxy Pte Ltd ⁽³⁾	Dormant	British Virgin Islands	42.86	42.86
SPN International Pte Ltd ⁽⁴⁾	Dormant	Singapore	42.86	42.86

Notes:

- (1) Audited by BDO Alba Romeo & Co., Philippines.
- (2) Audited by J. Tan & Co., Singapore. 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

In the previous financial year, the Company disposed of its 63.56% equity interest in iNovuus Technologies Pte Ltd (“iNovuus”) (Note 14) and accordingly, the remaining equity interest of 29.43% in iNovuus has been classified as investment in associate as at end of the previous financial year.

Disposal of associate

In relation to the dilution of the Company’s equity interest in Giken as disclosed in Note 14 to the financial statements, the Company has accounted for Giken as an associate. On 11 March 2014, the Company disposed of its remaining 26.58% equity interest in Giken Sakata (S) Limited (“Giken”) for cash consideration of \$3,775,000. Accordingly, equity interests in the subsidiaries of Giken namely, Changzhou Giken Precision Co., Ltd, PT Giken Precision Indonesia, and Giken Precision Vietnam (HCMC) Co, Ltd. were also disposed of.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

12. Investments in associates (Continued)

The associates' financial year-end is 31 August. The summarised financial information in respect of the associates, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2014 \$'000	2013 \$'000
Assets	2,717	3,198
Liabilities	(6,933)	(7,158)
Revenue	-	-
Net profit/(loss) for the financial year	479	(128)

The above net profit for the current financial year includes the results of Giken from the date it became an associate of the Group up to the date of its disposal.

13. Investment in joint venture

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

Joint venture	Principal activities	Country of incorporation and operations	Effective equity interest held by the Group	
			2014 %	2013 %
Miyoshi FL Systems, Inc. ⁽¹⁾	Dormant	Philippines	51	51

Note:

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

The Group's share in the assets and liabilities of the joint venture as at 31 August 2014 and 31 August 2013 have not been disclosed as these are negligible in view of the cessation of the joint venture's operation in 2012.

The following amounts represent the Group's share of the 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	
	2014 \$'000	2013 \$'000
Profit or loss		
Revenue	-	-
Other income	-	1,205
Expenses	(1)	(1)
(Loss)/Profit before income tax	(1)	1,204
Income tax expense	-	-
(Loss)/Profit for the financial year	(1)	1,204

Other income in the previous financial year represents waiver of loan payable by the joint venture partner.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

14. Subsidiaries

	Company	
	2014 \$'000	2013 \$'000
Quoted equity shares, at cost	–	3,000
Unquoted equity shares, at cost	19,385	12,880
Advances	19,849	24,123
Currency alignment	(3,090)	(3,149)
	36,144	36,854
Allowance for impairment losses	(15,923)	(15,302)
	20,221	21,552

In the current financial year, the Company increased its investment in Miyoshi Technologies Phils., Inc. through capitalisation of loans and advances amounting to \$6,505,000 in exchange for 225,035 new ordinary shares of the subsidiary.

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 loss on investments in subsidiaries of \$1,457,000 (2013: \$934,000) and on advances of \$Nil (2013: \$2,440,000) in view of the operating losses sustained by certain subsidiaries and negative cash flows projected for the next five years. During the financial year, a reversal of an impairment loss on advances of approximately \$520,000 (2013: \$Nil) was recognised in view of the improvement in the relevant subsidiary's financial position and financial performance.

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

- advances of \$5,855,000 (2013: \$12,567,000), with allowance for impairment loss of \$4,070,000 (2013: \$4,885,000), and are interest-free, has no fixed repayment term and not expected to be repaid within the next 12 months from the end of the financial year;
- advances of \$3,840,000 (2013: \$3,397,000) which bear interest between 4.05% and 5.00% (2013: 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;
- advances of \$4,715,000 (2013: \$4,610,000), with allowance for impairment loss of \$4,715,000 (2013: \$4,610,000), and bear interest at 4.49% (2013: 4.49%) per annum with monthly repayment of principal over 72 equal monthly instalment of approximately \$92,000 starting July 2015;
- advances of \$2,144,000 (2013: \$2,185,000) which bear interest at 4.24% (2013: 4.24%) per annum with monthly repayment of principal over 72 equal monthly instalment of approximately \$33,000 starting February 2014;
- advances of \$1,384,000 (2013: \$1,364,000) which bear interest at 3.08% (2013: 3.08%) per annum with monthly repayment of principal over 36 equal monthly instalment of approximately \$37,000 starting September 2014; and
- advances of \$1,911,000 (2013: \$Nil) which bear interest at 6.00% (2013: Nil) per annum with monthly repayment of principal over 37 equal monthly instalment of approximately \$51,000 starting April 2017.

The advances to subsidiaries are unsecured.

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

14. Subsidiaries (Continued)

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

	Company	
	2014 \$'000	2013 \$'000
At beginning of financial year	5,807	4,658
Addition during the financial year	1,457	934
Currency realignment	(126)	215
At end of financial year	7,138	5,807

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

	Company	
	2014 \$'000	2013 \$'000
At beginning of financial year	9,495	6,876
Reversal of impairment loss during the financial year	(520)	–
Addition during the financial year	–	2,440
Currency realignment	(190)	179
At end of financial year	8,785	9,495

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

	Company	
	2014 \$'000	2013 \$'000
Data storage	717	2,503
Consumer electronics	160	742
Automotive and others	60	129
	937	3,374

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

	Company	
	2014 \$'000	2013 \$'000
Singapore dollar	3,257	3,637
Japanese yen	166	180
Thailand baht	1,384	1,364

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

14. Subsidiaries (Continued)

Details of the Company's subsidiaries are as follows:

Name of subsidiary/Country of incorporation and operations	Principal activities	Effective equity interest held by the Group	
		2014 %	2013 %
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 Hi-Tech Co., Ltd ⁽⁴⁾ Thailand	Metal stamping	80	80
Wuxi Miyoshi Precision Co., Ltd. ⁽⁵⁾ People's Republic of China	Metal stamping and plastic injection moulding	100	100
Miyoshi Precision Huizhou Co., Ltd ⁽⁵⁾ People's Republic of China	Metal stamping and assembly of electronic components	100	100
Cerise Group Limited ⁽⁶⁾ British Virgin Islands	Dormant	100	100
Giken Sakata (S) Limited ⁽¹⁾ Singapore	Manufacture of parts and assembly of mechanisms for electronic products	–	53.16
Changzhou Giken Precision Co., Ltd. ⁽⁵⁾ People's Republic of China	Manufacturing and sale of microshafts and other precision parts	–	50.50
PT Giken Precision Indonesia ⁽⁷⁾ Indonesia	Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products	–	53.16
Giken Precision Vietnam (HCMC) Co, Ltd ⁽⁸⁾ Vietnam	Dormant	–	53.16

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

14. Subsidiaries (Continued)

Notes:

- (1) Audited by BDO LLP, Singapore.
- (2) Audited by BDO, Malaysia.
- (3) Audited by BDO Alba Romeo & Co., Philippines.
- (4) Audited by BDO Limited, Thailand.
- (5) Audited by BDO China Shu Lun Pan Certified Public Accountants, People's Republic of China, for consolidation purposes.
- (6) Not considered as a significant subsidiary as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (7) Audited by Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International.
- (8) Has not commenced operations since date of incorporation, not required to be audited under the laws of country of incorporation.

Deemed disposal of equity interest in Giken Sakata (S) Limited

On 23 October 2013, the Proposed Placement and Proposed Subscription disclosed in Note 11 to the financial statements were completed resulting in the dilution of the Company's equity interest in Giken from 53.16% to 26.58% based on the enlarged issued share capital of Giken. The dilution was considered a deemed disposal of its interest in Giken and accordingly, the Group has accounted for Giken as an associate since that date. The subsidiaries of Giken were also deemed to be disposed and were subsequently accounted for as associates of the Group.

Disposal of equity interest in Inovuus Technologies Pte Ltd

In the previous financial year, the Company disposed of its 63.56% equity interest in iNovuus for cash consideration of \$100,000. The remaining equity interest of 29.43% was classified as investment in associate as at the end of the financial year.

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

	Carrying amounts	
	Giken 2014 \$'000	iNovuus 2013 \$'000
Property, plant and equipment	4,790	64
Trade and other receivables	13,568	823
Inventories	5,347	62
Cash and cash equivalents	4,926	53
	28,631	1,002
Less:		
Trade and other payables	14,799	729
Deferred revenue	–	35
Bank loans and finance leases	2,057	–
Net identifiable assets disposed	11,775	238

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

14. Subsidiaries (Continued)

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

	2014 \$'000	2013 \$'000
Net identifiable assets disposed (as above)	11,775	238
Transferred to investment in associate	(3,055)	(70)
Non-controlling interest	(4,107)	(17)
Impairment of disposal group recognised in previous financial year	(2,100)	–
Reversal of impairment of disposal group in current financial year	643	–
Placement of shares by disposal group	(3,156)	–
Loss on disposal (Note 33)	–	(51)
Cash proceeds from disposal	–	100
Cash and cash equivalents	(4,926)	(53)
Cash flow on disposal, net of cash disposed	(4,926)	47

15. Available-for-sale financial assets

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Unquoted equity shares</i>				
At beginning of financial year	18	20	4	4
Gain on fair value change of available-for-sale financial assets	–	(2)	–	–
At end of financial year	18	18	4	4

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 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
Currency realignment	(32)	(115)	(246)	(862)	(37)	(46)	(13)	(1,351)
Additions	–	358	4,402	1,707	268	56	1,961	8,752
Transfer from construction-in-progress	–	10	116	1,055	–	–	(1,181)	–
Disposals/Write-offs	–	(5)	(37)	(4,616)	(329)	(95)	(143)	(5,225)
At 31 August 2014	1,751	6,890	16,586	44,270	2,492	1,381	1,404	74,774

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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 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
Reclassified 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
Currency realignment	-	(36)	(161)	(765)	(38)	(22)	-	(1,022)
Depreciation for the financial year	-	325	464	3,121	238	212	-	4,360
Disposals/Write-offs	-	(2)	(32)	(3,156)	(323)	(81)	-	(3,594)
Impairment loss	-	-	-	2,039	12	25	-	2,076
At 31 August 2014	-	2,596	8,159	38,653	479	1,215	-	51,102
Net carrying value:								
At 31 August 2013	1,783	4,333	4,463	9,572	2,000	385	780	23,316
At 31 August 2014	1,751	4,294	8,427	5,617	2,013	166	1,404	23,672

	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 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)	-
Reclassified 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
Currency realignment	(95)	(167)	(20)	(14)	(3)	(299)
Additions	20	180	1	-	402	603
Transfer from construction-in-progress	116	28	-	-	(144)	-
Disposals/Write-offs	(27)	(3,157)	(293)	(58)	(88)	(3,623)
At 31 August 2014	4,708	5,323	776	615	295	11,717

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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						
Accumulated depreciation and impairment:						
At 1 September 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
Reclassified 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
Currency realignment	(59)	(128)	(18)	(11)	–	(216)
Depreciation for the financial year	144	392	76	122	–	734
Disposals/Write-offs	(27)	(2,301)	(291)	(58)	–	(2,677)
Impairment loss	–	937	–	–	–	937
At 31 August 2014	2,926	4,989	701	588	–	9,204
Net carrying value:						
At 31 August 2013	1,826	2,350	154	152	128	4,610
At 31 August 2014	1,782	334	75	27	295	2,513

During the financial year, the Group acquired property, plant and equipment amounting to \$8,752,000 (2013: \$3,891,000) of which cash payments of \$8,752,000 (2013: \$3,753,000) were made to purchase the property, plant and equipment.

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 \$27,000 (2013: \$265,000) and \$27,000 (2013: \$265,000) respectively purchased under finance lease arrangements.

As at 31 August 2014, the Group's leasehold land and buildings with carrying amount of \$3,231,000 (2013: \$Nil) are held as security for certain bank loans (Note 24).

At the end of the financial year, the Group and the Company carried out a review of the recoverable amounts of their property, plant and equipment in view of the operating losses sustained by certain subsidiaries and negative cash flows projected for the next five years. The review led to the recognition by the Group and the Company of impairment loss amounting to \$2,076,000 (2013: \$1,024,000) and \$937,000 (2013: \$Nil) respectively in profit or loss under "other operating expenses".

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

16. Property, plant and equipment (Continued)

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 which expired on 16 August 2010. Lease 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
No.108 Hongda Road, Hongshan Town, Wuxi City, Jiangsu, China	Leasehold (50 years from 25 December 2006)	A factory cum office building

17. Intangible assets

	Customer list \$'000	Trade name and know-how \$'000	Total \$'000
Group			
Cost:			
At 1 September 2012 and 31 August 2013	633	654	1,287
Write-off	(633)	(654)	(1,287)
At 31 August 2014	-	-	-
Accumulated amortisation:			
At 1 September 2012 and 31 August 2013	633	654	1,287
Write-off	(633)	(654)	(1,287)
At 31 August 2013 and 31 August 2014	-	-	-
Net carrying value:			
At 31 August 2013	-	-	-
At 31 August 2014	-	-	-

The intangible assets were acquired through the acquisition of Giken. These were written off in the current financial year subsequent to the disposal of Giken.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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 2012	28	(18)	10
Currency realignment	–	(1)	(1)
Credit to profit or loss	–	41	41
At 31 August 2013	28	22	50
Currency realignment	–	(1)	(1)
Charge to profit or loss	–	(44)	(44)
At 31 August 2014	28	(23)	5

19. Loans receivable

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Associates	2,614	2,643	2,291	2,313
Allowance for doubtful loans receivable	(323)	(330)	–	–
	2,291	2,313	2,291	2,313

The loans receivable included an amount of \$2,029,000 (2013: \$2,050,000) 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 but not expected to be repaid within the next 12 months, and expected to be settled in cash. The loans are subject to interest at 2% (2013: 2%) per annum.

Also included in the loans receivable are amount of \$262,000 (2013: \$263,000) which are unsecured, interest-free and repayable on demand but not expected to be repaid within the next 12 months, and expected to be settled in cash.

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

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

	Group	
	2014 \$'000	2013 \$'000
At beginning of financial year	330	2,985
Bad receivables written off	–	(2,638)
Currency realignment	(7)	(17)
At end of financial year	323	330

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

19. Loans receivable (Continued)

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	
	2014	2013
	\$'000	\$'000
Singapore dollar	263	263

20. Bank overdraft

	Group	
	2014	2013
	\$'000	\$'000
Secured	588	578

The bank overdraft bears interest at 7.63% (2013: 7.10%) 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.

The Group's bank overdraft is denominated in Malaysia ringgit.

21. Trade payables

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Third parties	6,685	7,968	671	2,390
Subsidiaries	–	–	215	354
Related party	11	10	–	6
	6,696	7,978	886	2,750

Trade payables to third parties are non-interest bearing and are normally settled on 30 to 60 (2013: 30 to 60) days terms.

The amounts due to subsidiaries and a related party are unsecured, interest-free, repayable on demand and expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

21. Trade payables (Continued)

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Philippine peso	910	4	–	–
United States dollar	841	723	–	–
Singapore dollar	476	771	431	827
Malaysia ringgit	53	–	–	–
Japanese yen	11	–	–	–
Euro	–	9	–	9

22. Other payables and accruals

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Accrued wages and salaries	624	1,075	369	413
Other accrued expenses	1,382	1,524	200	472
Third parties	1,686	1,705	236	257
Subsidiaries	–	–	49	15
Associate	3	3	3	3
Related parties	29	6	29	1
	3,724	4,313	886	1,161

Other payables to subsidiaries, associate and related parties are unsecured, interest-free, repayable on demand and expected to be settled in cash.

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Malaysia ringgit	449	225	–	–
Japanese yen	–	4	–	–
Philippine peso	–	668	–	–
Singapore dollar	830	1,891	813	1,129

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

23. Finance leases

	Group and Company			
	Minimum lease payments		Present value of minimum lease payments	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<u>Amounts payable under finance leases</u>				
Within one year	23	101	21	97
In the second to fifth year inclusive	24	47	24	45
Less: Future finance charges	(2)	(6)	–	–
Present value of lease obligations	45	142	45	142
Less: Current portion			(21)	(97)
Non-current portion			24	45

The finance lease term is 7 (2013: 2 to 10) years.

The rate of interest for the Group and the Company is 4.15% (2013: 4.15% to 4.76%) 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 and Company	
	2014 \$'000	2013 \$'000
Singapore dollar	45	82

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

24. Bank loans

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Secured				
Bank loan I	426	466	–	–
Bank loan II	653	715	–	–
Bank loan III	1,220	–	–	–
	2,299	1,181	–	–
Unsecured				
Bank loan IV	–	37	–	37
Bank loan V	–	28	–	28
Bank loan VI	–	650	–	650
Bank loan VII	–	1,011	–	1,011
Bank loan VIII	–	1,004	–	1,004
Bank loan IX	–	1,006	–	1,006
Bank loan X	–	1,006	–	1,006
	2,299	5,923	–	4,742
Current portion	(1,352)	(4,865)	–	(4,742)
Non-current portion	947	1,058	–	–

Bank loan I bears interest at 6.55% (2013: 6.60%) 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 6.61% (2013: 6.62%) 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 loan III bears interest at 6.90% (2013: Nil) per annum and is repayable in January 2015. It is secured by legal charges over the leasehold land and buildings of a subsidiary at Tongqiao Industrial Base Huicheng District Huizhou, Guangdong China 516001 and supported by a personal guarantee from a Director of the Company.

Bank loans IV to X bear interest from 1.93% to 3.94% (2013: 1.93% to 3.94%) per annum. These loans were fully repaid in the current financial year.

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Malaysia ringgit	1,080	1,181	–	–
Singapore dollar	–	4,742	–	4,742
Chinese renminbi	–	496	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

25. Other loan

Other loan is repayable as follows:

	Group	
	2014	2013
	\$'000	\$'000
After one year but within five years	332	337

Other loan represents loan from a non-controlling shareholder of a subsidiary, Miyoshi Hi-Tech Co., Ltd which is unsecured, bears interest of 3.08% (2013: 3.08%) per annum and repayable by September 2017.

The carrying amount of the loan approximates its fair value.

Other loan is denominated in Thailand baht.

26. Provisions

	Group	
	2014	2013
	\$'000	\$'000
Provision for employee service entitlement benefits	262	260
<u>Defined benefit plan</u>		
Present value of defined benefit obligation	260	449
Unrecognised net actuarial losses	-	(201)
Currency alignment	2	12
Net benefit liability	262	260

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

At beginning of financial year	260	245
Current service cost	28	61
Current employment benefit cost	-	275
Interest cost	23	41
Net actuarial gains recognised	(43)	(5)
Amortisation - net	-	5
Benefits paid	-	(89)
Currency realignment	(6)	(15)
Reclassified to liabilities of a disposal group held for sale	-	(258)
At end of financial year	262	260

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

26. Provisions (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	
	2014	2013
Financial assumptions:		
- Annual discount rate	5%	5%
- Annual salary growth rate	5%	5%
Demographic assumptions:		
- Table of mortality	TMI II-2000	TMI II-2000
- Turnover rate	6.0%	2.5%
- Normal retirement age	55-60 years	55-60 years

27. Deferred tax liabilities

	Accelerated tax depreciation \$'000	Others \$'000	Total \$'000
Group and Company			
At 1 September 2012	342	(18)	324
Currency realignment	13	-	13
(Credit)/Charge to profit or loss	(355)	18	(337)
At 31 August 2013 and 31 August 2014	-	-	-

As at the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$11,906,000 (2013: \$13,150,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

28. Share capital and reserves

Share capital and treasury shares

	Group and Company			
	2014		2013	
	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)
	420,670	37,389	420,171	37,334

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

28. Share capital and reserves (Continued)Share capital and treasury shares (Continued)

- (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. All ordinary shares carry one vote per share without restriction. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company.

- (ii) During the financial year, the Company disposed the entire treasury shares.

Reserves

The amounts of the Group's reserves and the movements therein for the financial year ended 31 August 2014 are presented in the consolidated statement of changes in equity of the financial statements.

- (a) Fair value reserve

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:

- (i) Statutory reserve of subsidiaries in the following countries:

- 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.

- 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.

- (ii) Actuarial gains/losses on defined benefit plan

The Group operates a non-contributory defined benefit plan for all qualifying employees of a subsidiary to comply with local statutory requirements. With the Group's adoption of FRS 19 (Revised) *Employee Benefits* on 1 September 2013, the Group has recognised the actuarial gains/losses on remeasuring defined benefit obligations in other comprehensive income, rather than profit or loss.

- (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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

28. Share capital and reserves (Continued)

Reserves (Continued)

- (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.

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.

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

	Group and Company			
	2014		2013	
	Number of share options	Weighted average exercise price \$	Number of share options	Weighted average exercise price \$
Outstanding at beginning of financial year	4,254,000	0.234	4,650,000	0.233
Lapsed during the financial year	(1,479,000)	0.255	(396,000)	0.216
Outstanding at end of financial year	<u>2,775,000</u>	0.223	<u>4,254,000</u>	0.234
Exercisable at end of financial year	<u>2,775,000</u>		<u>4,254,000</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 2.72 (2013: 2.79) years.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

29. Share-based payments (Continued)

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.

30. Revenue

	Group	
	2014 \$'000	2013 \$'000
Sales of goods	65,830	182,101
Revenue from services rendered	4,256	8,270
	<u>70,086</u>	<u>190,371</u>

31. Other income

	Group	
	2014 \$'000	2013 \$'000
Gain on disposal of asset held for sale	5,132	-
Gain on disposal of plant and equipment	-	216
Gain on disposal of interest in associate	585	-
Gain on deconsolidation of subsidiary	-	127
Income from sales of scrap	710	996
Interest income from an associate	24	24
Interest income from bank deposits	146	282
Insurance claim, net	-	517
Provision for claims no longer required	-	39
Reversal of impairment loss of disposal group	643	-
Rental income	115	112
Miscellaneous income	220	382
	<u>7,575</u>	<u>2,695</u>

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

32. Employee benefit expenses

	Group	
	2014	2013
	\$'000	\$'000
Short-term benefits	14,649	29,529
Post-employment benefits	1,047	1,860
	15,696	31,389

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

33. Other operating expenses

	Group	
	2014	2013
	\$'000	\$'000
Allowance for doubtful trade receivables	20	16
Allowance for inventory obsolescence	175	77
Allowance for impairment of property, plant and equipment	2,076	1,024
Allowance for impairment of disposal group	–	2,100
Bad trade receivables written off	–	1
Insurance expense	–	391
Loss on disposal of interest in subsidiary	–	51
Loss on disposal of plant and equipment	307	–
Loss/(Gain) on foreign exchange, net	36	(43)
Repairs and maintenance	930	1,571
Office expenses	–	586
Operating lease expense	–	247
Professional fees	955	1,287
Plant and equipment written off	382	22
Supplies and services	5,796	8,353
Transportation and travelling	1,245	2,104
Utilities	3,129	5,696
Others	1,470	1,715
	16,521	25,198

34. Finance costs

	Group	
	2014	2013
	\$'000	\$'000
Interest expense on:		
- bank loans	287	359
- bank overdraft	44	72
- finance leases	6	48
	337	479

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

35. Income tax expense

	Group	
	2014 \$'000	2013 \$'000
Current tax		
- Current year	171	205
- Under/(Over) provision in prior years	48	(435)
	219	(230)
Deferred tax		
- Current year	44	59
- Over provision in prior years	-	(100)
	44	(41)
Withholding tax	71	303
	334	32

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	
	2014 \$'000	2013 \$'000
Profit/(Loss) before income tax	354	(4,622)
Income tax calculated at statutory tax rate of 17%	60	(786)
Effect of different tax rates of overseas operations	(212)	62
Expenses not deductible for income tax purposes	767	769
Income not subject to tax	(668)	(513)
Income tax exemptions	(218)	(374)
Deferred tax assets not recognised in profit or loss	518	1,466
Under/(Over) provision of current income tax in prior years	48	(435)
Overprovision of deferred income tax in prior years	-	(100)
Withholding tax	71	303
Other items	(32)	(360)
	334	32

The amount of unutilised tax losses for which no deferred tax assets is recognised is as follows:

	Group	
	2014 \$'000	2013 \$'000
Unutilised tax losses	25,248	29,706
Deferred tax benefits not recognised	4,292	5,050

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

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

35. Income tax expense (Continued)

The future income tax benefits of the Group's unutilised tax losses as at 31 August 2014 are available for an unlimited future period, except for unutilised tax losses amounting to \$1,310,000 (2013: \$609,000) which will expire in 2019 (2013: 2017 to 2018), and are subject to the conditions imposed by law including the retention of majority shareholders.

36. Profit/(Loss) for the financial year

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

	Group	
	2014	2013
	\$'000	\$'000
Audit fees:		
Auditors of the Company	86	170
Other auditors	64	92
Non-audit fees:		
Auditors of the Company	20	24
Other auditors	20	137
Directors' remuneration:		
Directors of the Company	404	675
Other directors of the subsidiaries	186	760
Directors' fees:		
Directors of the Company	63	312
Other directors of the subsidiaries	46	145

37. Earnings/(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 weighted average/actual number of ordinary shares outstanding during the financial year:

	Group	
	2014	2013
Profit/(Loss) attributable to owners of the parent (\$'000)	547	(4,904)
Weighted average/Actual number of ordinary shares in issue ('000)	420,560	420,171
Basic earnings/(loss) per share (cents per share)	0.13	(1.17)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit/(loss) attributable to owners of the parent and the weighted average/actual 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 scheme.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

37. Earnings/(Loss) per share (Continued)

(b) Diluted earnings per share (Continued)

For the share options, the weighted average/actual 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 was the same as the basic loss per share because the potential ordinary shares to be converted were anti-dilutive as the effect of the shares conversion would be to decrease the loss per share.

38. Dividends

	Group	
	2014	2013
	\$'000	\$'000
Interim tax-exempt dividend paid of \$0.0035 per share in respect of the financial year ended 31 August 2014	1,472	–
Final tax-exempt dividend paid of \$0.0040 per share in respect of the financial year ended 31 August 2013	1,683	–
Total	3,155	–

39. Operating lease arrangements

The Group and the Company as lessees

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under operating leases included in profit or loss	353	1,470	160	200

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

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Within one year	203	1,186	151	163
After one year but within five years	749	1,624	577	585
After five years	4,202	4,419	2,863	3,006
	5,154	7,229	3,591	3,754

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 2014

39. Operating lease arrangements (Continued)

The Group as a lessor

	Group	
	2014 \$'000	2013 \$'000
Minimum lease income under operating leases included in profit or loss	–	80

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

	Group	
	2014 \$'000	2013 \$'000
Within one year	–	80
After one year but within five years	–	53
	–	133

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

40. Capital commitments

As at the end of the financial year, commitments in respect of capital expenditure are as follows:

	Group	
	2014 \$'000	2013 \$'000
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of investments	3,000	–

On 26 August 2014, the Company entered into a joint venture agreement (“JVA”) in relation to a proposed joint venture on the development, manufacturing, assembly and sale of light electric vehicles in the People’s Republic of China. Pursuant to the JVA, the Company will acquire 55% equity interest in the Green Galaxy Limited (“GGL”), the joint venture company, for an aggregate consideration of \$3,000,000.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

41. Group segmental information (Continued)

41.1 Analysis by Business Segments (Continued)

Income taxes are managed by the management of the Group.

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

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

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

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

Segment assets and segment liabilities as at 31 August 2014 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 \$20,294,000 (2013: \$28,103,000).

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

41. Group segmental information (Continued)

41.1 Analysis by Business Segments (Continued)

	Data Storage		Consumer Electronics		Medical		Automotive, Microshaft and others		Unallocated		Group	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue												
External sales	34,341	40,118	28,796	124,225	668	4,487	6,281	21,541	-	-	70,086	190,371
Results												
Segment results	1,514	(2,803)	(366)	(2,949)	144	1,170	(907)	184	-	-	385	(4,398)
Interest expense	-	-	-	-	-	-	-	-	(337)	(479)	(337)	(479)
Interest income	-	-	-	-	-	-	-	-	170	306	170	306
Share of results of associates	-	-	-	-	-	-	-	-	136	(51)	136	(51)
Profit/(Loss) before income tax	1,514	(2,803)	(366)	(2,949)	144	1,170	(907)	184	(31)	(224)	354	(4,622)
Income tax expense											(334)	(32)
Profit/(Loss) for the financial year											20	(4,654)
Allowance for impairment of:												
- trade receivables	-	-	20	16	-	-	-	-	-	-	20	16
- plant and equipment	1,595	-	74	1,024	-	-	407	-	-	-	2,076	1,024
- disposal group	-	443	-	1,370	-	49	-	238	-	-	-	2,100
Allowance for inventory obsolescence	86	73	72	4	-	-	17	-	-	-	175	77
Depreciation	2,891	3,316	1,152	2,189	1	1	316	991	-	-	4,360	6,497
Plant and equipment written off	250	19	99	1	-	-	-	-	33	2	382	22
Segment assets	25,211	34,836	28,026	20,843	-	-	6,718	7,378	43	4,246	59,998	67,303
Segment assets include:												
Investment in associates	-	-	-	-	-	-	-	-	20	53	20	53
Non-current assets held for sale	-	-	-	-	-	-	-	-	1,924	3,908	1,924	3,908
Additions to:												
- capital expenditure	4,289	820	3,596	2,539	83	92	784	440	-	-	8,752	3,891
Segment liabilities	1,136	2,973	7,795	3,812	-	-	2,709	5,766	2,326	7,012	13,966	19,563

NOTES TO THE FINANCIAL STATEMENTS

Year Ended 31 August 2014

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	
	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Thailand	19,341	24,098	4,263	6,841	1,166	74
Philippines	15,277	10,802	6,332	6,425	1,552	470
Singapore	14,501	117,406	2,970	4,470	696	736
China	13,317	14,773	10,127	5,625	5,325	392
Indonesia	3,138	9,114	–	–	–	761
Malaysia	1,350	1,942	–	8	13	1,458
Germany	998	5,682	–	–	–	–
Japan	295	1,150	–	–	–	–
Others	1,869	5,404	–	–	–	–
	70,086	190,371	23,692	23,369	8,752	3,891

42. Events after the reporting period

- 42.1 In relation to the JVA disclosed in Note 40 to the financial statements, on 1 September 2014, the First Completion of the JVA with Promise New Energy Development Ltd and the proposed acquisition of shares representing 55% of the entire issued share capital of the joint venture company ("Proposed Transactions"), Green Galaxy Limited ("GGL"), had taken place. Following the First Completion, the Company is the holder of 561 GGL shares and has 5.31% shareholding interest in GGL.
- 42.2 On 15 September 2014, the Company received the approval-in-principle for the listing and quotation of 32,000,000 new ordinary shares in the capital of the Company to be issued pursuant to the Proposed Transactions at the issue price of \$0.0625 per new ordinary share or aggregate amount of \$2,000,000. This is one of the conditions precedent for Second Completion of the JVA.
- 42.3 On 31 October 2014, the Group established a wholly-owned subsidiary, Huizhou Miyoshi Green Galaxy Trading Co., Ltd in Huizhou, Guangdong, PRC. The registered capital is RMB300,000 and the new subsidiary will mainly be engaged in the sale of vehicles and vehicle parts.

STATISTICS OF SHAREHOLDINGS

As at 19 November 2014

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

As at 19 November 2014, the Company does not hold any treasury share.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	128	4.50	22,686	0.01
1,000 - 10,000	1,197	42.12	6,120,749	1.45
10,001 - 1,000,000	1,491	52.46	105,337,231	25.04
1,000,001 and above	26	0.92	309,188,824	73.50
TOTAL	2,842	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	89,509,290	21.28%	–	–
Masayoshi Taira	–	–	89,509,290	21.28%
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 89,509,290 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 19 November 2014

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MIYOSHI INDUSTRY CO LTD	89,509,290	21.28
2	SIN KWONG WAH ANDREW	76,439,000	18.17
3	DBS NOMINEES PTE LTD	46,229,589	10.99
4	PEK YEE CHEW	31,269,000	7.43
5	LOW HUAT YEW	12,837,500	3.05
6	PEK EE PERH THOMAS	10,954,500	2.60
7	LIM YUH PING	8,609,000	2.05
8	PHILLIP SECURITIES PTE LTD	3,289,145	0.78
9	LEOW BENG LEE (LIAO MINGLI)	2,619,000	0.62
10	UNITED OVERSEAS BANK NOMINEES PTE LTD	2,398,700	0.57
11	MAYBANK NOMINEES (S) PTE LTD	2,232,000	0.53
12	WONG SIN TIN	2,190,000	0.52
13	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,125,000	0.51
14	ANDREA SIN SHI MIN	2,000,000	0.48
15	WONG BARK CHUAN DAVID	1,950,000	0.46
16	OCBC SECURITIES PRIVATE LTD	1,787,500	0.42
17	LEE BOON SEONG	1,602,000	0.38
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,449,200	0.34
19	KUAN BON HENG	1,391,000	0.33
20	TAN LAY HONG	1,310,000	0.31
TOTAL		302,191,424	71.82

As at 19 November 2014, 45.47% 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 (“**AGM**”) of **Miyoshi Precision Limited** (the “**Company**”) will be held at Albizia Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on 29 December 2014 at 4.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the year ended 31 August 2014 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company who retire in accordance with Article 88 of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:

Mr Wee Piew	(Resolution 2)
Mr Lim Thean Ee	(Resolution 3)
Mr Pek Ee Perh Thomas	(Resolution 4)

Mr Wee Piew will, upon his re-election as director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee and will be considered independent.

Mr Lim Thean Ee will, upon his 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.
3. To re-elect Mr Sin Kwong Wah, Andrew who retire by rotation in accordance with Article 89 of the Company’s Articles of Association and who, being eligible, offer himself for re-election. **(Resolution 5)**
4. To approve the payment of Directors’ fees of S\$62,500 for the year ended 31 August 2014 (2013: S\$156,000). **(Resolution 6)**
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 7)**
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 resolution as Ordinary Resolutions, with or without amendments:-

7. Authority to issue shares

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the “**Act**”) and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:-

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of convertible securities;
 - (b) new Shares arising from exercising of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed 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 8)

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 9)

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 03 December 2014 ("**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**");

NOTICE OF ANNUAL GENERAL MEETING

- (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 10)

By Order Of The Board

Khoo Boo Han
Company Secretary

03 December 2014
Singapore

Explanatory Notes:

- (i) The Ordinary Resolution 8 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 9 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 10 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 03 December 2014 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 _____ (Name) NRIC/Passport No. _____

of _____ (Address)

being a *member/members of 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 him/her/them, the Chairman of the Annual General Meeting of the Company (the "Meeting") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Meeting to be held at Albizia Room, Level 2, Jurong Country Club, 9 Science Centre Road, Singapore 609078 on 29 December 2014 at 4:00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be 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 [X] within the box provided)

No.	Ordinary Resolutions relating to:	For	Against
Ordinary Business			
1	Directors' Report and the Audited Accounts for the year ended 31 August 2014		
2	Re-election of Mr Wee Piew as a Director		
3	Re-election of Mr Lim Thean Ee as a Director		
4	Re-election of Mr Pek Ee Perh Thomas as a Director		
5	Re-election of Mr Sin Kwong Wah Andrew as a Director		
6	Approval of Directors' fees amounting to S\$62,500		
7	Re-appointment of BDO LLP as Auditors		
8	Authority to issue new shares		
9	Authority to issue shares under the prevailing Miyoshi Employees' Share Option Scheme		
10	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this _____ day of _____ 2014.



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

Total No. of Shares	No. of Shares
In CDP Register	
In Register of Members	

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 the Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf.
- 3 Where a member appoints two proxies, he shall specify the percentage of his shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.
- 4 A proxy need not be a member of the Company.
- 5 The instrument appointing a proxy or proxies together with the letter of power of attorney, if any, under which it is signed or a duly certified copy thereof, must be deposited at the Company's registered office at No. 5 Second Chin Bee Road, Singapore 618772 at least 48 hours before the time appointed for the Meeting.
- 6 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.
- 7 Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be for or against the Resolutions as set out in the Notice of Annual General Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.
- 8 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.
- 9 In the case of a member whose shares are entered against his name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.



MIYOSHI PRECISION LIMITED

Company Registration No.: 198703979K

5 Second Chin Bee Road Singapore 618772

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