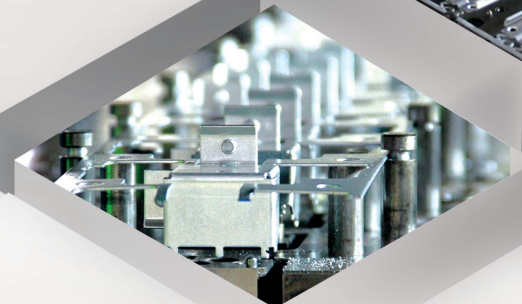
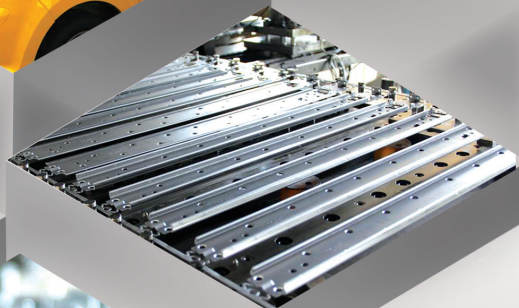


TOMORROW FOCUSED

Annual Report 2016





CORPORATE PROFILE

As of 31 December 2014, Miyoshi Precision Limited, a public-listed company on the Singapore Exchange since 2000, has officially changed its name to **Miyoshi Limited**.

Headquartered in Asia's most globalized city of Singapore, Miyoshi supports customers in more than 18 countries, has approximately S\$50 million in annual revenue and 900 employees in our manufacturing plants across Asia.

Starting as a mere tool-and-die and metal stamping company in 1987, Miyoshi has grown progressively into a regionally recognized Integrated Engineering Services ("IES") provider of advanced development and manufacturing solutions for complex precision components and assemblies. By focusing on emerging technologies in the industries we serve, Miyoshi is poised to provide our customers with high quality solutions to their most demanding problems. Our regional footprint in IES is supported by our technical hub in Wuxi, China.

More specifically, our product offering and capabilities include:

- ◆ Product design and prototyping for precision components and assemblies in the data storage, consumer electronics and automotive markets.
- ◆ Core manufacturing capabilities such as precision metal stamping, mechanical joining/laser welding, electroplating, manual assembly and testing.
- ◆ A regional network of manufacturing sites that have achieved numerous quality registrations, including ISO 9001, ISO/TS 16949 and ISO 14001.

In addition to offering IES solutions above, Miyoshi has also invested in tomorrow-focused technologies with investments in the light electric vehicles and opto-electronics.

For more information, please visit www.miyoshi.biz





Our new logo is simple and sharp. Its distinguishing feature signifies a healthy, dynamic and innovative organisation. The overlapping M reminds us that MIYOSHI is a Manufacturer. We must be exemplary in manufacturing related activities like system establishment, quality controls and process compliances, etc.

The twin peaks tells us not to be complacent. We must always scale the next height on the right which is 6% higher. This is our target for all to achieve. At the heart of our logo is "Tomorrow-Focused" which envisions our business Direction and Destiny. We must stay alert (Yellow) for any opportunities that may arise.



The word, MIYOSHI in Red colour denotes Warm brotherhood, Teamwork, Speed and Creativity. Blue colour reminds us to uphold the good traditions and practices of Miyoshi Japan in Quality and Innovation, of MIYOSHI Singapore in Management and flexibility. Blue, Red and Yellow are Cores to limitless colour combination. Building on our Vision and Values, we should pursue the vast opportunities available along our way to excellence.

The name, MIYOSHI at the bottom of the logo reminds us of the importance of BASIS. We can excel only when our fundamentals are sound.

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149 Notice of Annual General Meeting • Proxy Form

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, CIMB Bank Berhad, Singapore Branch (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this annual report. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Tony Toh, Director, Investment Banking, CIMB Bank Berhad, Singapore Branch. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone: (65) 6337-5115.

OUR REGIONAL PRESENCE



FINANCIAL HIGHLIGHTS



REVENUE (\$'000)



PROFIT FOR THE PERIOD (\$'000)



EBITDA (\$'000)



DIVIDEND PER SHARE (CENTS)



RETURN ON EQUITY



EARNINGS PER SHARE (CENTS)



NET ASSET VALUE PER SHARE (CENTS)





BOARD OF DIRECTORS



From Left to Right:
Pek Ee Perh Thomas, Masayoshi Taira, Lim Thean Ee, Sin Kwong Wah Andrew, Wee Piew

BOARD OF DIRECTORS



MR. LIM THEAN EE

Chairman, Non-Executive
Independent Director



MR. LIM THEAN EE

Chairman, Non-Executive
Independent Director

Date of first appointment as a director

9 January 2014

Date of last re-elected as a director

23 December 2015

Length of service as a director (at 31 August 2016)

2 years 8 months

Committee(s) served on:

Nominating Committee (Chairman)
Remuneration Committee (Chairman)
Audit Committee (Member)

Academic and Professional Qualification(s)

Diploma of Mechanical Engineering
Associate Member, Society of Naval Architects and
Marine Engineers, USA

Present Directorships (at 31 August 2016)

Listed companies

Ezion Holdings Ltd

Non-listed companies

All Construction Engineering Pte Ltd

Coastal Engineering Services Pte Ltd

Coastal Navigation Pte Ltd

Lumut Quarry (S) Pte Ltd

Yue Hua Food Court Pte Ltd

Major Appointments (other than Directorships)

Telok Blangah Citizens' Consultative Committee
(Chairman)

CCC's Community Development and Welfare Fund
Committee (Chairman)

Telok Blangah CCMC Building Fund Committee
(Chairman)

Depot Estate Business Association (Chairman)

Telok Blangah Neighbourhood Standing Committee
(Vice-Chairman)

West Coast Town Council (Councillor)

Past Directorships held over the preceding three years (from 1 September 2013 to 31 August 2016)

Non-listed companies

Masindo Marine Pte Ltd

Transcon Shipping Pte Ltd

Awards

Public Service Medal (PBM) in 1998

Public Star Medal (BBM) in 2012

MR. SIN KWONG WAH, ANDREW

Chief Executive Officer
Executive Director



MR. SIN KWONG WAH, ANDREW

Chief Executive Officer
Executive Director

Date of first appointment as a director

24 September 1991

Date of last re-elected as a director

29 December 2014

Length of service as a director (at 31 August 2016)

25 years

Committee(s) served on:

Nominating Committee (Member)

Academic and Professional Qualification(s)

Bachelor of Science (First Class Honours), Japan
National Defence Academy

FSID – Fellow, Singapore Institute of Directors

Present Directorships (at 31 August 2016)

Non-listed companies

Miyoshi FL Systems, Inc.

Miyoshi Hi-Tech Co., Ltd

Miyoshi Industry Co., Ltd

Miyoshi International Philippines, Inc.

Miyoshi Optoelectronics (S) Pte Ltd

Miyoshi Precision Huizhou Co., Ltd

Miyoshi Precision (Malaysia) Sdn Bhd

Miyoshi Saitoh Pte Ltd

Miyoshi Technologies Phils., Inc.

Wuxi Miyoshi Precision Co., Ltd

Major Appointments (other than Directorships)

Nil

Past Directorships held over the preceding three years (from 1 September 2013 to 31 August 2016)

Non-listed companies

Cerise Group Limited

Galaxy Pte Ltd

Green Galaxy Limited

Green Galaxy New Energy (Jiangxi) Co., Ltd

Huizhou Miyoshi Green Galaxy Trading Co., Ltd

iNovuus Technologies Pte Ltd

Miyoshi Investment (Yingtian) Co., Ltd

SPN International Pte Ltd

Suqian Miyoshi Trading Co., Ltd

BOARD OF DIRECTORS

MR. WEE PIEW

Non-Executive and Independent Director



MR. WEE PIEW

Non-Executive and Independent Director

Date of first appointment as a director

1 May 2014

Date of last re-elected as a director

29 December 2014

Length of service as a director (at 31 August 2016)

2 years 4 months

Committee(s) served on:

Audit Committee (Chairman)
Nominating Committee (Member)
Remuneration Committee (Member)

Academic and Professional Qualification(s)

Bachelor of Accountancy (Honours), National University of Singapore
FCA – Fellow, Institute of Singapore Chartered Accountants

Present Directorships (at 31 August 2016)

Listed companies
Blue Sky Power Holdings Limited
Hosen Group Ltd
PSL Holdings Limited

Major Appointments (other than Directorships)

Chief Executive Officer, PSL Holdings Limited

Past Directorships held over the preceding three years (from 1 September 2013 to 31 August 2016)

Nil

MR. MASAYOSHI TAIRA

Non-Executive and Non-Independent Director



MR. MASAYOSHI TAIRA

Non-Executive and Non-Independent Director

Date of first appointment as a director

24 September 1991

Date of last re-elected as a director

23 December 2015

Length of service as a director (at 31 August 2016)

25 years

Committee(s) served on:

Audit Committee (Member)
Remuneration Committee (Member)

Academic and Professional Qualification(s)

Bachelor of Business Administration, Hosei University (Japan)

Present Directorships (at 31 August 2016)

Non-listed companies
Miyoshi Industry Co., Ltd
Niigata Miyoshi Industry Co., Ltd

Major Appointments (other than Directorships)

Nil

Past Directorships held over the preceding three years (from 1 September 2013 to 31 August 2016)

Nil



MR. PEK EE PERH, THOMAS
Non-Executive and
Non-Independent Director



MR. PEK EE PERH, THOMAS

Non-Executive and
Non-Independent Director

Date of first appointment as a director

27 October 2014

Date of last re-elected as a director

29 December 2014

Length of service as a director (at 31 August 2016)

1 year 10 months

Committee(s) served on:

Nil

Academic and Professional Qualification(s)

Diploma of Business Management

Present Directorships (at 31 August 2016)

Non-listed companies

Cheng Chuan Holdings Pte Ltd

Food Corporation (S) Pte Ltd

Food Corporation (Shanghai) Co., Ltd

Tai Hua Food Industries Pte Ltd

Major Appointments (other than Directorships)

Singapore Chinese Chamber of Commerce and
Industry (Chairman, General Affairs Committee)
Trade Association and Membership Affairs of SCCC
(Chairman)

Singapore Food Manufacturers Association (President)

Singapore Noodles Manufacturers' Association (Life
Honorary President)

Telok Blangah Community Club Management
Committee (Patron)

Clementi Town Secondary School Advisory Committee
(Chairman)

Kwan-In Welfare Society Singapore (Life Honorary
President)

Peh Clan Association (Vice-President)

**Past Directorships held over the preceding three years
(from 1 September 2013 to 31 August 2016)**

Nil

Awards

Public Service Medal (PBM) in 2006

Service to Education Award (Silver) in 2009

Public Star Medal (BBM) in 2016

CHAIRMAN'S STATEMENT



The Board is committed to the highest standards in corporate governance and was recognized with a marked improvement in our Governance and Transparency Index in 2016. During the year, the Board has also approved the Risk Management Framework, detailing the key risks and appropriate mitigating actions undertaken by Miyoshi in 2016.

LIM THEAN EE
Chairman

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Miyoshi's annual report for the year ended 31 August 2016 ("FY2016").

IMPROVED FINANCIAL PERFORMANCE

In FY2016, Miyoshi achieved a revenue of \$49.2 million, down 9.5% from the previous year. However, net profit improved to \$1.0 million, compared with \$627,000 a year ago. The more competitive and leaner cost structure, as well as to continually stay in close proximity with our key customers, had paid off. The results are even more impressive it was achieved despite the slowdown in China's growth, sluggish global recovery and slowing global trade.

CONTINUED LISTING STATUS

On 6 June 2016, Miyoshi completed the transfer of the listing of the Company from the Main Board of the Singapore Exchange Securities Trading Limited (the "SGX-ST") to the Catalist Board of the SGX-ST ("the Catalist") with an audited profit before tax of \$1.2 million in FY2015. The Board is of the view that the transfer and listing on the Catalist will position the Company appropriately and better allow the Company to attract investors in the future. The Board also believes that the business, market capitalization and risk profile of the Group better resemble that of the companies on the Catalist. With the transfer, Miyoshi exited from the SGX-ST Watch-List on the same day.

CHAIRMAN'S STATEMENT



JOINT VENTURE WITH CORE POWER GROUP

Another significant milestone achieved in FY2016 was the completion of the investment in Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power").

Core Power has a factory for each of its four main processes of metal stamping, welding, coating/painting and final assembly. Together, they sit on an area of an equivalent of 33 rugby fields in the Yong An City, Fujian. The scale of the operations will further expand our presence in the light electric vehicle ("LEV") market in the People's Republic of China ("PRC"). We also conducted our 2QFY2016 Board and Audit Committee meetings on Core Power premises.

CORPORATE GOVERNANCE, RISK MANAGEMENT AND SUSTAINABILITY REPORTS

The Board is committed to the highest standards in corporate governance and was recognized with a marked improvement in our Governance and Transparency Index in 2016. During the year, the Board has also approved the Risk Management Framework, detailing the key risks and appropriate mitigating actions undertaken by Miyoshi in 2016.

Going forward, the Board of Directors will be working with management on drafting the first sustainability report on the material environment, social and governance factors that could benefit shareholders and other stakeholders eventually.

DIVIDEND

Subject to the approval by the shareholders at the forthcoming Annual General Meeting, the Board is recommending a first and final one-tier tax exempt dividend of 0.4 cents per share.

2017 OUTLOOK

Economic performance is posed to improve in Southeast Asia and we are much encouraged by the economic activities in the Philippines. However, uncertainties abound in the global

economic environment and risks to Asia's growth are mostly on the downside. We expect slower growth rate in China in 2017 as it contends with reduced investment, bad debts among other factors.

Despite potential regional headwinds and the increasingly competitive environment, we remain tomorrow-focused, prudent and disciplined in managing our business and strive to achieve better returns for our shareholders.

ACKNOWLEDGEMENTS

Having the right team is key to the success of our business. I wish to thank the staff and management of Miyoshi who put forward their best at work every day, undeterred by the relentless pace of competition and industry shifts.

In 2016, in keeping with good corporate governance, the positions of Chairman and CEO were separated. I would like to put on record my appreciation to Mr Andrew Sin Kwong Wah who was Chairman of Miyoshi for the last two years for his leadership and contributions.

I would also like to thank my directors for their contributions, experience and skills in helping steer the Group's on-going transformation.

The Board, management and staff of Miyoshi would like to offer our heartiest congratulations to Mr Thomas Pek Ee Perh on being conferred The Public Star Medal (BBM) by His Excellency, the President of the Republic of Singapore, Dr Tony Tan Keng Yam on 7 November 2016.

Last but not least, on behalf of the Board of Directors, I would like to thank you, our shareholders and our customers for your trust and unwavering support.

LIM THEAN EE

Chairman
10 November 2016



CEO REVIEW



We continue to drive change throughout our core business to deliver to the evolving expectations of our customers. The foundation of our services will always be the technical know-how and we continue to invest in equipment to bring the latest technology to our customers.

SIN KWONG WAH, ANDREW
Chief Executive Officer

OUR BUSINESS TRANSFORMATION PROGRESS

We have just completed the third year of our business transformation, a journey that was focused on two objectives. The first is to re-engineer and strengthen our core business so that we continue to thrive. The second is to leverage our unique assets as an engineering company to incubate new businesses. Miyoshi believes in being good at what we are doing, before moving to invest in other disruptive businesses.

In FY2016, we continue to make significant progress in both areas. We successfully raised the performance of our core Integrated Engineering Services ("IES") business in the region despite strong competition and a slowing global economy.

RAISING THE PERFORMANCE OF OUR CORE BUSINESS

We continue to drive change throughout our core business to deliver to the evolving expectations of our customers. The foundation of our services will always be the technical know-how and we continue to invest in equipment to bring the latest technology to our customers.

In Philippines, we invested in two (2) fully automated degreasing lines. To support our customers during the product design stage, before mass production, we have also invested in new prototype equipment in our Thailand plant. Across the Group, we invested more than \$3.2 million in plant and equipment in FY2016.



We continue to invest strategically for the future and expect investment in our core business to increase in the coming year. These investments are complemented by on-going cost improvements throughout our core businesses as we look to build operating models that are responsive to the future and not held back by the legacy of the past.

A key priority over the past three years has been to put in place more sustainable revenue models and with more emphasis on producing revenue in a more predictable way, including recurring income. We will continue to explore opportunities to collaborate with our customers and suppliers.

DISRUPTIVE TECHNOLOGIES AND NEW GROWTH DRIVERS

In this age of digital disruption, we are looking to strategies for a multitude of reasons, with the key outcomes of driving innovation and fresh thinking; enabling productivity through flexibility; and creating an agile environment that can adapt to changing business conditions.

We have been retooling and building capabilities over the last three years in disruptive technologies. The increasing use of lithium-ion batteries for pure electric cars is one such disruptive technology. Over the next few years, the advancing energy-storage technology will make electric cars more costs competitive. With a new partner in Core Power, we are in a stronger position to compete in the Chinese market.

Our newly incorporated, Miyoshi Optoelectronics (S) Pte Ltd, develops surveillance systems and electronics communications for maritime and public security. Enterprise agency Spring Singapore has supported us in the development of portable power solutions, marine radio power systems and protective vests that incorporate video streaming. We also works closely with public agencies on haze monitoring equipment and video streaming of pests.

PEOPLE REALLY MATTER

Miyoshi has a deep-rooted conviction that people really matter. Our plans cannot be implemented successfully without the right leadership and talent in our Group.

We encourage lifelong learning to continuously upgrade our employees, sparing no effort in investing in its people's learning and development journey, empowering them with new personal and professional skills, and taking a long-term view to helping every employee increase his or her employability.

Management also dedicates more time and resources to groom leaders. We expose potential leaders to new and different experiences and challenges. We rotate the executives to various positions within the organization as part of the leadership training.

Our leaders of tomorrow have to adopt a more open approach that allows for greater collaboration to embrace diverse capabilities. We strive to create a working environment that fosters creativity and innovation, underpinned by a shared set of ethical values that drive us as a company.

LOOKING FORWARD

We have made good progress so far, though we still have much to do. The fast pace of change in our markets will certainly continue, and we will face new challenges in the coming years. However, the improvements in our results over the last three years have shown we have a quality business, can respond to industry challenges and deliver resilient financial performance. I am confident that our business is in a much stronger position today to thrive in the disruptive era.

SIN KWONG WAH, ANDREW

Chief Executive Officer
10 November 2016



OPERATIONS REVIEW



“
Our vision is to be a tomorrow-focused manufacturer with our multi-business strategy with engineering and technology as our core.
”



BUILDING SUSTAINABLE BUSINESSES

Our vision is to be a tomorrow-focused manufacturer with our multi-business strategy with engineering and technology as our core.

CORE BUSINESS – INTEGRATED ENGINEERING SERVICES

Miyoshi offers a comprehensive range of precision components and assemblies for data storage, consumer electronics, imaging and printing, automotive and automated teller machines. We also have in-house tool design and prototyping capabilities, core manufacturing capabilities such as precision metal stamping, progressive cold forging, mechanical joining/laser welding, electroplating, manual assembly and testing.

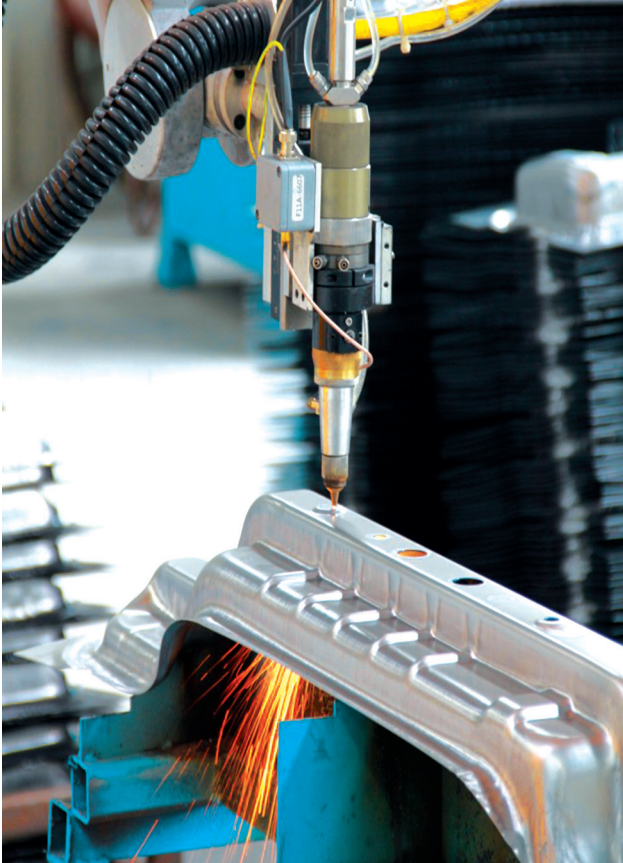
Metals predominantly used in the metal stamping market are aluminium, steel, brass, copper and stainless steel. The desired shape of the metal is achieved by pressing or punching process with the help of stamping dies.

The increasing technological advancement and development in the automotive industry is the major driving force for the growth of metal stamping market. In the case of the automobile, our parts are used in side panels, brackets, bonnets, roofs, hangers among others.

Business Segment Review

FOR THE YEAR (S\$'000)	FY2016	FY2015	Change %
Consumer Electronics	21,964	22,460	(2.2%)
Data Storage	19,475	27,071	(28.1%)
Automotive and Others	7,800	4,877	59.9%
Total	49,239	54,408	(9.5%)

OPERATIONS REVIEW



CONSUMER ELECTRONICS

Consumer electronics sector contributed 44.5% (FY2015: 41.3%) to the Group's revenue. Our customers in this sector are the manufacturers of photocopiers, printers, projectors and home appliances.

The Group won a number of new customers and programmes for this sector. However, weaker end-market demand for existing programmes across the industry sector negated the positive contribution from new customer wins, resulting in a 2.2% decline in revenue year-on-year.

DATA STORAGE

Revenue from data storage sector decreased by \$7.6 million or 28.1% from \$27.1 million in FY2015 to \$19.5 million in FY2016. The revenue from data storage sector was mainly from manufacturers of hard disk drives and servers. The sector continues to face weaker end

market demand for hard disk drives and lower demand for existing programmes. Data storage sector contributed 39.6% (FY2015: 49.7%) of Group's revenue.

In the near term, our operating landscape remains challenging as a result of intense competition in the data storage sector.

AUTOMOTIVE AND OTHERS

Demand for automotive products remained strong throughout FY2016. The sector grew by 59.9%, or an increase of \$2.9 million to revenue, from \$4.9 million in FY2015 to \$7.8 million in FY2016.

Automotive and others sector contributed 15.9% (FY2015: 9.0%) to the Group's revenue.

RE-ALLOCATION OF CAPITAL

In line with our vision of being a tomorrow-focused manufacturer, the Group continues to re-allocate our capital to our new growth drivers of light electric vehicles and optoelectronics, as well as investment properties for recurring income streams.

LIGHT ELECTRIC VEHICLES

Miyoshi has completed its investment in Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power") in FY2016. We are working closely with our joint venture partner on the growth of the light electric vehicle business.

The photo on page 12 shows the metal stamping machines for the car body, frame, doors and other metal components that goes into a light electric vehicle ("LEV"). The photo on this page shows the robot used to supplement the stamping machines with further cutting of metal for higher efficiency and lower costs of production for our LEV.

With a new car model for 2017, and facelifts to their other existing car models, Core Power is in a good position to sell more cars in the years ahead. Our regional presence and network of factories and offices will also help their reach to a larger potential market for their products.



MIYOSHI OPTOELECTRONICS (S) PTE LTD

During the year, the Group purchased a property at Penjuru Close, Singapore for our optoelectronics and prototyping business. The existing property at Second Chin Bee Road, Singapore will be used for corporate office and future cold store.

Miyoshi Optoelectronics develops surveillance systems and electronics communications for maritime and public security. Enterprise agency Spring Singapore has supported us in the development of portable power solutions, marine radio power systems and protective vests that incorporate video streaming. We also work closely with public agencies on haze monitoring equipment and video streaming of pests.

MIYOSHI 2020

In line with our vision and values of Integrity, Teamwork, Innovation and Quality, the Group has devised the various goals in our Miyoshi 2020 towards the achievement of our vision. Such goals include financial targets, people development, engaging our stakeholders and process management.

For example, we believed having a risk-management mindset is important and we have included the Miyoshi Risk Management in our annual report this year.

FINANCIAL REVIEW

Group Financial Highlights

FOR THE YEAR (\$S'000)	FY2016	FY2015	Change %
Revenue	49,239	54,408	(9.5%)
Profit Before Tax	1,773	1,231	44.0%
Income Tax	(728)	(604)	20.5%
Profit After Tax	1,045	627	66.7%

Group Segmental Information

FOR THE YEAR (\$S'000)	FY2016	FY2015	Change %
Consumer Electronics	21,964	22,460	(2.2%)
Data Storage	19,475	27,071	(28.1%)
Automotive and Others	7,800	4,877	59.9%
Total	49,239	54,408	(9.5%)

Group Cash Flows

(\$S'000)	FY2016	FY2015	Change %
Operating cash flow before working capital changes	3,917	4,070	(3.8)
Working capital changes	4,263	(4,586)	n.m.
Interest paid, net	(347)	(218)	59.2%
Income tax paid	(488)	(348)	40.2%
Net cash from/(used in) operating activities	7,150	(1,082)	n.m.
Net cash used in investing activities	(6,734)	(5,966)	12.9%
Net cash from financing activities	5,678	3,508	22.5%
Net increase/(decrease) in cash and cash equivalents	5,743	(2,700)	n.m.

Group Financial Ratios

(\$S'000)	FY2016	FY2015	Change %
Earning per share (cents)	0.25	0.12	108.3%
Net asset value per share (cents)	11.86	12.11	(2.1%)
Dividend per share (cents)	0.4	-	n.m.
Return on equity (%)	2.15%	1.00%	115.0%
Return on assets (%)	1.38%	0.92%	50.0%
Gearing ratio	0.21	0.11	90.9%
Current ratio	2.16	2.65	(18.5%)
Cash ratio	0.85	0.56	51.8%



Group Financial Position

ASSETS (S\$'000)	31 Aug 2016	31 Aug 2015	Change %
Property, plant and equipment	28,883	30,676	(5.8%)
Available-for-sale financial assets	9,031	17	n.m.
Investment properties	7,503	7,357	2.0%
Intangible assets	-	2,883	(100.0%)
Other non-current assets	323	538	(40.0%)
Cash and cash equivalents	12,559	6,812	84.4%
Trade and other receivables	14,161	17,937	(21.1%)
Inventories	5,203	7,321	(28.9%)
Total	77,663	73,541	5.6%

EQUITY/LIABILITIES (S\$'000)	31 Aug 2016	31 Aug 2015	Change %
Equity attributable to owners of the parent	53,680	54,831	(2.1%)
Non-controlling interests	2,511	3,252	(22.8%)
Borrowings: non-current	5,009	2,603	92.4%
Borrowings: current	6,241	3,381	84.6%
Trade and other payables	8,476	8,661	(2.1%)
Other liabilities	1,746	813	114.8%
Total	77,663	73,541	5.6%



FINANCIAL REVIEW

MIYOSHI REPORTS FULL-YEAR NET PROFIT OF \$1.0 MILLION

The Group recorded a 9.5% decrease in revenue from \$54.4 million in FY2015 to \$49.2 million in FY2016.

Other income decreased by \$0.4 million or 10.7% from \$4.6 million in FY2015 to \$4.2 million in FY2016. This was mainly due to lower income of scrap of \$1.4 million, lower fair value gain of \$0.5 million, offset by gain on disposal of interest in subsidiary of \$0.9 million and higher rental income of \$0.6 million.

Excluding the one-off depreciation of \$0.6 million in FY2015, the depreciation and amortization costs were stable. The one-off depreciation taken up in FY2015 was due to the depreciation adjustment for the property in Senai, Malaysia for the period it was classified under non-current asset held for sale.

Other operating expenses decreased by \$2.4 million or 22% from \$10.9 million in FY2015 to \$8.5 million in FY2016. This was mainly due to lower supplies and services of \$1.0 million, lower utilities of \$0.6 million, lower transportation and travelling of \$0.2 million and lower professional fees of \$0.2 million among others.

Net finance costs increased by \$0.1 million from \$0.3 million in FY2015 to \$0.4 million in FY2016. This was due to higher interest expense from higher average borrowings in FY2016.

Profit after tax increased by 66.7% from \$0.6 million in FY2015 to \$1.0 million in FY2016. Our focus on managing costs and improving productivity has yielded positive results.

CONSUMER ELECTRONICS

Consumer electronics segment contributed 44.5% (FY2015: 41.3%) to the Group's revenue. Our customers in this segment are the manufacturers of photocopiers, printers, projectors and home appliances.

Revenue from consumer electronics decreased by \$0.5 million or 2.2% from \$22.5 million in FY2015 to \$22.0 million in FY2016.

DATA STORAGE

Data storage segment contributed 39.6% (FY2015: 49.7%) of Group's revenue. Revenue from data storage customers continue to decline due to competition from solid state drives. The revenue from data storage segment was mainly from manufacturers of hard disk drives and servers.

Revenue from data storage segment decreased by \$7.6 million or 28.1% from \$27.1 million in FY2015 to \$19.5 million in FY2016.

In the near term, our operating landscape remains challenging as a result of intense competition in the data storage segment.

AUTOMOTIVE AND OTHERS

Automotive and others segment contributed 15.9% (FY2015: 9.01%) to the Group's revenue.

The segment grew by 59.9%, or an increase of \$2.9 million to revenue, from \$4.9 million in FY2015 to \$7.8 million in FY2016. This was mainly due to more orders from automotive customers in the Philippines in FY2016.



Group Cash Flows

(S\$'000)	2016	2015	Change %
Operating cash flow before working capital changes	3,917	4,070	(3.8%)
Working capital changes	4,263	(4,586)	n.m.
Interest paid, net	(347)	(218)	59.2%
Income tax paid	(488)	(348)	40.2%
Net cash from/(used in) operating activities	7,150	(1,082)	n.m.
Net cash used in investing activities	(6,734)	(5,966)	12.9%
Net cash from financing activities	5,678	3,508	61.9%
Net increase/(decrease) in cash and cash equivalents	5,743	(2,700)	n.m.

Cash and cash equivalents increased by \$5.7 million from \$6.7 million as at 31 August 2015 to \$12.4 million as at 31 August 2016. Cash and cash equivalents comprised of cash and bank balances, fixed deposits and excluding restricted cash.

CASH FROM OPERATING ACTIVITIES

The Group's operating cash flow, before working capital changes, decreased by 3.8% in FY2016 to \$3.9 million (FY2015: \$4.1 million). Favourable working capital movements resulted in a net cash from operating activities of \$7.2 million in FY2016. In FY2015, the cash outflow from operating activities was \$1.1 million.

The positive working capital movements reflected lower vendor payments, fewer prepayments and higher accruals.

CASH USED IN INVESTING ACTIVITIES

The investing cash outflow was \$6.7 million. The main investing cash flows included \$3.9 million for the acquisition of the 15% stake in Core Power (Fujian) New Energy Automobile Co., Ltd, \$2.6 million for the new equipment and production lines in the Philippines and Thailand, \$0.6 million for the acquisition of an industrial property at Penjuru Close, Singapore. During the year, the Group collected \$0.4 million from disposal of plant and equipment.

CASH FROM FINANCING ACTIVITIES

Net cash inflow of \$5.7 million for financing activities in FY2016 comprised mainly the new loans of \$7.6 million, offset by repayment of bank loans of \$1.9 million.

FINANCIAL REVIEW

Summary of Statement of Financial Position

FOR THE YEAR (\$'000)	31 AUG 2016	31 AUG 2015	Change %
Current assets	31,923	32,070	(0.5%)
Non-current assets	45,740	41,471	10.3%
Total assets	77,663	73,541	5.6%
Current liabilities	14,749	12,098	21.9%
Non-current liabilities	6,723	3,360	100.1%
Total liabilities	21,472	15,458	38.9%
Net assets	56,191	58,083	(3.3%)
Share capital	39,309	39,309	0.0%
Retained earnings	24,191	23,211	4.2%
Currency translation reserves	(11,514)	(9,311)	23.7%
Other reserves	1,694	1,622	4.4%
Equity attributable to owners of the parent	53,680	54,831	(2.1%)
Non-controlling interests	2,511	3,252	(22.8%)
Total Equity	56,191	58,083	(3.3%)

Current assets decreased by \$0.2 million from \$32.1 million as at 31 August 2015 to \$31.9 million as at 31 August 2016. This was mainly due to the increase in cash and bank balances of \$5.7 million was offset by decreases in trade and other receivables of \$3.7 million and inventory of \$2.1 million.

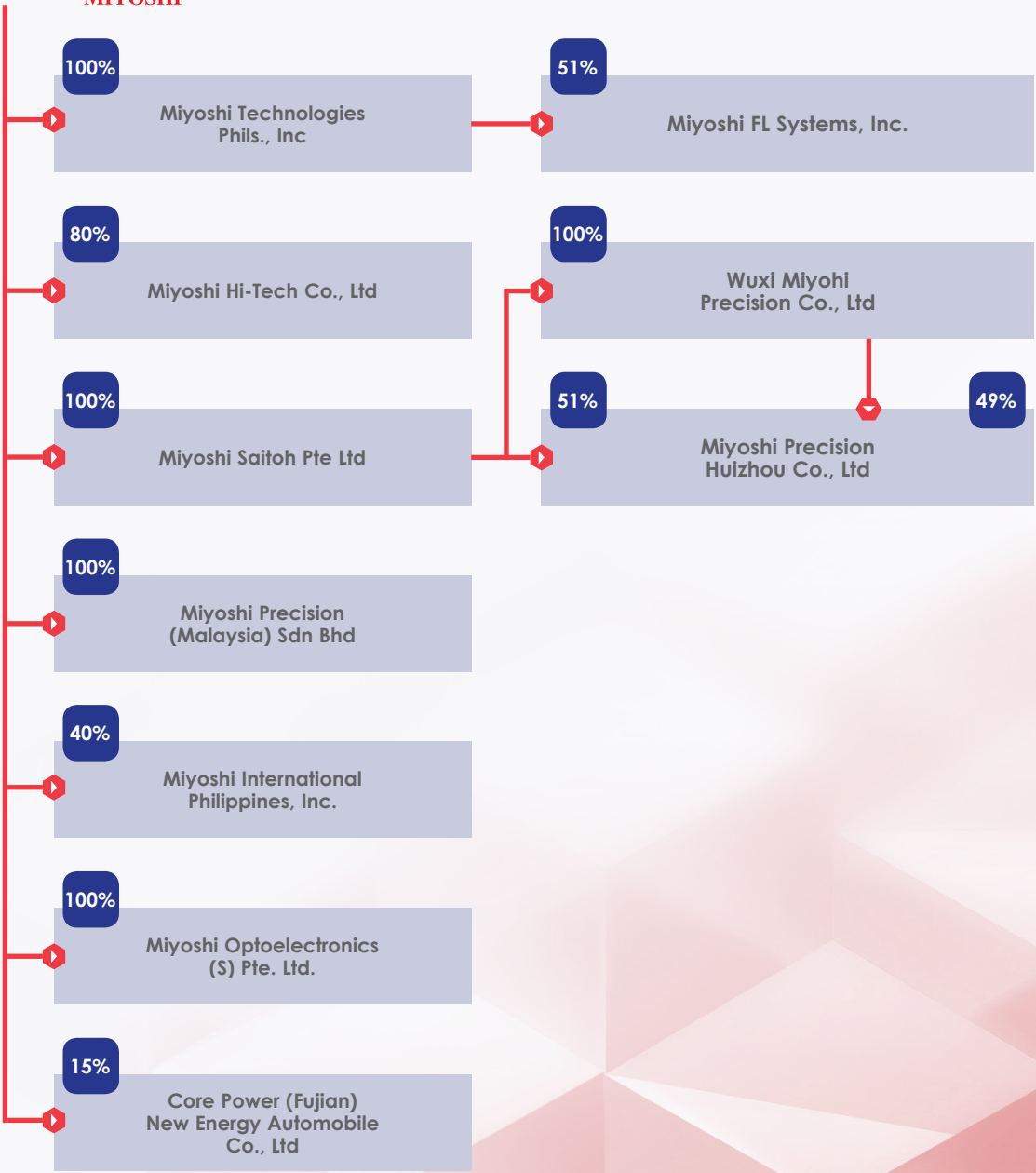
Non-current assets increased by \$4.2 million from \$41.5 million as at 31 August 2015 to \$45.7 million as at 31 August 2016. This was mainly due to the investment in Core Power (Fujian) New Energy Automotive Co., Ltd ("Core Power") of \$9.0 million offset by decreases in intangible assets of \$2.9 million, and property, plant and equipment of \$1.8 million.

Current liabilities increased by \$2.6 million from \$12.1 million as at 31 August 2015 to \$14.7 million as at 31 August 2016. This was mainly due to the increases in bank loans of \$2.8 million and trade payables of \$1.1 million were offset by decrease in other payables and accruals of \$1.2 million.

Non-current liabilities increased by \$3.3 million from \$3.4 million as at 31 August 2015 to \$6.7 million as at 31 August 2016 mainly due to proceeds from new bank loans of \$3.6 million and increase in other payables and accruals of \$0.8 million offset by repayment of bank loans of \$1.2 million.

Equity attributable to owners of the parent decreased to \$53.7 million as at 31 August 2016, from \$54.8 million as at 31 August 2015. The profit attributable to owners of the parent of \$1.2 million was offset by exchange differences on translation of foreign operations of \$2.2 million mainly due to weaker USD and RMB against the SGD.

CORPORATE STRUCTURE





CORPORATE INFORMATION

DIRECTORS

Executive:

Mr. Sin Kwong Wah, Andrew (CEO)

Non-Executive:

Mr. Lim Thean Ee (Independent Chairman)

Mr. Wee Piew (Independent)

Mr. Masayoshi Taira (Non-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. Sin Kwong Wah, Andrew

Mr. Wee Piew

REMUNERATION COMMITTEE

Mr. Lim Thean Ee (Chairman)

Mr. Masayoshi Taira

Mr. Wee Piew

COMPANY SECRETARIES

Mr. Khoo Boo Han

Mr. Ong Wei Jin

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

600 North Bridge Road, #23-01

Park View Square

Singapore 188778

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

DBS Bank Limited



“Miyoshi is committed to achieving high standards of corporate governance to ensure sustainability of the Company’s businesses as well as to safeguard shareholders’ interests.”

INTRODUCTION

Miyoshi Limited (“Miyoshi” or the “Company”) is committed to achieving high standards of corporate governance, business integrity and professionalism to ensure sustainability of the Company’s businesses and performance as well as to safeguard shareholders’ interests and maximise long-term shareholder value. This report sets out the Miyoshi’s corporate governance practices 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.

On 1 June 2016, Miyoshi announced Miyoshi’s transfer from the Main Board of the SGX-ST to the Catalist Board of the SGX-ST. The transfer took effect on 6 June 2016. Miyoshi continues to be listed on the SGX and will not materially affect Miyoshi’s compliance obligations or corporate governance policies and practices.

BOARD MATTERS

PRINCIPLE 1: THE BOARD’S CONDUCT OF ITS AFFAIRS

PRINCIPAL DUTIES OF THE BOARD

The Board aims to create value for shareholders and ensure the long-term success of the Group and protection of its assets by focusing on the development of the right strategy, business model, risk appetite, management, succession plan and compensation framework. It also seeks to align the interests of the Board and Management with that of shareholders and balance of interest of all stakeholders that the Board has identified, as the Board recognises that their perceptions affect the Company’s reputation. In addition, the Board sets the tone for the entire organisation where ethics and values are concerned.

The Board oversees the business affairs of the Miyoshi Group. It assumes responsibility for the Group’s overall strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major investments, divestments and funding proposals, adequacy of internal controls, risk management, financial reporting, compliance and accountability systems and corporate governance practices.

The Board also appoints the CEO, approves policies and guidelines on remuneration as well as the remuneration for the Board and Management, and approves the appointment of Directors. In line with best practices in corporate governance, the Board also oversees long-term succession planning for Management.

The Board has included in its oversight, consideration of sustainability issues such as environmental, social and governance factors in the strategic formulation and execution of the Company’s objectives.

The directors of the Company (“Directors”) are of the view that they have objectively discharged their duties and responsibilities at all times as fiduciaries in the interest of the Company.

DELEGATION BY THE BOARD

Board committees, namely the Audit Committee (“AC”), Nominating Committee (“NC”) and Remuneration Committee (“RC”) have been constituted to assist the Board in the discharge of specific duties. Clear written terms of reference (“TOR”) set out the duties, authority and accountabilities of each committee have been detailed in the appendices of this report. The TORs are reviewed on a regular basis, along with the committee structures and membership, to ensure their continued relevance.

CORPORATE GOVERNANCE

Please refer to Principles 4 to 5, 7 to 8, 11 and 12 in this Corporate Governance Report for further information on the activities of AC, NC and RC respectively.

KEY FEATURES OF BOARD PROCESSES

The schedule of all Board and Board committee meetings and the Annual General Meeting ("AGM") for the next financial year is planned well in advance, in consultation with the Board. The Board meets at least four times a year at regular intervals. Board meetings generally last half a day and may include presentations by senior executives and external consultants on strategic issues relating to specific business areas as well as presentations by the Group's associates. This allows the Board to develop a good understanding of the Group's businesses and to promote active engagement with Group's partners and key executives.

In FY2016, one Board meeting was held overseas, in a country where the Group, has an interest in investing. On such occasions, the Board meet with local business leaders so as to help Board members gain greater insight into the business.

Besides the scheduled Board meetings each year, the Board meets as and when warranted by particular circumstances. Meetings via telephone or video conference are permitted by Miyoshi's Constitution. The Board and Board committees may also make decisions by way of circulating resolutions.

In the interest of allocating more time for the Board to deliberate on issues of a strategic nature, and to focus on particular themes for each Board meeting, submissions which are straightforward in content as well as those that are for information only, will be compiled and circulated in between Board meetings.

The Company 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 FY2016, as well as attendance of each board member at these meetings, are disclosed in the table below:

	Board Meeting	Board committee Meetings			Non-Executive Directors' Meeting (without presence of management)
		Audit	Nominating	Remuneration	
Lim Thean Ee	5	4	1	1	4
Sin Kwong Wah Andrew	5	-	1	-	-
Wee Piew	5	4	1	1	4
Masayoshi Taira	5	4	-	1	4
Pek Ee Perh Thomas	5	-	-	-	4
No. of Meetings Held	5	4	1	1	4



If a Director is unable to attend a Board or Board committee meeting, he would receive all the papers and materials for discussion at that meeting. He would review them and advise the Chairman or the Board committee chairman of his 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 are also circulated to the Board so that the Directors are aware and kept updated as to the proceedings and matters discussed during such meetings.

BOARD APPROVAL

Miyoshi has adopted and documented internal guidelines setting forth matters that require Board's approval. Matters which are specifically reserved to the Board for approval are:-

- a) material acquisitions and disposal of assets;
- b) corporate or financial restructuring;
- c) matters involving a conflict of interest for a substantial shareholder or a director;
- d) matters which require Board approval as specified under Miyoshi's interested person transaction policy;
- e) share issuances, interim dividends and other returns to shareholders; and
- f) any investments or expenditures exceeding \$3.0 million in total.

Miyoshi has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. Apart from matters that specifically require Board's approval listed above, transactions below those limits are delegated to management to optimise operational efficiency.

While matters relating to Miyoshi's objectives, strategies and policies require the Board's direction and approval, management is responsible for overseeing the management of the Miyoshi Group and implementing the Board's strategic policies.

BOARD ORIENTATION AND TRAINING

A formal letter of appointment is provided to every new director. The formal letter of appointment indicates the time commitment required and role of directors, including directors' duties and responsibilities. The new director will also receive a manual containing Board and SGX policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving Miyoshi, prohibition on dealings in Miyoshi's securities and restrictions on the disclosure of price-sensitive information.

Miyoshi conducts a comprehensive orientation programme, which is presented by CFO, to familiarise new directors with its business and governance practices. The orientation programme gives directors an understanding of Miyoshi's business to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with management, thereby facilitating board interaction and independent access to management.

Newly appointed directors would be given a detailed and in-depth briefing and induction into Miyoshi by the management. The directors would undergo the induction programme, with presentations by management to introduce them to every aspect of the Miyoshi business.

The directors are provided with continuing briefings and updates in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties as Board or Board committee members. The scope of such continuous briefings and updates include overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to Miyoshi's business.



CORPORATE GOVERNANCE

BRIEFINGS AND UPDATES PROVIDED FOR DIRECTORS IN FY2016

- ♦ The external auditor BDO LLP, briefs the AC members on developments in accounting standards,
- ♦ The Company Secretary briefs the Board on Catalyst rules,
- ♦ The Company Secretary briefs the Board on developments in governance standards, and
- ♦ The CEO updates the Board at each meeting on business and strategic developments in the integrated engineering and light electric vehicle businesses.

The directors also attend other appropriate courses, conferences and seminars at Miyoshi's expense. These include programmes run by the Singapore Institute of Directors, of which Miyoshi is a corporate member, and SGX Academy.

Directors can request for further explanations, briefings or information on any aspect of Miyoshi's operations or business issues from management.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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 Code'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 2016 based on the respective director's self-declaration and their actual performance on the Board and Board committees.

INDEPENDENCE OF DIRECTORS

The Board, taking into account the views of the NC, assesses the independence of each director in accordance with the guidance in the Code. A director is considered independent if he has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of Miyoshi.

The Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a director is independent. Such relationships or circumstances include the employment of a director by the Company or any of its related corporations during the financial year in question or any of the previous three financial years; the acceptance by a director of any significant compensation from the Company or any of its related corporations for the provision of services during the financial year in question or the previous financial year, other than compensation for board service; and a director being related to any organisation from which Miyoshi or any of its subsidiaries received significant payments or material services during the financial year in question or the previous financial year.



INDEPENDENT JUDGEMENT

All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of Miyoshi. The NC and the Board determine annually whether a director who has served on the Board for more than nine years from the date of his first appointment, is still independent within the meaning of the Code and can therefore continue to serve on the Board. In determining the independence of directors who have served on the Board for more than nine years, the Nominating Committee and the Board give due consideration to the recommendation under Guideline 2.4 of the Code that the independence of any director who has served on the Board beyond nine years be subject to particularly rigorous review annually.

During FY2016, none of the Independent Directors has served beyond 9 years from the respective date of their first appointment.

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.

COMPOSITION, SIZE AND DIVERSITY 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.

The Board is committed to pursuing gender diversity in relation to the composition of the Board. In determining the process for identification of suitable candidates for appointment to the Board, the NC will take into account its diversity aspirations for the Board. In this connection, the NC will ensure that female candidates are included for consideration by the NC whenever it seeks to identify a new Director for the Board. In addition, the Board will strive to appoint at least one female Director to the Board. Having said that, Miyoshi is of the view that gender is but one aspect of diversity and Miyoshi Directors will continue to be selected on the basis of their experience, skills, knowledge, insight and relevance to the Board.

CORPORATE GOVERNANCE

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
Lim Thean Ee	Independent Chairman	Member	Chairman	Chairman
Sin Kwong Wah, Andrew	CEO	-	Member	-
Wee Piew	Independent	Chairman	Member	Member
Masayoshi Taira	Non-Independent & Non-Executive	Member	-	Member
Pek Ee Perh, Thomas	Non-Independent & Non-Executive	-	-	-

COMPETENCY OF THE BOARD

The composition of the Board is 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.

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 on strategy and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

REGULAR MEETINGS OF NON-EXECUTIVE DIRECTORS

Non-executive Directors are encouraged to meet without the presence of management immediately preceding the regular board meetings or as and when the need arose.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

SEPARATION OF THE ROLE OF CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER

The Chairman of the Board is a non-executive appointment and the roles of the Chairman and the CEO are separate to ensure a clear division of responsibilities, increased accountability and greater capacity of the Board for independent decision-making. The Chairman and the CEO are not related. The division of responsibilities and functions between the two has been demarcated with the concurrence of the Board.



ROLE OF THE CHAIRMAN

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 sets the agenda and ensures that adequate time is available for discussion of all agenda items, in particular strategic issues.

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.

The Chairman also facilitates the effective contribution of non-executive directors in particular. In addition, the Chairman takes a leading role to ensure the Company's compliance with corporate governance guidelines. The 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.

At Annual General Meetings ("AGM") and other shareholders' meetings, the Chairman plays a pivotal role in fostering constructive dialogue between shareholders, the Board and management.

ROLE OF THE CEO

The CEO is the highest ranking executive officer of the Group and assisted by the management team. He 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.

PRINCIPLE 4: BOARD MEMBERSHIP

COMPOSITION OF THE NC

The NC is chaired by Mr Lim Thean Ee. The other members of the NC are Mr Sin Kwong Wah Andrew and Mr Wee Piew. In compliance with the Code, the NC has three members, the majority of whom, including the chairman, are independent directors. The NC is guided by its written TOR 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. The TOR of the NC are listed on page 46 to 47 of this Report.



CORPORATE GOVERNANCE

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,
- ♦ the review of board succession plans for directors, in particular, the Chairman and for the CEO,
- ♦ 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, its board committees and Directors,
- ♦ 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
- ♦ 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"); and
- ♦ the review of training and professional development programs for the board.

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.

In the event that a vacancy on the board arises, the NC may identify suitable candidates for appointment as new Directors through the business network of the Board members or engage independent advisors to assist in the search for suitable candidates. The NC will generally identify suitable candidates skilled in core competencies such as accounting or finance, business or management expertise, or industry knowledge. If the NC decides that the candidate is suitable, the NC then recommends its choice to the Board. Meetings with such candidates may be arranged to facilitate open discussion. Upon appointment, arrangement will be made for new Directors to attend various briefings with the management team.



The NC met once during the financial year ended 31 August 2016. The Company also maintains records of the deliberations and proceedings of the NC.

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.

MULTIPLE BOARD REPRESENTATIONS AND APPOINTMENT OF ALTERNATE DIRECTORS

Directors must ensure that they are able to give sufficient time and attention to the affairs of Miyoshi and, as part of its review process, the NC decides whether or not a director is able to do so and whether he has been adequately carrying out his duties as a director of Miyoshi. The Board has also adopted an internal guideline that seeks to address the competing time commitments that may be faced when a director holds multiple board appointments. The guideline provides that, as a general rule, each Director should hold no more than six principal board appointments. The guideline includes the following:

- ♦ In support of their candidature for directorship or re-election, Directors are to provide the NC with details of other commitments and an indication of the time involved.

- ♦ Non-executive Directors should consult the Chairman or chairman of NC before accepting any new appointments as Directors.

The NC noted the list of other directorships held by our 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.

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

PROCESS FOR SELECTION, APPOINTMENT AND RE-APPOINTMENT OF DIRECTORS

The NC is responsible for identifying candidates and reviewing all nominations for the appointment, re-appointment or termination of directors and Board committee members.

The Company's Constitution provides that at each AGM, one-third of the directors, including the CEO who serves on the Board (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. Effectively, this results in all directors having to retire at least once in three years or even earlier. Directors appointed during the financial year, without shareholders' approval at the AGM, shall only hold office until the next AGM, and thereafter be eligible for re-election at the AGM.

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 Wee Piew and
- (b) Mr Pek Ee Perh, Thomas

CORPORATE GOVERNANCE

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 independent Directors who over time have developed deep insight into the Group's businesses and operations. Hence, the NC

recommends that Mr Wee Piew and Mr Pek Ee Perh, Thomas 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 Lim Thean Ee	Independent Chairman	9 January 2014	23 December 2015
Mr Sin Kwong Wah, Andrew	CEO	24 September 1991	29 December 2014
Mr Wee Piew	Independent Director	1 May 2014	29 December 2014
Mr Masayoshi Taira	Non-Executive Director	24 September 1991	23 December 2015
Mr Pek Ee Perh, Thomas	Non-Executive Director	27 October 2014	29 December 2014

KEY INFORMATION ON DIRECTORS

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

PRINCIPLE 5: BOARD PERFORMANCE

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 board committees, 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 performance criteria did not change from year to year.

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. The Chairman will act on the results of the performance evaluation and, in consultation with the NC, will propose, where appropriate, new members to be appointed to the Board or seek resignation of Directors.

PRINCIPLE 6: ACCESS TO INFORMATION

COMPLETE, ADEQUATE AND TIMELY INFORMATION

Management recognises that the flow of complete, adequate and timely information on an on-going basis to the Board is essential to the Board's effective and efficient discharge of its duties. All directors have unrestricted access to Miyoshi's records and information.

To allow directors sufficient time to prepare for the meetings, all scheduled Board and Board committee papers are distributed not less than a week in advance of the meeting to directors. This enables the discussion during the meeting to focus on questions that directors may have. The detailed papers include background information, related materials, budgets, forecasts and management accounts. 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. This enables the discussion during the meeting to focus on questions that directors may have. Any additional material or information requested by the directors is promptly furnished. Employees, who can provide additional insight into matters to be discussed, will be present at the relevant time during the Board and Board committee meetings.

To facilitate direct and independent access to management, directors are also provided with the names and contact details of the management team. Draft agendas for Board and Board committee meetings are circulated to the respective Chairmen respectively, in advance, in order for them to suggest items for the agenda and/or review the usefulness of the items in the proposed agenda.

The quarterly and year-end financial statements are reviewed and recommended by the AC to the Board for approval.

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 are subject to the Board's approval as a whole.



CORPORATE GOVERNANCE

INDEPENDENT PROFESSIONAL ADVICE

Directors, either individually or as a group, in the furtherance of their duties, may take independent professional advice, if necessary, at Miyoshi's expense.

During the financial year, the Board engaged professional advisers and experts to aid the Board in its determination of a range of possible prices to pay for an acquisition target.

B. REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

REMUNERATION COMMITTEE

The RC is chaired by Mr Lim Thean Ee. The other members of the RC are Mr Masayoshi Taira and Mr Wee Piew. In compliance with the Code, the RC has three members, the majority of whom, including the chairman, are independent directors. The TOR of the RC are listed on page 47 of this Report.

The RC plays an important role in helping to ensure that the Group is able to attract, recruit, motivate and retain the best talents through competitive remuneration and progressive and robust policies so as to achieve the Group's goals and deliver sustainable shareholder value. The RC's review covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowance, bonuses, options, share-based incentives and awards, and benefits-in-kind. The RC'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.

The RC met once during the financial year ended 31 August 2016. The Company also maintains records of the deliberations and proceedings of the RC.

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 TOR and to seek external expert advice should such need arises, at Miyoshi's expense.

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

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. 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.

LONG-TERM INCENTIVE SCHEME

Miyoshi Employee Share Option Scheme ("ESOS") was adopted at an Extraordinary General Meeting ("EGM") of the Company held on 4 May 2001. The last grant under the Miyoshi ESOS was made on 31 January 2007 and the ESOS will expire on 19 December 2016. Options granted prior to the expiry of the Miyoshi ESOS will continue to be valid and be subjected to the terms and conditions of the Miyoshi ESOS.

The Company intends to introduce the Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") to replace the Miyoshi ESOS. The RSP and PSP are subject to approval and adoption by Shareholders at the EGM of the Company to be held on 23 December 2016. The RC is responsible for the administration of the share-based remuneration plans.

The RSP and PSP serve to foster a greater ownership culture within the Miyoshi Group by aligning more directly the interests of management and senior executives in its continuing efforts to attract, motivate and retain talented senior executives and to reward these executives for the Company's and the individual performance. The PSP serves to further motivate management to strive for superior performance and to deliver long-term shareholder value. It is targeted at management in key positions who shoulder the responsibility of the Company's performance and who are able to drive the growth of the Company through superior performance.

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 FY2016. 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.

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 on exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

PRINCIPLE 9: 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 detailed disclosure of the

CORPORATE GOVERNANCE

Directors and the CEO's remuneration in exact dollar value 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 2016 is proposed as follows:

Remuneration Band and Name of Director	Fee (%)	Basic Salary (%)	Variable Bonus (%)	Total Remuneration (%)
Below \$250,000:				
Wee Piew	100	-	-	100
Lim Thean Ee	100	-	-	100
Masayoshi Taira	100	-	-	100
Pek Er Perh, Thomas	100	-	-	100
\$500,000 to \$750,000				
Sin Kwong Wah, Andrew	-	96.9	3.1	100

REMUNERATION OF TOP 5 KEY MANAGEMENT PERSONNEL

As regards to disclosure of the remuneration of top five key management personnel, the Code recommends full disclosure of remuneration on a named basis. After considering this matter carefully, the Board has decided that disclosure of the top five key management personnel's detailed disclosure of the remuneration in exact dollar value 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 Company named and disclosed the remuneration of the Group's top five key management personnel in bands of \$250,000. The total aggregate remuneration paid to the Group's top five key management personnel during FY2016 was approximately \$751,000.

The remuneration of key management personnel is as follows:

Remuneration Band and Name of Key Management Personnel	Basic Salary (%)	Variable Bonus (%)	Allowance & Benefits (%)	Total Remuneration (%)
Below \$250,000:				
Ng Cheong Kiat Michael	100.0	-	-	100
Khoo Teck Soon	100.0	-	-	100
Gan Yoke Fong Karen	71.0	15.9	13.1	100
Tan Tiong Soon	86.7	13.3	-	100
Keh Ngen Fatt	100.0	-	-	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.

REMUNERATION OF CERTAIN RELATED EMPLOYEES

There is no immediate family member of any Director or the Chief Executive Officer whose remuneration has exceeded \$50,000 for the financial year ended 31 August 2016.

EMPLOYEE SHARE OPTION SCHEME ("ESOS")

There are no new employee share schemes granted to employees in the financial year ended 31 August 2016. The details on the ESOS granted are included in pages 64 to 65 of this Report.

LINK BETWEEN REMUNERATION AND PERFORMANCE

The RC reviews the remuneration of the Executive Director and key management of the Group and makes recommendation on an appropriate framework on remuneration. The RC's recommendation is submitted to the Board for endorsement. The RC has adopted a set of performance criteria which includes a significant portion of the Executive Director's remuneration package to corporate and individual performance, thus aligning his interest with those of shareholders, and which also take into account effort and time spent and responsibilities of the non-executive directors.

C. ACCOUNTABILITY AND AUDIT

PRINCIPLE 10: ACCOUNTABILITY

The Board provides the shareholders with quarterly and annual financial reports. Results for the first three quarters are released to shareholders no later than 45 days from the end of the quarter. Annual results are released to shareholders no later than 60 days from the financial year-end. In presenting the annual and quarterly financial statements to shareholders, the Board aims to provide shareholders with a balanced and clear assessment of Miyoshi's results, position and prospects.

For the financial year under review, the CEO and CFO have provided assurance to the Board on the integrity of the financial statements for Miyoshi and its subsidiaries. For interim financial statements, the Board provides of negative assurance to shareholders, in line with the Listing Rules. For the full year financial statements, the Board, with the concurrence of the AC provides an opinion that the financial statements give a true and fair view of the results of Miyoshi Group and Miyoshi will be able to pay its debts as and when they fall due. This, in turn, is supported by a negative assurance statement from the CEO and the CFO. Management provides directors on or prior to the day when the annual or quarterly financial results are released.

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.



CORPORATE GOVERNANCE

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.

The management provides the Board with quarterly management accounts and as and when the Board may require from time to time. Such report keeps the Board informed of the Group's performance and contain explanation and information to enable the Board to make balanced and informed assessment of the Group's performance, position and prospect.

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. During the financial year ended 31 August 2016, the AC assisted the Board in the oversight of Group's risk profile and policies, adequacy and effectiveness of the Group's risk management system including the framework and process for the identification and management of significant risks, and reports to the Board on material matters, findings and recommendations pertaining to risk management. The AC also provides oversight of the financial reporting risk and the adequacy and effectiveness of the Group's internal control and compliance systems.

The Board has approved a Group Risk Framework for the identification of key risks within the business. This Framework defines 7 types of risks ranging from environmental to strategic and operational decision-making risks. The Group's risk management and

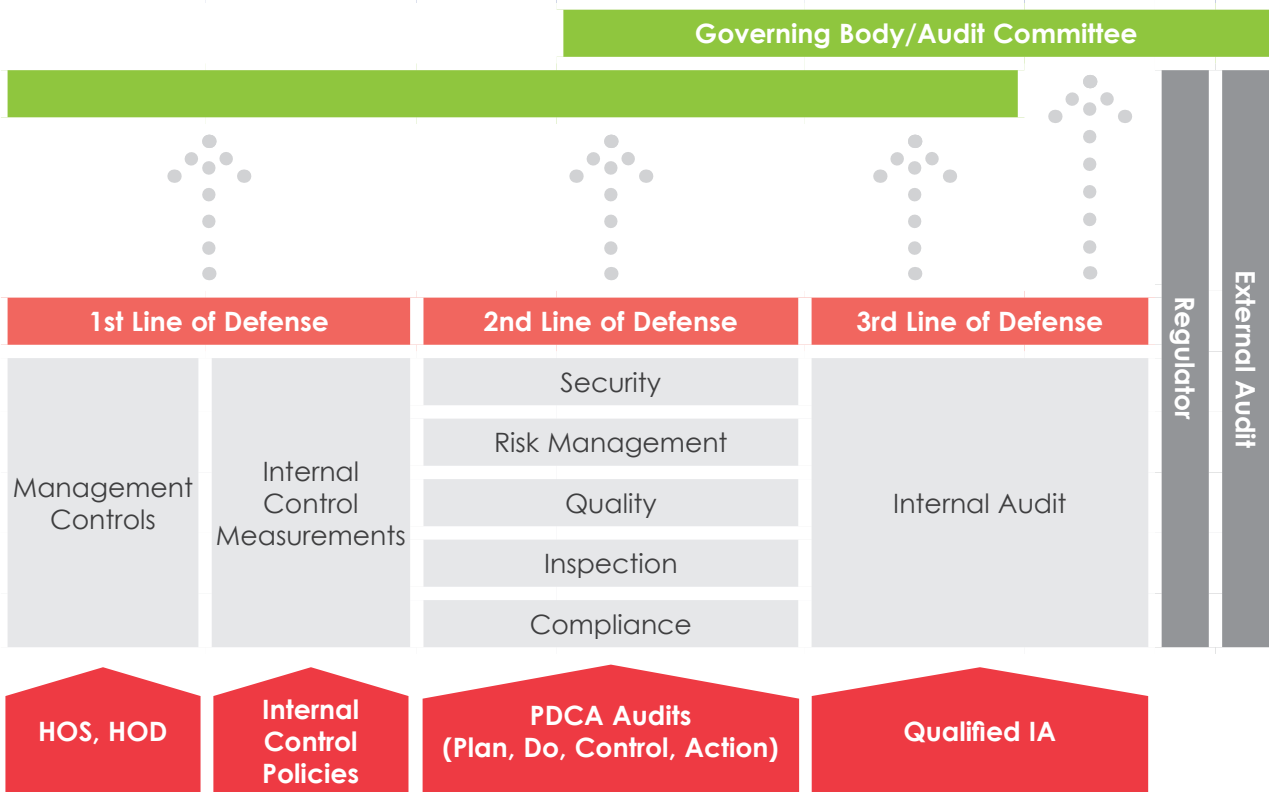
internal control framework is aligned to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework. Major incidents and violations, if any, are also reported to the Board to facilitate the Board's oversight of the effectiveness of crisis management and the adequacy of mitigating measures taken by Management to address the underlying risks.

The identification and management of risks are delegated to Management, who assumes ownership and day-to-day management of these risks. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board. Key business risks are proactively identified, addressed and reviewed on an ongoing basis.



THREE LINES OF DEFENSE MODEL

The three Lines of Defense in Effective Risk Management and Control, The Institute of Internal Auditors, January 2013



The Group has in place Miyoshi's System of Management Controls Framework, comprising of the Three Lines of Defence ("3LOD") towards ensuring the adequacy and effectiveness of the Group's internal controls and risk management.

The First Line of Defence is primarily handled by managers of significant business units who have day-to-day ownership and management of risk and control. These include internal control processes designed to identify and assess significant risks, execute activities as intended, highlight inadequate processes, address control breakdowns and communicate to key stakeholders of the activity. Significant business units are required to conduct self-assessment exercise on an annual basis.

The Second Line of Defence includes various risk management and compliance functions put in place by management to help ensure controls and risk management processes implemented by the first line of defence are designed appropriately and operating as intended. Miyoshi uses the ERM Framework for the assessment of risks and PDCA Audits, which are conducted for each significant business units on a half-yearly basis, for internal monitoring and oversight functions.



CORPORATE GOVERNANCE

Internal auditors serve as Miyoshi's Third Line of Defence. It helps Miyoshi accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal audit actively contributes to effective organizational governance providing certain conditions fostering its independence and professionalism are met.

Management is responsible for setting the direction of corporate risk management and monitoring the implementation of risk management policies and procedures including the adequacy of the Group's insurance programme. Management reports to the AC on a regular basis. Risk registers are maintained by the business and operational units which identify the key risks facing the Group's business and the internal controls in place to manage those risks. The AC had reviewed the Group's risk management framework during the reporting period and was satisfied that it continued to be sound.

Internal auditors conduct audits that involve testing the effectiveness of the material internal control systems in the Group, addressing financial, operational and compliance risks. Any material non-compliance or lapses in internal controls together with remedial measures recommended by internal auditors are reported to the AC. The AC also reviews the adequacy and timeliness of the actions taken by Management in response to the recommendations made by the internal auditors. Control self-assessments ("CSA") in key areas of the Group's operations are conducted by Management on a periodic basis to evaluate the adequacy and effectiveness of the risk management and internal control systems, including quarterly and annual certifications by Management to the AC and the Board respectively, on the integrity of financial reporting and the adequacy and effectiveness of the risk management, internal control and compliance systems.

The Board has received assurance from the CEO and CFO in respect of FY2016:

- a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
- b) regarding the effectiveness of the Group's risk management and internal control systems.

Based on the Group's 3LOD Framework, the internal controls policies and procedures established and maintained by the Group, the regular audits, monitoring and reviews performed by the internal auditors, and review of the ERM Framework, the Board, with the concurrence of the AC is, of the opinion that the Group's internal controls and risk management are adequate and effective as at 31 August 2016 to address financial, operational, compliance and information technology risks, which the Group considers relevant and material to its current business scope and environment.

The system of internal control and risk management established by Management provides reasonable, but not absolute, assurance that Miyoshi will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

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.

Further details of Miyoshi Risk Management can be found on pages 60 and 62.



PRINCIPLE 12: AUDIT COMMITTEE

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. In compliance with the Code, the AC has three members, the majority of whom, including the chairman, are independent directors.

The Board considers that Mr Wee Piew, who is a Fellow of the Institute of Singapore Chartered Accountants ("ISCA"), and has extensive and practical accounting and financial management knowledge and experience, and is well qualified to chair the AC.

The members of the AC, collectively, have recent and relevant accounting and financial experience. They keep abreast of relevant changes through regular updates from the external auditor, on changes to accounting standards and issues which have a direct impact on the financial statements.

The AC met four times during the financial year ended 31 August 2016. The Company also maintains records of the deliberations and proceedings of the AC.

AUTHORITY AND DUTIES OF THE AC

The AC reviews the scope and results of audit work, the cost effectiveness of the audit, and the independence and objectivity of the external auditor. The AC also undertakes annual review of the nature, extent and costs of non-audit services provided by external auditor, seeking to balance the maintenance of objectivity of the external auditor and their ability to provide value-for-money services.

The AC meets on a quarterly basis to review the integrity of the financial statements including the relevance and consistency of the accounting principles adopted. The CEO, CFO, VP (Business Development), Group Finance Manager and the external auditor were also in attendance. The AC reviews and recommends the financial statements and corresponding SGXNet announcements to the Board for approval.

The AC reviews and assesses the adequacy and effectiveness of Miyoshi's system of internal controls and regulatory compliance through discussions with management and the external auditor, at its quarterly AC meetings. The TOR of the AC are listed on pages 47 to 48 of 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. It has full access to, and the co-operation of management and full discretion to invite any Director or any members of the management to attend its meetings. 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.

EXTERNAL AUDITOR

The Board is responsible for the initial appointment of external auditors. Shareholders then approve the appointment at Miyoshi's AGM. The external auditors hold office until their removal or resignation. The AC assesses the external auditors based on factors such as the performance and quality of their audit and the independence of the auditors, and recommends their appointment to the Board. Pursuant to the requirements of the SGX, an audit partner may only be in charge of a maximum of five consecutive annual audits and may then return after two years. BDO LLP has met this requirement, and the current BDO LLP audit partner for Miyoshi took over from the previous audit partner in respect of the financial year ended 31 August 2014. Miyoshi has complied with Rules 712 and 715 of the Listing Manual issued by SGX in relation to the appointment of its auditors.



CORPORATE GOVERNANCE

For the financial year ended 31 August 2016, 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.

The AC reviewed the independence and objectivity of the external auditor through discussions with them as well as a review of the volume and nature of non-audit services provided by the external auditor during the financial year under review. The aggregate amount of audit services provided by BDO LLP for FY2016 are \$78,000. BDO LLP did not provide non-audit services for FY2016. Based on this information, the AC is satisfied that the financial, professional and business relationships between Miyoshi and the external auditor will not prejudice their independence and objectivity. The AC, together with management, has evaluated their performance and concluded that BDO LLP has fulfilled its responsibilities as external auditor. The Board concurred with AC's endorsement. Accordingly, the Board recommends the re-appointment of BDO LLP at the coming AGM.

In the review of the financial statements for the financial year ended 31 August 2016, the AC discussed with management and the external auditor the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Following the review and discussions, the AC recommended to the Board to approve the full-year financial statements.

WHISTLEBLOWING POLICY

Miyoshi has a whistleblowing policy in place which encourages employees and vendors to report malpractices and misconduct in the workplace. Miyoshi will protect employees, who have acted in good faith, from victimisation and harassment by their colleagues. Miyoshi will treat all information received confidentially and protect the identity and the interest of all whistle-blowers. Anonymous disclosures will be accepted and anonymity honoured. Reports can be lodged by via email at whistleblowing@sg.miyoshi.biz.

The policy allows a single, confidential line to report concerns about possible improprieties to the AC Chairman in good faith and in confidence. The policy defines the processes clearly to ensure independent investigation of such matters and appropriate follow-up action, and provides assurance that staff will be protected from reprisals. Details of this policy have been disseminated and made available to all employees of the Group.

KEEPING ABREAST OF CHANGES TO ACCOUNTING STANDARDS

Details of the activities of the AC are also provided under Principles 11 and 13 of this report. In addition to the activities undertaken to fulfil its responsibilities, the AC is kept abreast by the management, external and internal auditors on changes to accounting standards, stock exchange rules and other code and regulations which could have impact on the Group's business and financial statements as well as attending the relevant external training and seminars in respect thereof.

INTERESTED PERSON TRANSACTIONS POLICY

Miyoshi has procedures in place to comply with the Listing Manual requirements relating to interested person transactions. All new directors are briefed on the relevant provisions that they need to comply with. All interested person transactions, if any, are reported to and monitored by the Finance department, and reviewed by the AC.



MATERIAL CONTRACTS (RULE 1207(8) OF THE LISTING MANUAL)

There were no material contracts entered into by Miyoshi or any of its subsidiaries involving interests of any director or controlling shareholder during FY2016.

EXCLUSION FROM MEMBERSHIP OF AC

None of the AC members was previous partners or directors of the existing auditing firm within the previous 12 months and that none of the AC members holds any financial interest in the auditing firm.

PRINCIPLE 13: INTERNAL AUDIT

INTERNAL AUDIT

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

For the financial year, the internal audit function was outsourced to PKF-CAP Risk Consulting Pte Ltd ("PKF Risk Consulting") which is part of the network of legally independent firms comprising certified public accountants and business advisers. PKF currently has around 200 member firms in 120 countries and they have adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. PKF Risk Consulting is staffed by suitably qualified executives.

The primary role of the internal audit function is to review the adequacy and effectiveness of the system of internal controls of Miyoshi. These include operational, financial, compliance and information technology controls. In addition, the external auditor will highlight any material internal control weaknesses which have come to their attention in the course of their statutory audit. All audit findings and recommendations made by the internal auditors are reported to the AC. Significant issues are discussed at AC meetings.

LINE OF REPORTING AND ACTIVITIES

The functional reporting line for the internal audit function is to the Chairman of the AC. The administrative reporting line is to the CFO. This assists in maintaining the function's independence and objectivity. The AC approves matters relating to the Internal Audit Charter, risk assessment and related audit plans and results and follows up on internal audit activities. The AC approves the hiring, removal, evaluation and compensation of the professional service firm to which the internal audit function was outsourced. The AC Chairman meets with the internal auditors annually, without the presence of management. The internal auditors have unfettered access to all Miyoshi's documents, records, properties and personnel, including access to the AC.

Internal Audit unit operates within the framework stated in its Internal Audit Charter which is approved by the AC. The primary role is to assist the Board and management to meet the strategic and operational objectives of Miyoshi, by providing an independent and objective evaluation of the adequacy and effectiveness of risk management, controls and governance processes.

All audit reports are circulated to the AC, the CEO and CFO, the external auditor and relevant management representatives. The progress of corrective actions on outstanding audit issues is monitored. Information on outstanding issues is categorised according to severity and follow-up reports are sent to management and AC.

ADEQUATE OF THE INTERNAL AUDIT FUNCTION

The annual plan of the internal audit is established in consultation with, but independent of management and is aligned with the risk management framework of Miyoshi. The plan is submitted to and approved by the AC. The AC is satisfied that the internal auditors have adequate resources to perform its functions, and have appropriate standing within Miyoshi. The AC also reviews annually the adequacy and effectiveness of the internal auditors.



CORPORATE GOVERNANCE

PROFESSIONAL STANDARDS AND COMPETENCY

Both the PKF Engagement Director and Audit Director are Certified Internal Auditors and IIA Qualified Quality Assessors, and have experience in assessing quality programs for large corporate internal audit functions. Credentials, experience and special technical knowledge (such as in the areas of information technology, risk management, and treasury) in order to execute audit projects effectively for the Company is considered when staffing specific audit projects.

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 2016 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.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES PRINCIPLE 14: SHAREHOLDER RIGHTS

Miyoshi's corporate governance practices promote fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, Miyoshi ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNet. Miyoshi recognises that the release of timely and relevant information is central to good corporate governance and enables shareholders to make informed decisions in respect of their investments in Miyoshi.

Shareholders are entitled to attend the general meetings of shareholders and are afforded the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders are informed of the rules, including the voting procedures that govern the general meetings of shareholders.

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.

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 AGM and vote in place of the shareholder.

The Articles allow a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. The Articles also allow shareholders, who hold shares through nominees such as Central Provident Fund and custodian banks, to attend general meetings of shareholders as observers without being constrained by the two-proxy rule.



PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

Miyoshi remains committed to delivering high standards of corporate disclosure and transparency through an open and non-discriminatory approach towards our communications with shareholders, the investment community and the media. Miyoshi provides regular and relevant information regarding the Group's performance, progress and prospects to aid shareholders and investors in their investment decisions.

Miyoshi makes timely disclosures of any new material information to the SGXNet. These filings are also posted on the Miyoshi website, allowing investors to keep abreast of strategic and operational developments. Miyoshi notifies investors in advance of the date of release of its annual results, through an SGXNet announcement.

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.

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.

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.

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.

The Miyoshi Investor Relations ("IR") website is a key resource of information for the investment community. It contains a wealth of investor-related information on Miyoshi, including results announcements, slide presentations, news releases, shareholdings information and annual reports. The following information can be accessed from our corporate website:

- a) Board of Directors and their profiles;
- b) Key management;
- c) Group structure;
- d) Recent events;
- e) Annual Reports;
- f) Letter/Circular to Shareholders;
- g) Company announcements;
- h) Press releases;
- i) Financial results; and
- j) Shareholdings.

The annual reports, financial results and company announcements are posted on the website following their release to the market, to ensure fair and equal dissemination to shareholders.

Miyoshi's website has a clearly dedicated 'Investor Relations' link, which features prominently the latest and past financial results and related information. The contact details of the IR team are available on the dedicated link, as well as in the AR, to enable shareholders to contact Miyoshi easily. IR has procedures in place for addressing investors' queries or complaints as soon as possible.



CORPORATE GOVERNANCE

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

Shareholders are informed of shareholders' meetings through published notices and reports or circulars sent to all shareholders or at the shareholder's election, made available electronically. The general meetings of shareholders procedures provide shareholders the opportunity to ask questions relating to each resolution tabled for approval. Opportunities are given to shareholders to participate, engage, and openly communicate their views on matters relating to Miyoshi to the directors.

Shareholders are given the opportunity to vote at the general meetings of shareholders. However, as the authentication of shareholder identity information and other related security issues still remain a concern, Miyoshi has decided, for the time being, not to implement voting in absentia by mail, email or fax.

The Chairman of the Board and the respective Chairmen of each of the AC, NC, RC, external auditor, management and corporate secretaries (where necessary), are also present to address shareholders' queries.

Miyoshi provides for separate resolutions at general meetings on each distinct issue. All the resolutions at the general meetings are single item resolutions. Detailed information on each item in the AGM agenda is in the explanatory notes to the AGM Notice in the AR.

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.

The Company Secretary prepares minutes of shareholders' meetings which captures the essence of the comments and queries from shareholders and responses to them from the Board and management. The Company also make available minutes of general meetings to shareholders upon their requests.

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.

The Company will put all resolutions at general meetings to vote by poll and announce the number of votes cast for and against each resolution and the respective percentages. The Company will appoint an independent scrutineer for the poll voting process. Prior to the commencement of the general meeting, the scrutineer would review the proxy process. Detailed results showing the number of votes cast for and against each resolution and the respective percentages will be promptly disclosed on the SGXNET after the general meeting.

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.
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.
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.

APPENDIX – KEY TERMS OF REFERENCE

Audit Committee

Remuneration 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.
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.



CORPORATE GOVERNANCE

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 countermeasures 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.
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)

SECURITIES DEALING

To guard against insider trading, Miyoshi's Code of Dealing in Securities (Code of Dealing) adopts a "black-out" policy that is consistent with what is prescribed in the Listing Manual. The Code of Dealing prohibits dealings in Miyoshi's securities by its directors and staff and their "related persons" for a period of two weeks before the announcement of its quarterly or half-yearly financial results, and one month before the announcement of its year-end results.

Miyoshi issues a quarterly notice to its directors and officers informing them that Miyoshi and its officers must not deal in Miyoshi securities during a black-out period and at any time they are in possession of unpublished material price-sensitive information.

Directors and staff are prohibited at all times from trading if they are in possession of material non-public information. Staff are also discouraged from dealing in Miyoshi securities on short-term considerations.

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.

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. The details of the Interested Person Transactions for the year ended 31 August 2016 are as follows:

Name of Interested Person	Aggregate value of all Interested Person Transactions during the year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) \$'000	Aggregate value of all interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000) \$'000
Type of transactions		
Sales	-	-
Purchases	-	-
Marketing Services	-	-
Total	-	-

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



CORPORATE GOVERNANCE

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.

Saved as disclosed above, there are no material contracts or loans entered into by the Group involving the interest of the CEO, any Director or Controlling Shareholder of the Company, either still subsisting at the end of FY2016 or if not subsisting, were entered into since 1 September 2016.

SPONSOR

No fees relating to non-sponsorship activities or services was paid to the Company's sponsor, CIMB Bank Berhad, Singapore Branch, during FY2016.



CODE OF CORPORATE GOVERNANCE 2012

Guidelines for Disclosure

GENERAL

Q: (a) Has the Company complied with all the principles and guidelines of the Code?

If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.

A: Yes, the Company has complied in all material respects with the principles and guidelines of the Code of Corporate Governance 2012.

Q: (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?

A: Not applicable.

BOARD RESPONSIBILITY

Guideline 1.5

Q: (a) What are the types of material transactions which require approval from the Board?

A: Material items that require Board approval include:

- ◆ material acquisitions and disposals of assets;
- ◆ corporate or financial restructuring;
- ◆ matters involving a conflict of interest for a substantial shareholder or a director;
- ◆ matters which require Board approval as specified under Miyoshi's interested person transaction policy;
- ◆ share issuances, interim dividends and other returns to shareholders; and
- ◆ any investments or expenditures exceeding \$3.0 million in total.

MEMBERS OF THE BOARD

Guideline 2.6

Q: (a) What is the Board's policy with regard to diversity in identifying director nominees?

A: Miyoshi is committed to pursuing gender diversity in relation to the composition of the Board. In determining the process for identification of suitable candidates for appointment to the Board, the NC will take into account its diversity aspirations for the Board. In this connection, the NC will ensure that female candidates are included for consideration by the NC whenever it seeks to identify a new Director for the Board. In addition, the Board will strive to appoint at least one female Director to the Board. Having said that, Miyoshi is of the view that gender is but one aspect of diversity and Miyoshi Directors will continue to be selected on the basis of their experience, skills, knowledge, insight and relevance to the Board.

Q: (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.

A: The Board consists of Directors with core competencies in accounting, finance, management, engineering, customer service, strategic planning and business development. Currently, the Company does not have a female Director on its Board.

The individual profiles of the Directors, including details of their background and qualifications, are set out in the "Board of Directors" section of the Annual Report.

Q: (c) What steps has the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?



CORPORATE GOVERNANCE

A: The composition of the Board is 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.

Guideline 4.6

Q: (a) Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.

A: 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.

For re-electing incumbent directors, the NC review and considers all aspects such as, the directors' integrity, independence mindedness, attendance, participation, preparedness, candour and also recognizes the contributions of these independent Directors who over time have developed deep insight into the Group's businesses and operations.

Guideline 1.6

Q: (a) Are new directors given formal training? If not, please explain why.

A: Yes, new directors are given formal training.

Q: (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up to date?

A: Miyoshi conducts a comprehensive orientation programme, which is presented by CFO, to familiarise new directors with its business and governance practices. The orientation programme gives directors an understanding of Miyoshi's business to enable them to assimilate into their new roles. The programme also allows the new director to get acquainted with management, thereby facilitating board interaction and independent access to management.

Newly appointed directors would be given a detailed and in-depth briefing and induction into Miyoshi by the management. The directors would undergo the induction programme, with presentations by management to introduce them to every aspect of the Miyoshi business.



The directors are provided with continuing briefings and updates in areas such as directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements, so as to enable them to properly discharge their duties as Board or Board committee members. The scope of such continuous briefings and updates include overview of industry trends and developments, governance practices and developing trends, and changes in trends in governance practices and regulatory requirements pertaining to Miyoshi's business.

Briefings and Updates Provided for Directors in FY2016

- ◆ The external auditor BDO LLP, briefs the AC members on developments in accounting standards,
- ◆ The corporate secretary briefs the Board on Catalist rules,
- ◆ The corporate secretary briefs the Board on developments in governance standards, and
- ◆ The CEO updates the Board at each meeting on business and strategic developments in the integrated engineering and light electric vehicle businesses.

The directors also attend other appropriate courses, conferences and seminars at Miyoshi's expense. These include programmes run by the Singapore Institute of Directors, of which Miyoshi is a corporate member, and SGX Academy.

Directors can request for further explanations, briefings or information on any aspect of Miyoshi's operations or business issues from management.

Guideline 4.4

Q: (a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?

A: The Board has adopted an internal guideline that seeks to address the competing time commitments that may be faced when a Director holds multiple board appointments. The guideline provides that, as a general rule, each Director should hold no more than six directorships in public listed companies.

Q: (b) If a maximum number has not been determined, what are the reasons?

A: Not applicable.

Q: (c) What are the specific considerations in deciding on the capacity of directors?

A: In support of their candidature for directorship or re-election, Directors are to provide the NC with details of their other commitments and an indication of the time involved. The NC and the Board take this into account in deciding on the capacity of Directors.



CORPORATE GOVERNANCE

BOARD EVALUATION

Guideline 5.1

Q: (a) What was the process upon which the Board reached the conclusion on its performance for the financial year?

A: 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 board committees, 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 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. The Chairman will act on the results of the performance evaluation and, in consultation with the NC, will propose, where appropriate, new members to be appointed to the Board or seek resignation of Directors.

Q: (b) Has the Board met its performance objectives?

A: Yes.

INDEPENDENCE OF DIRECTORS

Guideline 2.1

Q: (a) Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company?

A: Yes, independent directors making up at least one-third of the Board.



Guideline 2.3

Q: (a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship.

A: No.

Q: (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.

A: Not applicable.

Guideline 2.4

Q: (a) Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.

A: No.

DISCLOSURE OF REMUNERATION

Guideline 9.2

Q: (a) Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

A: Yes, save for the exact remuneration, the details of each Director's and the CEO's remuneration are fully disclosed.

Guideline 9.3

Q: (a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?

A: Yes, the details of each key management personnel's remuneration are fully disclosed.

Q: (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).

A: The aggregate remuneration, comprising total cash and benefits, paid to the top five key management for FY2016 amounted to \$751,209, as indicated on page 36.

Guideline 9.4

Q: (a) Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S\$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.

A: No.

Guideline 9.6

Q: (a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.



CORPORATE GOVERNANCE

A: The RC plays an important role in helping to ensure that the Group is able to attract, recruit, motivate and retain the best talents through competitive remuneration and progressive and robust policies so as to achieve the Group's goals and deliver sustainable shareholder value. The RC's review covers all aspects of remuneration, including but not limited to Director's fees, salaries, allowance, bonuses, options, share-based incentives and awards, and benefits-in-kind. The RC'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.

Miyoshi Employee Share Option Scheme ("ESOS") was adopted at an Extraordinary General Meeting ("EGM") of the Company held on 4 May 2001. The last grant under the Miyoshi ESOS was made on 31 January 2007 and the ESOS will expire on 19 December 2016. Options granted prior to the expiry of the Miyoshi ESOS will continue to be valid and be subjected to the terms and conditions of the Miyoshi ESOS.

The Company intends to introduce the Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") to replace the Miyoshi ESOS. The RSP and PSP are subject to approval and adoption by Shareholders at the EGM of the Company to be held on 23 December 2016. The RC is responsible for the administration of the share-based remuneration plans.

The RSP and PSP serve to foster a greater ownership culture within the Miyoshi Group by aligning more directly the interests of management and senior executives in its continuing efforts to attract, motivate and retain talented senior executives and to reward these executives for the Company's and the individual performance. The PSP serves to further motivate management to strive for superior performance and to deliver long-term shareholder value. It is targeted at management in key positions who shoulder the responsibility of the Company's performance and who are able to drive the growth of the Company through superior performance.

Q: (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?

A: The performance-related remuneration is based on the following:

(a) Short-term incentives include the variable bonus paid by the Group. The payouts depend on both the Group's performance and the staff's individual performance over the past year.

(b) Long-term incentives comprising the existing ESOS. The Company intends to introduce the Restricted Share Plan ("RSP") and Performance Share Plan ("PSP") to replace the Miyoshi ESOS. The RSP and PSP are subject to approval and adoption by Shareholders at the EGM of the Company to be held on 23 December 2016. The share awards will also depend on both the Group's performance and the staff's individual performance over the past year.



Q: (c) Were all of those performance conditions met? If not, what were the reasons?

A: Yes, overall, the performance targets were met.

RISK MANAGEMENT AND INTERNAL CONTROLS

Guideline 6.1

Q: (a) What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?

A: Prior to each Board meeting, Miyoshi's Management provides the Board with information relevant to matters on the agenda for the meeting. In general, such information is provided a week in advance of the Board meeting. The Board also receives regular reports pertaining to the operational and financial performance of the Group, as well as regular updates, which include information on the Group's competitors, and industry and technological developments. Such reports enable the Directors to keep abreast of key issues and developments in the industry, as well as challenges and opportunities for the Group.

The Board has separate and independent access to the Management and the Company Secretary at all times. Procedures are in place for Directors and Board Committees, where necessary, to seek independent professional advice, paid for by Miyoshi.

Guideline 13.1

Q: (a) Does the Company have an internal audit function? If not, please explain why.

A: For the financial year, the internal audit function was outsourced to PKF-CAP Risk Consulting Pte Ltd ("PKF Risk Consulting") which is part of the network of legally independent firms comprising certified public accountants and business advisers. PKF currently has around 200 member firms in 120 countries and they have adopted the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. PKF Risk Consulting is staffed by suitably qualified executives.

An external service provider can offer a consultative mindset on a range of risks and issues, as well as industry-specific leading practices and knowledge acquired by working with other clients.

Guideline 11.3

Q: (a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management system.



CORPORATE GOVERNANCE

A: Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management framework and systems were adequate and effective as at 31 August 2016 to address financial, operational and compliance risks, including information technology risk, which the Group considers relevant and material to its operations.

Please refer to the section "Miyoshi Risk Management" in pages 60 to 62 for further details.

Q: (b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?

A: Yes.

Guideline 12.6

Q: (a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.

A: Audit fees paid to:

- BDO: \$78,000
- Other auditors: \$71,000

Non-audit fees paid to:

- BDO: Nil
- Other auditors: \$7,000

Q: (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.

A: Not applicable.

COMMUNICATION WITH SHAREHOLDERS

Guideline 15.4

Q: (a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?

A: Yes, the Company is committed to keeping all its shareholders and other stakeholders and analysts informed of its performance and changes in the Group or its business which would be likely to materially affect the price or value of the Company's shares, on a timely and consistent basis, so as to assist shareholders and investors in their investment decisions.



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.

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.

Q: (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?

A: Yes. A dedicated investor relations email account is available to facilitate investors' communication with the Company.

Q: (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?

A: Miyoshi's Investor Relations page on its corporate website (<http://www.miyoshi.biz>) is a key source of information for the investment community. Apart from the financial results, it has other investor-related information, including presentations, annual reports and other major announcements made by the Company.

Guideline 15.5

Q: (a) If the Company is not paying any dividends for the financial year, please explain why.

A: Not applicable.



MIYOSHI RISK MANAGEMENT

Risks can be viewed as the combination of the probability of an event and the impact of its consequences. Events with a negative impact represent risks that can prevent value creation or erode existing value. The Board of Directors (the "Board") is responsible for governing risks and ensuring that the management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. Assisted by the Audit Committee ("AC"), the Board provides valuable advice to the management in formulating risk policies and guidelines.

Miyoshi has adopted three risk tolerance guiding principles which serve to determine the nature and extent of the significant risks that the Board is willing to take in achieving its strategic objectives. These three risk tolerance guiding principles are:

- a) Risk taken should be carefully evaluated, commensurate with rewards and in line with the Group's core strengths and strategic objectives.
- b) No risk arising from a single area of operation, investment, undertaking should be so huge as to endanger the entire Group.
- c) The Group does not condone safety breaches or lapses, non-compliance with laws and regulations, as well as acts such as fraud, bribery and corruption.

Ongoing improvements are made to strengthen the existing risk governance. In 2016, the Board has assessed that the risk management system is adequate and effective in addressing the key risks of the Company.

The Enterprise Risk Management ("ERM") framework, a component of Miyoshi's System of Management Controls, provides the Group with a holistic and systematic approach in risk management. It outlines the reporting structure, monitoring mechanisms, specific risk management processes and tools in addressing key risks, as well as Group policies and limits.

The Group's five-step risk management process consists of risk identification, risk assessment, formulation of risk mitigation measures, communication and implementation as well as monitoring and review. The assessment process takes into account both the impact and likelihood of the risks occurring and also covers the financial, operational, reputational and strategic aspects.

A set of key risk indicators, which are closely monitored by the business units and risk owners, serve as early warning signals. Risk plans and key risk indicators are regularly reviewed to ensure risks identified remain relevant and mitigating actions continue to be adequate, timely and effective.

An ERM Committee, comprising business unit and functional department heads, drives and coordinates Group-wide risk management initiatives. The risk registers of the individual business units and functional departments are reviewed regularly to ensure the risks identified and accompanying mitigating measures remain relevant in view of the dynamic business environment.

As part of the control assurance process, Miyoshi has also implemented the Control Self-Assessment.

Risk management is an integral part of strategic, operational and financial decision-making processes at all levels of the Group. The Group's holistic approach to identifying and managing risks not only instils a strong risk ownership across the Company but also reduces uncertainties associated with executing our strategies, allowing us to harness opportunities with agility.

Despite best efforts, the Group recognises that risks can never be entirely eliminated, especially in an evolving landscape of uncertainties and vulnerabilities.



BOLSTERING OPERATIONAL READINESS

Miyoshi is committed to enhance its operational resilience through the establishment of a robust business continuity management (BCM) plan that will allow it to respond effectively to potential crises and external threats while minimising any impact on its people, operations and assets.

Led by the heads of business units in various locations, they conduct drills simulating disruptions relevant to their respective locations. These plans are continuously tested and refined to ensure responses are practical, executable and effective while critical business functions continue to operate smoothly.

ENHANCING A RISK-CENTRIC CULTURE

Effective risk management hinges equally on mindsets and attitudes as well as systems and processes. The management is committed to foster a strong risk-centric culture in the Group, which encourages prudent risk-taking in decision-making and business processes.

Risk management workshops are conducted to enhance risk management competency and awareness of staff. The Group also seeks to enhance senior staff accountability for risk management through the performance evaluation process.

PROACTIVE RISK MANAGEMENT

Miyoshi will continue to review and refine its risk management methodology, systems and processes to ensure its adequacy and effectiveness. The Group will continue to leverage its educational initiatives to raise employees' risk management awareness and capabilities as well as enhance the process in sharing of lessons learned.

MANAGING KEY RISKS

The key risks identified and appropriate mitigating actions undertaken by Miyoshi in 2016 are as follows:

1) Natural Disaster Risks

An effective early warning and forecasting system for extending the reaction time is supported by meteorological information and the earliest possible warning of extreme weather conditions, such as floods, typhoons, earthquakes, etc.

Insurance is an important factor in reducing the financial risk for Miyoshi where natural disasters are concerned.

2) Fraud/Corruption Risks

Effective internal controls can greatly reduce the risk of fraud and corruption. Miyoshi has put in place the code of conduct, insider trading and whistle-blower protection policies, financial authority limits and control self-assessment tools to mitigate the risk of fraud, corruption and misconduct by staff.

Audits are conducted regularly to prevent, detect and mitigate fraud risk.

3) Competition

Miyoshi strives to meet expectations related to quality, time to market, cost and innovation better than our competitors. Improving quality, time, innovation and cost performance is as important today as it has ever been.

4) Disruptive Technological Shift and Loss of a Major Order and/or Customer

Sustaining customer loyalty and retention have been increasingly difficult due to disruptive technological innovation in the data storage segment. Substitute products have affected the viability of current business model and strategic initiatives on the horizon.

Miyoshi continues to look into matters relating to technology, innovation and solutions as part of its strategy to compete in other business segments and as well as developing new growth drivers.



MIYOSHI RISK MANAGEMENT

5) Business Continuity Risks

Business units continually review and test their business continuity plans to ensure effective response to disruptive events.

Critical business functions are determined and alternative processes, resource requirements and interdependencies are identified to support operations at times of disruption.

6) Succession Planning

Succession planning for key executive and management positions is regularly reviewed to ensure relevance. Internships are a good strategy for Miyoshi to discover new employees with opportunities to see whether the intern's personality and abilities are a good match for Miyoshi.

7) Credit Risks

Knowing our customer is the foundation of the credit process. Miyoshi operates on pertinent, accurate and timely information of the customer.

The Group also ensures that adequate funding resources are available for investments and cash flows are actively managed.

FINANCIAL CONTENTS

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DIRECTORS' STATEMENT

The Directors present their statement 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 2016.

1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; 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.

2. Share options

The Company has an existing share option scheme, the 2001 Miyoshi ESOS, which was adopted at an extraordinary general meeting of the Company held on 4 May 2001. The duration for the 2001 Miyoshi ESOS is a maximum of one hundred and twenty (120) months commencing on 4 May 2001. Accordingly, the 2001 Miyoshi ESOS has automatically terminated on 3 May 2011. However, Options granted and outstanding prior to such termination will continue to be valid and be subject to the terms and conditions of the 2001 Miyoshi ESOS. The Scheme is administered by the Remuneration Committee ("RC").

- a) Options granted

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.

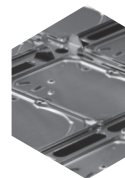
The Participants may, in addition to the Scheme, participate in other share option schemes implemented by the Company or any of its subsidiaries.

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.

No options were granted to Directors and employees of the parent company and its subsidiaries.

As at 31 August 2016, there were no Participants who are Directors of the Company.



2. Share options (Continued)

b) Unissued shares under option

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

Date of grant	At beginning of year	Options adjustments	Exercised	Lapsed	At end of year	Original exercise price (\$)	Adjusted exercise price (\$)	Exercise period
31 Jan 07	535,000	-	-	(13,000)	522,000	0.239	0.188	31 Jan 08 to 30 Jan 17
31 Jan 07	535,000	-	-	(13,000)	522,000	0.239	0.188	31 Jan 09 to 30 Jan 17
Total	<u>1,070,000</u>	-	-	<u>(26,000)</u>	<u>1,044,000</u>			

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

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

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

3. Directors

The Directors of the Company in office at the date of this statement are as follows:

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

4. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.



DIRECTORS' STATEMENT

5. Directors' interests in shares or 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	At end of year	At beginning of year	At end of year
The Company	Number of ordinary shares			
Mr Sin Kwong Wah, Andrew	77,442,000 ⁽¹⁾	80,946,000 ⁽¹⁾	62,944,000 ⁽²⁾	62,944,000 ⁽²⁾
Mr Masayoshi Taira	–	–	69,509,290	69,509,290
Mr Lim Thean Ee	100,000	100,000	–	–
Mr Pek Ee Perh, Thomas	15,954,500	15,954,500	–	–

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 30,175,000 shares (2015: 30,175,000 shares) held by DBS Nominees Pte Ltd, 31,269,000 shares (2015: 31,269,000 shares) held by his spouse, Mdm Pek Yee Chew and 1,500,000 (2015: 1,500,000) shares held by his daughter, Sin Shi Min Andrea.

(3) Shares held in trust for the Company.

In accordance with the continuing listing requirements of the Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 September 2016 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 August 2016, except as follows:

On 1 September 2016, Mr Sin Kwong Wah, Andrew purchased 1,379,900 ordinary shares of Miyoshi Limited. After the purchase, the total ordinary shares registered in his name was 82,325,900 shares.



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 financial statements and quarterly financial announcements to shareholders before submission to the Board of Directors for approval;
- (vi) Reviews interested person transactions;
- (vii) Nominates the internal and external auditors for re-appointment;
- (viii) Reviews the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company; and
- (ix) Reviews the co-operation and assistance given by the management to the Company's internal and external auditor.

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.



DIRECTORS' STATEMENT

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 9 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 Board of Directors

Sin Kwong Wah, Andrew
Director

Pek Ee Perh, Thomas
Director

Singapore
23 November 2016

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MIYOSHI LIMITED



Report on the Financial Statements

We have audited the accompanying financial statements of Miyoshi Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 70 to 146 which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 August 2016, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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 financial statements and to maintain accountability of assets.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 financial position of the Group and of the Company as at 31 August 2016 and of the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date.

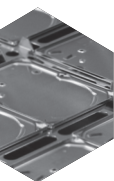
Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations 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
23 November 2016



STATEMENTS OF FINANCIAL POSITION

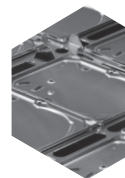
As at 31 August 2016

	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
ASSETS					
Current assets:					
Cash and bank balances	4	12,422	5,225	5,638	852
Fixed deposits	4	137	1,587	–	1,200
Trade and other receivables	5	14,065	17,814	4,430	7,923
Prepayments		96	123	21	29
Inventories	6	5,203	7,321	70	180
Total current assets		31,923	32,070	10,159	10,184
Non-current assets:					
Investment in associates	7	–	–	–	–
Investment in joint venture	8	–	–	–	–
Subsidiaries	9	–	–	19,839	24,275
Available-for-sale financial assets	10	9,031	17	9,017	4
Property, plant and equipment	11	28,883	30,676	4,598	3,402
Investment properties	12	7,503	7,357	–	–
Intangible assets	13	–	2,883	–	–
Deferred tax assets	14	3	253	–	–
Other receivables	5	320	285	320	285
Total non-current assets		45,740	41,471	33,774	27,966
Total assets		77,663	73,541	43,933	38,150
LIABILITIES AND EQUITY					
Current liabilities:					
Trade and other payables	15	8,476	8,661	3,422	1,147
Current income tax payable		32	56	–	–
Bank loans	16	6,241	3,381	1,892	1,055
Total current liabilities		14,749	12,098	5,314	2,202

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

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2016



	Note	Group		Company	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Non-current liabilities:					
Bank loans	16	5,009	2,603	2,276	1,915
Other payable	15	824	–	781	–
Provisions	17	463	336	–	–
Deferred tax liabilities	18	427	421	–	–
Total non-current liabilities		6,723	3,360	3,057	1,915
Total liabilities		21,472	15,458	8,371	4,117
Equity:					
Share capital	19	39,309	39,309	39,309	39,309
Revaluation reserve	19	666	687	–	–
Fair value reserve	19	(12)	(12)	–	–
Other reserve	19	823	727	–	–
Share options reserve	19	217	220	217	220
Currency translation reserve	19	(11,514)	(9,311)	(11,388)	(10,251)
Retained earnings	19	24,191	23,211	7,424	4,755
Equity attributable to owners of the parent		53,680	54,831	35,562	34,033
Non-controlling interests		2,511	3,252	–	–
Total equity		56,191	58,083	35,562	34,033
Total liabilities and equity		77,663	73,541	43,933	38,150

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

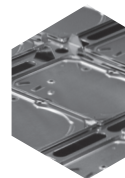
Year ended 31 August 2016

	Note	2016 \$'000	2015 \$'000
Revenue	21	49,239	54,408
Other income	22	4,150	4,646
Raw materials, consumables used and changes in inventories		(28,847)	(30,182)
Employee benefit expenses	23	(10,586)	(12,482)
Depreciation and amortisation expenses		(3,290)	(3,970)
Other operating expenses	24	(8,490)	(10,904)
Finance costs	25	(403)	(285)
Profit before income tax		1,773	1,231
Income tax expense	26	(728)	(604)
Profit for the financial year	27	1,045	627
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(2,222)	4,733
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain on defined benefit plan		(80)	(26)
Revaluation of an investment property			
- revaluation (loss)/gain from transfer of owner-occupied property to investment property	12	(21)	724
- income tax relating to revaluation of an investment property	18	--	(37)
Other comprehensive income for the financial year, net of tax		(2,323)	5,394
Total comprehensive income for the financial year		(1,278)	6,021
Profit/(Loss) attributable to:			
Owners of the parent		1,153	546
Non-controlling interests		(108)	81
		1,045	627
Total comprehensive income attributable to:			
Owners of the parent		(1,151)	5,970
Non-controlling interests		(127)	51
		(1,278)	6,021
Earnings per share			
Basic (cents)	28	0.25	0.12
Diluted (cents)	28	0.25	0.12

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 August 2016



	Share capital \$'000	Revaluation reserve \$'000	Fair value reserve \$'000	Other reserve \$'000	Share options reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 September 2015	39,309	687	(12)	727	220	(9,311)	23,211	54,831	3,252	58,083
Profit for the financial year	-	-	-	-	-	-	1,153	1,153	(108)	1,045
Other comprehensive income for the financial year:										
Actuarial loss on defined benefit plan	-	-	-	(80)	-	-	-	(80)	-	(80)
Fair value loss on investment property, net of tax	-	(21)	-	-	-	-	-	(21)	-	(21)
Foreign currency translation	-	-	-	-	-	(2,203)	-	(2,203)	(19)	(2,222)
Total other comprehensive income for the financial year	-	(21)	-	(80)	-	(2,203)	-	(2,304)	(19)	(2,323)
Total comprehensive income for the financial year	-	(21)	-	(80)	-	(2,203)	1,153	(1,151)	(127)	(1,278)
Transactions with owners of the parent recognised directly in equity										
Transfer to statutory reserve	-	-	-	176	-	-	(176)	-	-	-
Share options lapsed	-	-	-	-	(3)	-	3	-	-	-
Total transactions with owners of the parent recognised directly in equity	-	-	-	176	(3)	-	(173)	-	-	-
Transactions with non-controlling interests										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(195)	(195)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(419)	(419)
Total transactions with owners of the parent recognised directly in equity	-	-	-	-	-	-	-	-	(614)	(614)
Balance at 31 August 2016	39,309	666	(12)	823	217	(11,514)	24,191	53,680	2,511	56,191

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

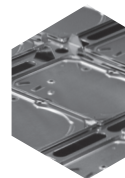
Year ended 31 August 2016

	Share capital \$'000	Revaluation reserve \$'000	Fair value reserve \$'000	Other reserve \$'000	Share options reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non- controlling interests \$'000	Total equity \$'000
Balance at 1 September 2014	37,389	-	(12)	753	379	(14,063)	22,506	46,952	2,020	48,972
Profit for the financial year	-	-	-	-	-	-	546	546	81	627
Other comprehensive income for the financial year:										
Actuarial loss on defined benefit plan	-	-	-	(26)	-	-	-	(26)	-	(26)
Fair value gain on investment property, net of tax	-	687	-	-	-	-	-	687	-	687
Foreign currency translation	-	-	-	-	-	4,763	-	4,763	(30)	4,733
Total other comprehensive income for the financial year	-	687	-	(26)	-	4,763	-	5,424	(30)	5,394
Total comprehensive income for the financial year	-	687	-	(26)	-	4,763	546	5,970	51	6,021
Transactions with owners of the parent recognised directly in equity										
Share options lapsed	-	-	-	-	(159)	-	159	-	-	-
Total transactions with owners of the parent recognised directly in equity	-	-	-	-	(159)	-	159	-	-	-
Contribution by and distribution to owners										
Acquisition of subsidiary	1,920	-	-	-	-	(11)	-	1,909	971	2,880
Total contribution by and distribution to owners	1,920	-	-	-	-	(11)	-	1,909	971	2,880
Others										
Additional shares interest subscribed by non-controlling interest	-	-	-	-	-	-	-	-	210	210
Balance at 31 August 2015	39,309	687	(12)	727	220	(9,311)	23,211	54,831	3,252	58,083

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

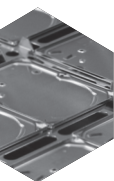
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 August 2016



	2016 \$'000	2015 \$'000
Operating activities:		
Profit before income tax	1,773	1,231
Adjustments for:		
Allowance for doubtful other receivables	–	67
Allowance for inventory obsolescence	209	131
Amortisation of intangible assets	264	203
Depreciation expense	3,026	3,767
Fair value gain on investment property	(633)	(1,095)
Loss/(Gain) on disposal of plant and equipment	128	(229)
Gain on disposal of associate	(28)	–
Gain on disposal of subsidiary	(901)	–
Interest expense	403	285
Interest income	(56)	(67)
Plant and equipment written off	11	13
Impairment loss on plant and equipment	147	–
Unrealised exchange difference	(426)	(236)
Operating cash flows before changes in working capital	3,917	4,070
Trade and other receivables	698	(2,561)
Prepayments	27	244
Inventories	113	(271)
Trade and other payables	3,425	(1,998)
Cash generated from/(used in) operations	8,180	(516)
Interest paid	(403)	(285)
Interest received	56	67
Income tax paid	(488)	(348)
Dividend paid to non-controlling interests	(195)	–
Net cash from/(used in) operating activities	7,150	(1,082)

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



CONSOLIDATED STATEMENT OF CASH FLOWS

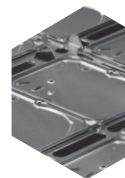
Year ended 31 August 2016

	2016 \$'000	2015 \$'000
Investing activities:		
Acquisition of subsidiary (Note 9)	–	(48)
Acquisition of available-for-sale financial assets	(3,954)	–
Addition of investment properties	–	(1,891)
Disposal of subsidiary, net of cash disposed (Note 9)	(8)	–
Proceeds from disposal of associate	28	–
Proceeds from disposal of property, plant and equipment	444	406
Purchase of property, plant and equipment	(3,244)	(4,433)
Net cash used in investing activities	(6,734)	(5,966)
Financing activities:		
Proceeds from bank loans	7,593	4,725
Repayment of bank loans	(1,915)	(1,044)
Repayment of other loans	–	(128)
Repayment of finance leases	–	(45)
Net cash from financing activities	5,678	3,508
Increase/(Decrease) in cash and cash equivalents	6,094	(3,540)
Effect of exchange rate changes on cash and cash equivalents	(351)	840
Cash and cash equivalents at beginning of financial year	6,679	9,379
Cash and cash equivalents at end of financial year (Note 4)	12,422	6,679

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



1. General corporate information

Miyoshi Limited (“the Company”) is a public limited company incorporated and domiciled in Singapore. During the financial year, the Company transferred its listing from the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) to Catalist Board of the SGX-ST. 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 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 7, 8 and 9 to the financial statements respectively.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the “Group”) for the financial year ended 31 August 2016 were authorised for issue by the Board of Directors on 23 November 2016.

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 and all values are rounded to the nearest thousand (\$’000) except where otherwise indicated 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 that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS did not result in any substantial changes to the Group’s and the Company’s accounting policies and had no material effect on the amounts reported for the current and prior financial years.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that there are relevant to the Group and the Company were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: Disclosure initiative	1 January 2016
FRS 7 (Amendments)	: Disclosure initiative	1 January 2017
FRS 12 (Amendments)	: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
FRS 16 and FRS 38 (Amendments)	: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
FRS 27	: Equity Method in Separate Financial Statements	1 January 2016
FRS 102 (Amendments)	: Clarification and Measurement of Share-based Payment Transactions	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 110 and FRS 28 (Amendments)	: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
Improvements to FRSs 2014 (November 2014)		1 January 2016

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

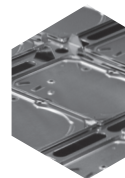
Except as disclosed below, management anticipates that the adoption of the above FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 109 Financial Instruments

FRS 109 supersedes FRS 39 Financial Instruments: Recognition and Measurement with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 109 Financial Instruments (Continued)

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual. The Group had a cash outflow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group will have a choice to recognise the gains and losses in other comprehensive income. A third measurement category has been added for debt instruments – fair value through other comprehensive income. This measurement category applies to debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets.

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment provisions as well as interest revenue. For financial assets at amortised cost or fair value through other comprehensive income, the Group will now always recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition.

FRS 109 also introduces a new hedge accounting model designed to allow entities to better reflect their risk management activities in their financial statements.

The Group plans to adopt FRS 109 in the financial year beginning on 1 September 2018 with retrospective effect in accordance with the transitional provisions. There may be a potentially significant impact on the accounting for financial instruments on initial adoption. The Group is in the process of making a detailed assessment of the impact of this standard and the Group will be required to reassess the classification and measurement of financial assets, particularly those currently classified as available for sale which the Group will measure at fair value through other comprehensive income on adoption of FRS 109. The Group currently accounts for its investment in unquoted equity securities at cost less impairment loss if any as disclosed in Note 10 to the financial statements. On the adoption of FRS 109, the Group will be required to measure such investment in unquoted equity securities at fair value, the difference between the previous carrying amount and the fair value recognised in the opening balance of retained earnings.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS issued but not yet effective (Continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 September 2018 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

FRS 116 Leases

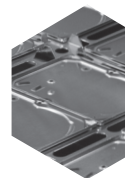
FRS 116 supersedes FRS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented office premises and other operating facilities, which the Group, as lessee, currently accounts for as operating leases. Due to the recent release of this standard, the Group has not yet made a detailed assessment of the impact of this standard. The Group plans to adopt the standard in the financial year beginning on 1 September 2019 with either full or modified retrospective effect in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

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

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation 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 it derecognises the assets and liabilities of the subsidiary and any non-controlling interest. 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 investments 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.

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are carried at cost, less any impairment loss that has been recognised in profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for 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. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

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.

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

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

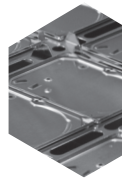
- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's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

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at 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's previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

If, after reassessment, 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

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

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

All financial assets 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.

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.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

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, except for impairment losses on equity instruments at cost which are not reversed.

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.

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

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.

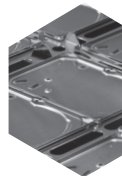
Equity instruments

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

When treasury shares are subsequently 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 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 loan from financial institution 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. 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 2016

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

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

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 an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

2.6 Inventories

Inventories are stated at the lower of cost (first-in, first-out method) and net realisable value.

Costs include all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of work-in-progress and manufactured products, costs include materials, direct labour and an appropriate proportion of production overhead expenditure.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.7 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.

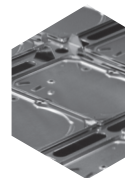
2.8 Property, plant and equipment

All items of property, plant and equipment are initially recognised at cost. Subsequent to initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

2.8 Property, plant and equipment (Continued)

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that the future economic benefits associated with the item will flow to the Group and the Company and the cost can be reliably measured. All other costs of servicing are recognised in profit or loss when incurred.

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

Freehold land is not depreciated. Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	20 to 40 years
Buildings improvements	-	5 years
Leasehold land and buildings	-	9 to 50 years (over remaining terms of lease)
Plant and equipment	-	5 to 10 years
Office furniture and equipment	-	3 to 8 years
Motor vehicles	-	4 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

Construction-in-progress represents buildings and plant and equipment under construction, which is stated at cost. Cost comprises the direct costs incurred during the period of construction. Construction-in-progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use. No depreciation is provided on construction in-progress. Depreciation commences when the asset is ready for its intended use.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

2.9 Investment properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the financial year in which they arise.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.9 Investment properties (Continued)

Transfers are made to or from investment properties only when there is a change in use.

If an investment property becomes owner-occupied, it is classified as property, plant and equipment and its fair value at the date of reclassification become its cost of accounting purposes.

If an owner-occupied property becomes an investment property, the property is remeasured to fair value. Any revaluation increase arising from the revaluation of such property is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such property is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the financial year of retirement or disposal. The revaluation surplus in the revaluation reserve relating to that asset is transferred to retained earnings directly.

2.10 Intangible assets

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

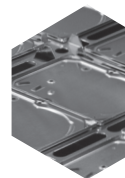
For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

When goodwill relates to a cash-generating unit but has not been allocated to that unit, the unit is tested for impairment, whenever there is an indication that the unit may be impaired, by comparing the unit's carrying amount, excluding any goodwill, with its recoverable amount. Impairment loss, if any, is allocated to reduce the carrying amount of the assets of the unit: first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit; and then, to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of gain or loss on disposal.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

2.10 Intangible assets (Continued)

Other intangible assets

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.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit and loss when the asset is derecognised.

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:

Technology know-how - 5 years

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revisions are recognised in profit or loss when the changes arise.

2.11 Joint arrangements

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.2). The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method) as described in Note 2.12 below.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.12 Associates and joint ventures

An associate is an entity over which the Group has significant influence. 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.

Associates and joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate or joint venture.

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates or joint ventures and distributions received are adjusted against the carrying amount of the investments.

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

Investments in associates and joint venture in the Company's statement of financial position are carried at cost less any impairment that has been recognised in profit or loss.

2.13 Impairment of non-financial assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its non-financial 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.

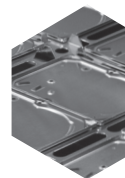
The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of 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 to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



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 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 and scrap

Revenue from the sale of goods and scrap are 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.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.16 Revenue recognition (Continued)

(iii) Interest income

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

(iv) Rental income

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

2.17 Borrowing costs

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

2.18 Employee benefits

(i) Retirement benefit costs

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

Certain subsidiaries operate a defined benefit pension plan, which is unfunded.

The 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.

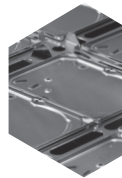
The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(i) Retirement benefit costs (Continued)

Defined benefit plans (Continued)

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 assets. 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.

Retirement gratuity

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

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

(ii) Employee leave entitlement

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

2.19 Income tax

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

Current income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the subsidiaries operate by the end of the financial year, and any adjustment to income tax payable in respect of previous financial years.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

2. Summary of significant accounting policies (Continued)

2.19 Income tax (Continued)

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

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.

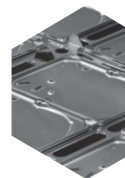
Sales tax

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



2. Summary of significant accounting policies (Continued)

2.20 Dividends

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

2.21 Foreign currencies transactions and translation

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company and 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.

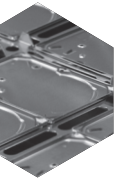
On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings are taken to the currency translation reserve.

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.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

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.

Impairment of investments in subsidiaries, receivables from subsidiaries and financial assets

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

Investment in Miyoshi International Philippines Inc

The Group determines that Miyoshi International Philippines Inc ("MIP") is a subsidiary of the Group although the Group only holds a 40% equity interest in MIP. Due to the land ownership restriction in the Philippines, the remaining 60% equity interest are held in trust by employees on behalf of the Company. Management determined that the Group has the power to appoint and remove the board of directors of MIP that has the power to direct relevant activities of MIP. Management concluded that the Group has the practical ability to direct the relevant activities of MIP unilaterally and hence the Group has control over MIP.

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

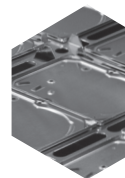
The Group assesses whether there are any indicators of impairment for its property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amount may not be recoverable.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as disclosed in Note 2.8 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.

The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 August 2016 were \$28,883,000 (2015: \$30,676,000) and \$4,598,000 (2015: \$3,402,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



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

3.2 Key sources of estimation uncertainty (Continued)

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 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 and other receivables as at 31 August 2016 were \$14,385,000 (2015: \$18,099,000) and \$4,750,000 (2015: \$8,208,000) 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 2016, the carrying amounts of the Group's and the Company's inventories were \$5,203,000 (2015: \$7,321,000) and \$70,000 (2015: \$180,000) respectively.

Impairment of available-for-sale financial assets

The Group's and the Company's available-for-sale financial assets are equity instrument with no active quoted market value whose fair value cannot be reliably measured and are measured at cost less impairment. The Group and the Company assess the financial and non-financial conditions or events whether they are any indicators of impairment for its available-for-sale financial assets at each reporting date. Impairment is made when there are indicators that the carrying amount may not be recoverable. As at 31 August 2016, the carrying amounts of the Group's and the Company's available-for-sale financial assets were \$9,031,000 (2015: \$17,000) and \$9,017,000 (2015: \$4,000) 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 2016, the Group's deferred tax assets, deferred tax liabilities and current income tax payable were \$3,000 (2015: \$253,000), \$427,000 (2015: \$421,000) and \$32,000 (2015: \$56,000) respectively. Details of the aggregate unutilised tax losses and the unabsorbed losses of the Group and the Company are provided in Note 26 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

4. Cash and cash equivalents

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Cash and bank balances	12,422	5,225	5,638	852
Fixed deposits	137	1,587	–	1,200
Restricted cash	(137)	(133)	–	–
	12,422	6,679	5,638	2,052

The Group's and the Company's fixed deposits earn interest at 3.35% (2015: 0.72% to 3.35%) and Nil (2015: 0.72%) per annum respectively and are for a tenor ranging from 90 to 365 (2015: 90 to 365) days and Nil (2015: 90) days respectively.

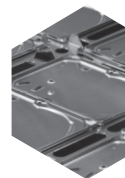
Restricted cash pertains to fixed deposits of a subsidiary pledged with bank as securities for banking facilities granted.

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States dollar	1,316	863	–	–
Singapore dollar	768	1,883	768	1,883
Philippine peso	248	123	–	–
Malaysia ringgit	195	304	–	–
Japanese yen	6	21	6	21
Hong Kong dollar	–	769	–	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



5. Trade and other receivables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade receivables				
- third parties	12,400	13,301	384	1,434
- subsidiaries	–	–	6,929	7,305
- related parties	–	55	–	53
	12,400	13,356	7,313	8,792
Allowance for doubtful trade receivables	(59)	(64)	(4,188)	(4,301)
	12,341	13,292	3,125	4,491
Non-trade receivables				
- third parties	1,647	5,467	313	1,249
- loan to employees	77	120	77	120
- subsidiaries	–	–	4,323	5,352
	1,724	5,587	4,713	6,721
Allowance for doubtful non-trade receivables	–	(1,065)	(3,408)	(3,289)
	1,724	4,522	1,305	3,432
	14,065	17,814	4,430	7,923
Non-current				
Non-trade receivables				
- loan to employees	320	285	320	285
Total	14,385	18,099	4,750	8,208

Trade receivables from third parties are non-interest bearing and are generally on a 30 to 90 (2015: 30 to 60) days credit terms. The amounts owing from subsidiaries and related parties are unsecured, interest-free and are generally on a 30 to 60 (2015: 30 to 60) days.

The Group's and Company's current non-trade receivables due from third parties include deposits.

The Company's current non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

In the current financial year, the Company has renegotiated the terms of its loan to employees and the period expected to be repaid extended from 5 years to 9 years. The amount is unsecured and bore interest ranging from 6.90% to 7.00% (2015: 6.90% to 7.00%) per annum. The carrying amount of the non-current staff loans approximate their fair value.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

5. Trade and other receivables (Continued)

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At beginning of financial year	64	68	4,301	3,864
Bad receivables written off	–	(9)	–	–
Currency realignment	(5)	5	(113)	437
At end of financial year	59	64	4,188	4,301
Comprising:				
- third parties	59	64	–	–
- subsidiaries	–	–	4,188	4,301
	59	64	4,188	4,301

As at 31 August 2016, the Group and the Company have determined trade receivables of \$59,000 (2015: \$64,000) and \$4,188,000 (2015: \$4,301,000) respectively as individually impaired.

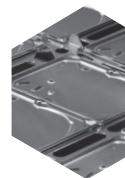
Movements in the allowance for doubtful non-trade receivables are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
At beginning of financial year	1,065	885	3,289	2,815
Charge to profit or loss	–	67	228	108
Bad receivables written off	(1,034)	–	–	–
Currency realignment	(31)	113	(109)	366
At end of financial year	–	1,065	3,408	3,289
Comprising:				
- third parties	–	1,065	–	–
- subsidiaries	–	–	3,408	3,289
	–	1,065	3,408	3,289

As at 31 August 2016, the Group and the Company have recognised an impairment of \$Nil (2015: \$67,000) and \$228,000 (2015: \$108,000) respectively in profit or loss under “other operating expenses” subsequent to a debt recovery assessment performed by the management.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



5. Trade and other receivables (Continued)

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States dollar	2,230	2,917	–	–
Singapore dollar	760	1,353	855	1,524
Philippine peso	202	249	–	–
Malaysia ringgit	168	194	–	–

6. Inventories

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Finished goods	2,237	4,571	55	150
Work-in-process	315	1,207	15	17
Raw materials	2,651	1,543	–	13
Total inventories at lower of cost and net realisable value	5,203	7,321	70	180

Allowance for inventory obsolescence of \$209,000 (2015: \$131,000) was recognised in profit or loss under "other operating expenses" after a review of the realisability of the inventories conducted at the end of the financial year.

7. Investment in associates

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unquoted equity shares at cost	3,683	3,753	–	70
Currency realignment	160	194	–	–
Share of post-acquisition accumulated losses	(1,025)	(1,129)	–	–
Allowance for impairment loss	(2,818)	(2,818)	–	(70)
	–	–	–	–



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

7. Investment in associates (Continued)

Associate	Principal activities	Country of incorporation and operations	Effective equity interest held by the Group	
			2016 %	2015 %
iNovuus Technologies Pte Ltd ⁽¹⁾⁽⁴⁾	System integration service provider, application and development solutions and e-commerce web development services	Singapore	–	29.43
Galaxy Pte Ltd ⁽²⁾	Dormant	British Virgin Islands	42.86	42.86
SPN International Pte Ltd ⁽³⁾	Dormant	Singapore	42.86	42.86

Notes:

- (1) 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.
- (2) 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.
- (3) In the progress of winding up under the High Court of Singapore since April 2012.
- (4) Disposed during the financial year.

The Group has no material associate during the financial year.

Disposal of associate

The Group has not recognised losses relating to iNovuus where its share of losses exceed the Group's carrying amount of its investment in iNovuus up to the date of disposal. The Group has no obligation in respect of those losses.

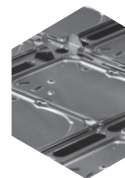
On 10 December 2015, the Company disposed of its 29.43% equity interest in iNovuus Technologies Pte Ltd ("iNovuus"), a company incorporated in Singapore, to an existing shareholder of iNovuus for a total consideration of \$28,000. Upon disposal, iNovuus ceased to be an associated company.

The effect of disposal as at date of disposal was as follows:

	Group 2016 \$'000
Consideration receivable in cash	28
Carrying value of investment in associated company	–
Gain on disposal of an associated company	<u>28</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



8. 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	
			2016 %	2015 %
Miyoshi FL Systems, Inc.	Dormant	Philippines	51	51

The Group's share in the assets and liabilities of the joint venture as at 31 August 2016 and 31 August 2015 have not been disclosed as these are negligible in view of the cessation of the joint venture's operation in 2012.

9. Subsidiaries

	Company	
	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost	20,383	23,303
Loans deemed as investments in subsidiaries	21,157	25,752
Currency alignment	(1,612)	(683)
	39,928	48,372
Allowance for impairment losses	(20,089)	(24,097)
	19,839	24,275

Movements in the allowance for impairment losses in investment in subsidiaries and loans deemed as investment in subsidiaries are as follows:

	Company	
	2016 \$'000	2015 \$'000
At beginning of financial year	24,097	16,060
(Reversal)/Addition during the financial year	(3,281)	5,684
Currency realignment	(727)	2,353
At end of financial year	20,089	24,097



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

9. Subsidiaries (Continued)

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

	Company	
	2016 \$'000	2015 \$'000
Data storage	(788)	2,388
Consumer electronics	(1,148)	2,216
Automotive and others	(1,345)	1,080
	<u>(3,281)</u>	<u>5,684</u>

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 a reversal of impairment loss of \$3,281,000 as a subsidiary in Philippines made repayment of the same amount for a loan due to the Company.

In the previous financial year, management performed a review of the recoverable amount of a subsidiary in Philippines. The review led to the recognition of an impairment loss on investment in subsidiary and loans deemed as investment in subsidiary of \$4,925,000 has been recognised in profit or loss.

The recoverable amount of the investment of \$11,111,000 (2015: \$9,229,000) has been determined on the basis of estimated fair value of net assets less cost to sell as at the end of financial year.

In the previous financial year, the management performed a review of the recoverable amount of a loan deemed as investment in subsidiary in Malaysia. The review led to the recognition of a full impairment loss on loan deemed as investment in subsidiary of \$759,000 recognised in profit or loss in view of the operating losses sustained by the subsidiary. The assessment was made with reference to the subsidiary's estimated fair value of net assets less costs to sell as at end of the financial year.

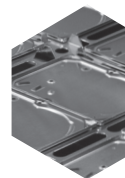
In the previous financial year, the Company has renegotiated the terms of its loans to its subsidiaries and agreed not to demand repayment of such loans. Owing to the change in the terms of the loans, management has deemed these loans as investments in subsidiaries.

In the previous financial year, loans of \$1,384,000 has been fully repaid through cash payment of \$555,000 and \$829,000 by way of exchange for 200,000 new ordinary shares of Miyoshi Hi-Tech Co., Ltd.

The loans deemed as investments in subsidiaries are unsecured.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



9. Subsidiaries (Continued)

Details of the Company's subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non- controlling interest	
		2016	2015	2016	2015
		%	%	%	%
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 International Philippines, Inc. ⁽³⁾⁽⁴⁾ (Philippines)	Property holding	40	40	60	60
Miyoshi Hi-Tech Co., Ltd ⁽⁵⁾ (Thailand)	Metal stamping	80	80	20	20
Wuxi Miyoshi Precision Co., Ltd. ⁽⁶⁾ (People's Republic of China)	Metal stamping and plastic injection moulding	100	100	–	–
Miyoshi Precision Huizhou Co., Ltd ⁽⁶⁾ (People's Republic of China)	Metal stamping and assembly of electronic components	100	100	–	–
Cerise Group Limited ⁽⁷⁾ (British Virgin Islands)	Dormant	100	100	–	–
Miyoshi Optoelectronics (S) Pte Ltd ⁽¹¹⁾ (Singapore)	Dormant	100	–	–	–
Green Galaxy Limited ⁽⁸⁾⁽¹⁰⁾ (Hong Kong Special Administrative Region of the People's Republic of China)	Investment holding	–	55	–	45
Green Galaxy New Energy (Jiangxi) Co., Ltd ⁽⁸⁾⁽¹⁰⁾ (People's Republic of China)	Sale of Light Electric Vehicle (LEV)	–	55	–	45



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

9. Subsidiaries (Continued)

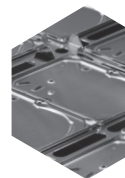
Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non- controlling interest	
		2016	2015	2016	2015
		%	%	%	%
Huizhou Miyoshi Green Galaxy Trading Co., Ltd ⁽⁷⁾⁽⁹⁾ (People's Republic of China)	Dormant	–	100	–	–
Miyoshi Investment (Yingtian) Co., Ltd ⁽⁷⁾⁽⁹⁾ (People's Republic of China)	Dormant	–	100	–	–
Suqian Miyoshi Trading Co., Ltd ⁽⁷⁾⁽¹⁰⁾ (People's Republic of China)	Dormant	–	55	–	45

Notes:

- (1) Audited by BDO LLP, Singapore.
- (2) Audited by BDO, Malaysia.
- (3) Audited by BDO Alba Romeo & Co., Philippines.
- (4) Deemed to be a subsidiary as the Company has the ability to direct relevant activities of the entity.
- (5) Audited by BDO Limited, Thailand.
- (6) Audited by BDO China Shu Lun Pan Certified Public Accountants, People's Republic of China, for consolidation purposes.
- (7) Not considered as a significant subsidiary as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.
- (8) Audited by BDO LLP, Singapore, for consolidation purposes.
- (9) Dissolved during the financial year.
- (10) On 25 July 2016, Green Galaxy Limited Group of companies have been fully disposed.
- (11) Incorporated during the financial year and not considered as a significant subsidiary as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



9. Subsidiaries (Continued)

Non-controlling interests

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of subsidiary	Profit/(Loss) allocated to NCI		Total comprehensive income attributable to NCI		Accumulated NCI	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Miyoshi Hi-Tech Co., Ltd	7	110	7	110	2,164	2,348
Green Galaxy Limited ⁽¹⁾	(133)	(385)	(152)	(408)	–	563
Miyoshi International Philippines, Inc.	18	356	18	349	347	341
Total	(108)	81	(127)	51	2,511	3,252

Summarised financial information in respect of each of the Group's subsidiaries that has material NCI is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	Miyoshi Hi-Tech Co., Ltd		Green Galaxy Limited ⁽¹⁾		Miyoshi International Philippines, Inc.	
	2016	2015	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets and liabilities						
Non-current assets	6,516	6,833	–	1,247	5,100	5,048
Current assets	6,477	7,358	–	2,497	214	176
Non-current liabilities	–	–	–	–	(942)	(792)
Current liabilities	(2,173)	(2,450)	–	(2,493)	(2,516)	(2,638)
Net assets	10,820	11,741	–	1,251	1,857	1,794
Revenue	13,854	18,360	709	297	147	2,681
Expenses	(13,820)	(17,806)	(990)	(949)	(36)	(958)
Profit/(Loss) for the year, representing total comprehensive income	34	554	(281)	(652)	111	1,723
Dividend paid to non-controlling interests	(195)	–	–	–	–	–
Net cash inflow (outflow) from operating activities	3,086	593	(1,078)	(1,717)	32	(257)
Net cash inflow (outflow) from investing activities	(1,023)	(604)	62	(109)	–	–
Net cash inflow (outflow) from financing activities	–	(1,658)	–	2,189	–	–

- (1) Green Galaxy Limited (“GGL”) represents the consolidated financial position and financial performance of GGL which include its subsidiaries of Green Galaxy New Energy (Jiangxi) Co., Ltd and Suqian Miyoshi Trading Co., Ltd. In the current financial year, GGL's results for the period up to the date of disposal were included in the Group's consolidated statement of comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

9. Subsidiaries (Continued)

Significant restrictions

Cash and cash equivalents of \$1,853,000 (2015: \$2,627,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

Disposal of a subsidiary

On 25 July 2016, the Company completed the disposal of 6,735 shares which representing 55% equity interest in Green Galaxy Limited ("GGL"), a company incorporated in Hong Kong Special Administrative Region of the People's Republic of China, for a total consideration of RMB25,250,000 (equivalent to \$5,200,000) which was part of the purchase consideration for 15% equity interest in Core Power (Fujian) New Energy Automobile Co., Ltd ("CP") (Note 10).

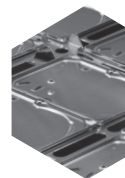
Upon the completion of disposal, GGL ceased to be a subsidiary of the Company.

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

	Group 2016 \$'000
Trade and other receivables	310
Inventories	1,555
Cash and bank balances	8
Property, plant and equipment (Note 11)	146
Intangible assets (Note 13)	927
Goodwill (Note 13)	1,781
Trade and other payables	(2,010)
Non-controlling interest	(419)
Amount due from GGL ⁽¹⁾	2,001
Net identifiable assets disposed	4,299
Total consideration	(5,200)
Gain on disposal	901

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



9. Subsidiaries (Continued)

Disposal of a subsidiary (Continued)

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

	Group 2016 \$'000
Consideration received in cash ⁽²⁾	–
Less: Cash and bank balances disposed of	(8)
Net cash outflow of the Group on disposal	<u>(8)</u>

(1) Amount due from GGL was waived by the Group as part of the disposal.

(2) No cash consideration as the disposal was formed part of the total consideration for the acquisition in CP.

In the previous financial year, the GGL's subsidiary, Green Galaxy New Energy (Jiangxi) Co., Ltd incorporated a wholly-owned subsidiary, Suqian Miyoshi Trading Co., Ltd. ("SQT"), a company incorporated in People's Republic of China, with a registered share capital of RMB500,000 (equivalent to \$110,000). SQT ceased to be a subsidiary of the Group followed by the disposal of GGL.

Acquisition of new subsidiary

In the previous financial year, the Company completed the acquisition of Green Galaxy Limited ("GGL"), a company incorporated in Hong Kong Special Administrative Region of the People's Republic of China by acquiring 4,490 existing shares and subscribing 2,245 new shares of GGL which represents 55% equity interest in GGL, for a total consideration of \$2,920,000 which was satisfied as follows:

(i) \$1,000,000 by way of cash; and

(ii) \$1,920,000 by way of issuance of 32,000,000 new ordinary shares of the Company.

As a result of this acquisition, GGL became a subsidiary of the Company.

The Group acquired GGL to access the rechargeable automotive business in China and the synergies expected to be achieved from collaborating technologies capabilities of the Group with those of GGL.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

9. Subsidiaries (Continued)

Acquisition of new subsidiary (Continued)

The fair values of the identifiable assets and liabilities of GGL as at the date of acquisition were:

	Group 2015 \$'000
Other receivables	418
Inventory	374
Cash and cash equivalent	952
Property, plant and equipment	12
Intangible asset (Note 13)	1,353
Trade payables	(257)
Other payables	(694)
Net identifiable assets at fair value	2,158
Less: Non-controlling interest	(971)
Goodwill arising from acquisition (Note 13)	1,733
Purchase consideration	<u>2,920</u>

The effects of the acquisition of subsidiary on the consolidated statement of cash flows were as follows:

	2015 \$'000
Purchase consideration	2,920
Less: Non-cash consideration of shares issuance	(1,920)
Consideration settled in cash	1,000
Less: Bank balances of GGL	(952)
Net cash outflow on acquisition	<u>48</u>

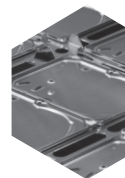
Transaction costs related to the acquisition of \$54,000 have been recognised in the "other operating expenses" line item in the Group's profit or loss for the year ended 31 August 2015.

Dissolution of subsidiaries

- (i) In the previous financial year, the Company's subsidiary, Miyoshi Precision Huizhou Co., Ltd incorporated a wholly-owned subsidiary, Huizhou Miyoshi Green Galaxy Trading Co., Ltd. ("GGHZ"), a company incorporated in People's Republic of China, with a registered share capital of RMB300,000 (equivalent to \$66,000). On 28 January 2016, GGHZ has been dissolved. Upon the dissolution, GGHZ ceased to be a subsidiary of the Group.
- (ii) In the previous financial year, the Company's subsidiary, Miyoshi Precision Huizhou Co., Ltd incorporated a wholly-owned subsidiary, Miyoshi Investment (Yingtai) Co., Ltd. ("MIYT"), a company incorporated in People's Republic of China, with a registered share capital of RMB300,000 (equivalent to \$66,000). On 11 December 2015, MIYT has been dissolved. Upon the dissolution, MIYT ceased to be a subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



9. Subsidiaries (Continued)

Incorporation of new subsidiary

On 21 March 2016, the Company incorporated a wholly-owned subsidiary, Miyoshi Optoelectronics (S) Pte Ltd, a company incorporated in Singapore, with an issued and fully paid-up share capital of \$2.

10. Available-for-sale financial assets

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Unquoted equity shares, at cost				
At beginning of financial year	17	18	4	4
Additions	9,194	–	9,194	–
Currency realignment	(180)	(1)	(181)	–
At end of financial year	9,031	17	9,017	4

On 24 August 2016, the Company completed the acquisition of 15% equity interest in Core Power (Fujian) New Energy Automobile Co., Ltd (“CP”), a company incorporated in People’s Republic of China (“RPC”) for a total consideration of RMB42,750,000 (equivalent to \$9,154,000) which was satisfied as follows:

- (i) RMB17,500,000 (equivalent to \$3,954,000) by way of cash; and
- (ii) RMB25,250,000 (equivalent to \$5,200,000) by way of disposal of 6,735 shares which represents 55% equity interest in GGL.

Transaction costs related to the acquisition of \$40,000 have been capitalised in the available-for-sale financial assets.

The investment in unquoted equity shares are stated at cost less impairment loss since there is no quoted market price in an active market and fair value cannot be reliably measured. The Group and the Company do not have intention to dispose the unquoted equity shares in the near future.

The Group’s and the Company’s available-for-sale financial assets that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Chinese renminbi	9,013	–	9,013	–
Philippine peso	14	13	–	–
Singapore dollar	4	4	4	4



NOTES TO THE FINANCIAL STATEMENTS

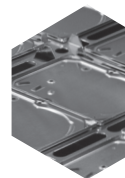
Year ended 31 August 2016

11. Property, plant and equipment

	Freehold land \$'000	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 2014	3,147	10,894	12,582	44,270	2,492	1,381	1,404	76,170
Currency realignment	195	867	1,279	3,013	259	129	167	5,909
Additions	-	177	412	2,201	106	102	1,435	4,433
Acquisition of subsidiary	-	-	-	-	12	-	-	12
Transfer from construction-in-progress	-	-	233	84	-	-	(317)	-
Transfer from asset held for sale	-	-	2,100	-	-	-	-	2,100
Transfer to investment property	-	-	(2,100)	-	-	-	(1,284)	(3,384)
Disposals/Write-offs	-	(94)	(1)	(4,367)	(393)	(479)	-	(5,334)
At 31 August 2015	3,342	11,844	14,505	45,201	2,476	1,133	1,405	79,906
Currency realignment	(70)	(384)	(849)	(1,067)	(98)	(56)	(56)	(2,580)
Additions	-	325	720	1,426	107	124	542	3,244
Transfer from investment property (Note 12)	-	230	-	-	-	-	-	230
Transfer from construction-in-progress	-	-	3	-	-	-	(3)	-
Disposal of a subsidiary (Note 9)	-	-	(95)	(21)	(18)	(52)	-	(186)
Disposals/Write-offs	-	-	-	(1,630)	(170)	(69)	-	(1,869)
At 31 August 2016	3,272	12,015	14,284	43,909	2,297	1,080	1,888	78,745

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



11. Property, plant and equipment (Continued)

	Freehold land \$'000	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 2014	–	4,678	3,092	38,653	479	1,215	–	48,117
Currency realignment	–	477	256	2,327	183	115	–	3,358
Depreciation for the financial year	–	647	604	1,401	285	66	–	3,003
Depreciation for item transferred from asset held for sale	–	–	764	–	–	–	–	764
Transfer to investment property	–	–	(868)	–	–	–	–	(868)
Disposals/Write-offs	–	(95)	–	(4,206)	(392)	(451)	–	(5,144)
At 31 August 2015	–	5,707	3,848	38,175	555	945	–	49,230
Currency realignment	–	(70)	(207)	(825)	(75)	(38)	–	(1,215)
Depreciation for the financial year	–	665	645	1,444	203	69	–	3,026
Disposal of a subsidiary (Note 9)	–	–	(17)	(5)	(8)	(10)	–	(40)
Disposals/Write-offs	–	–	–	(1,077)	(164)	(45)	–	(1,286)
Impairment loss	–	–	–	149	(2)	–	–	147
At 31 August 2016	–	6,302	4,269	37,861	509	921	–	49,862
Net carrying value:								
At 31 August 2015	3,342	6,137	10,657	7,026	1,921	188	1,405	30,676
At 31 August 2016	3,272	5,713	10,015	6,048	1,788	159	1,888	28,883



NOTES TO THE FINANCIAL STATEMENTS

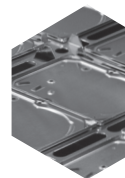
Year ended 31 August 2016

11. Property, plant and equipment (Continued)

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
Company						
Cost:						
At 1 September 2014	4,708	5,323	776	615	295	11,717
Currency realignment	601	489	81	69	90	1,330
Additions	–	4	13	–	1,030	1,047
Transfer from construction- in-progress	10	–	–	–	(10)	–
Disposals/Write-offs	–	(3,699)	(388)	(190)	–	(4,277)
At 31 August 2015	5,319	2,117	482	494	1,405	9,817
Currency realignment	(173)	(65)	(18)	(16)	(56)	(328)
Additions	610	434	91	–	542	1,677
Transfer from construction- in-progress	3	–	–	–	(3)	–
Disposals/Write-offs	–	(470)	(3)	–	–	(473)
At 31 August 2016	5,759	2,016	552	478	1,888	10,693
Accumulated depreciation and impairment:						
At 1 September 2014	2,926	4,989	701	588	–	9,204
Currency realignment	381	460	72	67	–	980
Depreciation for the financial year	159	51	64	29	–	303
Disposals/Write-offs	–	(3,494)	(388)	(190)	–	(4,072)
At 31 August 2015	3,466	2,006	449	494	–	6,415
Currency realignment	(115)	(60)	(15)	(16)	–	(206)
Depreciation for the financial year	183	61	19	–	–	263
Disposals/Write-offs	–	(328)	(3)	–	–	(331)
Impairment loss	–	(46)	–	–	–	(46)
At 31 August 2016	3,534	1,633	450	478	–	6,095
Net carrying value:						
At 31 August 2015	1,853	111	33	–	1,405	3,402
At 31 August 2016	2,225	383	102	–	1,888	4,598

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



11. Property, plant and equipment (Continued)

As at 31 August 2016, the Group's and Company's leasehold land and buildings with carrying amount of \$9,482,000 (2015: \$10,140,000) and \$2,224,000 (2015: \$1,853,000) respectively are held as security for certain bank loans (Note 16).

As at 31 August 2016, the Group's freehold land and buildings with carrying amount of \$7,371,000 (2015: \$3,810,000) was held as security for certain bank loans (Note 16).

At the end of the financial year, the Group 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 of impairment loss amounting to \$147,000 (2015: \$Nil) in profit or loss under "other operating expenses".

In the previous financial year, the sales and purchases agreement in relation to the property owned by a subsidiary located at PLO122 Jalan Cyber 5, Senai III Industrial Estate 81400 Senai, Johor Malaysia was terminated by the buyer as certain condition precedent under the sale and purchase agreement cannot be fulfilled. The property was derecognised as asset held for sale and was transferred to property, plant and equipment at a carrying amount of \$1,336,000 which included prior years depreciation adjustment of \$568,000.

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 15 August 2010. Lease has been extended for another 30 years to 15 August 2039.)	A two-storey factory cum office building
Lot B1-5 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines	Freehold	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 2008)	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
28D Penjuru Close #01-07 Singapore 609132	Leasehold (30 years from 16 November 1995 which expired on 15 November 2025)	A factory cum office building



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

12. Investment properties

	Group	
	2016 \$'000	2015 \$'000
At fair value		
At beginning of financial year	7,357	840
Additions through subsequent expenditure	–	1,891
Transfer (to)/from property, plant and equipment (Note 11)	(230)	2,516
Net fair value gain recognised in profit or loss (Note 22)	633	1,095
Revaluation (loss)/gain from transfer of owner-occupied property to investment property	(21)	724
Currency realignment	(236)	291
At end of financial year	7,503	7,357

In the current financial year, the carrying amount of \$230,000 had been transferred to property, plant and equipment in view that certain building improvement is related to the management owner-occupied building.

In the previous financial year, in view that the newly-constructed building on the freehold land in Philippines was being held to earn rentals income, the carrying amount of \$1,284,000 had been transferred from property, plant and equipment to investment property. The carrying amount of the property approximated the fair value of the property as at the date of transfer.

In the previous financial year, in view that a leasehold land and building was being held for capital appreciation and to earn rentals income, the property has been reclassified from property, plant and equipment to investment property. An amount of \$724,000 was recognised in other comprehensive income under “revaluation reserve” which represents the fair value gain from the carrying amount of the property of \$1,232,000 as at the date of change in classification.

In the previous financial year, included in the additions through subsequent expenditure of \$1,891,000 was pertaining to the cost of another newly-constructed building on the freehold land in Philippines.

As at 31 August 2016, the Group’s freehold land and building with carrying amount of \$5,563,000 (2015: \$Nil) was held as security for a bank loan (Note 16).

Valuation policies and procedures

Management of the Group oversees the Group’s financial reporting valuation process and is responsible for setting and documenting the Group’s valuation policies and procedures.

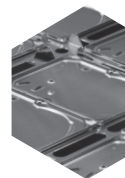
For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group’s policy to engage external valuation experts to perform the valuation. Management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 Fair Value Measurement guidance.

For valuations performed by external valuation experts, the management reviews the appropriateness of the valuation methodologies and assumptions adopted. The management also evaluates the appropriateness and reliability of the inputs used in the valuations.

Significant changes in fair value measurements from period to period are evaluated by the management for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



12. Investment properties (Continued)

Valuation policies and procedures (Continued)

The Group's investment properties were valued as at 31 August 2016 and 31 August 2015 by certain independent professional valuation firms with recent experience in the location and category of the investment properties held by the Group. The valuations were arrived at by using:

- (i) the sales comparison approach whereby sale prices of comparable properties in similar locations are adjusted for unobservable inputs such as tenure, age, size, design, floor level, condition and standard of finishes amongst other factors. The most significant unobservable input into this valuation approach is selling price per square metre.
- (ii) the cost approach whereby value of the property or another asset that consider as a substitute for the purchase of a given property, the possibility of constructing another property that is equivalent to the original or one that could furnish equal utility with no undue cost resulting from delay. The most significant unobservable input into this valuation approach is reproduction or replacement cost of the subject property or asset, less total (accrued) depreciation.

As at 31 August 2016 and 31 August 2015, the valuation is based on the asset's highest and best use, which is in line with its actual use. The resulting fair value of investment property is considered level 3 recurring fair value measurement.

The following table presents the valuation technique and key input that was used to determine the fair value of investment property categorised under Level 3 of the fair value hierarchy:

Country	Description	Fair value at 31 August	Valuation technique	Unobservable input	Relationship of unobservable input to fair value
2016					
Philippines	Industrial land	\$2,010,000	Sales comparison approach	Selling price per square metre	The higher the selling price per square metre, the higher the fair value, vice versa
Philippines	Industrial building	\$3,553,000	Cost approach	Replacement cost of each replaceable asset Accrued depreciation Extent, character and utility of the property	The higher the replacement cost, the higher the fair value, vice versa
Malaysia	Industrial land	\$244,000	Sales comparison approach	Selling price per square metre	The higher the selling price per square metre, the higher the fair value, vice versa
Malaysia	Industrial building	\$1,696,000	Cost approach	Replacement cost of each replaceable asset Accrued depreciation Extent, character and utility of the property	The higher the replacement cost, the higher the fair value, vice versa



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

12. Investment properties (Continued)

Valuation policies and procedures (Continued)

Country	Description	Fair value at 31 August	Valuation technique	Unobservable input	Relationship of unobservable input to fair value
2015					
Philippines	Industrial land	\$1,990,000	Sales comparison approach	Selling price per square metre	The higher the selling price per square metre, the higher the fair value, vice versa
Philippines	Industrial building	\$3,341,000	Cost approach	Replacement cost of each replaceable asset Accrued depreciation Extent, character and utility of the property	The higher the replacement cost, the higher the fair value, vice versa
Malaysia	Industrial land	\$255,000	Sales comparison approach	Selling price per square metre	The higher the selling price per square metre, the higher the fair value, vice versa
Malaysia	Industrial building	\$1,771,000	Cost approach	Replacement cost of each replaceable asset Accrued depreciation Extent, character and utility of the property	The higher the replacement cost, the higher the fair value, vice versa

There were no changes to the valuation techniques during the year.

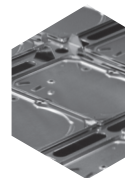
The Directors have exercised their judgement in relying on the valuation reports and are satisfied that the fair values are reflective of current market situations.

The following amounts are recognised in profit or loss:

	Group	
	2016 \$'000	2015 \$'000
Rental income from investment properties	758	112
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	22	6

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



12. Investment properties (Continued)

As at 31 August 2016 and 31 August 2015, the Group's investment properties comprise the following:

Location	Title	Description/Existing use
PLO 122, Jalan Cyber 5, Senai III Industrial Estate 81400 Senai, Johor, Malaysia	Leasehold (30 years from 23 August 1995, expiring in August 2025 with an option to extend by another 30 years)	Land and a factory cum office building
Lot B1-4 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines	Freehold	Land and two factory buildings

13. Intangible assets

	Technology know-how \$'000	Goodwill \$'000	Total \$'000
Group			
Cost:			
At 1 September 2014	–	–	–
Additions	1,353	1,733	3,086
At 31 August 2015	1,353	1,733	3,086
Currency realignment	37	48	85
Disposal of a subsidiary (Note 9)	(1,390)	(1,781)	(3,171)
At 31 August 2016	–	–	–
Accumulated amortisation:			
At 1 September 2014	–	–	–
Amortisation	203	–	203
At 31 August 2015	203	–	203
Amortisation	263	–	263
Currency realignment	(3)	–	(3)
Disposal of a subsidiary (Note 9)	(463)	–	(463)
At 31 August 2016	–	–	–
Net carrying value:			
At 31 August 2015	1,150	1,733	2,883
At 31 August 2016	–	–	–



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

13. Intangible assets (Continued)

Technology know-how

Technology know-how was acquired through the acquisition of Green Galaxy Limited (“GGL”) and was valued by an independent professional valuation firm. Amortisation expense of this intangible asset of \$263,000 (2015: \$203,000) was included in “depreciation and amortisation expenses” line item in profit or loss. The intangible assets with carrying amount of \$927,000 was fully disposed during the financial year upon the disposal of GGL (Note 9).

Goodwill

Goodwill arising on acquisition of GGL is attributable mainly to access to rechargeable automotive business in China and the synergies expected to be achieved from collaborating technologies capabilities of the Group with those of GGL. Goodwill arising from the business combination was allocated to a single cash-generating unit (“CGU”). The goodwill with carrying amount of \$1,781,000 was fully disposed during the financial year upon the disposal of GGL (Note 9).

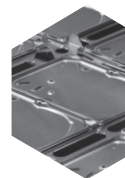
14. Deferred tax assets

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

	Unutilised tax losses	Others	Total
	\$'000	\$'000	\$'000
Group			
At 1 September 2014	28	(23)	5
Currency realignment	(5)	–	(5)
Credit to profit or loss	253	–	253
At 31 August 2015	276	(23)	253
Currency realignment	(1)	–	(1)
(Charge)/Credit to profit or loss	(272)	23	(249)
At 31 August 2016	3	–	3

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



15. Trade and other payables

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Current				
Trade payables				
– third parties	7,053	6,823	113	428
– subsidiaries	–	–	83	197
– related party	9	6	–	–
	7,062	6,829	196	625
Non-trade payables				
– third parties	453	674	291	227
– subsidiaries	–	–	2,551	12
– associate	–	3	–	3
– related party	1	1	1	1
Accrued expenses	960	1,154	383	279
	1,414	1,832	3,226	522
	8,476	8,661	3,422	1,147
Non-current				
Non-trade payables				
– third party	824	–	–	–
– subsidiaries	–	–	781	–
	824	–	781	–
Total	9,300	8,661	4,203	1,147

Trade payables to third parties are non-interest bearing and are normally settled on 30 to 90 (2015: 30 to 60) days terms.

The trade payables due to subsidiaries and a related party are unsecured, interest-free and are normally settled on 30 to 120 (2015: 30 to 120) days terms.

Non-trade payables to associate and related parties are unsecured, interest-free and repayable on demand.

The Group's non-current non-trade payables to a third party represents the amount payable in relation to a settlement with a customer. The amount is interest-free, unsecured and repayable in 48 monthly instalments commencing July 2016.

A part of the Company's current non-trade payables to subsidiaries of \$2,419,000 (2015: \$Nil) and the total non-current non-trade payables to subsidiaries amounted to \$781,000 represents advances from subsidiaries. The remaining non-trade amount due to subsidiaries are unsecured, interest-free and repayable on demand.

In the current financial year, the Company obtained an advances of \$2,159,000 from its subsidiary which bears interest at 5.59% (2015: Nil) per annum and is repayable in March 2017.

In the current financial year, the Company obtained an advances of \$1,041,000 from its subsidiary which bears interest at 6.50% (2015: Nil) per annum and is repayable in 36 monthly instalments commencing January 2017.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

15. Trade and other payables (Continued)

The carrying amount of the non-current non-trade payables are approximately its fair value.

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Philippine peso	1,787	1,159	–	–
Singapore dollar	1,316	668	1,767	788
United States dollar	1,031	827	–	–
Malaysia ringgit	229	323	–	–
Japanese yen	10	6	–	–
Chinese renminbi	–	–	2,159	–

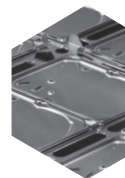
16. Bank loans

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Secured				
Bank loan I	269	320	–	–
Bank loan II	413	490	–	–
Bank loan III	–	441	–	–
Bank loan IV	2,041	–	–	–
Bank loan V	–	1,101	–	–
Bank loan VI	–	662	–	–
Bank loan VII	1,632	–	–	–
Bank loan VIII	1,928	2,970	1,928	2,970
Bank loan IX	412	–	412	–
Bank loan X	2,727	–	–	–
Bank loan XI	1,828	–	1,828	–
	11,250	5,984	4,168	2,970
Current portion	(6,241)	(3,381)	(1,892)	(1,055)
Non-current portion	5,009	2,603	2,276	1,915

Bank loan I bears interest at 6.63% (2015: 7.15%) 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



16. Bank loans (Continued)

Bank loan II bears interest at 6.63% (2015: 7.15%) 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% (2015: 6.90%) per annum and was fully repaid in the current financial year. 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.

Bank loan IV bears interest at 5.59% (2015: Nil) per annum and is repayable in March 2017. 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.

Bank loan V bears interest at 6.60% (2015: 6.60%) per annum and was fully repaid in the current financial year. It is secured by legal charges over the leasehold land and buildings of a subsidiary at No.108 Hongda Road, Hongshan Town, Wuxi City, Jiangsu, China.

Bank loan VI bears interest at 6.60% (2015: 6.60%) per annum and was fully repaid in the current financial year. It is secured by legal charges over the leasehold land and buildings of a subsidiary at No.108 Hongda Road, Hongshan Town, Wuxi City, Jiangsu, China.

Bank loan VII bears interest at 6.00% (2015: Nil) per annum and is repayable in March 2017. It is secured by legal charges over the leasehold land and buildings of a subsidiary at No.108 Hongda Road, Hongshan Town, Wuxi City, Jiangsu, China.

Bank loan VIII bears interest at 5.46% (2015: 5.37%) per annum and is repayable in 34 monthly instalments commencing September 2015. It is secured by legal charges over the leasehold land and buildings of the Company at No. 5, Second Chin Bee Road, Singapore 618772.

Bank loan IX bears interest at 3.37% (2015: Nil) per annum and is repayable in 36 monthly instalments commencing September 2015. It is secured by legal charges over the leasehold land and buildings of the Company at 28D Penjuru Close #01-07 Singapore 609132.

Bank loan X bears interest at 2.50% (2015: Nil) per annum and is repayable in 60 monthly instalments commencing September 2015. It is secured by legal charges over the freehold land and building of a related company at Lot B1-5 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines.

Bank loan XI bears interest at 5.98% (2015: Nil) per annum and is repayable in 36 monthly instalments commencing June 2016. It is supported by personal guarantee by a Director of the Company.

The carrying amounts of the bank loans approximate their fair values due to frequent repricing of interest rates.

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	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Singapore dollar	4,168	2,970	4,168	2,970
Malaysia ringgit	682	810	–	–



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

17. Provisions

A subsidiary of the Group in Philippines operates a non-contributory defined benefit plan for all its qualifying employees. An employee, who retires at the age of 60, shall have a normal retirement benefit in accordance with the Retirement Pay Law (RA No. 7641). The regulatory benefit is paid in lump sum upon retirement.

	Group	
	2016	2015
	\$'000	\$'000
Provision for employee service entitlement benefits	463	336

	Group	
	2016	2015
	\$'000	\$'000
<u>Defined benefit plan</u>		
Present value of defined benefit obligation	465	335
Currency alignment	(2)	1
Net benefit liability	463	336

The amount recognised in profit or loss in respect of these employee benefits are as follows:

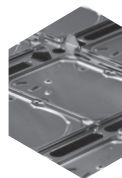
	Group	
	2016	2015
	\$'000	\$'000
Current services	35	32
Interest costs	14	15
Total	49	47

The amount included in the statement of financial position are as follows:

	Group	
	2016	2015
	\$'000	\$'000
At beginning of financial year	336	262
Charged to profit or loss	49	47
Net actuarial loss recognised	80	26
Present value of unfunded obligations	465	335
Currency realignment	(2)	1
At end of financial year	463	336

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



17. 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	
	2016	2015
Annual discount rate	4%	4%
Annual salary growth rate	3%	3%
Weighted average duration	21.6 years	22.5 years
Normal retirement age	60 years	60 years

Significant actuarial assumptions for the determination of the defined obligation are annual discount rate and annual salary growth. The sensitivity analysis below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by \$80,000 (increase by \$100,000).
- If the salary growth rate increases (decreases) by 100 basis points, the defined benefit obligation would increase by \$95,000 (decrease by \$78,000).

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position.

18. Deferred tax liabilities

Group	Revaluation of property	
	2016 \$'000	2015 \$'000
At beginning of the financial year	421	–
Charge to profit or loss	17	381
Currency realignment	(11)	3
Charge to other comprehensive income	–	37
At end of the financial year	427	421

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 \$11,012,000 (2015: \$12,698,000). 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.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

19. Share capital and reserves

Share capital

	Group and Company			
	2016		2015	
	Number of ordinary shares '000	\$'000	Number of ordinary shares '000	\$'000
Issued and fully paid:				
Share capital	452,670	39,309	420,670	37,389
Issued during the year	–	–	32,000	1,920
	<u>452,670</u>	<u>39,309</u>	<u>452,670</u>	<u>39,309</u>

- (i) In the previous financial year, the Company allotted and issued 32,000,000 ordinary shares at the exercise price of \$0.06 as part of the consideration for acquisition of 55% equity interest in Green Galaxy Limited (Note 9).

The newly issued shares rank pari passu in all respects with the existing ordinary shares.

- (ii) 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.

Reserves

The amounts of the Group's reserves and the movements therein for the financial year ended 31 August 2016 are presented in the consolidated statement of changes in equity of the financial statements.

- (a) Revaluation reserve

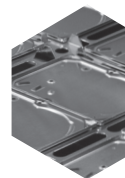
Revaluation reserve arises when an owner-occupied property becomes an investment property and the property is remeasured to fair value which results in a revaluation of such property.

- (b) Fair value reserve

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



19. Share capital and reserves (Continued)

Reserves (Continued)

(c) 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. The Group has recognised the actuarial gains/losses on remeasuring defined benefit obligations in other comprehensive income, rather than profit or loss.

(d) Share options reserve

Share options reserve represents the equity-settled share options granted to employees (Note 20). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

(e) 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.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

19. Share capital and reserves (Continued)

Retained earnings

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

	Company	
	2016 \$'000	2015 \$'000
At the beginning of the year	4,755	10,807
Total comprehensive income for the financial year	2,669	(6,052)
As the end of the year	7,424	4,755

20. Share-based payments

The Company has an existing share option scheme, the 2001 Miyoshi ESOS, which was adopted at an extraordinary general meeting of the Company held on 4 May 2001. The duration for the 2001 Miyoshi ESOS is a maximum of one hundred and twenty (120) months commencing on 4 May 2001. Accordingly, the 2001 Miyoshi ESOS has automatically terminated on 3 May 2011. However, Options granted and outstanding prior to such termination will continue to be valid and be subject to the terms and conditions of the 2001 Miyoshi ESOS.

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

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

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

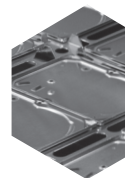
Such share options shall be exercised before the end of one hundred and twenty months or sixty months where the participant was a non-executive director on the date of grant of that share options and subject to such other conditions as may be introduced by a committee administering the option plans from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

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

Arising from a rights issue during the financial year ended 31 August 2007 and pursuant to Rule 10 of Miyoshi Employees' Share Option Scheme, the aggregate number of outstanding shares under options and the exercise price has been adjusted.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



20. Share-based payments (Continued)

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

	Group and Company			
	2016		2015	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at beginning of financial year	1,070,000	0.228	2,775,000	0.223
Lapsed during the financial year	(26,000)	0.239	(1,705,000)	0.220
Outstanding at end of financial year	<u>1,044,000</u>	0.228	<u>1,070,000</u>	0.228
Exercisable at end of financial year	<u>1,044,000</u>		<u>1,070,000</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 0.42 (2015: 1.42) years.

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

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
Weighted average share price (\$)	0.220
Weighted average exercise price (\$)	0.239
Expected life of share options (years)	4 to 9
Risk-free interest rate (%)	3.07% to 3.18%
Expected volatility (%)	77%
Dividend yield (%)	1.85%

The expected life of share options is based on historical data. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.

21. Revenue

	Group	
	2016 \$'000	2015 \$'000
Sales of goods	45,337	49,000
Revenue from services rendered	3,902	5,408
	<u>49,239</u>	<u>54,408</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

22. Other income

	Group	
	2016 \$'000	2015 \$'000
Fair value gain on investment property	633	1,095
Gain on disposal of interest in subsidiary	901	–
Gain on disposal of plant and equipment	–	229
Gain on disposal of interest in associate	28	–
Gain on foreign exchange, net	281	90
Income from sales of scrap	1,304	2,743
Interest income from bank deposits	56	67
Rental income	765	127
Miscellaneous income	182	295
	4,150	4,646

23. Employee benefit expenses

	Group	
	2016 \$'000	2015 \$'000
Short-term benefits	9,853	11,607
Post-employment benefits	733	875
	10,586	12,482

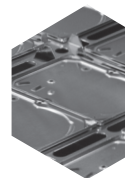
The above includes remuneration of Directors and key management as disclosed in Note 32 to the financial statements.

24. Other operating expenses

	Group	
	2016 \$'000	2015 \$'000
Allowance for doubtful other receivables	–	67
Allowance for inventory obsolescence	209	131
Allowance for impairment of property, plant and equipment	147	–
Loss on disposal of plant and equipment	128	–
Repairs and maintenance	528	687
Professional fees	428	603
Plant and equipment written off	11	13
Supplies and services	3,778	4,739
Transportation and travelling	883	1,097
Utilities	1,822	2,457
Others	556	1,110
	8,490	10,904

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



25. Finance costs

	Group	
	2016 \$'000	2015 \$'000
Interest expense on:		
- bank loans	403	265
- bank overdraft	–	19
- finance leases	–	1
	403	285

26. Income tax expense

	Group	
	2016 \$'000	2015 \$'000
Current tax		
- Current year	355	198
Deferred tax		
- current year	266	128
Withholding tax	107	278
	728	604

Domestic income tax is calculated at 17% (2015: 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	
	2016 \$'000	2015 \$'000
Profit before income tax	1,773	1,231
Income tax calculated at statutory tax rate	301	209
Effect of different tax rates of overseas operations	70	162
Expenses not deductible for income tax purposes	745	607
Income not subject to tax	(412)	(221)
Income tax exemptions	(11)	(49)
Utilisation of deferred tax assets not recognised in prior financial years	(66)	(438)
Withholding tax	107	278
Other items	(6)	56
	728	604



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

26. Income tax expense (Continued)

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

	Group	
	2016	2015
	\$'000	\$'000
Unabsorbed capital allowance	5,860	6,855
Unutilised tax losses	16,461	15,859
	<u>22,321</u>	<u>22,714</u>
Deferred tax benefits not recognised	<u>3,795</u>	<u>3,861</u>

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

The future income tax benefits of the Group's unutilised tax losses as at 31 August 2016 are available for an unlimited future period, except for unutilised tax losses amounting to \$1,327,000 (2015: \$463,000) which will expire 2019 to 2021 (2015: 2018 to 2020), and are subject to the conditions imposed by law including the retention of majority shareholders.

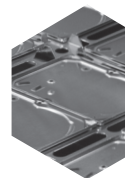
27. Profit for the financial year

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

	Group	
	2016	2015
	\$'000	\$'000
Audit fees:		
Auditors of the Company	78	70
Other auditors	71	77
Non-audit fees:		
Auditors of the Company	–	–
Other auditors	8	14
Directors' remuneration:		
Directors of the Company	501	355
Other directors of the subsidiaries	179	122
Directors' fees:		
Directors of the Company	106	63
Other directors of the subsidiaries	<u>27</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



28. Earnings 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 number of ordinary shares outstanding during the financial year:

	Group	
	2016	2015
Profit attributable to owners of the parent (\$'000)	1,153	546
Weighted average of ordinary shares in issue ('000)	452,670	444,867
Basic earnings per share (cents per share)	0.25	0.12

(b) Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to owners of the parent and the weighted average number of ordinary shares in issue are adjusted for the effects of all dilutive potential ordinary shares. The Company has only one type of dilutive potential ordinary shares which are the share options granted under its share option scheme.

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

The share options did not have dilutive effect on the Group's earnings per share in the current and previous financial year because the yearly average market price per ordinary share of the Company was below the exercise price of the share option granted.

29. Dividends

The Directors of the Company recommend a final tax-exempt dividend of \$0.004 (2015: \$Nil) per share amounting to approximately \$1,811,000 (2015: \$Nil) be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the financial year as it is subject to approval by shareholders at the Annual General Meeting of the Company.

30. Operating lease arrangements

The Group and the Company as lessees

	Group and Company	
	2016	2015
	\$'000	\$'000
Minimum lease payments under operating leases included in profit or loss	153	168



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

30. Operating lease arrangements (Continued)

The Group and the Company as lessees (Continued)

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

	Group and Company	
	2016	2015
	\$'000	\$'000
Within one year	161	147
After one year but within five years	643	573
After five years	2,483	2,720
	<u>3,287</u>	<u>3,440</u>

Leases for the rental of leasehold land and building are negotiated for a term of 30 years.

The Group as lessor

The Group rents out its investment properties in Malaysia and Philippines under operating leases. Property rental income earned during the year was \$758,000 (2015: \$112,000).

The investment property is expected to generate rental yields of 8% on an ongoing basis. The properties held have committed tenants for the next three to nine years.

At the end of the reporting period, the Group has contracted with tenants for the following future minimum lease payments:

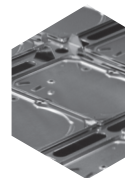
	Group	
	2016	2015
	\$'000	\$'000
Within one year	727	770
After one year but within five years	2,112	2,732
After five years	566	753
	<u>3,405</u>	<u>4,255</u>

31. Financial instruments, financial risks and capital management

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



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

31.1 Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group and the Company. The Group and the Company have adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and the Company perform ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

The Group's and Company's major classes of financial assets are cash and cash equivalents, trade and other receivables and available-for-sales financial assets.

The Group and Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except the Company has trade and non-trade receivables from its subsidiaries of \$3,657,000 (2015: \$4,971,000) which are neither past due nor impaired. As at 31 August 2016, these receivables comprises 77% (2015: 61%) of the Company's total trade and other receivables.

Cash and cash equivalents are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Trade and other receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The Group's and Company's trade and other receivables which are past due and not considered to be impaired are as follows:

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Past due < 3 months	6,378	7,343	279	75
Past due 3 to 6 months	251	95	11	120
Past due over 6 months	176	231	2,569	2,913

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Past due and impaired	59	1,129	7,596	7,590



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

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

31.2 Market risks

Foreign exchange risk

The Group transacts in various foreign currencies, including United States dollar (USD), Singapore dollar (SGD), Japanese yen, Philippine peso (PHP), Chinese renminbi (RMB), Malaysia ringgit, and Hong Kong dollar 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)

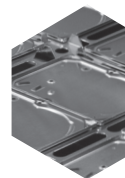
	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
United States dollar	2,515	2,953	–	–
Singapore dollar	(3,956)	(401)	220	4,808
Japanese yen	(4)	15	188	181
Philippine peso	(1,337)	(787)	–	–
Chinese renminbi	(2,159)	–	(2,159)	–
Malaysia ringgit	(549)	(635)	–	–
Hong Kong dollar	–	769	–	–

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

The following table details the Group's and the Company's sensitivity to a 5% (2015: 10%) change in USD against RMB, SGD against USD and RMB against USD respectively, which are functional currencies of certain Group entities. In the analysis, the net monetary assets/liabilities of only certain entities in the Group are used in sensitivity analysis. The sensitivity analysis assumes an instantaneous 5% (2015: 10%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD, SGD and RMB are included in the analysis.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



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

31.2 Market risks (Continued)

Foreign exchange risk (Continued)

Foreign currency sensitivity analysis

	← Gain/(Loss) →			
	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
USD				
Strengthens against RMB	117	238	–	–
Weakens against RMB	(117)	(238)	–	–
SGD				
Strengthens against USD	(194)	40	(165)	481
Weakens against USD	194	(40)	165	(481)
RMB				
Strengthens against USD	(108)	–	(108)	–
Weakens against USD	108	–	108	–

Interest rate risk

The Group's and the Company's exposure to interest rate risk mainly arises from bank loans. Their interest rates and terms of repayment are disclosed in Notes 16 to the financial statements.

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
	Bank loans	11,250	5,984	4,168

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 \$113,000 (2015: \$60,000), while the interest expense of the Company would increase/decrease by approximately \$42,000 (2015: \$30,000).



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

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

31.3 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.

Contract maturity analysis

The following table details the Group's and the Company's remaining contractual maturity for their non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group and the Company are expected to receive or pay.

Financial liabilities

	2016			2015			
	1 year or less \$'000	2 to 5 years \$'000	Total \$'000	1 year or less \$'000	2 to 5 years \$'000	After 5 years \$'000	Total \$'000
Group							
Trade and other payables	8,476	824	9,300	8,661	–	–	8,661
Bank loans	6,573	5,378	11,951	3,585	2,758	145	6,488
	15,049	6,202	21,251	12,246	2,758	145	15,149
Company							
Trade and other payables	3,431	1,001	4,432	1,147	–	–	1,147
Bank loans	1,971	2,460	4,431	1,104	2,096	–	3,200
	5,402	3,461	8,863	2,251	2,096	–	4,347

Corporate guarantees

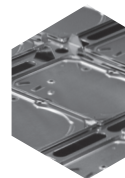
As at 31 August 2016 the Company has given corporate guarantees of \$756,000 (2015: \$967,000) to a financial institution and a supplier in connection with facilities granted by the latter to a subsidiary. The carrying amount of the facilities utilised represents the maximum amount of the guarantee that 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	
	2016 \$'000	2015 \$'000
Company		
Financial guarantees	756	967

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



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

31.4 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.

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

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

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

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Trade and other payables	9,300	8,661	4,203	1,147
Bank loans	11,250	5,984	4,168	2,970
Less: Cash and bank balances	(12,422)	(6,679)	(5,638)	(2,052)
Net debt	8,128	7,966	2,733	2,065
Equity attributable to owners of the parent	53,680	54,831	35,562	34,033
Total capital	61,808	62,797	38,295	36,098
Gearing ratio	13.2%	12.7%	7.1%	5.7%

The Group's audit committee reviews the capital structure on an 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 19 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 and the Company are in compliance with the externally imposed capital requirements for the financial years ended 31 August 2016 and 2015.

The Group's overall strategy remains unchanged from 2015.



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

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

31.5 Fair value of financial assets and financial liabilities

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Fair value hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

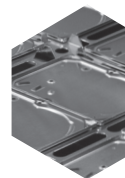
The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

The fair values of the Group's non-current financial liabilities in relation to other payables and bank loans are disclosed in Notes 15 and 16 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, other receivables from subsidiaries and available-for-sales financial assets are disclosed in Note 5, 9 and 10 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



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

31.6 Categories of financial instruments

	Group		Company	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Financial assets				
Loans and receivables				
Cash and bank balances	12,422	5,225	5,638	852
Fixed deposits	137	1,587	–	1,200
Trade and other receivables	14,385	18,099	4,750	8,208
	<u>26,944</u>	<u>24,911</u>	<u>10,388</u>	<u>10,260</u>
Available-for-sale financial assets	9,031	17	9,017	4
Financial liabilities				
Other financial liabilities, at amortised cost				
Trade and other payables	9,300	8,661	4,203	1,147
Bank loans	11,250	5,984	4,168	2,970
	<u>20,550</u>	<u>14,645</u>	<u>8,371</u>	<u>4,117</u>

32. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

During the year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Company	
	2016 \$'000	2015 \$'000
With subsidiaries		
Sales	616	2,199
Disposal of fixed assets	–	746
Management fee charged	166	261
Payment on behalf of	569	161
Purchases	<u>776</u>	<u>975</u>



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

32. Significant related party transactions (Continued)

Compensation of Directors and key management personnel

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

	Group	
	2016 \$'000	2015 \$'000
Short-term benefits	1,501	1,257
Post-employment benefits	63	57
	1,564	1,314
	Group	
	2016 \$'000	2015 \$'000
Directors' remuneration		
- of the Company	607	418
- of the subsidiaries	206	124
	813	542

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

33. Group segmental information

33.1 Analysis by Business Segments

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

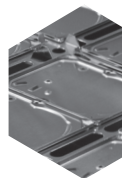
Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and of assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

Income taxes are managed by the management of the Group.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



33. Group segmental information (Continued)

33.1 Analysis by Business Segments (Continued)

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

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

Segment assets and liabilities: Segment assets include all operating assets used by a reportable segment and consist principally of property, plant and equipment, investment properties, available-for-sale financial assets, inventories and operating receivables, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables and borrowings.

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

(i) Data Storage

Manufacture of metal semi-finished components for hard disk drives and removable storage devices.

(ii) Consumer Electronics

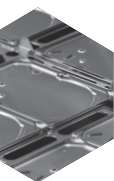
Manufacture of metal semi-finished components for photocopiers, scanners and printers.

(iii) Automotive, Microshaft and Others

Manufacture of finished products of light electric vehicles and semi-finished metal components for motor vehicles, the manufacture of semi-finished components, including high precision microshafts and turned parts including fan motor shafts, AC/DC motor shafts, tension rollers for digital colour copiers, fan shafts for air conditioners, slide shafts for optical drives.

The Group adopts these three business segments for segment reporting.

The revenue from two major customers of the Group's data storage segment represents \$11,648,000 (2015: \$15,859,000).



NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016

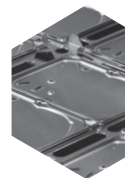
33. Group segmental information (Continued)

33.1 Analysis by Business Segments (Continued)

	Data Storage		Consumer Electronics		Automotive, Microshaft and others		Unallocated		Group	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue										
External sales	19,475	27,071	21,964	22,460	7,800	4,877	-	-	49,239	54,408
Results										
Segment results	2,037	1,123	(186)	(451)	269	777	-	-	2,120	1,449
Interest expense	-	-	-	-	-	-	(403)	(285)	(403)	(285)
Interest income	-	-	-	-	-	-	56	67	56	67
Profit before income tax	<u>2,037</u>	<u>1,123</u>	<u>(186)</u>	<u>(451)</u>	<u>269</u>	<u>777</u>	<u>(347)</u>	<u>(218)</u>	<u>1,773</u>	<u>1,231</u>
Income tax expense									(728)	(604)
Profit for the financial year									<u>1,045</u>	<u>627</u>
Allowance for impairment of:										
- other receivables	-	-	-	-	-	67	-	-	-	67
- plant and equipment	-	-	147	-	-	-	-	-	147	-
(Reversal of)/Allowance for inventory obsolescence	(84)	(129)	309	299	(16)	(39)	-	-	209	131
Amortisation of intangible asset	-	-	-	-	264	203	-	-	264	203
Depreciation	1,036	1,277	1,522	2,300	468	190	-	-	3,026	3,767
Fair value gain on investment property	-	-	-	-	-	-	(633)	(1,095)	(633)	(1,095)
Plant and equipment written off	6	8	4	4	1	1	-	-	11	13
Segment assets	<u>17,950</u>	<u>21,939</u>	<u>30,150</u>	<u>32,141</u>	<u>13,025</u>	<u>11,834</u>	<u>16,538</u>	<u>7,627</u>	<u>77,663</u>	<u>73,541</u>
Segment assets include:										
Additions to:										
- capital expenditure	<u>1,283</u>	<u>3,152</u>	<u>1,447</u>	<u>2,616</u>	<u>514</u>	<u>556</u>	<u>-</u>	<u>-</u>	<u>3,244</u>	<u>6,324</u>
Segment liabilities	<u>1,465</u>	<u>1,614</u>	<u>3,294</u>	<u>4,563</u>	<u>3,716</u>	<u>4,139</u>	<u>12,997</u>	<u>5,142</u>	<u>21,472</u>	<u>15,458</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 August 2016



33. Group segmental information (Continued)

33.2 Analysis by Geographical Segments

Revenue is analysed by the location of the customers. Non-current assets excluding available-for-sale financial assets, deferred tax assets and other receivables are analysed by the location of the assets:

	External sales		Non-current assets	
	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Philippines	16,833	17,556	13,817	13,680
Thailand	12,929	15,553	4,306	3,922
China	12,770	14,632	9,052	11,174
Hungary	1,921	254	–	–
Singapore	1,760	2,580	4,482	7,165
Malaysia	1,013	1,658	4,729	4,975
Mexico	973	163	–	–
Others	1,040	2,012	–	–
	49,239	54,408	36,386	40,916

34. Reclassifications

Certain reclassifications have been made to prior year's financial statements to enhance comparability with current year's financial statements.

As a result, certain line items have been amended in the statements of financial position, statement of cash flow and the related notes to financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

	Group		Company	
	As previously reported 2015 \$'000	After reclassification 2015 \$'000	As previously reported 2015 \$'000	After reclassification 2015 \$'000
Statements of financial position				
Assets				
Current assets				
Trade receivables	13,292	–	4,491	–
Other receivables and prepayments	4,645	–	3,461	–
Trade and other receivables	–	17,814	–	7,923
Prepayment	–	123	–	29
Liabilities				
Current liabilities				
Trade payables	6,829	–	625	–
Other payables and accruals	1,832	–	522	–
Trade and other payables	–	8,661	–	1,147



NOTES TO THE FINANCIAL STATEMENTS

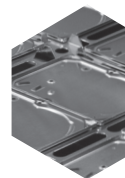
Year ended 31 August 2016

34. Reclassifications (Continued)

	Group	
	As previously reported	After reclassification
	2015	2015
	\$'000	\$'000
Consolidated statement of cash flows		
Trade receivables	(729)	–
Other receivables and prepayments	(1,588)	–
Trade and other receivables	–	(2,561)
Prepayments	–	244
Trade payables	(13)	–
Other payables and accruals	(1,985)	–
Trade and other payables	–	(1,998)

STATISTICS OF SHAREHOLDINGS

As at 17 November 2016



Class of equity securities : Ordinary Shares
 No. of equity securities : 452,669,490
 Voting Rights : One vote per share

As at 17 November 2016, the Company does not hold any treasury share.

DISTRIBUTION OF SHAREHOLDINGS

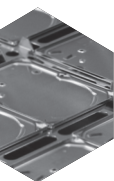
SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 - 1000	248	9.10	138,186	0.03
1,001 - 10,000	1,019	37.41	5,657,549	1.25
10,001 - 1,000,000	1,427	52.39	107,066,231	23.65
1,000,001 and above	30	1.10	339,807,524	75.07
TOTAL	2,724	100.00	452,669,490	100.00

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Substantial shareholders				
Miyoshi Industry Co., Ltd	69,509,290	15.36	–	–
Masayoshi Taira ⁽¹⁾	–	–	69,509,290	15.36
Sin Kwong Wah Andrew ⁽²⁾	82,325,900	18.19	62,944,000	13.91
Pek Yee Chew ⁽³⁾	31,269,000	6.91	114,000,900	25.18

Notes:

- (1) Mr Masayoshi Taira is deemed to have an interest in the 69,509,290 shares held by Miyoshi Industry Co., Ltd.
- (2) 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 1,500,000 shares held by his daughter, Sin Shi Min Andrea.
- (3) 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

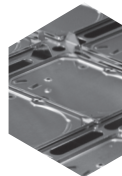
As at 17 November 2016

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SIN KWONG WAH ANDREW	82,325,900	18.19
2	MIYOSHI INDUSTRY CO LTD	69,509,290	15.36
3	DBS NOMINEES PTE LTD	52,460,089	11.59
4	PEK YEE CHEW	31,269,000	6.91
5	LOW HUAT YEW	22,432,600	4.96
6	PEK EE PERH THOMAS	15,954,500	3.52
7	LIM YUH PING	9,987,500	2.21
8	MAYBANK KIM ENG SECURITIES PTE LTD	6,936,400	1.53
9	LEOW BENG LEE (LIAO MINGLI)	4,568,100	1.01
10	NG HWEE KOON	3,603,800	0.80
11	PHILLIP SECURITIES PTE LTD	3,230,445	0.71
12	AW QUEK KWEE @ KOH QUEK KWEE	3,192,500	0.72
13	LIM LEE ENG	3,099,500	0.68
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,984,200	0.66
15	KHOO THIAM HIM	2,500,000	0.55
16	RAFFLES NOMINEES (PTE) LTD	2,412,500	0.53
17	WONG SIN TIN	2,190,000	0.48
18	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,125,000	0.47
19	UOB KAY HIAN PTE LTD	2,101,900	0.46
20	KEH NGEN FATT	2,000,000	0.44
	TOTAL	324,883,224	71.78

As at 17 November 2016, 49.01% 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 Limited** (the “Company”) will be held at 5 Second Chin Bee Road, Singapore 618772 on 23 December 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Accounts of the Company for the year ended 31 August 2016 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 0.4 Singapore cent per share tax exempt (one-tier) for the year ended 31 August 2016 (2015: Nil). **(Resolution 2)**
3. To re-elect the following Directors of the Company who retire by rotation in accordance with Article 89 of the Company’s Constitution and who, being eligible, offer themselves for re-election:

Mr Wee Piew **(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 and Remuneration Committees and will be considered independent.
4. To approve the payment of Directors’ fees of S\$106,000 for the year ended 31 August 2016 (2015: S\$106,000). **(Resolution 5)**
5. To re-appoint BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolution as Ordinary Resolutions, with or without amendments:-

7. Authority to issue shares

That pursuant to Section 161 of the Companies Act and subject to Rule 806 of the Catalist Rules, authority be and is hereby given to the Directors to:

- (a)
 - (i) allot and issue shares in the capital of the Company (“Shares”) whether by way of bonus issue, rights issue or otherwise; and/or
 - (ii) to make or grant offers, agreements or options (collectively, “Instruments”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other Instruments convertible into Shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (i) 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, whether on a pro rata or non pro rata basis, shall not exceed 100% 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);



NOTICE OF ANNUAL GENERAL MEETING

- (ii) (subject to such manner of calculation as may be prescribed by the Catalist Rules) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (1) new Shares arising from the conversion or exercise of any convertible securities;
 - (2) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
 - (3) any subsequent bonus issue, consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Constitution for the time being of the Company; and
- (iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 7)

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

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

[See Explanatory Note (ii)]

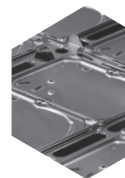
(Resolution 8)

By Order Of The Board

Khoo Boo Han
Company Secretary

30 November 2016
Singapore

NOTICE OF ANNUAL GENERAL MEETING



Explanatory Notes:

- (i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors, 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, 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, whether on a pro rata or non pro rata basis.
- (ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. (a) A member entitled to attend and vote at the AGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
(b) A member of the Company who is entitled to attend and vote at the AGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.
“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act.
2. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.
3. The Proxy Form must be deposited at the Company's business office at 5 Second Chin Bee Road Singapore 618772, not less than 48 hours before the time fixed for holding the AGM in order to be entitled to attend and to vote at the AGM. The sending of a Proxy Form by a member does not preclude him from attending and voting in person if he finds that he is unable to do so. In such event, the relevant Proxy Forms will be deemed to be revoked.
4. A Depositor's name must appear on the Depository Register maintained by CDP as at 72 hours before the time fixed for holding the AGM in order to be entitled to attend and vote at the AGM.
5. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instruction appointing a proxy is executed by a corporation, it must be executed either under its seal or under the hand of any officer or attorney duly authorised.
6. By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the “Purposes”), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

MIYOSHI LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No. 198703979K)

IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 2 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy Miyoshi Limited's shares ("CPF Investors"), this Circular is forwarded to them at the request of the CPF Approved Nominees and is sent solely for information only.
3. 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.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 30 November 2016.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____

of _____

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

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

*and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "AGM") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Meeting to be held at 5 Second Chin Bee Road, Singapore 618772 on Wednesday, 23 December 2016 at 10.00 a.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. All resolutions put to vote at the AGM shall be decided by way of poll.

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

No.	Resolutions relating to:	No. of Votes For	No. of Votes Against
1	Directors' Statement and the Audited Accounts for the financial year ended 31 August 2016		
2	Payment of proposed a first and final dividend		
3	Re-election of Mr Wee Piew as a Director		
4	Re-election of Mr Pek Ee Perh, Thomas as a Director		
5	Approval of Directors' fees amounting to S\$106,000		
6	Re-appointment of BDO LLP as Auditors		
7	Authority to issue new shares		
8	Authority to issue shares under the prevailing Miyoshi Employees Share Option Scheme		

Dated this _____ day of _____ 2016



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

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

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 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. 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. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. (a) A member of the Company who is entitled to attend and vote at the AGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

(b) A member of the Company who is entitled to attend and vote at the AGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 5 Second Chin Bee Road Singapore 618772 not less than 48 hours before the time appointed for the AGM.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation that 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. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



A TOMORROW-FOCUSED MANUFACTURER

Miyoshi Limited

Company Registration No.: 198703979K
5 Second Chin Bee Road Singapore 618772
Tel: (65) 6265 5221
Fax: (65) 6265 2058
Website: www.miyoshi.biz