

A TOMORROW-FOCUSED MANUFACTURER

# Driving Growth Momentum

Annual Report 2018



## Who We Are

Miyoshi Limited is a leading manufacturer in Asia with a global customer network of more than 18 countries across Asia Pacific, Europe and North America. In Asia, we operate through our head office in Singapore and manufacturing plants in the Philippines, Thailand, Malaysia, Singapore and various parts of China.

Miyoshi started its operations in Singapore in 1987. Since then, Miyoshi has grown organically and through a series of strategic acquisitions. Today, Miyoshi produces components for many Japanese brands in the consumer electronics, automotive and data storage segments.

Over the last three decades, generations of Miyoshi employees have carried through the entrepreneurial spirit, the focus on long-term value creation and an unwavering commitment to do what is right for our customers and our colleagues.

At Miyoshi, we believe in being a responsible manufacturer and we are committed to making a difference in the lives of our stakeholders and in the communities in which we operate.

## What We Do

Miyoshi provides a wide range of precision stamping, prototyping, metal finishing and automation for our customers with high quality solutions. Our technical hub is located in Wuxi, China. More specifically, our product offerings 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, progressive cold forging, 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.

Through our subsidiary, Miyoshi Optronics (S) Pte Ltd, we provide electronics solutions that have wide applications in homeland security, border control and law enforcement. We have entered into a joint marketing agreement with a Japanese multi-national company to jointly market a high-performance face-recognition surveillance related products in Singapore, Malaysia and other Asia Pacific region.

Through our investment in Core Power (Fujian) New Energy Automobile Co., Ltd, we manufacture electric cars in Fujian for both the Chinese and overseas markets.

Besides the above, Miyoshi is also developing our high-tech indoor hydroponics plant factory, using our domain knowledge of mechanical engineering and our Japanese heritage to bring sustainable farming to the region.

[www.miyoshi.biz](http://www.miyoshi.biz)  
[www.openandeat.com](http://www.openandeat.com)  
[www.cpev.com](http://www.cpev.com)

## Vision

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



## Mission

Our mission is to make innovative and quality products for our customers while building a culture that supports our team members and creates sustainable long-term value for our shareholders.



## Values

- Integrity:** We act with the highest ethical standards in our conduct. We are honest and trustworthy in our business dealings and relationships with others.
- Teamwork:** We work and overcome challenges together to provide greater value to our customers, employees, business partners and shareholders.
- Innovation:** We work in a way unbounded by mindset. We challenge ourselves with new ideas and have no fear of failure.
- Quality:** We provide the highest-possible quality in our deliverables. We pursue continuous improvement in our works.

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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 ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this annual report.

The annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report 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 Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.

## Where We Are



## Financial Highlights

### REVENUE

**\$51.3** million  
 ↓ 2.7%

2017: \$52.8 million

### EBITDA

**\$5.3** million  
 ↓ 10.2%

2017: \$5.9 million

### PROFIT FOR THE PERIOD

**\$1.0** million  
 ↓ 53.8%

2017: \$2.2 million

### EARNINGS PER SHARE

**0.24** cents  
 ↓ 50.0%

2017: \$0.48 cents

### DIVIDEND PER SHARE

**0.20** cents  
 ↓ 50.0%

2017: \$0.40 cents

### NET ASSETS PER SHARE

**10.48** cents  
 ↓ 9.3%

2017: \$11.55 cents

### RETURN ON EQUITY

**2.1%**  
 ↓ 47.0%

2017: 4.0%

### RETURN ON CAPITAL EMPLOYED

**4.3%**  
 ↓ 25.7%

2017: 5.7%

### NUMBER OF EMPLOYEES

**758** employees  
 ↓ 9.5%

2017: 838 employees

*EBITDA: earnings before interest, tax, depreciation and amortisation, and non-recurring gains or losses*

\*Throughout this report, all figures are in Singapore Dollars and Singapore Cents, unless otherwise stated.

# Board of Directors



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



**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 2018)**

4 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 2018)**

**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 (Honorary Chairman)
- TB CCC's Community Development and Welfare Fund Committee (Chairman)
- Telok Blangah CCMC Building Fund Committee (Chairman)
- Depot Estate Business Association (Chairman)
- West Coast Town Council (Councillor)

**Past Directorships held over the preceding three years (from 1 September 2015 to 31 August 2018)**

**Non-listed companies**

- Masindo Marine Pte Ltd

**Awards**

- Public Service Medal (PBM) in 1998
- Public Star Medal (BBM) in 2012



**MR. ANDREW SIN KWONG WAH**

*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 2017

**Length of service as a director (at 31 August 2018)**

27 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 2018)**

**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.
- OE Aquitech (M) Sdn Bhd
- OE Aquitech (Singapore) Pte Ltd
- Wuxi Miyoshi Precision Co., Ltd
- Core Power (Fujian) New Energy Automobile Co., Ltd

**Major Appointments (other than Directorships)**

- Nil

**Past Directorships held over the preceding three years (from 1 September 2015 to 31 August 2018)**

**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
- 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*  
**Date of first appointment as a director**  
 1 May 2014  
**Date of last re-elected as a director**  
 23 December 2016  
**Length of service as a director (at 31 August 2018)**  
 4 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

**Present Directorships (at 31 August 2018)**

**Listed companies**

- Beijing Gas Blue Sky Holdings Limited (formerly known as Blue Sky Power Holdings Limited)
- Hosen Group Ltd (Chairman)

**Major Appointments (other than Directorships)**

- Nil

**Past Directorships held over the preceding three years (from 1 September 2015 to 31 August 2018)**

**Listed companies**

- PSL Holdings Limited



**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**  
 29 December 2017  
**Length of service as a director (at 31 August 2018)**  
 27 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 2018)**

**Non-listed companies**

- Miyoshi Industry Co., Ltd
- Niigata Miyoshi Industry Co., Ltd
- Tohoku Miyoshi Industry Co., Ltd

**Major Appointments (other than Directorships)**

- Nil

**Past Directorships held over the preceding three years (from 1 September 2015 to 31 August 2018)**

- Nil



**MR. THOMAS PEK EE PERH**  
*Non-Executive and Non-Independent Director*  
**Date of first appointment as a director**  
 27 October 2014  
**Date of last re-elected as a director**  
 23 December 2016  
**Length of service as a director (at 31 August 2018)**  
 3 year 10 months

**Committee(s) served on:**

Nil

**Academic and Professional Qualification(s)**

- Diploma of Business Management

**Present Directorships (at 31 August 2018)**

**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)
- 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 2015 to 31 August 2018)**

- Nil

**Awards**

- Public Service Medal (PBM) in 2006
- Service to Education Award (Silver) in 2009
- Public Star Medal (BBM) in 2016

## Letter from the Chairman



“Despite strong revenue growth in automotive, consumer electronics and other segments, Miyoshi reported a decrease in total revenue of 2.7%, mainly due to the decrease in revenue from our data storage segment, as mentioned in the FY2018 Outlook.”

**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 2018 ("FY2018").

### Lower revenue and profit after tax

Despite strong revenue growth in automotive, consumer electronics and other segments, Miyoshi reported a decrease in total revenue of 2.7%, mainly due to the decrease in revenue from our data storage segment, as previously mentioned in the "FY2018 Outlook". Group revenue declined to \$51.3 million from \$52.8 million a year ago. Profit after tax decreased by 53.8% to \$1.0 million.

During these difficult times, we discovered more about our capabilities and commitment to persevere than we could have under less daunting circumstances. The progress our people achieved despite the difficulties we faced gives us great confidence about our Group's future and our ability to build upon Miyoshi's road to success.

### Corporate culture

We believe that a sound corporate culture is a vital factor in a company's success. In Miyoshi, the CEO is the owner and driver of our corporate culture. Having been the CEO of Miyoshi for the last 27 years, Mr. Andrew Sin has set the vision, mission and values for the Group to take us forward to the new disruptive age.

With the CEO placing a strong emphasis on good corporate governance practice, he has helped to drive behavioural change and long-term thinking which influenced how Miyoshi does its business and engages with stakeholders positively on a sustainable basis.

### Corporate governance rankings

The Group has been recognised for its commendable standards in corporate governance, disclosure and transparency.

Our standards of corporate governance continued to improve, with our score under the Singapore Governance and Transparency Index 2018 ("SGTI 2018") at a record high



**\$51.3 mil**  
Revenue



**\$1.0 mil**  
Profit after Tax



**\$5.3 mil**  
EBITDA

Image: Our Corporate Social Responsibility activities in Wat Chao Bun Koet at Ang Thong Province, Thailand

# Letter from the Chairman



of 82 points. Our ranking on the SGTI 2018 also improved significantly from 164th place in 2017 to 46th place in 2018.

We are proud that our corporate culture promotes good corporate governance practices and transparency across the Group. The above recognition motivates us to push the boundaries of excellence in governance and transparency, as we continue to aim high to set the benchmark for the industry.

## Sustainability

We are glad to be reporting on sustainability against the Global Reporting Initiatives (“GRI”) Standards to ensure Miyoshi’s ambition and programs are aligned with well-established international standards. We are looking to take a more sustainable approach to how we do

business. This year, we look at various economic, social and environmental systems that we intimately have a business connection with. Specifically, we seek to create a sustainable ethos, setting goals and targets across the Group and involving the local community, to achieve sustainable growth.

## Dividends

We intend to continue providing an attractive return to our shareholders. Subject to the approval by the shareholders at the forthcoming Annual General Meeting (“AGM”), the Board is recommending a first and final one-tier tax exempt dividend of 0.2 cents per share.

The proposed dividend of 0.2 cents per share for FY2018 represents a total payout of S\$1.2 million based on the estimated number of shares

entitled to the dividend at the date of the AGM. Based on the profit for the period of \$1.0 million for FY2018, the dividend payout percentage is 120%.

## FY2018 Outlook

Despite the global economic outlook remaining challenging with impact of general economic and business conditions arising from the US-China trade war, we expect FY2019 to be a better year than FY2018. Our base case is that we expect core revenue growth, with the revenue from automotive and consumer electronics segment more than offset the decline in revenue from the data storage segment.

The construction of two industrial buildings in the Philippines puts us in good position to leverage on the continued robust growth for the Philippines. These initiatives will



**“The progress our people achieved despite the difficulties we faced gives us great confidence about our Group’s future and our ability to build upon Miyoshi’s road to success.”**

enable us to forge ahead in our quest to sustainable growth and strive to achieve better returns for our shareholders.

The Board remains optimistic that market conditions will stabilise and improve. The Group continues to explore new opportunities in new geographical locations and new market segments, while also continue to rationalize and consolidate its operations to achieve better economies of scale.

## Proposed Diversification of Current Core Business

Our current core business consists of providing integrated engineering services such as precision stamping, which involves tooling, wire cutting, prototyping, surface treatment processes and factory automation for sub-assembly operations.

As disclosed in the annual report of the Company for FY2017, the Group’s business model involves raising the performance of the current core business and developing new businesses, which includes investing

in the Electric Vehicle Business and incubating the Optronics Business and Indoor Farming Business. The Group is desirous of expanding, on a material scale, the current core business to include that of the new businesses.

The rationale for the pursuing new businesses is to seek growth that is in line with our vision statement of being a ‘Tomorrow-focused Manufacturer’. Subject to the approval by the shareholders at the forthcoming Extraordinary General Meeting (“EGM”), the Board is recommending the proposed diversification of the current core business to include the new businesses.

## Acknowledgements

On behalf of the Board, I would like to thank our customers, advisors, bankers, suppliers and business partners for their support as we continue to grow our footprint in both our core business and growth drivers.

I also want to thank the concerted effort and determination of our team of dedicated employees. When

cost increases at a faster pace than revenue growth, it means that each employee has to work harder and productively. To continue achieving this takes a lot of dedication and drive. I would like to thank all our employees for growing Miyoshi and embracing the Miyoshi culture.

Last but not least, we would like to thank both our existing and new shareholders for your faith in us and for supporting our various corporate initiatives in FY2017 and FY2018. We would not have achieved many of our goals, including the acquisition of Core Power (Fujian) New Energy Automobile Co., Ltd (“Core Power”), without your unstinting and unwavering support.

Yours sincerely,

**LIM THEAN EE**  
Chairman  
Miyoshi Limited



**0.24 cents**  
Earnings per share



**0.20 cents**  
Dividend per share



**10.48 cents**  
Net asset value per share

Images from left to right:

- 1 CFO’s presentation during the Annual General Meeting at Warren Country Club, December 2017
- 2 Miyoshi’s directors and management at a golf game, December 2017

## CEO's Review

“Our productivity improvement, combined with a significant reduction in working capital, contributed to \$7.6 million of cash from operations in FY2018, which was substantially greater than the amount of cash we expected to generate for the financial year.”

**Andrew Sin Kwong Wah**  
Executive Director and CEO



### FY2018 Financial Performance

FY2018 will long be remembered as one of the more challenging financial years where revenue from the data storage segment declined by 34.2% year-on-year. Our factory in Thailand experienced the most significant decline, where its revenue declined by 51.4% year-on-year. Since FY2014, Miyoshi has shifted its focus on growing the automotive and consumer electronics segments to improve the profitability of the Group, and at the same time, develop new growth drivers.

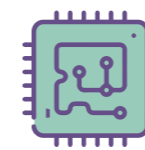
Revenue from the data storage segment has been on a continuing decline from \$54.5 million in FY2010 to \$13.0 million in FY2018. Despite

the continuing decline in revenue from the data storage segment, our Group has consistently delivered profits while returning significant cash to shareholders over the last three years. We achieved unprecedented improvement in key operational and financial areas, notably in productivity, work capital and cash generation, and we are confident that we can consistently achieve similar levels of performance in these areas on an annual basis.

Our revenue in FY2018 declined by 2.7% compared with FY2017. Except for the data storage segment, revenue from all other segments increased. The decline for our revenue from the data storage segment was within

our expectations and our people are well prepared to overcome difficult challenges.

Our productivity improvement, combined with a significant reduction in working capital, contributed to \$7.6 million of cash from operations in FY2018, which was substantially greater than the amount of cash we expected to generate for the financial year. We reduced our working capital as a percentage of revenue from the previous range of 35% to 45% to 33.6% by the end of FY2018. We are confident that we have reduced a sizable amount of working capital from our balance sheet, which will further enhance our cash generation capability.



**\$19.2 mil**  
Consumer Electronics



**\$14.8 mil**  
Automotive

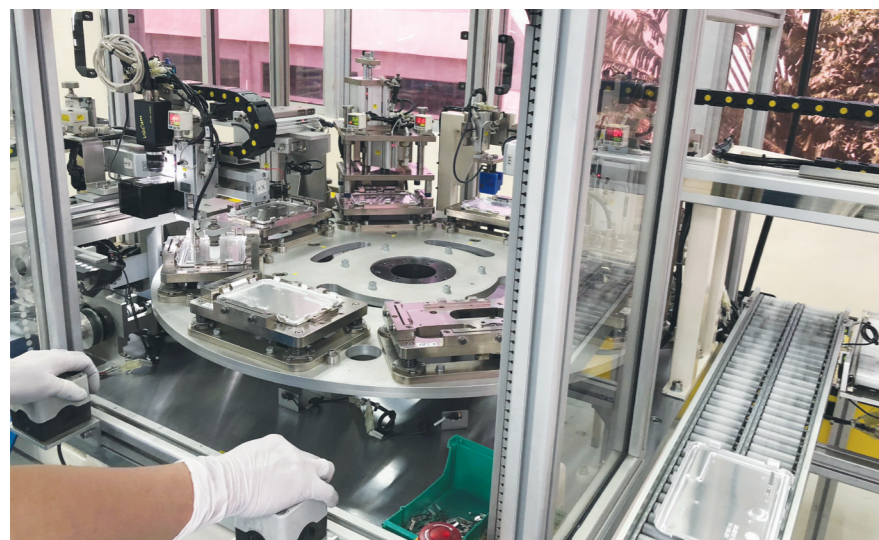


**\$13.0 mil**  
Data Storage



**\$4.3 mil**  
Others

Image: Our CEO with the new anodizing line in Miyoshi Philippines



**“Regardless of the pace of economic growth across our global markets, our people are prepared to continue delivering cutting-edge solutions, steady improvement in all of our operations, and financial results that reward shareholders’ confidence in Miyoshi.”**

By outperforming our cash-generation target, we were able to significantly improve our financial position and have available funds to further invest in our existing businesses and growth drivers.

Save for revenue from the data storage segment as mentioned above, we experienced revenue growth in all other segments in FY2018. Our largest revenue contributor now is the consumer electronics segment, with its revenue at \$19.2 million in FY2018, an increase of 9.0% from \$17.6 million in FY2017.

Revenue from the automotive segment grew by \$3.1 million, or 26.7% to \$14.8 million in FY2018 on more orders for automotive components, especially in vehicle dynamics (powertrain, chassis and safety). We deliver to more than 14 locations for the automotive segment, including various cities in the Philippines and China, Mexico, Thailand, Germany, Hungary and India.

Revenue from other segment also grew by 9.3% to \$4.3 million in FY2018. Rental income crossed \$1.0 million in FY2018. During the financial year, we commenced the construction of two industrial buildings on our industrial property

in Silang, Phillipines. We expect to recognize additional rental income from our industrial property in Phillipines in FY2019.

Net profit attributable to owners of the parent of \$1.0 million was \$1.2 million, or 53.8% lower compared to \$2.2 million in FY2017. This was mainly due to lower gain on disposal of plant and equipment of \$0.8 million, the impairment of assets in our Thailand and Malaysian sub-units of \$0.5 million, and the absence of a reversal of impairment of plant and equipment of \$0.3 million in FY2017.

### Re-Tooling for the Future

Currently, our plant capacity utilization rate is well below our target, which results in a sizable amount of unabsorbed overhead expenses that impact our Group's cost structure. Fundamentally, addressing capacity utilization will require reducing our manufacturing footprint to more appropriately reflect the foreseeable demand trends across our markets and leveraging our overall improved plant performance. The sale of our factories in Singapore in 2014 and 2018 is in line with this objective and has helped to improve our cost structure.

Where needed, we have also increased our production capacities in the recent years, such as the purchase of our Wuxi factory (January 2014), the Optronics laboratory (May 2016), our third Philippines property (August 2017) and Tradehub21 (February 2018). Besides the above, we have also constructed four industrial buildings in the Philippines over the last three years.

During FY2018, we have also invested in automation in our various secondary processes to improve our operational efficiency and productivity. We have also invested in various secondary processes such as plating in certain manufacturing locations. These activities will help us improve our overall margins in the years ahead. While we are pleased with our efforts, we are not resting on our laurels and are constantly seeking to further improve on our operational efficiencies.

We have also improved our prototyping capability with the purchase of the 6-axis cutting robot arm. This greatly reduced the cost to our customer as quality prototypes can be cut with the minimal time and cost. We have also invested in



stamping machines, additional surface treatment lines and other equipment to cater to the growing demand in the Philippines.

### Sustainability

Last year, we have dedicated a significant portion of this report to the Group's sustainability efforts. We are expanding programs and initiatives to implement sustainable business practices. More information about these actions can be found in our 2018 Sustainability Report.

Increasingly, the line between our sustainability efforts and our business activities is becoming harder to distinguish. In fact, these two missions complement and reinforce each other, as what is good for our business is good for advancing sustainable business practices, and vice versa. When we find ways to reduce the power and water consumption of our operations, we save money and achieve progress toward our sustainability goals.

### A Renewed Confidence

We have tremendous opportunities to make significantly greater progress over the next several years with both our core business and growth drivers.

Our people have demonstrated that they can meet and overcome difficult business challenges faced by our Group. Regardless of the pace of economic growth across our global markets, our people are prepared to continue delivering cutting edge customer solutions, steady improvement in all of our operations, and financial results that reward shareholders’ confidence in Miyoshi.

### Thank you

I am proud of our team for delivering a resilient performance in what was a very challenging year in FY2018, both operationally and financially, while continuing to promote our values of integrity, teamwork, innovation and

quality. These values will put us in good stead to face the challenges that FY2019 will bring.

On behalf of our entire team, I extend our deepest appreciation to you for your support this past year. We are committed to sustaining our leadership for you and all the Group's stakeholders, and I look forward to keeping you apprised of our progress.

Sincerely,

**ANDREW SIN KWONG WAH**  
CEO and Executive Director  
Miyoshi Limited

Images from left to right:

1 Automation assembly line in Miyoshi Philippines

2 Miyoshi's participation in a charity event at Ayala Greenfield Golf and Leisure Club, Philippines, November 2018

# Key Management Team



**ANDREW SIN KWONG WAH**  
Chief Executive Officer



**KAREN GAN YOKE FONG**  
Senior Vice President,  
Corporate Development



**MARK KHOO TECK SOON**  
Chief Financial Officer



**MICHAEL NG CHEONG KIAT**  
Vice President, Optronics



**JAYCE TAN GUIK HIANG**  
Group Finance Manager



**WEE SOON GHEE**  
Vice President, Operations  
General Manager,  
Miyoshi Thailand



**JOHNNY TAN TIONG SOON**  
Vice President, Marketing  
General Manager,  
Miyoshi Huizhou



**TOMOAKI HINOKI (TOMMY)**  
General Manager,  
Miyoshi Philippines



**LIN RUONING**  
General Manager,  
Miyoshi Wuxi



**DAVID LEE AH KOW**  
General Manager,  
Miyoshi Malaysia

**ANDREW SIN KWONG WAH**  
Chief Executive Officer

Mr Andrew Sin Kwong Wah, 65, is the Chief Executive Officer and has been its Executive Director since 24 September 1991 and has 28 years experience in the metal stamping industry. He has the overall responsibility for the Group's business. Andrew joined Miyoshi in 1990 as Operations Manager.

From 1974 to 1990, Andrew served with the Singapore Armed Forces and was an officer with the Singapore Combat Engineers.

Andrew sits on the boards of Miyoshi Industry Co., Ltd, Japan as a non-executive director and key subsidiaries of the Miyoshi Group. He was Executive Chairman of Miyoshi from 10 December 2014 to 21 October 2016.

Andrew holds a Bachelor of Science degree (First Class Honours) in Management from Japan National Defence Academy.

**KAREN GAN YOKE FONG**  
Senior Vice President, Corporate Development

Ms Karen Gan Yoke Fong, 55, is the Vice President for Corporate Development with 30 years of experience in metal stamping industry.

She assists in strategic planning and facilitates staff developmental plans in transformation so as to meet the evolving corporate direction and objectives as new business ventures are embarked on.

Karen sits on the board of Miyoshi Hi-Tech Co., Ltd, Thailand and was a director of the Miyoshi Group from 6 December 1995 to 16 July 2013. She joined Miyoshi in 1988 as a Management Trainee.

Karen holds a Bachelor of Science degree in Physics and Mathematics from National University of Singapore.

**MARK KHOO TECK SOON**  
Chief Financial Officer

Mr Mark Khoo Teck Soon, 47, is Chief Financial Officer. He assumed this role on 30 July 2015 and is responsible for the Miyoshi Group's finance-related functions and investor relations.

Mark has over 23 years of experience in finance and mergers and acquisitions ("M&A"). He joined Miyoshi on 8 September 2014 as Financial Controller.

Prior to joining Miyoshi, Mark was with Dyna-Mac Holdings, Sunningdale Tech, Integro Technologies, Moore Stephens and Maintech Engineering. He started his career with Osprey Maritime Limited as a Finance Executive.

Mark holds a Bachelor of Accountancy degree (Honours) from Nanyang Technological University and is a member of the Institute of Singapore Chartered Accountants ("ISCA").

**MICHAEL NG CHEONG KIAT**  
Vice President, Optronics

Mr Michael Ng, 57, is the Vice President for the Optronics business with more than 29 years of experience in wireless and digital signal processing. He was appointed VP Optronics on 2 October 2014. He has the overall responsibility for the Group's optronics business.

Prior to joining Miyoshi, Michael was Corporate Vice-President of STL Co., Ltd. He was Regional Director at Philips TDS, Seoul GSM site manager for Motorola-TTPCom and was GM of Wearnes Electronics.

Michael holds a MSEE from Purdue University and MBA from UCLA and National University of Singapore.

**JAYCE TAN GUIK HIANG**  
Group Finance Manager

Ms Jayce Tan Guik Hiang, 43, is Group Finance Manager. She assumed this role on 16 June 2008 and is responsible for the full spectrum of group consolidation, management reporting and internal audit functions.

Jayce has over 22 years of experience in finance and joined Miyoshi on 26 September 2005 as Assistant Accountant. Prior to joining Miyoshi, Jayce handling full set of accounts for various companies.

Jayce graduated with a Diploma in Management and Accounting from PSB Singapore and completed her ACCA with Singapore Academy of Accountancy in 2006. She is a member of the ISCA and Association of Chartered Certified Accountant, United Kingdom.

**WEE SOON GHEE**  
Vice President, Operations  
General Manager, Miyoshi Thailand

Mr Wee Soon Ghee, 50, is the Vice President for Operations since 16 November 2016. He has over 28 years of experience in the metal stamping industry and is responsible for the coordination and management of Group's operations and heads our operations in Thailand.

Wee joined Miyoshi in 1 August 1990 as a Tool Maker and he rose through the ranks of technician, supervisor, engineer and manager, and was appointed General Manager of our Thailand operations from 1 March 2015.

Wee holds a Diploma in Industrial Engineering from National Productivity Board.

**JOHNNY TAN TIONG SOON**  
Vice President, Marketing  
General Manager, Miyoshi Huizhou

Mr Johnny Tan Tiong Soon, 57, is the Vice President for Marketing with over 31 years of experience in the metal stamping and plastic injection. He was appointed VP Marketing on 16 November 2016.

Johnny heads our operations in Huizhou, China since 14 April 2014. Johnny joined Miyoshi on 15 April 2012 as Senior Manager, Supply Chain Management.

Prior to joining Miyoshi, Johnny was with Sony Precision (Huizhou) as head of various departments. From 1987 to 2004, Johnny worked for Sony Precision Engineering Center (Singapore).

Johnny holds a Diploma in Business Management from Singapore Institute of Management.

**TOMOAKI HINOKI (TOMMY)**  
General Manager, Miyoshi Philippines

Mr Tomoaki Hinoki, 36, is the General Manager of Miyoshi Philippines with over 14 years of experience in metal stamping and plastic injection. He was appointed General Manager of Miyoshi Philippines on 2 February 2015.

Tommy first joined Miyoshi Philippines on 2 January 2008 as our Sales and Marketing Executive and was promoted to Assistant General Manager on 1 October 2014.

Prior to joining Miyoshi, Tommy was with PTON, Co., Global Metal Tech, Co. and Furukawa Sangyo Kaisha Philippines Incorporated.

Tommy holds a Bachelor of Business Administration from Ritsumeikan Asia Pacific University, Beppu City, Japan.

**LIN RUONING**  
General Manager, Miyoshi Wuxi

Mr Lin Ruoning, 43, is the General Manager of Wuxi Miyoshi Precision Co., Ltd with over 22 years of experience in the metal stamping and tool manufacturing. He leads our operations in Wuxi, China since 2013.

Lin joined Miyoshi Singapore in 1996 as a Tool Maker. He was promoted through the ranks of Supervisor, Manager and Senior Manager (Engineering), prior to his appointment as General Manager.

Lin holds a Diploma in Business Administration from Jiangnan University.

**DAVID LEE AH KOW**  
General Manager, Miyoshi Malaysia

Mr David Lee, 69, is the General Manager of Miyoshi Precision (Malaysia) Sdn Bhd with over 38 years of experience in the metal stamping industry.

David is responsible for Miyoshi Malaysia's operations since June 2018. David joined Miyoshi Singapore in 1991 as Tooling Manager.

Prior to joining Miyoshi, David was with Rollei, Plummer Precision, FJW Precision and Joyoto Works.

David holds a Diploma in Material and Logistic Management from Singapore Institute of Purchasing and Material.

# Investor Relations

At Miyoshi, we are committed to building investor confidence and trust, enhancing our corporate transparency through effective communication and regular interaction with our shareholders and the investment community.

In the context of constantly evolving requirements of disclosure, transparency and corporate governance, we aim to provide investors with a timely, accurate, coherent and balanced account of the Group's performance. Miyoshi has an investor relations ("IR") team that promotes and facilitates communications with existing and potential investors, financial analysts and shareholders through multiple platforms and channels. These include group briefings to analysts, potential investors and media, as well as the IR section of our corporate website.

## Proactive communication with the investment community

As part of our comprehensive IR programme, Miyoshi continues to build on its relationships with the financial and investment communities through a variety of platforms.



Image: CFO's non-deal road show in July 2018

In FY2018, management and the IR team continued to actively engaged sell-side research analysts, fund managers and other members of the investment community through face-to-face engagements and interviews, including post-results investor meetings, non-deal road shows and ad-hoc investor meetings. These interactions provided opportunities for investors to gain greater clarity and deeper insights about Miyoshi's business, as well as provide management with useful information on investor perceptions, market sentiments and industry trends for strategy planning and decision-making. Management and IR team also met with both print and electronic media during the year to discuss Miyoshi's business strategy, operational and financial performance. We keep a close watch on analyst and media reports in our efforts to continuously improve our disclosure and IR practices.

Research and inputs from media, analysts and key stakeholders continue to be circulated to the management and the Board, ensuring that they are apprised of the latest news and developments.

Miyoshi's Annual General Meeting ("AGM") on 29 December 2017 at the Warren Golf and Country Club saw a turnout of 50 shareholders and proxies. The AGM allowed the Miyoshi Board and management to share the latest corporate updates and to respond to shareholders' queries.

We believe that our sustained IR efforts have contributed to a better appreciation of Miyoshi's core business and its growth drivers by the investment community. We will continue to enhance our IR practices and disclosures as we work towards becoming a more sustainable company.

## Investor Relation Resources

Our IR website ([www.miyoshi.biz](http://www.miyoshi.biz)) is a key resource for corporate information, financial data and significant business developments. Investors are encouraged to visit the website for Miyoshi's stock exchange announcements, quarterly financial results and annual reports, and investor presentation slides. Investors who would like to get in touch with the IR team may email [investorrelations@sg.miyoshi.biz](mailto:investorrelations@sg.miyoshi.biz).

Miyoshi makes available for investor relations, materials which include, amongst others, annual reports, SGX-ST financial results announcements, and presentation slides and links to our released SGX-ST announcements.

All new material announcements are posted on the IR website immediately following its release to SGX to ensure fair, equal and prompt dissemination of information.

## Corporate Governance and Sustainability

In recognition of our commitment towards better corporate governance, corporate responsibility and

sustainable business practices, Miyoshi continued to improve on Singapore Governance and Transparency Index 2018 ("SGTI 2018") with a record high of 82 points. We were ranked 46th out of a total of 589 listed companies on the SGTI 2018. We were ranked 164th in SGTI 2017.

During the year, we were included in the inaugural list of companies on the SGX Fast Track programme launched in April 2018 to recognise Singapore listed companies that have a good corporate governance standing and compliance track record. Companies on the Fast Track programme have prioritised clearance for selected corporate action submissions to SGX RegCo.

## Shareholder Diversity

As at 22 November 2018, there were 2,836 registered shareholders (20 November 2017: 2,942), where institutions formed 37.7% of our shareholder base, while retail investors accounted for the remaining 62.3%. Shareholders in Singapore held approximately 89.4% of our issued capital, while those in Japan held 10.3%.

Miyoshi works to maintain a diverse shareholder base which is spread across Singapore, Japan, Malaysia, Australia/New Zealand, United States of America, Europe, Hong Kong and United Kingdom. A healthy portfolio enables the Group to manage market liquidity and mitigate concentration risk.

## Share Performance

Miyoshi shares achieved an average daily turnover value of approximately \$180,000 in FY2018. The share price reached a high of 8.7 cents and recorded a low of 5.0 cents in FY2018.

Miyoshi's share price recorded a weak performance in FY2018, closing at 5.3 cents as at 29 August 2018, a 19.7% decrease from the start of the financial year.

As at 22 November 2018, Miyoshi's market capitalisation totalled \$26.8 million, based on the closing share price of 4.4 cents.

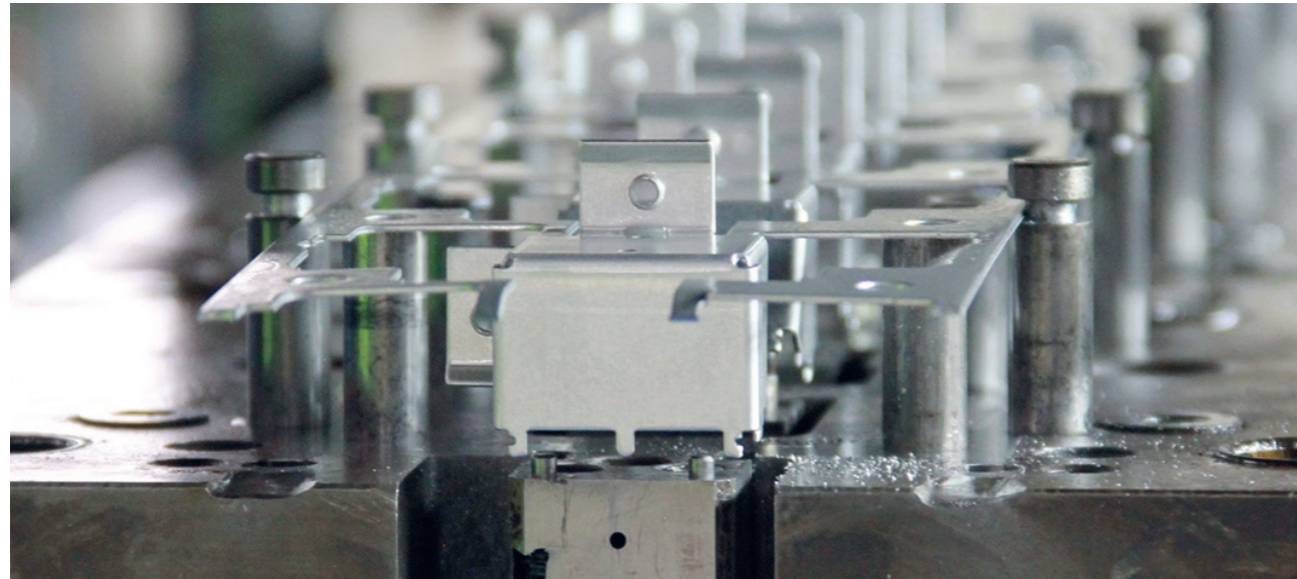
## Key IR Activities/Features in FY2018

7 September 2017	NextInsight article: Ground-breaking surveillance system featured on TV news
27 October 2017	Full-year results announcement FY2017
29 December 2017	Annual General Meeting for FY2017
11 January 2018	1Q2018 results announcement
6 April 2018	2Q2018 results announcement
19 April 2018	NextInsight article: Poised for greater exposure to China's electric car boom
21 May 2018	Completion of placement of 115,000,000 new ordinary shares
21 May 2018	Lim & Tan: Company Note (not rated)
28 May 2018	NextInsight article: Raises \$7 million, mainly to up stake in China's electric car boom
11 June 2018	The Edge Singapore: Miyoshi's electric car dreams ignite with 50,000-unit order in China
6 July 2018	3Q2018 results announcement
13 July 2018	Non-deal road show at FinancialPR
16 July 2018	NextInsight article: 9MFY18 profit up 124%, expands Philippines operations
26 August 2018	NextInsight article: First batch of 2,800 electric cars pre-ordered
3 September 2018	Business Times: Miyoshi counting on next-gen tech
6 September 2018	CEO featured in Business Times for Corporate Governance
22 October 2018	Investor-one.com: Putting the money where the next generation technology is
26 October 2018	Full-year results announcement FY2018

# Our Business Model

**“Vision always comes first in any business transformation. We had a clear vision “to be a tomorrow-focused manufacturer with our multi-business strategy with engineering and technology as our core” and we eventually attracted the right strategy.”**

Andrew Sin Kwong Wah



## Getting the right strategic vision is critical

Vision always comes first in any business transformation. We had a clear vision “to be a tomorrow-focused manufacturer with our multi-business strategy with engineering and technology as our core” and we eventually attracted the right strategy.

## Our Strategy

### Raising the Performance of our Core Business (Integrated Engineering Services)

Our strategy for raising the performance of our core business is to strengthen our marketing strategies and improve the profitability of our core business.

Our marketing plan includes having our Heads of Sub-units (“HOS”) to lead the business development efforts, meet more regularly, set specific business goals and keeping track of the metrics or key performance indicators. We seek to drive long-term sustainable business growth while continuing to promote our values of integrity, teamwork, innovation and quality.

On improving the profitability of our core business, we seek to innovate, adapt and evolve with our customers’ needs. We do this by continuously building key capabilities, such as the increased use of robots in our production process, investments in production equipment and development of our human capital. Our HOS meet periodically to identify patterns and trends, share information and to think creatively by generating alternatives, visualizing new possibilities and challenging assumptions.

Revenue from our core business accounted for 97.3% of revenue in FY2018 (FY2017: 97.9%).

### Proposed Diversification of Core Business

Subject to the approval of the Shareholders to be obtained at the Extraordinary General Meeting (“EGM”), the Group intends to expand, on a material scale, the current core business to include the following New Business, as and when opportunities arise:

- (a) the electric vehicle business, involving the development, manufacturing, assembling and selling of electric vehicles and other infrastructure projects, such as fabrication and installation of charging stations (the “Electric Vehicle Business”);



- (b) the optronics business, involving the provision of electronic solutions with wide applications in homeland security, border control and law enforcement, and the provision of high-performance face-recognition surveillance related products (the “Optronics Business”); and
- (c) the indoor farm business, through research, production trials and the development of the Group’s high-tech indoor farm factory and domain knowledge of the operating of indoor farming (the “Indoor Farm Business”).

### Rationale for the Proposed Diversification of Core Business

The Board sees the proposed diversification of core business as a means to sustainable revenue.

The development of new businesses were very much driven by the decline in revenue from our core business, specifically, demand for data storage products that has been in decline since 2010. We produce dampers and top covers, and electro-plating of actuator arms for the hard disk drive industry.

The Electric Vehicle Business, through Core Power, has grown to 100 distributorships across China since August 2016, while the Optronics Business has grown from strength-to-strength in Southeast Asia since March 2016, alongside small successes in Europe and Middle East. With the Group’s extensive experience with engineering and manufacturing, the development of the Indoor Farm Business since December 2016 will similarly be an extension of its business. The global shortage of arable land, increasing populations, climate change, and demand for high quality and stable food supply has placed the Indoor Farm Business in position as a potential growth portfolio.

The proposed diversification of core business will provide the Group with



Images from left to right:

1 Our core business: Integrated Engineering Services

2 Our Optronics booth at the International Exhibition for National Security and Resilience (“ISNR”) in Abu Dhabi, UAE, 6th to 8th March 2018

3 Core Power’s K series all-electric passenger vehicle (2019 model)

the opportunity to expand its portfolio across different markets. Given the uncertainties prevailing in the current global economic outlook and the slow-down in the hard disk drive industry, the Group believes that it is prudent to take active steps to reduce reliance on the Current Core Business. The inclusion of the New Business is thus envisaged to provide a continued source of sustainable revenue for the Group and to cushion the effects of weakened demand and prospects in the hard disk drive industry.

The proposed diversification of core business would enable the Group to participate in the long term growth prospects of the global green energy industry, in particular in ASEAN and China.

The Board believes that demand for green energy and services related to green energy will continue to grow as governments’ worldwide step up efforts to cut carbon emissions and rein in pollution. Europe, France and the United Kingdom separately announced plans in July 2017 to ban the sale of new petrol and diesel cars by 2040<sup>1</sup>, by which time all new cars in both markets would have to be emission-free. Several car makers have already expressed plans to build more environmentally-friendly vehicles. Volvo, for one, announced in July 2017 that all its new cars to

## Our Business Model



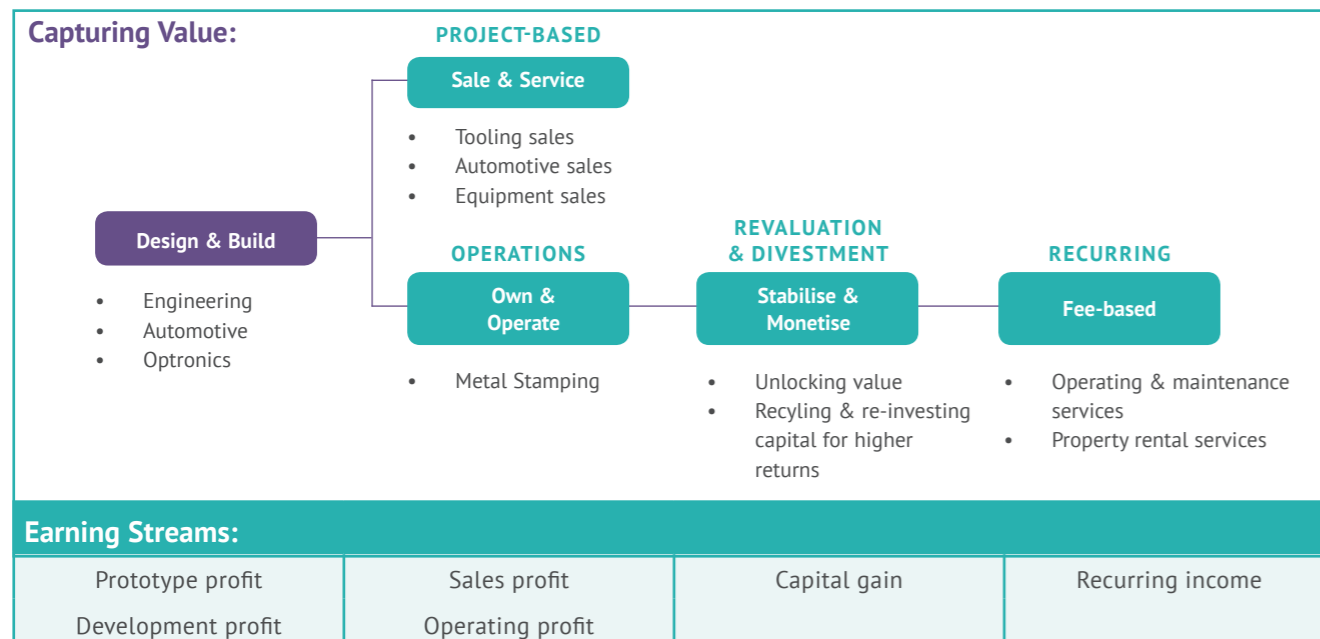
be launched from 2019 will be partially or completely battery-powered<sup>2</sup>. In Asia, leading manufacturers like Toyota Motor and Honda Motor continue to launch new models of electric cars in response to growing demand.

Against this backdrop, the Board believes there will be potential growth in the green energy market through

its Electric Vehicle Business. In Asia, China has demonstrated its endeavours to contain pollution and reduce dependence on fossil fuels. In 2016, China increased its foreign investment in renewables by 60% to reach a record US\$32 billion. As part of the Going Global strategy for renewable energy, China established the Asia Infrastructure Investment Bank and

poured money into the BRICS' New Development Bank, which made its first loans, all for renewable energy. The China government recently set a target to limit coal at 58% of its energy consumption by 2020, down from 64% in 2015<sup>3</sup>.

### How we create and capture sustainable value



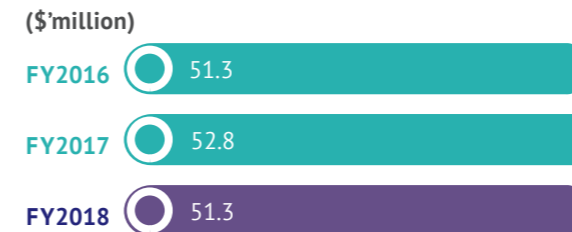
Images from left to right:  
 1 Production trials of our indoor farm business  
 2 Our SVP at our Indoor Farm booth at the Asia Pacific Food Expo, November 2017

Footnotes:  
<sup>1</sup> Charlotte Ryan and Jess Shankleman (July 26, 2017). U.K. Joins France, Says Goodbye to Fossil-Fuel Cars by 2040. Retrieved from www.bloomberg.com.  
<sup>2</sup> Adam Vaughan (July 5, 2017) All Volvo cars to be electric or hybrid from 2019. Retrieved from www.theguardian.com.  
<sup>3</sup> Joel Jaeger, Paul Joffe and Ranping Song (January 6, 2017). China is Leaving the U.S. Behind on Clean Energy Investment. Retrieved from http://www.wri.org.

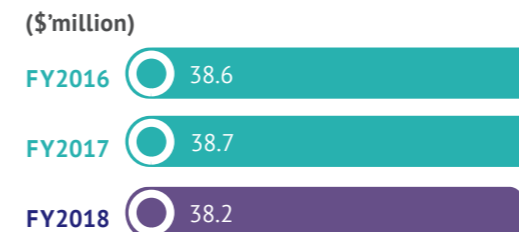
## Economic Value and Our Stakeholders

In the course of conducting our business, we create direct and indirect economic value for our stakeholders and contribute to the development of local economies.

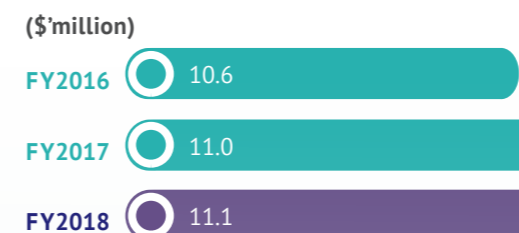
We generated revenue (customers) of:



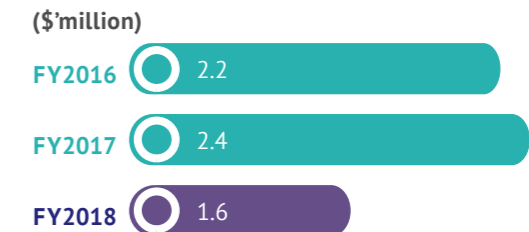
from which we made payments for our materials and services (suppliers, vendors, service providers) of:



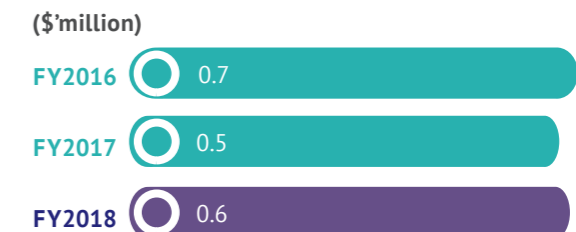
We distributed in employee compensation and benefits (employees, directors) of:



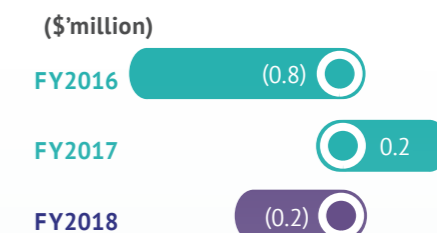
made payments to providers of capital (shareholders, lenders) of:



and accrued in income tax of (governments):



Economic value retained



Calculated in accordance with the Global Reporting Initiative ("GRI") Standards: Disclosure 201-1 Direct Economic Value Generated and Distributed. Economic value retained is calculated as 'Direct economic value generated' less 'Economic value distributed'.

## MIYOSHI LIMITED

\*Corporate Structure as of 31 August 2018



### DIRECTORS

#### Executive:

Mr. Andrew Sin Kwong Wah (CEO)

#### Non-Executive:

Mr. Lim Thean Ee (Independent Chairman)  
 Mr. Wee Piew (Independent)  
 Mr. Masayoshi Taira (Non-Independent)  
 Mr. Thomas Pek Ee Perh (Non-Independent)

### AUDIT COMMITTEE

Mr. Wee Piew (Chairman)  
 Mr. Masayoshi Taira  
 Mr. Lim Thean Ee

### NOMINATING COMMITTEE

Mr. Lim Thean Ee (Chairman)  
 Mr. Andrew Sin Kwong Wah  
 Mr. Wee Piew

### REMUNERATION COMMITTEE

Mr. Lim Thean Ee (Chairman)  
 Mr. Masayoshi Taira  
 Mr. Wee Piew

### COMPANY SECRETARY

Mr. Ong Wei Jin

### SPONSOR

CIMB Bank Berhad, Singapore Branch  
 50 Raffles Place  
 #09-01 Singapore Land Tower  
 Singapore 048623

### 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

### AUDITOR

BDO LLP  
 Public Accountants and Chartered Accountants  
 600 North Bridge Road, #23-01  
 Park View Square  
 Singapore 188778  
 Partner-in-charge: Mr. Adrian Lee Yu-Min  
 (First appointed in respect of the financial year ended 31 August 2014)

### PRINCIPAL BANKERS

United Overseas Bank Limited

# CFO Statement



We achieved another year of strong operating performance through enhanced operational efficiencies and improve capacity utilisation. CFO Khoo Teck Soon highlights the year's operations review, financial performance and the factors behind it.

## OPERATIONS REVIEW

### Core Business Proves Resilient

For the first time, the data storage segment is no longer the largest revenue contributor for Miyoshi. Revenue from the data storage segment declined by 34.2% to \$13.0 million in FY2018. Management and our local team took swift, supportive and people-oriented approach in implementing the necessary measures to cut costs and staff.

Our core business proves resilient with Group's revenue recording a mere 2.7% decline year-on-year.

Profit after tax for FY2018 decreased by 53.8% mainly due to one-off, non-recurring expenses, such as the \$0.5 million for the impairment of plant and equipment for Thailand and Malaysian operations. In FY2017, profit after tax was higher due to a higher gain on disposal of plant and equipment of \$0.9 million and reversal of impairment of plant and equipment of \$0.3 million.

In FY2018, the consumer electronics segment overtook the data storage segment as Miyoshi's largest revenue contributor. Revenue from the consumer electronics grew by 9.0% from \$17.6 million in FY2017 to \$19.2 million in FY2018. The increase

### Financial Highlights

For the year (\$'000)	FY2018	% Total Revenue	FY2017	% Total Revenue	Change %
Revenue	51,318	100.0	52,763	100.0	(2.7)
Profit before tax	1,651	3.2	2,674	5.1	(38.3)
Income tax	(634)	1.2	(472)	0.9	34.3
<b>Profit after tax</b>	<b>1,017</b>	<b>2.0</b>	<b>2,202</b>	<b>4.2</b>	<b>(53.8)</b>

### Business Segmental Information

For the year (\$'000)	FY2018	% Total Revenue	FY2017	% Total Revenue	Change %
Consumer Electronics	19,209	37.4	17,622	33.4	9.0
Automotive	14,795	28.8	11,449	21.7	29.2
Data Storage	13,003	25.3	19,747	37.4	(34.2)
Others	4,311	8.4	3,945	7.5	9.3
<b>Total</b>	<b>51,318</b>	<b>100.0</b>	<b>52,763</b>	<b>100.0</b>	<b>(2.7)</b>

### Geographical Segmental Information (Location of customers)

For the year (\$'000)	FY2018	% Total Revenue	FY2017	% Total Revenue	Change %
Philippines	21,008	40.9	16,505	31.3	27.3
China	13,092	25.5	13,176	25.0	(0.6)
Thailand	6,496	12.7	13,160	24.9	(50.6)
Mexico	5,022	9.8	2,043	3.9	145.8
Hungary	2,012	3.9	4,102	7.8	(51.0)
Malaysia	1,243	2.4	1,272	2.4	(2.3)
Singapore	757	1.5	1,495	2.8	(49.4)
Others	1,688	3.3	1,010	1.9	67.1
<b>Total</b>	<b>51,318</b>	<b>100.0</b>	<b>52,763</b>	<b>100.0</b>	<b>(2.7)</b>

was mainly due to more orders from Japanese customers, especially for ink jet printers, projectors, photocopiers and scanners.

Automotive was the second largest segment by revenue, which generated \$14.8 million, a 29.2% increase from \$11.4 million in FY2017. Miyoshi supplied metal components for vehicle dynamics (powertrain, chassis and safety), assistance driving systems, passive safety, sensory systems and instruments. We received positive feedback on the commercial and technical support from various locations of our automotive customers in South China and ASEAN and we will need to ensure that we have enough machines and materials to handle the growth of our automotive customers.

The continuing decline in revenue has resulted in the data storage segment being the third largest segment in FY2018. Revenue from the data storage segment decreased by 34.2% from \$19.7 million in FY2017 to \$13.0 million in FY2018. The percentage decrease in revenue for the data storage segment was also the highest in Miyoshi's history. Save for FY2017 where revenue from the data storage segment increased by \$0.2 million, revenue from data storage segment has decreased by at least \$5.8 million for each of the last 5 financial years.

Revenue from other segments continued to increase by 9.3% from \$3.9 million in FY2017 to \$4.3 million in FY2018, mainly due to more orders from customers from the renewable energy sector.

Our customers are primarily located in the Philippines, People's Republic of China, Thailand, Mexico and Hungary. In FY2018, these five countries accounted for 92.8% of Group's revenue.



### Geographical Segmental Information (Revenue of sub-units)

For the year (\$'000)	FY2018	% Total Revenue	FY2017	% Total Revenue	Change %
Philippines	30,204	58.9	23,966	45.4	26.0
Huizhou	8,098	15.8	9,245	17.5	(12.4)
Thailand	6,229	12.1	12,818	24.3	(51.4)
Wuxi	3,971	7.7	3,637	6.9	9.2
Malaysia	2,064	4.0	2,387	4.5	(13.5)
Singapore	752	1.5	710	1.4	5.9
<b>Total</b>	<b>51,318</b>	<b>100.0</b>	<b>52,763</b>	<b>100.0</b>	<b>(2.7)</b>

Revenue from Mexico and the Philippines customers increased with revenue growth of 145.8% and 27.3% respectively. These customers are in the automotive and other segments.

The largest decreases of revenue are from customers located in Thailand (data storage), Hungary (automotive) and Singapore (consumer electronics).

### Philippines remains on strong growth path

Revenue from the Philippines accounted for 58.9% of Miyoshi's revenue in FY2018. Its revenue rose to \$30.2 million, up 26.0% year-on-year, mainly due to significant growth of the automotive and consumer electronics segments.

A very significant portion of our investment in property and equipment for FY2018 was in the Philippines. During the financial year, we commenced construction of two industrial buildings on our industrial property in Silang. Besides the construction works, we also installed a new e-coating line and wastewater treatment system, upgraded its existing power system with the purchase and installation of a 3 MVA power transformer, and fabrication of distribution panels.

The above capital expenditure will put us in good stead to ride on the economic growth of the Philippines.

Image: Construction of industrial buildings in Miyoshi Philippines in 2018

# CFO Statement

Recurring rental income from our investment properties were mainly derived from our investment properties in the Philippines. We expect additional rental income from our industrial property in Silang from second half of FY2019.

## Milestone Transactions

During the financial year, we completed six milestone transactions, which will address the long-term shareholder value creation, strengthen our Group's financial position and push for the continued development of our new growth drivers:

- On 7 February 2018, Miyoshi granted share awards, for the first time, pursuant to the Company's Restricted Share Plan 2016 ("RSP2016") and Performance Share Plan 2016 ("PSP2016") to eligible employees of the Company and its subsidiaries. The intention of both share plans is to provide incentives to senior executives and management to excel in their performance and encourage greater dedication and loyalty to the Company, and to continue to strive for long-term shareholder value.

- On 21 February 2018, Miyoshi completed the acquisition of new corporate headquarters at 26 Boon Lay Way #01-80 Tradehub 21 for \$1.6 million. The leasehold property comprises of a double-storey terrace factory and has a built-in area of approximately 2,927 square feet.

- On 13 April 2018, "Miyoshi Optoelectronics (S) Pte. Ltd." has been renamed to "Miyoshi Optronics (S) Pte. Ltd." for enhanced branding purposes.

- On 9 May 2018, Core Power (Fujian) New Energy Automobile Co., Ltd, ("Core Power"), a company in which the Group holds 15% interest, secured two new sales contracts to supply 50,000 all-electric car frames, lithium batteries, battery management systems and electric motors to Jiangxi Changhe, a subsidiary of Beijing Automotive Group Co., Ltd. This is an important and significant contract win for Core Power.
- On 21 May 2018, we successfully raised approximately \$6.8 million net proceeds from the placement of 115,000,000 new ordinary shares in the capital of the Company ("Placement"). The issue price of \$0.0613 per share represents a 9.99% discount to the volume weighted average price on trades done on the full day before the placement agreement was signed. The net proceeds had been used to fund the additional investment in Core Power.
- On 31 July 2018, pursuant to the above fund-raising, Miyoshi entered into an agreement with Core Power (Fujian) Electric Co., Ltd ("Core Power Electric") and Fujian

Kaibote Technology Co., Ltd ("Fujian Kaibote") to increase the Company's investment from 15% interest to 32% interest by way of new capital injection into Core Power. The injection of new capital of RMB50 million is mainly to fund the upgrade of the production facilities and purchase of new equipment which will be used to support production of electric vehicles following its recent major contract win to supply 50,000 all-electric vehicles to Jiangxi Changhe Co., Ltd ("Jiangxi Changhe").

Subsequent to the financial year-end, we completed the sale of our industrial property at 5 Second Chin Bee Road for \$7.8 million. We intend to use the net proceeds to reduce borrowings, as well as to provide working capital for the Group and other business opportunities as and when they arise.



## Strong Cash Flow From Operations

We are focused on driving strong cash generation and are pleased to report cash flow from operations of \$7.6 million in FY2018. In FY2017, we generated \$4.0 million cash flow from operations. We were faster in our collections of \$1.5 million and slower in paying our suppliers of \$1.1 million, and lower inventories of \$0.3 million.

The strong cash flow from operations allows us to diversify and return value back to shareholders. Looking forward, we will be looking to generate free cash flows which can be either retained on the balance sheet, invested in future new ventures or returned to shareholders via share buybacks or dividends.

## Record Capital Expenditure

It was a record year for Miyoshi with \$8.3 million spent on property, plant and equipment and a further \$8.0 million invested in an associate, Core Power (Fujian) New Energy Automobile Co., Ltd. The capital expenditure was funded by the net proceeds from the Placement and by internally generated cash flows.

Miyoshi's largest capital expenditure for FY2018 was in the Philippines, where it invested \$2.5 million for the

construction of two industrial buildings and upgrading of power distribution equipment, such as 3 MVA step-down power transformer and distribution panels. A further investment of \$2.7 million were on production lines and equipment, such as zinc plating and e-coating lines, stamping machines, plating line modifications, water leak machine and reach trucks.

Our factory in Wuxi also added a new 6-axis high precision laser cutting robot arm and measuring equipment of \$0.4 million and a further \$0.8 million were for motor vehicles and office equipment.

We added a new industrial building at Tradehub 21 to serve as our new corporate headquarters for \$1.6 million.

The cash outflows for acquisition of businesses primarily included payments totalling \$8.0 million related to the acquisition of Core Power. On 31 July 2018, the Company entered into an agreement with Core Power Electric and Fujian Kaibote to increase the Company's investment from 15% interest to 32% interest by way of new capital injection into Core Power. The long-stop date for the above agreement is 25 January 2019. The Company will make further announcements to update Shareholders in respect to the investment as and when appropriate.

We believe that our capital expenditure plan, which is primarily for expansionary purposes, also reflects our belief in both our core business and the Core Power acquisition provides us a platform to deploy capital and footprint to grow the Miyoshi group.

## Developments in Miyoshi Optronics

Michael Ng is VP of Miyoshi Optronics ("MOS"). MOS partners global governments in border protection and smart cities. The principal revenues are extracted from manufacturing of high reliability portable police electronics, including the body-worn wireless audio/video obstruction-agnostic situation monitoring and two-way audio/video communication technology on a proprietary network, tradenamed the Digital SRS™. MOS also fabricates rugged lithium cascaded batteries, microgrids, surveillance and infrastructural robots.

Images from left to right:  
 1 Core Power's K series all-electric passenger vehicle (2019 model)  
 2 Public Sector Transformation Exhibition 2018 at the Resort World Singapore, 4th to 6th July 2018  
 3 Photo with our facial recognition partner during the Public Sector Transformation Exhibition 2018 at Resorts World Singapore

# CFO Statement



During the year, Miyoshi Optronics participated in an exhibition held in the Middle East for the very first time, with a booth at the International Exhibition for National Security and Resilience ("ISNR") in Dubai from 6th to 8th March 2018. We also participated in the Public Sector Transformation Exhibition 2018 at the Resort World Singapore from 4th to 6th July 2018.

Miyoshi Optronics is one of the technology partner of NEC Global Safety Division. Our body-worn wireless video and audio streaming surveillance system, together with NEC's proprietary facial recognition system is one of the solutions on display at NEC's recently completed Open Innovation Centre ("OIC") in Biopolis, Singapore from 25 September 2018.

We have approximately 100 live installations of our surveillance products in Southeast Asia, Europe and Middle East. The investment in MOS indicates our commitment to tomorrow-focused business and to the progressive global markets.

## Investment in Core Power

2018 will be remembered as the year Core Power achieves a significant milestone in securing the deal to jointly develop a new 5-door, 4 seater, all-electric passenger vehicle with Jiangxi Changhe, a subsidiary of the Beijing Automotive Group Co., Ltd ("Beiqi") on April 2018. The joint development includes the car design, chassis, car interior layout, platform, batteries, electric motor and battery management system.

On 9 May 2018, Core Power and Jiangxi Changhe reached an agreement where Core Power will supply 50,000 electric car frames and 50,000 sets of lithium batteries, battery management systems and electric motors to Jiangxi Changhe over the next three years.

Since then, Core Power has been upgrading its facilities with the installation of new production lines to cope with the higher quality and quantities to fill the order from Jiangxi Changhe. These include new toolings for both metal and plastic parts, and additional fixtures for the welding lines. Robots and automation were also added.

Miyoshi, on the other hand, concurrently embarked on a fund-raising exercise via the Placement, to raise approximately \$6.8 million in net proceeds to increase our shareholding interests in Core Power in May 2018.

Further to our investment agreement entered into on 31 July 2018, we will inject new capital of RMB50 million for the above capital expenditure by 25 January 2019. Our shareholding interests in Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power") will increase from 15% to 32% on completion of the new capital injection. The contract win to manufacture 50,000 all-electric cars over the next three years was key to Miyoshi's decision on further investment in Core Power.

We plan to obtain shareholders' approval on 'The Proposed Diversification of the Current Core Business of the Group to include the New Business, prior to completion of the proposed increase in investment in Core Power.

Core Power is located on 330,000m<sup>2</sup> of industrial land in Yong'an, Sanming, or an equivalent of 33 international rugby fields. It has its four major



operations, of metal stamping, welding, and spray-painting and final assembly in the same location. The annual production capacity of the factory is 100,000 cars. From January 2017, Core Power started to stamp its own car body, doors, and other components from steel sheets.

Besides manufacturing for Jiangxi Changhe from end-2018, Core Power has more than 100 distributorships across China, especially in the southern provinces of Fujian, Hunan, Jiangxi, Yunnan and Sichuan, for the sale of electric cars under Core Power's branding. Their cars are also sold in the provinces of Henan, Hebei, Shandong, Jiangsu, Shaanxi, Gansu and Guizhou.

We will be working closely with Enterprise Singapore to help Core Power scale-up their presence in the international market, tapping on the larger potential markets of Central and South Asia, and Central and South America.

## Going forward

Looking forward, our objective is very clear: balanced top and bottom-line growth that consistently delivers shareholder return, while at the same time, positions Miyoshi for the long term. The work we have begun and the progress we have made have us building toward this level of results.

To accomplish our objective, we are raising the bar across everything we do to continue to accelerate revenue growth, improve productivity, and empower our organization and culture to deliver sustainable performance.

The automotive and consumer electronics segments will be the main growth areas of our revenue. The capital gain from the disposal of our industrial property at 5 Second Chin Bee Road and the results of Core Power, now an associate, will be included in our results from FY2019.

The financial discipline we exercised over the years led us to manage our leverage and liquidity prudently to ensure balance sheet resilience and flexibility in difficult times.



Images from left to right:  
1 Welding process at our Core Power factory  
2 Group Photo of Value Engineering ("VE") Trip at Mt. Huashan in Xi'an, China, June 2018  
3 Interior of our K series all-electric passenger vehicle (2019 model)

# CFO Statement

## FINANCIAL PERFORMANCE

### Profitability and capital efficiency

For the purposes of managing and controlling profitability at Group level, we use net profit margin as our primary measure. This measure is the main driver of basic earnings per share from net profit, which we use in communication to the capital markets.

### Calculation of return on capital employed ("ROCE")

At Miyoshi, we seek to work profitability and as efficiently as possible with the capital provided by our shareholders and lenders. For the purposes of managing and controlling our capital efficiency, we use return on capital employed, or ROCE, as our primary measure. We aim to achieve a range of 6% or better.

ROCE for FY2018 was 4.3%, down from 5.7% in FY2017. This decline was due primarily to lower profit after tax and higher average capital employed further to the Placement.

Average capital employed for a financial year is determined as a two-point average in capital employed of (1) the respective year-end and (2) the year-end of the previous financial year.

### Capital structure

Sustainable revenue and profit development is supported by a healthy capital structure. Accordingly, a key consideration is to preserve our ability to repay and service our debt obligations over time. Our primary measure for managing and controlling our capital structure is the ratio of total borrowings to EBITDA. EBITDA is defined as earnings before interests, taxes, depreciation and amortization. This financial measure indicates the approximate amount of time in

### Profitability Ratios

For the year	FY2018	FY2017	FY2016
Net profit margin (%)	1.98	4.17	2.04
Earnings per share (cents)	0.24	0.48	0.25
Return on capital employed (%)	4.25	5.72	1.95
Return on equity (%)	2.11	3.99	2.13
Return on assets (%)	1.22	2.80	1.38
Total borrowings/EBITDA	1.88	1.69	2.60

### Calculation of Capital Employed

For the year	FY2018	FY2017	FY2016
Equity attributable to owners of the parent	63,825	57,057	53,680
Plus: Total borrowings	10,024	10,013	11,250
Less: Cash and bank balances	(5,342)	(8,697)	(12,422)
Less: Current non-current assets held for sale	(3,601)	(3,569)	-
Capital employed	64,906	54,804	52,508
<b>Average capital employed</b>	<b>59,855</b>	<b>53,656</b>	<b>53,322</b>

### Calculation of ROCE

For the year	FY2018	FY2017	FY2016
Profit after tax (\$'000)	1,017	2,202	1,045
Add: Interest expense, net	397	469	347
Add: Tax expense	634	472	728
Add: Non-recurring gains or losses	497	(73)	(1,078)
<b>(i) EBIT</b>	<b>2,545</b>	<b>3,070</b>	<b>1,042</b>
<b>(ii) Average capital employed</b>	<b>59,855</b>	<b>53,656</b>	<b>53,322</b>
<b>(i)/(ii) ROCE</b>	<b>4.25%</b>	<b>5.72%</b>	<b>1.95%</b>

years that would be needed to cover total borrowings through profits from continuing operations, without taking into account, interest, taxes, depreciation, amortisation and non-recurring items. We aim to achieve a ratio of up to 2.0.

For FY2018, this ratio was 1.9, compared to 1.7 in FY2017. We thus reached our target, which was to achieve a ratio of up to 2.0.

### Dividends

Whilst we do not have a fixed annual dividend policy, we intend to continue providing an attractive return to our

shareholders, which is consistent with our capital management objective, long-term growth prospects and the need to maintain prudent liquidity levels in view of the challenging operating environment ahead.

At the forthcoming Annual General Meeting, the Board, proposed to pay a first and final one-tier tax-exempt dividend of 0.2 cents on each share for FY2018. Payment of the proposed dividend is contingent upon approval by Miyoshi shareholders at the Annual General Meeting to be held on 28 December 2018. The prior-year dividend was 0.4 cents per share.

The proposed dividend of 0.2 cents per share for FY2018 represents a total payout of \$1.2 million based on the estimated number of shares entitled to the dividend at the date of the Annual General Meeting. Based on the net profit attributable to owners of the parent of \$1.0 million, the dividend payout percentage is 120%.

### Liquidity and balance sheet remain strong

We have adequate liquidity to support growth and the proceeds from the proposed disposal will build additional buffers to meet possible contingencies arising from external circumstances.

Our gearing ratio, which compares the shareholders equity to funds borrowed by the Group, decreased by 10.5% to 0.16 times.

Net asset value per share decreased by 9.3% to 10.48 cents, primarily due to the increase in number of outstanding shares from the Placement and dividend payout of 0.4 cents per share. Miyoshi had a market capitalisation of \$32.3 million as at 31 August 2018.

At \$87.0 million, Miyoshi's total assets at the end of FY2018 exceeded the prior-year figure by \$7.4 million, or 9.3%, due to net proceeds from the Placement of \$6.8 million, profit attributable to owners of the parent of \$1.3 million, increase of liabilities of \$1.0 million, offset by payment of dividends of \$2.0 million and non-controlling interests of \$0.3 million.

Assets held for sale was the book value of the industrial property at 5 Second Chin Bee Road for proposed disposal. The amount of \$3.6 million was reclassified to current assets from property, plant and equipment. Subsequent to the financial year-end, the proposed disposal was completed on 30 November 2018.

### Solvency and Liquidity Ratios

For the year	FY2018	FY2017	Change %
Gearing ratio	0.16	0.18	(10.5)
Current ratio	1.89	2.21	(14.5)
Cash ratio	0.33	0.53	(39.1)
Net asset value per share (cents)	10.48	11.55	(9.3)

### Group Financial Position

Assets (\$'000)	FY2018	% Total Assets	FY2017	% Total Assets	Change %
Cash & bank balances	5,342	6.1	8,830	11.1	(39.5)
Trade & other receivables	16,713	19.2	18,475	23.2	(9.5)
Inventories	5,249	6.0	5,449	6.8	(3.7)
Assets held for sale	3,601	4.1	3,569	4.5	0.9
Property, plant & equipment	32,049	36.8	27,504	34.5	16.5
Associate	17,010	19.5	-	-	n.m.
Available-for-sale financial assets	-	-	8,978	11.3	n.m.
Investment properties	6,827	7.8	6,584	8.3	3.7
Other assets	223	0.3	228	0.3	(2.2)
<b>Total assets</b>	<b>87,014</b>	<b>100.0</b>	<b>79,617</b>	<b>100.0</b>	<b>9.3</b>

Equity/Liabilities (\$'000)	FY2018	% of Total Liabilities and Equity	FY2017	% of Total Liabilities and Equity	Change %
Equity attributable to owners of the parent	63,825	73.4	57,057	71.7	11.9
Non-controlling interests	2,008	2.3	2,354	3.0	(14.7)
Borrowings: non-current	3,874	4.5	2,665	3.3	45.4
Borrowings: current	6,150	7.1	7,348	9.2	(16.3)
Trade and other payables: current	10,093	11.6	9,053	11.4	11.5
Other liabilities	1,064	1.2	1,140	1.4	(6.7)
<b>Total liabilities and equity</b>	<b>87,014</b>	<b>100.0</b>	<b>79,617</b>	<b>100.0</b>	<b>9.3</b>

The decrease in trade and other receivables of \$1.8 million was mainly due amounts owing from our customers.

Total borrowings remained unchanged at \$10.0 million at the end of the reporting period. Repayment of bank loans of \$5.1 million exceeded

proceeds from new bank loans of \$3.4 million. The Company had a bank overdraft balance of \$1.6 million as at 31 August 2018.

At \$63.8 million, equity due to owners of the parent was up 11.9% year-on-year. In addition profit for the

# CFO Statement

year, equity was pushed up by the Placement, and offset by the payment of dividends.

## Cash Flows

Cash and cash equivalents decreased by \$5.1 million from \$8.7 million as at 31 August 2017 to \$3.6 million as at 31 August 2018. Cash and cash equivalents comprised of cash and bank balances, bank overdraft, fixed deposits and excluding restricted cash.

## Operating Activities

The conversion of profit into cash inflows from operating activities was mainly driven by integrated engineering services and rental income. The cash inflows due to the decrease of net working capital were mainly driven by integrated engineering services, due mainly to an increase in the line item of trade receivables and trade payables.

## Investing Activities

The cash outflows for acquisition of businesses primarily included payments totalling \$8.0 million related to the acquisition of Core Power. On 31 July 2018, the Company entered into an agreement with Core Power (Fujian) Electric Co., Ltd and Fujian Kaibote Technology Co., Ltd to increase the Company's investment from 15% interest to 32% interest by way of new capital injection into the JV Company. The long-stop date for the above agreement is 25 January 2019. The Company will make further announcements to update Shareholders in respect to the investment as and when appropriate.

Additions to property, plant and equipment totalled \$8.3 million in FY2018, a significant spending increase when compared to the \$4.8 million in FY2017. The capital expenditure focused mainly on our core business,

## Group Cash Flows

Equity/Liabilities (\$'000)	FY2018	FY2017	Change %
Operating cash flow before working capital changes	5,512	5,930	(7.0)
Working capital changes	2,917	(990)	n.m.
Interest paid, net	(397)	(469)	(15.4)
Income tax paid	(447)	(463)	(3.5)
Net cash from/(used in) operating activities	7,585	4,008	89.2
Net cash used in investing activities	(15,279)	(7,472)	104.5
Net cash (used in)/from financial activities	2,843	(500)	n.m.
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(4,851)</b>	<b>(3,964)</b>	<b>22.4</b>

## Free Cash Flow and Working Capital

For the year (\$'000)	FY2018	FY2017	Change %
Cash flows from operating activities	7,585	4,008	89.2
Additions to property, plant and equipment, net	(8,273)	(4,825)	71.5
Investment in associate	(7,951)	-	n.m.
Free cash flow	(8,639)	(817)	n.m.
Current assets	30,963	36,415	(15.0)
Current liabilities	(16,411)	(16,511)	(0.6)
Working capital	14,552	19,904	(26.9)

and the purchase and construction of industrial buildings. During the year, our Philippines plant also added a new e-coating line for its automotive business and our Wuxi plant added a new 6-axis high precision laser cutting robot arm to extend its prototyping capabilities.

During the year, we started the construction of two industrial buildings in the Philippines of \$2.5 million, and the purchase of an industrial property in Singapore of \$1.6 million. The new industrial property at Tradehub 21 will be the headquarters of the Miyoshi Group following the sale of its industrial property at 5 Second Chin Bee Road.

The cash inflows from disposal of plant and equipment of \$0.8 million included the sale of machines that were not utilised or under-utilised.

## Financing Activities

The cash outflows for financing activities primarily included the repayment of loans of \$5.1 million, the payment of dividends of \$2.0 million and the purchase of treasury shares of \$0.2 million. The cash inflows were proceeds from the Placement of \$6.8 million and new loans of \$3.4 million.

We report free cash flow and working capital and as a supplemental liquidity measure (see above).

With our ability to generate positive operating cash flows, we believe we have sufficient flexibility to fund our capital requirements. Also in our opinion, our operating net working capital is sufficient for our present requirements.

# Key Performance Indicators

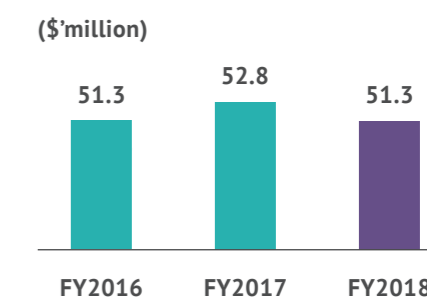
## 1. Grow revenue

### Target:

Deliver consistent revenue growth.

### Outcome for FY2018:

-2.7% revenue growth to \$51.3 million.



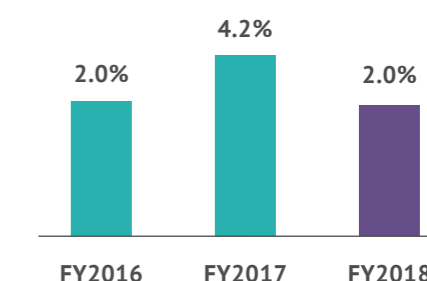
## 2. Improve Returns

### Target:

Net profit margins of 6% or better.

### Outcome for FY2018:

Net profit margin was 2.0%.

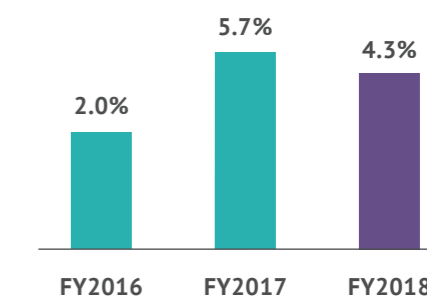


### Target:

Return on capital employed of 6% or better.

### Outcome for FY2018:

Return on capital employed was 4.3%.



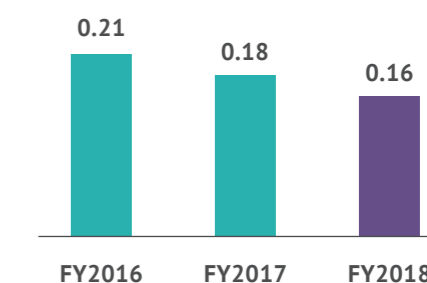
## 3. Quality balance sheet

### Target:

Efficient capital structure, with manageable gearing ratio.

### Outcome for FY2018:

Gearing ratio fell to 0.16 due to proceeds from the Share Placement and repayment of loans.



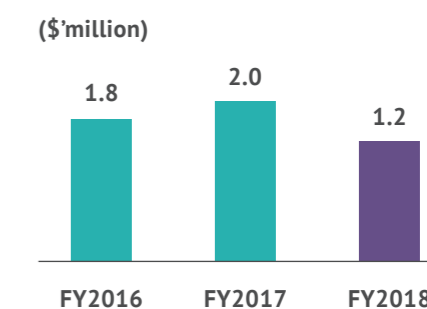
## 4. Returns to shareholders

### Target:

Regular dividend payment to shareholders.

### Outcome for FY2018:

Dividend payments this year will be \$1.2 million or 0.2 cents per share.





**“Being ‘Tomorrow-focused’, our business is rooted in anticipating and addressing global trends that impact the way we live, work, move and the food we eat.”**

**- Andrew Sin Kwong Wah**

Being ‘Tomorrow-focused’, our business is rooted in anticipating and addressing global trends that impact the way we live, work, move and the food we eat. Companies with the right intent and expertise to address pressing global challenges will grow faster than the global economy. By thinking bigger and bolder to help customers around the world solve these challenges, we are doing the right thing for our communities, our environment and our business.

Miyoshi links business opportunities to important global trends to create long-term value for our customers, employees, shareholders, suppliers and local communities. We understand that everything that we do is connected to our stakeholders and environment, and that sustainability is smart business.

Sustainability in all its forms – economic, environmental, social and governance – is central to our strategy. Just as we have been successful for the past 30 years, we strive to continue to build a more sustainable and thriving Group. The Board, having considered sustainability factors as part of its strategic formulation, determined that material economic, environmental, social and governance (“EESG”) factors and overseen the management and monitoring of the material EESG factors.

The 2018 Sustainability Report highlights our pursuit of better ways of doing business – ways that, whenever possible, benefit both our stakeholders and the environment. This report explains how Miyoshi integrates sustainability into the fabric of the Group.

Our strategic focus on business sustainability served us well in FY2018. Despite a significant decrease in our revenue from the data storage segment, our revenue decreased a mere 2.7%. The resilience in our business model serves us well as we shift our focus from data storage to consumer electronics and automotive segments. We also achieved strong cash flow from operations with \$7.6 million in FY2018.

We retained a strong balance sheet while returning cash to shareholders in FY2018. Miyoshi paid approximately S\$2.0 million in dividends during the year, and executed S\$0.2 million in share-buybacks. We will continue our history of annual dividend payments, subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Our people feel they are winning – individually, as a team and as a company. It was particularly inspiring to see Miyoshi continue to make significant improvements in both the absolute scores and rankings in the Singapore Governance and Transparency Index 2018. Miyoshi was ranked #46 out of 589 listed companies in Singapore.

Employee engagement fuels the contributions we are making to address critical social sustainability issues through volunteerism, customer partnerships and corporate social responsibility to meet the needs of the local communities. Equally important, our people believe that environmental sustainability and energy efficiency are critical to our future success.

Our customers’ needs are shaped by global macro trends, the majority related to environmental, economic and social sustainability. Looking ahead to the next three to five years, we expect that several of these trends will have an especially powerful impact on our customers and our business. Chief among them are climate change, demographic shifts, diversity and inclusion and demands for enhanced energy productivity.

I am proud of our team for delivering the second sustainability report for the Group’s financial year ended 31 August 2018. It provides a detailed account of our sustainability performance in all our operations and a sustainability report will be published annually thereafter in accordance with our sustainability efforts.

On behalf of our entire team, I extend our deep appreciation to you for your support this past year. We are committed to sustaining our leadership for you and all the company’s stakeholders, and I look forward to keep you apprised of our progress.

Sincerely,

**ANDREW SIN KWONG WAH**  
Executive Director and CEO

**“Our commitment to sustainability comes from the top of our organisation. Our Board having considered sustainability factors as part of its strategic formulation, determined the material economic, environmental, social and governance (EESG) factors and overseen the management and monitoring of the material EESG factors.”**

## Sustainability Governance Structure

In Miyoshi, we approach sustainability by integrating it into our business that deliver long-term shareholder value and growth. We believe that a truly sustainable business not only creates economic value, but does so in a way that benefits its stakeholders and the environment.

Our commitment to sustainability comes from the top of our organisation. Our Board having considered sustainability factors as part of its strategic formulation, determined the material economic, environmental, social and governance (“EESG”) factors and overseen the management and monitoring of the material EESG factors.

Accountability for the best practices is in the hands of our Sustainability Strategy Committee (“SSC”), a group of company executives across various functions. They provide strategic direction for managing sustainability-related risks and opportunities. It also guides the development and improvement of frameworks, policies, guidelines and processes to ensure that sustainability factors are effectively managed. SSC is chaired by our Chief Financial Officer, whom reports to the Board of Directors.

## About our Reporting

Our sustainability reporting is prepared in accordance with the Global Reporting Initiative (“GRI”) Standards as it provides a set of an extensive framework that is widely

accepted as a global standard for sustainability reporting. In defining our reporting content, we applied the GRI’s principles for defining report content by considering the Group’s activities, impacts and substantive expectations and interests of its stakeholders. We observed a total of four principles, including materiality, stakeholder inclusiveness, sustainability index and completeness.

For reporting quality, we observed the principles of balance, comparability, accuracy, timeliness, clarity and reliability.

The EESG data and information provided have not been verified by an independent third party. We have relied on internal data monitoring and verification to ensure accuracy.

## External Charters, Principles or Other Initiatives

Miyoshi has aligned our operations and business practices with the industry practices and standards of International Organization for Standards for ISO9001 and TS16949.

## Member of Industry Associations

We are a member of the following trade and industry associations:

- Singapore Business Federation
- Singapore Manufacturer’s Federation
- Singapore Chinese Chamber of Commerce and Industry
- Thailand Tool and Die Industry Association
- UAE Singapore Business Council

## Our Materiality Analysis

Materiality analysis enables Miyoshi to define sustainability factors that are of greatest significance to our businesses and stakeholders over the long term.

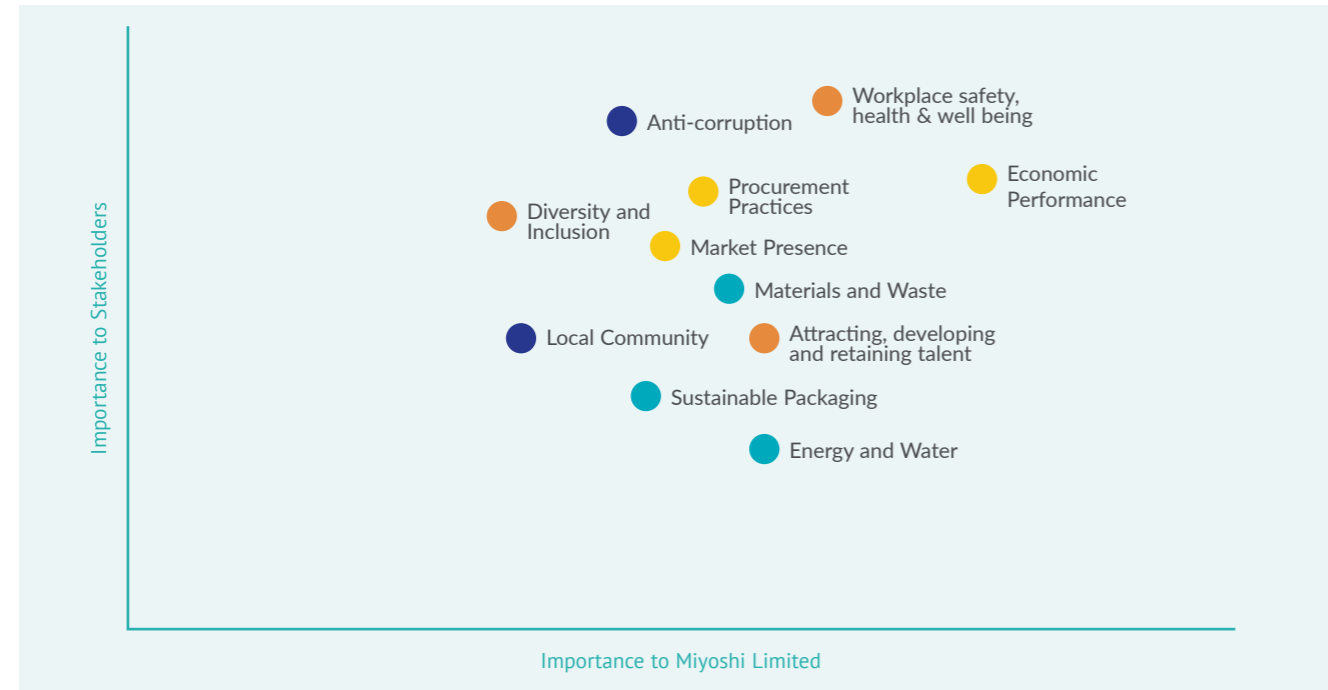
We conducted our first materiality analysis in 2017 and the SSC team identified the EESG factors material to the Group based on their knowledge of their respective business areas, the challenges faced and the corresponding implications for Miyoshi’s businesses and operations. In FY2018, the SSC team provided further inputs during the review of the materiality analysis and also considered the insights they gained from their day-to-day engagement with their stakeholders.

The initial identification of the material EESG factors were followed by extensive consultation with internal stakeholders, including members of the management team, to establish the direction for sustainability reporting. The SSC also examined the evaluation criteria applied by the relevant sustainability indices and rankings to understand the EESG matters of interest to our stakeholders to ensure completeness. We considered the guiding principles from the Singapore Exchange in its Catalist Rules Practice Note 7F – Sustainability Reporting Guide.

# Sustainability

Based on the above process, we categorised the identified EESG factors into three groups: Highly Material, Material and Important. A summary of these factors, how we create value, our goals and how they relate to the GRI's aspects and boundaries is presented in the following chart.

## Materiality Matrix



## Aspect Boundaries

The aspect boundaries 'within' the organisation include all subsidiaries and employees within the Group. Associate companies or assets available for sale are excluded.

The aspect boundaries 'outside' the organisation include customers, suppliers, shareholders, investors/analysts, government and regulators and community.

## What our Stakeholders are telling us

At Miyoshi, we build long-lasting, value-creating partnerships with our stakeholders, who include our customers, suppliers, business partners, employees and the communities in which we operate.

We make use of a periodic survey to gauge customer satisfaction and help our company improve its operations. We also compile, evaluate, track and analyze all customer complaints that enables us to resolve problems efficiently.

We seek to ensure that Miyoshi's suppliers meet environmental, health and safety, labor and human rights standards and requirements. We assesses and reviews suppliers' sustainability performance, initiates improvements and provides suppliers with training that builds their capacity to ensure that issues are recognized and addressed.

To connect with Miyoshi's investors, we have held regular roadshows over the past year. We also engage in individual meetings with fund managers and analysts.

We contribute to the social and economic progress of the communities in which Miyoshi is present, and engage with the local community, unions and the media on an ongoing basis.

A summary of our stakeholder engagement efforts is presented in the following table.

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2018
Customers	<ul style="list-style-type: none"> <li>Good quality products</li> <li>Competitive pricing</li> <li>Strong technical support</li> <li>Prompt service and resolution of defects</li> </ul>	<ul style="list-style-type: none"> <li>Meet customers' expectations on product quality and timeliness of deliveries</li> <li>Communicating with our customers on their preferred channel, be it in person, online or on the phone</li> <li>Providing timely response to customers for quotations, queries and complaints</li> <li>Maintaining effective work instructions and good quality management systems</li> <li>Emphasis on continuous improvement programme</li> <li>Ability to attract, develop and retain talent</li> </ul>	<ul style="list-style-type: none"> <li>Face-to-face meetings</li> <li>Tele-conversations</li> <li>Emails</li> </ul>
Employees	<ul style="list-style-type: none"> <li>Work-life balance</li> <li>Competitive wage and benefits</li> <li>Trust and respect</li> <li>Career development</li> <li>Job satisfaction and recognition</li> <li>Fair employment practices</li> <li>Workplace well-being</li> <li>Conducive work environment</li> </ul>	<ul style="list-style-type: none"> <li>Creating a values-based organisational culture</li> <li>Providing opportunities for training and development</li> <li>Enabling our colleagues Group-wide to be informed and engaged in order to contribute effectively</li> <li>Promoting teamwork and supporting one another to achieve shared goals</li> <li>Ensuring fair human resource policies</li> <li>Allow flexible work arrangements</li> <li>Providing health and wellness benefits</li> <li>Maintaining workplace health and safety</li> </ul>	<ul style="list-style-type: none"> <li>One-on-one sessions</li> <li>HR policies and procedures</li> <li>Open door policy by management</li> <li>Recreational activities</li> </ul>

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2018
Shareholders, Investors and Analysts	<ul style="list-style-type: none"> <li>Stable and sustainable growth and profitability</li> <li>Reasonable returns to shareholders</li> <li>Strong balance sheet</li> <li>Strong corporate governance and transparency</li> <li>Timely disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring strong oversight and accountability by an experienced and competent Board and Management team</li> <li>Adopting a disciplined and measured approach towards business risks and opportunities</li> <li>Ensuring robust risk governance and management</li> <li>Maintaining a strong corporate governance culture</li> <li>Ensuring timely disclosure and reporting</li> </ul>	<ul style="list-style-type: none"> <li>General meetings with shareholders</li> <li>Quarterly financial reports</li> <li>Annual reports</li> <li>SGXNet announcements</li> <li>Road shows</li> </ul>
Community	<ul style="list-style-type: none"> <li>Employment opportunities</li> <li>Good corporate citizenry</li> </ul>	<ul style="list-style-type: none"> <li>Encouraging strategic investments that drive economic growth and social development</li> <li>Creating jobs in local economies</li> <li>Giving back to society through programmes focused on environment, aged and education</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships with voluntary welfare organisations</li> <li>Donations</li> </ul>
Government and Regulators	<ul style="list-style-type: none"> <li>Upholding of the highest standards of corporate governance and ethical behaviour</li> <li>Prevention of fraud and money-laundering</li> <li>Financial stability</li> <li>Taxes</li> <li>Support of the development of local economies and industry</li> </ul>	<ul style="list-style-type: none"> <li>Complying with applicable and current laws, regulations and policies</li> <li>Maintaining sound risk management systems and processes</li> <li>Conducting regular internal and external audits</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings with local authorities</li> <li>Consultations with regulatory bodies</li> <li>Annual reports</li> <li>Audit reports</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fair vendor selection process</li> <li>Ethical conduct</li> <li>Timely payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring integrity in all purchasing decisions</li> <li>Adhering to agreement terms</li> </ul>	<ul style="list-style-type: none"> <li>Requests for Quotations and/or Proposals</li> <li>Vendor briefings</li> <li>Purchase agreements</li> <li>Periodic reviews</li> </ul>

## Sustainability Reporting Processes



**Identification**  
Identification of material EESG factors to the Group



**Consultation**  
Extensive consultation with internal stakeholders to establish direction for sustainability reporting



**Evaluation**  
Examine the evaluation criteria to ensure completeness

### Our Material EESG Factors Economic

#### Objective

We strive to deliver consistent returns for our shareholders and contributing to the local economies through job creation and taxes. Our focus is on the financial performance indicators.

#### Approach and Targets

##### (a) Economic Performance

Management have been developing a more resilient and diversified revenue model, such as recurring rental income and revenue from non-core business, such as revenue from optronics business, electric vehicles and indoor farming.

**Target:** To increase revenue from non-core business to 5% of total revenue by FY2020.

##### (b) Market Presence

We also ensure that management employees are drawn from the local communities so that it can benefit the local communities. Diversity within a management team and the inclusion of members from the local communities, in countries which we have operations, can enhance human capital, brings economic benefit to the local communities and the organisation's ability to understand local needs.

The management employees included in the chart are from each of our sub-units in the Philippines, Thailand, Huizhou (China), Wuxi (China), Malaysia and Singapore.

**Target:** To increase the proportion of management employees from local communities to 100% by FY2020.

##### (c) Procurement Practices

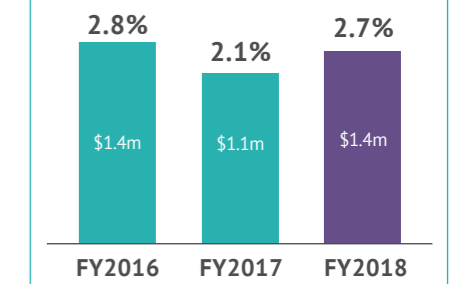
Miyoshi depends on high-quality, safe, affordable supply of materials to meet the demands of our operations and the expectations of our customers to deliver consistent products. Our sourcing is a complex and often a decentralized issue.

Our customers are increasingly looking for transparency and expecting more from how we purchase our materials. The origin of the materials are exposed to reputational risks, potential disruptions in supply and environmental challenged. Miyoshi look for local sourcing opportunities and form relationships with local suppliers, from countries in which we operate, for our materials.

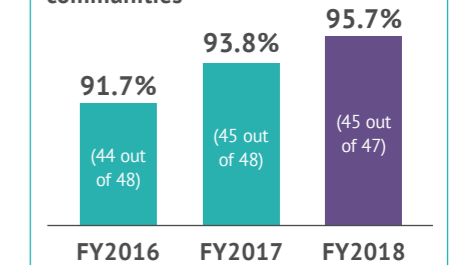
**Target:** To increase the use of locally-based suppliers to 70% of materials by FY2020.

### Performance Highlights (Economic)

#### % revenue from non-core business vs total revenue

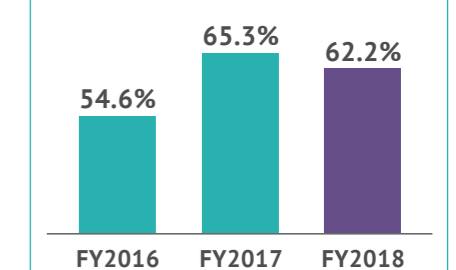


#### Proportion of management employees hired from local communities



The above management employees are from each of our sub-units in the Philippines, Thailand, Huizhou (China), Wuxi (China), Malaysia and Singapore.

#### Proportion of materials sourced from locally-based suppliers



# Sustainability

## Environmental

### Objective

We are committed to reduce the environmental impacts of our activities, efficiently utilise natural resources and reduce waste. Our focus is on materials, energy, water, sustainable packaging and waste.

At Miyoshi, we ensure that the principle of sustainable business is embedded in our activities and products. This means protecting the future by making the right choices in an environment where water is increasingly scarce, natural resources are constrained and biodiversity is declining.

Materials (metals/packaging materials), energy and water are irreplaceable inputs of many of our production and consumption processes. Environmental concerns on metal mining include physical disturbances to the landscape, soil and water contamination and air contamination. Energy sources also have some impact on our environment, including wildlife and habitat loss, global warming emissions, air and water pollution. Optimisation of water use by our Group is important because it can lower water withdrawals from local water sources thus increasing water availability and improving community relations.

Measuring and managing the consumption of the materials, energy and water is not only important for our planet and communities in which we operate, it is also essential to the sustainability of our business. We are committed to minimising our environmental impact across our operations.



Image: Miyoshi Huizhou participation in local community events

### Approach and Targets

#### (a) Materials and Waste

Our components manufactured are mainly made of steel, copper and aluminum. We buy 62.2% of the materials used locally (i.e. from the country of our operations). We work closely with our suppliers to ensure they match our commitment to corporate social responsibility.

Steel is a uniquely sustainable material because once it is made, it can be used as steel forever. Steel is infinitely recycled and the material can be used by future generations. Steel is one of the most recycled material in the world.

Steel waste or scrap, such as metal shavings, cut-outs and debris, is nearly inevitable when cutting and shaping products. Scrap is also generated when the dimensions of the product does not meet stringent quality standards.

Our approach is to minimise quality scrap by keeping our employees trained and motivated. We believe our people are still key to our Group's success. It is our workers who set up, operate, and

maintain the machinery that we use to meet our production goals. Keeping their skills up to date while motivating them to find ways to improve efficiency is a key part of minimising scrap.

The other approach is to ensure all the scrap are accounted for and sent to a local steel mill for recycling or exported.

**Target:** To reduce our materials scrap to 12% of production volume each year by FY2020.

#### (b) Energy and Water

Managing energy and water is important to our bottom line and the environment. Our factories require energy, approximately 10,299 megawatt hours (MWh) regionally in FY2018.

Energy is consumed by our various equipment, lighting systems, cooling/heating and ventilation systems. Our approach towards energy is mainly focused on the reduction of machine idling time. This idling is due to the metal part queueing for quality check before continuing production. Machine idling leads to inefficiency and in turn increases the energy consumption per part.

The lighting systems offer great opportunities for savings. Adopting the latest fluorescent and Light Emitting Diode (LED) tubes and installing occupancy detection system will ensure that only occupied areas are lit and light levels exactly match what is required by the activities in each specific area. No energy is wasted lighting empty areas or providing more light than is necessary. An example is having the light sensors in our toilets.

Water savings are achieved through a combination of changing behaviour, modifying and replacing equipment with water saving equipment to reduce overall water consumption and increase internal reuse. Trainings are also conducted to raise the awareness among employees on efficient use of water and responsible use. We conduct regular inspections of equipment or areas where leaks could occur, such as piping joints, connections and fittings.

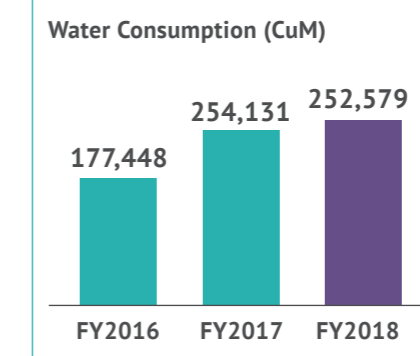
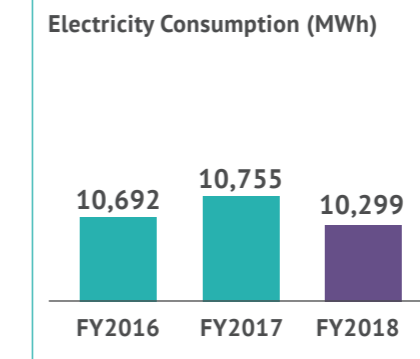
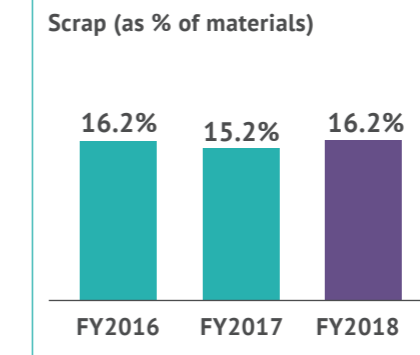
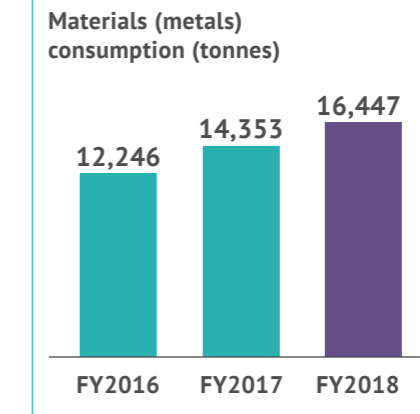
**Target:** To raise awareness on our energy and water usage within the Group.

#### (c) Sustainable Packaging

One of the most overlooked sources of waste in the supply chain is packaging waste. Recognising that one-way packaging supply chains result in an unacceptable amount of waste, Miyoshi has initiated a Returnable Packaging program. The effort is currently underway at our manufacturing sites at the Philippines, Thailand and Huizhou.

The economics of sustainable packaging is clear as reducing packaging waste creates efficiencies and lowers costs of production. Re-using materials extend their life, helping to use less of the earth's precious resources. Recycling allows us to repurpose valuable materials that would otherwise have been wasted. The

### Performance Highlights (Environmental)



more we reduce, re-use and recycle, the greater the cost savings in packaging materials, transport and disposal.

In Miyoshi, we use cardboard boxes (recyclable), plastic crates (reusable and recyclable) in our packaging and they are usually placed on wooden and plastic pallets (recyclable and reusable).

**Target:** To increase the use of recyclable or reusable packaging materials.

### Social: Social Impact and Performance

Miyoshi defines social sustainability as caring about and investing in the needs of our employees and communities over the long term. We partner with our stakeholders in the pursuit of positive societal change, ensuring all parties operate with integrity and an ethical mindset. In doing so, we share responsibilities for delivering results the right way. We strive to engage our employees and improve the quality of life in the communities where we do business.

#### Human Capital

At Miyoshi, we understand that our people make us what we are. We strive to hire the best candidates and retain employees around the region. We aim to motivate all our employees within a high performing culture, with lifelong learning and development possibilities. We seek to create a respectful, inclusive and diverse workplace. At Miyoshi, we believe that talent and effort should drive advancement. Everyone should be treated fairly regardless of their ethnicity, gender, age or disability. We aim to create an environment where all people are treated with respect and valued for their individual strengths.

# Sustainability

Globalization, demographic change and technology are changing the world of work. This creates opportunities, but also presents challenges – especially for those accustomed to earlier models of workplace organization. Constant connectivity and the intensification of work threaten to blur the boundaries between work and private life.

## Talent Acquisition

Our employee make Miyoshi what it is. We need to attract, develop and retain top-notch people to be successful. Our talent acquisition efforts are geared to finding the best individuals, wherever they may be. Our development and retention programs help employees reach their personal goals as they contribute to making Miyoshi the best company it can be.

Unlike many people in previous generations, members of Generation Y (born in the 1980s and 1990s) are not necessarily looking for secure positions with a single company for their entire lives. Instead, many of them focus on what's called the employee/employer value proposition (EVP), whereby each side helps the other advance toward their own goals. There is also a greater emphasis on the work-life balance.

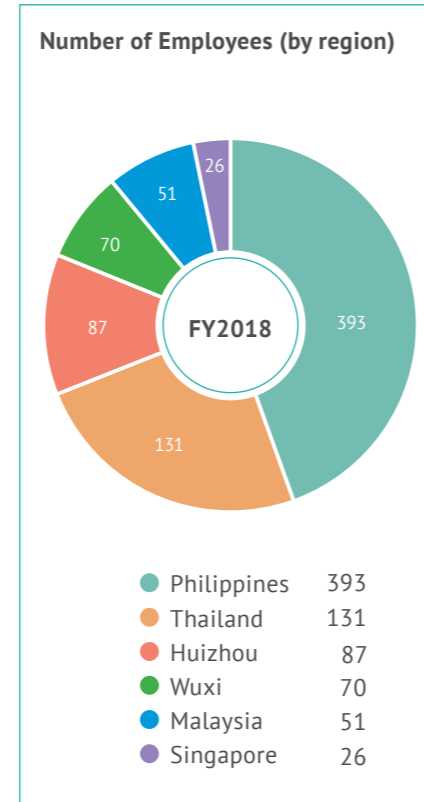
As at 31 August 2018, we employed 758 employees within Asia, which represents a decrease of approximately 80 employees in comparison as at 31 August 2017. Thereof, 52% were in the Philippines, 21% in the People's Republic of China, 17% in Thailand and the remaining 10% from Malaysia and Singapore. Over the last three years, our workforce has decreased by 178 employees or approximately 19.0% from 936 employees as at 1 September

2015 to 758 employees as at 31 August 2018. More than 68% of our employees have a permanent contract, unchanged from a year ago. The use of temporary workers enhances labour flexibility and allow us to cater to fluctuating demand of our businesses.

To maintain a high-quality workforce, we have taken several initiatives, including efforts to recruit using recruiters as they have the skillset to recruit the best people. We also doubled our efforts to make sure that current employees receive serious consideration for better positions. If they are not promoted, they may leave.

We hired 200 new employees in FY2018, compared to 239 a year ago. Thereof, 48.0% were in the Philippines, 38.0% were in the People's Republic of China, 14.0% were in the three countries of Singapore, Thailand and Malaysia.

## Performance Highlights (Social)



## Learning and Development

Having the right people with the right skills in the right places are the right time is essential to our success as a Group.

Miyoshi advocates development opportunities that allow employees to achieve their full potential. The management, comprising the head of sub-units and heads of departments, meet to identify and manage learning and developmental needs, career planning and human resource concerns. Suitable training is extended to employees to enable them to perform at optimal levels. Such training compares mainly on-the-job training and mentoring, classroom training, job rotation and courses conducted by external trainers.

Heads of sub-units also meet regularly for marketing, technical and financial courses. For the year ended FY2018, Miyoshi expended \$83,000, or approximately 0.8% of its annual wage bill towards learning and development programmes for employees.

## Employee Retention

Miyoshi supports paying employees a competitive wage. Consistent with our principle of valuing personal contribution and mastery, we provide employees the opportunity to develop their skills and capabilities to enhance their ability to succeed in their career, consistent with the needs of the business.

Our employee benefits have been developed to protect the financial security of employees. These benefits include comprehensive coverage for health care, vacation and holiday time, and other work/family benefits, including flexitime and child care leave.



The average tenure of our employees is about 5.7 years and more than 46.7% of our employees have been with Miyoshi for more than five years. Miyoshi's attrition rate of 25.6% in FY2018 is a slight decrease from 26.4% a year ago. Miyoshi's target for our attrition rate is 20%. A minimum of one month's notice is required for any employee resignation.

**Target:** To reduce attrition rate to less than 20% by FY2020.

## Diversity and Inclusion

Miyoshi has made a conscious decision to foster a diverse workforce. By bringing in people with different experiences, backgrounds, skills, we are better able to meet a wide range of challenges and encourage innovation. Our employees need to reflect the diverse markets and customers we serve. We aim to strengthen our Group by recruiting different kinds of people who can help create value in unique ways for our Group, our customers and partners, and society at large.

At the core of our strategy, we want to foster a culture of inclusion so that everyone is valued, included and performing at their peak.

Foundational diversity and inclusion capability focuses on key concepts such as microinequities, unconscious bias, benefits in leveraging diversity and intent versus impact on others. By understanding these types of differences, it enables our employees to be in touch and build collaborative diverse relationships so that we can all successfully grow our business together.

Our diversity strategy is facilitated by our geographic reach, we employ individuals of about 8 nationalities. Beyond that, we have taken a number of steps to promote and strengthen the diversity of our workforce:

- Addressing unconscious bias;
- Promoting gender balance;
- Supporting people with disabilities;
- Able to commit time and effort to carry out duties responsibilities effectively;
- Ensuring an inclusive culture that values the contributions of different people from diverse backgrounds.

Image: Value Engineering ("VE") Trip at Mt. Huashan in Xi'an, China, June 2018

# Sustainability

The proportion of women as a percentage of the total workforce decreased to 48.3% as at 31 August 2018, compared to 51.3% a year ago.

The distribution of employees by age group remained relatively unchanged compared to the year before. The median age in the year under review was 41, compared to 40 a year ago.

Diversity has become a key element of our hiring, regional placement and promotion processes. We are taking strides to ensure diversity in the candidate pools for top positions as well as on the teams that make decisions related to hiring and promotions. Among the new hires in FY2018, 50.5% were women, compared to 36.0% and 37.1% in FY2017 and FY2016 respectively.

Among the 200 new hires, 53.5% were under 30 years old, 44.5% between 30 and 50 years old and 2.0% over 50 years old.

**Target:** To develop an inclusive culture and respecting the contribution of all employees regardless of gender, age, race or disability.

## Workplace safety, health and well-being

Creating and sustaining a safety-focused, zero-incident culture is a top priority for everyone at Miyoshi. This commitment starts with our CEO and permeates the entire organisation. At Miyoshi, everyone is responsible for their own safety and the safety of their co-workers' safety. We promote open discussions with management regarding work-related hazards and safety issues. Our manufacturing sites conduct monthly environmental, health and safety (EHS) meetings. These meetings raise awareness of safety compliance issues and provide our employees with opportunities to share best practices.

At Miyoshi, we support our employees to live healthy lives and achieve peak performance. We emphasis on nutrition, fitness, easy access to our health information and an environment that encourages healthy choices and personal management of health risks.

In our manufacturing sites, we work with our canteen operators to provide meals based on healthier cooking methods, such as ovens and grilling, instead of frying and to include more fibre in their diet, such as fruits and vegetables.

**Target:** To have zero work-related fatality and minimise the number of lost days due to injuries.

## Incident Investigations

In our drive to constantly improve our safety performance and share lessons learned, we are constantly strengthening our incident investigation capabilities through training and support. Training sessions to systematically analyze the root causes of incidents and to address measures preventing recurrence have been conducted in the Philippines, Thailand, China and Malaysia.

## Suppliers and Contractors

Suppliers and contractors are essential to our operations, especially in the core business. Therefore, we must make the safety performance of contractors and suppliers a central concern. The selection process for suppliers and contractors, especially for high-risk activities (such as electrical works or working at heights), includes the mandatory participation of safety experts. Additionally, we also train the employees of suppliers and contractors in our practical safety training courses at our various manufacturing locations.

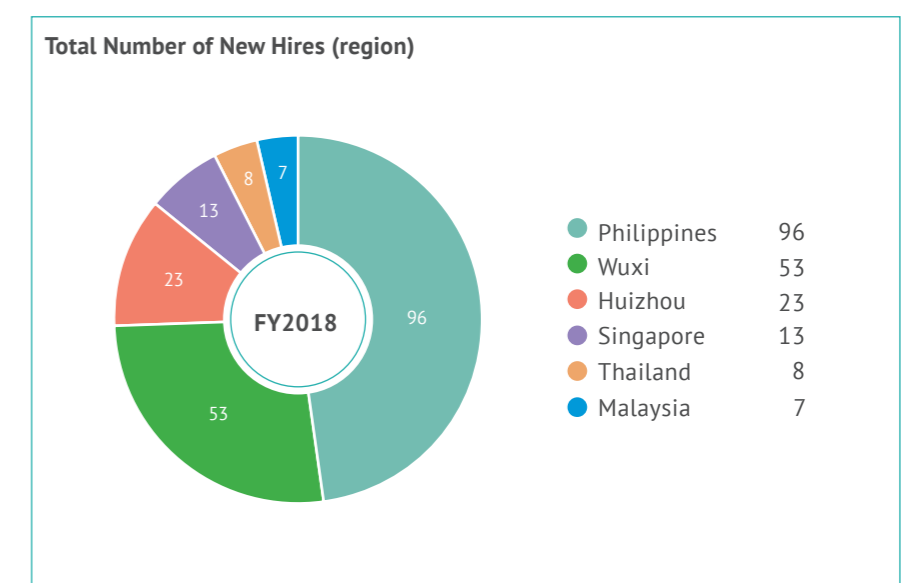
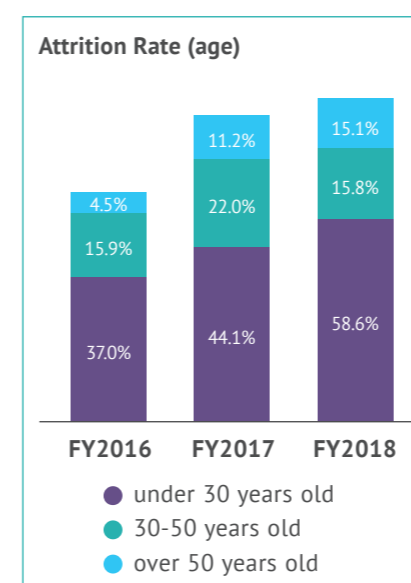
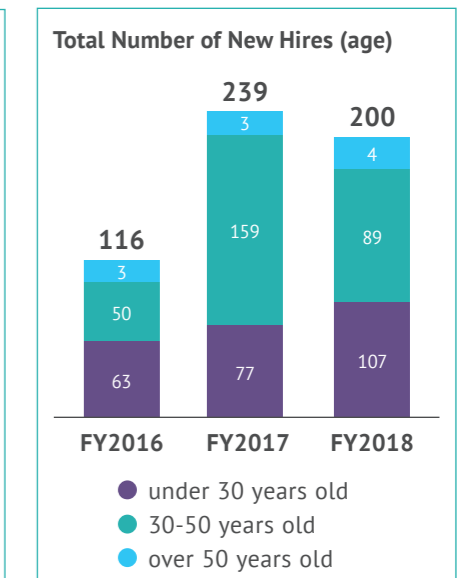
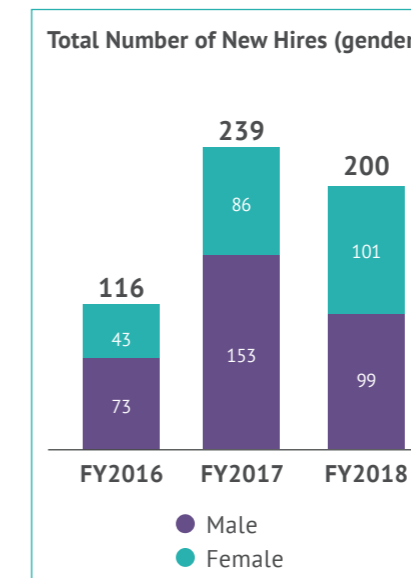
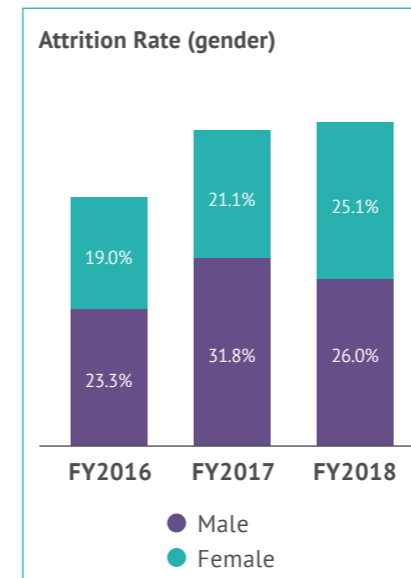
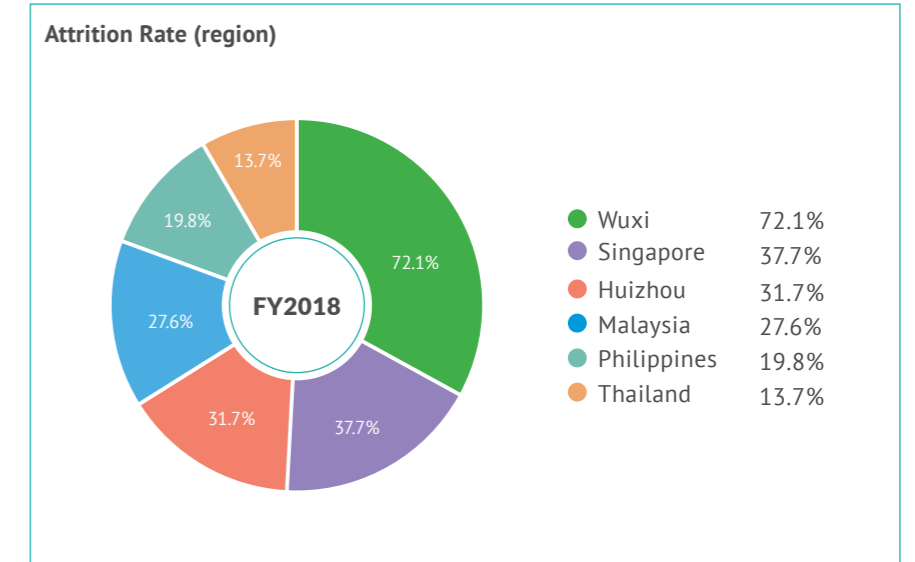
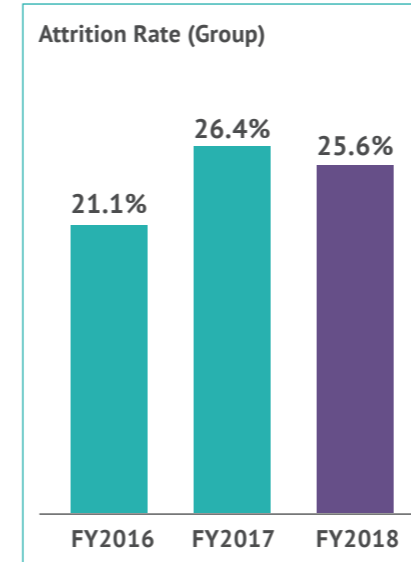
## Anti-Child Labour and Anti-Forced Labour

Miyoshi is against any form of coerced labour and discrimination, and adheres to the tenets of global human rights conventions that include the Universal Declaration of Human Rights and the International Labour Organisation ("ILO") Conventions. We comply with the five key principles of fair employment:

- (a) recruit and select employees on the basis of merit, such as skills, experience and ability, regardless of ethnicity, gender, age or disability,



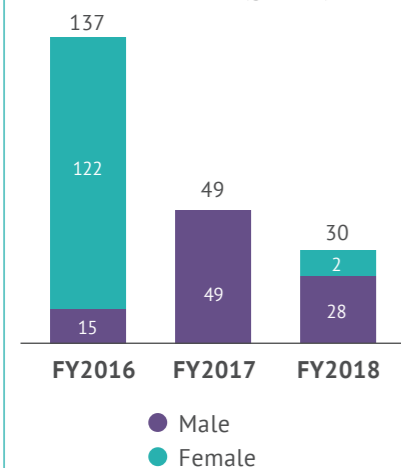
Image: Corporate Social Responsibility activities in Wat Chao Bun Koet at AngThong Province, Thailand, September 2018



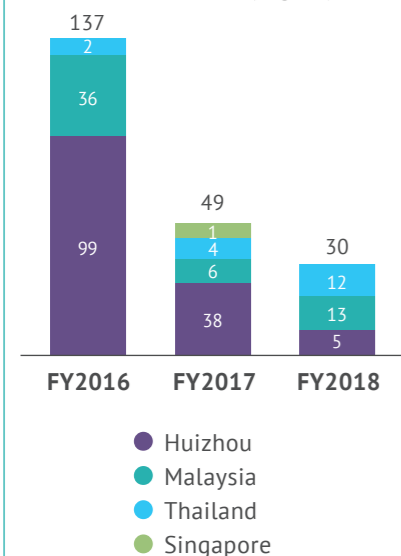
# Sustainability

- (b) treat employees fairly and with respect and implement progressive human resource management systems,
- (c) provide employees with equal opportunities for training and development based on their strengths and needs, to help them achieve their full potential,
- (d) reward employees fairly based on their ability, performance, contribution and experience, and
- (e) abide by the local labour laws which promote fair employment practices.

Number of Lost Days (gender)



Number of Lost Days (region)



In FY2018, there was no reported incident relating to child labour or forced labour in Miyoshi.

## Respect for Freedom of Association

Miyoshi upholds employees' rights to freedom of association, including the right to be trade union members. In permitting employees to be represented by trade union for collective bargaining, Miyoshi adheres to the Industrial Relations Act. Working together in a mutual and cordial relationship, Miyoshi and the union seek to foster positive work environments and raise productivity. There were no employee health and safety concerns raised by the union in FY2018.

## Community Investment

Our social responsibility vision extends to involvement with the communities in which Miyoshi employees live and work. Across the Asia Pacific region, Miyoshi supports the local communities on a personal level. Miyoshi assists its employees in contributing both time and financial support to local non-profit groups and community organisations.

## Miyoshi Thailand Green Team Kicks Off 2017 Tree Plant Activity

Employee Green Team from Miyoshi Thailand are making a positive impact in their communities. We aim to build social sustainability programs with lasting impact in the communities where we operate and live. A pilot program in Kong Kon Samusakorn, Thailand, hosted a successful tree planting activity in their community on 24 November 2007. Since then, the Green Team had tree planting activities in various parts of Thailand, including Bangpool, Khao Yai National Park and Nakhon Sawan Province.

On 17 June 2017, the Miyoshi Thailand launched its fifth tree planting activity. The event attracted more than 200 volunteers from Miyoshi Thailand.

This year's activity invited volunteers' families for participation. All the family members worked hand-in-hand to dig holes, plant seedlings and deliver on their commitments to environmental protection. A total of 600 trees were planted and lined up along the highly eroded coastal shoreline at Samut Sakhon. The program aims to plant 5,000 trees over 15 years to protect green environment in various parts of the Thailand. So far, a total of 3,000 trees have been planted.

## Miyoshi Philippines Blood Donation Drive

Employees from Miyoshi Philippines participated in the Red Cross blood donation drive on 24 October 2017.

This activity seeks to save precious lives through blood donations. Blood is important to save the lives of people who need a blood transfusion due to illness or injury. To address this need, each year, we hold a blood drive targeting our employees and in cooperation with the Philippines Red Cross Society (Laguna).

## Miyoshi Huizhou Supports Local Community Programme

Employees from Miyoshi Huizhou also participated in local community programme with donations in-kind to orphanage in FY2018.

Such employee-led volunteerism and participation in community projects seek to help the environment and enhance quality of life of the local community.

**Target:** To continue to introduce program that will benefit local communities.

## Governance: Corporate Governance, Risk Management And Transparency

We strive to achieve 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.

We adopt the Singapore Code of Corporate Governance 2012 (the "Code") issued by the Monetary Authority of Singapore and Stock Exchange of Singapore.

## Approach and Targets

### (a) SGTI score

The Singapore Governance Transparency Index ("SGTI") is a joint initiative of NUS Business School's Centre and CPA Australia to achieve the objective of evaluating listed companies, including Reits and business trusts, on their corporate governance practices and disclosures, as well as the timeliness, accessibility and transparency of their financial results

The SGTI score has two components: the base score and the adjustment for bonuses and penalties. The base score for companies contains five pillars of board responsibilities, rights of shareholders, engagement of stakeholders, accountability and audit, and disclosure and transparency. The aggregate of bonuses and penalties is incorporated to the base score to arrive at the company's SGTI total score.

**Target:** To improve on SGTI score year-on-year

### (b) SGTI ranking

SGTI 2018 covered 589 Singapore-listed companies in the General Category and 43 Reits and business trusts which released their annual reports by 31 May 2018

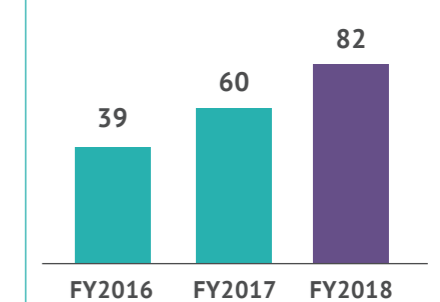
**Target:** To improve on SGTI ranking year-on-year

## Sustainability Contact

Miyoshi welcomes feedback on our sustainability practices and reporting at [sustainability@sg.miyoshi.biz](mailto:sustainability@sg.miyoshi.biz).

## Performance Highlights

SGTI Score



SGTI Ranking

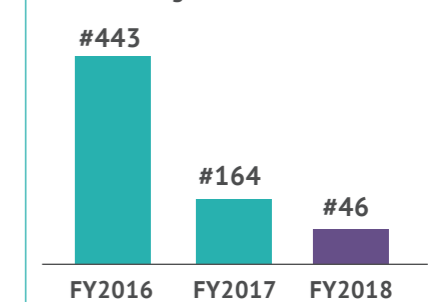


Image: Our annual blood donation activities in Miyoshi Philippines, April 2018

# GRI Content Index

Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
<b>GRI 102 - GENERAL</b>			
<b>Organisational Profile</b>			
GRI 102-1	Name of the organisation	-	Miyoshi Limited
GRI 102-2	Activities, brands, products and services	Inside Cover 20-22	What We Do Business Model
GRI 102-3	Location of headquarters	-	Singapore
GRI 102-4	Location of operations	2	Where We Are
GRI 102-5	Ownership and legal form	- 99	Publicly traded company Note 1
GRI 102-6	Markets served	26-31 148-153	CFO Statement - Operations Review Note 32
GRI 102-7	Scale of the organisation	Inside Cover 20-22 26-31 32-34 92-157	Who We Are Business Model CFO Statement - Operations Review CFO Statement - Financial Performance Financial Statements
GRI 102-8	Information on employees and other workers	43-48 -	Social - Labour Practices and Decent Work Information unavailable. Tracking in 2019.
GRI 102-9	Supply chain	38-40 42-43 46	What our Stakeholders are telling us Environment - Materials and Waste Social - Suppliers and Contractors
GRI 102-10	Significant changes to the organisation and its supply chain	8-11 12-15 26-31 173-174 -	Letter from the Chairman CEO Review CFO Statement - Operations Review Shareholders' statistics There were no significant changes in the company's supply chain or relationship with suppliers.
GRI 102-11	Precautionary principle or approach	89-90	Risk Management
GRI 102-12	External initiatives	-	Not applicable
GRI 102-13	Membership of associations	37	Member of Industry Associations
<b>Strategy</b>			
GRI 102-14	Statement from senior decision-maker	8-11 12-15 36	Letter from the Chairman CEO Review Letter from CEO on Sustainability

Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
GRI 102-15	Statement from senior decision-maker	60	Corporate Governance - Principal Duties of the Board
		61-62	Corporate Governance - Board Meetings
		65-66	Corporate Governance - Role of the Chairman
		66	Corporate Governance - Role of the CEO
		89-90	Risk Management
		38-40 37-38	What our Stakeholders are telling us Our Material EESG Factors
<b>Ethics and Integrity</b>			
GRI 102-16	Values, principles, standards and norms of behaviour	1	Our vision, mission and values
GRI 102-17	Mechanisms for advice and concerns about ethics	60	Corporate Governance- Principal Duties of the Board
		63-64	Corporate Governance- Independence
		89-90	Risk Management
<b>Governance</b>			
GRI 102-18	Governance structure	59	Corporate Governance - Governance Framework
GRI 102-19	Delegating authority	60-61	Corporate Governance - Delegation by the Board
GRI 102-20	Executive-level responsibility for economic, environmental and social topics	60	Corporate Governance - Principal Duties of the Board
GRI 102-21	Consulting stakeholders on economic, environmental and social topics	60	Corporate Governance - Principal Duties of the Board
GRI 102-22	Composition of the highest governance body and its committees	63	Corporate Governance - Board Composition
GRI 102-23	Chair of the highest governance body	59	Corporate Governance - Governance Framework
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GRI 102-24	Nominating and selecting the highest governance body	66-67	Corporate Governance - Board Membership

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		63-64	Corporate Governance - Independence
		82	Corporate Governance - Code of Conduct and Practices
		82	Corporate Governance - Interested Person Transactions
GRI 102-26	Role of highest governance body in setting purpose, values and strategy	8-11	Letter from the Chairman
		12-15	CEO Review
		60	Corporate Governance - Principal Duties of the Board
		62	Corporate Governance - Board Approval
GRI 102-27	Collective knowledge of highest governance body	62-63	Corporate Governance - Board Orientation and Training
		63	Corporate Governance - Board Composition and Size
		63	Corporate Governance - Diversity
		66-67	Corporate Governance - Board Membership
GRI 102-28	Evaluating the highest governance body's performance	68-69	Corporate Governance - Board Performance
		65-66	Corporate Governance - Role of the Chairman
GRI 102-29	Identifying and managing economic, environmental, and social impacts	60	Corporate Governance - Principal Duties of the Board
		73-75	Corporate Governance - Risk Management and Internal Controls
		37	Our Material Analysis
		38-40	What our Stakeholders are telling us
		37-38	Our Material EESG Factors
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		73	Corporate Governance - Accountability
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Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
GRI 102-32	Highest governance body's role in sustainability reporting	8-11	Letter from the Chairman
		12-15	CEO Review
		36	Letter from CEO on Sustainability
GRI 102-33	Communicating critical concerns	76	Corporate Governance - Whistleblowing Policy
GRI 102-34	Nature and total number of critical concerns	-	None during the reporting period
GRI 102-35	Remuneration policies	70	Corporate Governance - Remuneration Matters
		70-71	Corporate Governance - Level and Mix of Remuneration
GRI 102-36	Process for determining remuneration	70-71	Corporate Governance - Level and Mix of Remuneration
GRI 102-37	Stakeholders' involvement in remuneration	70	Corporate Governance - Remuneration Committee
GRI 102-38	Annual total compensation ratio	-	Information unavailable. Tracking in 2019
GRI 102-39	Percentage increase in annual total compensation ratio	-	Information unavailable. Tracking in 2019
<b>Stakeholder Engagement</b>			
GRI 102-40	List of stakeholder groups	38-40	What our Stakeholders are telling us
GRI 102-41	Collective bargaining agreements	-	Information unavailable. Tracking in 2019.
GRI 102-42	Identifying and selecting stakeholders	38-40	What our Stakeholders are telling us
GRI 102-43	Approach to stakeholder engagement	37	About our Reporting
		37	Our Material Analysis
GRI 102-44	Key topics and concerns raised	38-40	What our Stakeholders are telling us
<b>Reporting Practice</b>			
GRI 102-45	Entities included in the consolidated financial statements	122-126	Financial Statements: Subsidiaries, Associate
GRI 102-46	Defining report content and topic boundaries	37	About our Reporting
GRI 102-47	List of material topics	38	Our Materiality Matrix
GRI 102-48	Restatements of information	-	None
GRI 102-49	Changes in reporting	-	None
GRI 102-50	Reporting period	-	September 2017 to 31 August 2018
GRI 102-51	Date of previous report	-	31 August 2017

# GRI Content Index

Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
GRI 102-52	Reporting cycle	-	Annual
GRI 102-53	Contact point for questions regarding the report	49	Sustainability Contact
GRI 102-54	Claims of reporting in accordance with the GRI Standards	37	About our Reporting
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GRI 102-56	External assurance	-	None
<b>GRI 103: MANAGEMENT APPROACH</b>			
GRI 103-1	Explanation of the material topic and its boundary	37	Our Materiality Analysis
GRI 103-2	The management approach and its components	37	About our Reporting
GRI 103-3	Evaluation of the management approach	37-38	Material EESG Factors
<b>SPECIFIC STANDARD DISCLOSURES</b>			
<b>Economic</b>			
GRI 201	Management approach disclosures	41	Our EESG Factors: Economic
GRI 201-1	Direct economic value generated and distributed	23	Economic Value and Our Stakeholders
GRI 201-2	Financial implication and other risks and opportunities due to climate change	90	Risk Management - Natural Disaster Risks
GRI 201-3	Defined benefit plan obligations and other retirement benefit plans	-	Information unavailable. Tracking in 2019.
GRI 201-4	Financial assistance received from government	-	None during the reporting period
GRI 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	-	Information unavailable. Tracking in 2019.
GRI 202-2	Proportion of senior management hired from the local community	41	Economic - Market Presence
GRI 203-1	Infrastructure investments and services supported	-	Not applicable
GRI 203-2	Significant indirect economic impacts	-	Not applicable
GRI 204-1	Proportion of spending on local suppliers	41	Economic - Procurement Practices

Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
GRI 205-1	Operations assessed for risks related to corruption	90	Risk Management - Fraud/Corruption Risks
GRI 205-2	Communication and training about anti-corruption policies and procedures	-	Communicated through company policies
GRI 205-3	Confirmed incidents of corruption and actions taken	-	None during the reporting period
GRI 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	-	None during the reporting period
<b>Environment</b>			
GRI 301, 302, 305, 306, 307	Management approach disclosures	42-43	Our EESG Factors: Environment
GRI 301-1	Materials used by weight or volume	42	Environment - Materials and Waste
GRI 301-2	Recycled input materials used	-	Information unavailable. Tracking in 2019.
GRI 301-3	Reclaimed products and their packaging materials	-	Information unavailable. Tracking in 2019.
GRI 302-1	Energy consumption within the organisation	42-43	Environment - Energy
GRI 302-2	Energy consumption outside the organisation	-	Information unavailable
GRI 302-3	Energy intensity	-	Information unavailable. Tracking in 2019.
GRI 302-4	Reduction of energy consumption	42-43 -	Environment - Energy Information unavailable. Tracking in 2019.
GRI 302-5	Reduction of energy requirements of products and services	-	Information unavailable
GRI 303-1	Interactions with water as a shared resource	42-43	Environment - Water
GRI 303-2	Management of water discharge-related impacts	-	Information unavailable
GRI 303-3	Water withdrawal	-	Information unavailable
GRI 303-4	Water discharge	-	Information unavailable. Water is discharged into public sewerage system.
GRI 303-5	Water consumption	42-43	Environment - Water

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Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
<b>Environment</b>			
GRI 304-1	Operational sites owned, leased, managed in, or adjacent to protected areas and areas of high biodiversity value outside protected areas	-	None during the reporting period
GRI 304-2	Significant impacts of activities, products and services on biodiversity	-	None during the reporting period
GRI 304-3	Habitats protected or restored	-	None during the reporting period
GRI 304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	-	None during the reporting period
GRI 305-1	Direct (Scope 1) GHG emissions	-	Boundary beyond organisation, information unavailable
GRI 305-2	Energy indirect (Scope 2) GHG emissions	-	Boundary beyond organisation, information unavailable
GRI 305-3	Energy indirect (Scope 3) GHG emissions	-	Boundary beyond organisation, information unavailable
GRI 305-4	GHG emissions intensity	-	Boundary beyond organisation, information unavailable
GRI 305-5	Reduction of GHG emissions	-	Boundary beyond organisation, information unavailable
GRI 305-6	Emissions of ozone-depleting substances (ODS)	-	Boundary beyond organisation, information unavailable
GRI 305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	-	Boundary beyond organisation, information unavailable
GRI 306-1	Water discharge by quality and destination	-	None during the reporting period. Wastewater is discharged into public sewerage system.
GRI 306-2	Waste by type and disposal method	42 42-43 43	Environment - Materials and Waste Environment - Water Environmental - Sustainable Packaging
GRI 306-3	Significant spills	-	None during the reporting period
GRI 306-4	Transport of hazardous waste	-	Not applicable
GRI 306-5	Discharge and runoffs affecting protected water bodies	-	No discharges in areas protected or with high biodiversity
GRI 307-1	Non-compliance with environmental laws and regulations	-	None during the reporting period
GRI 308-1	New suppliers that were screened using environmental criteria	-	Suppliers review in 2019
GRI 308-2	Negative environmental impacts in the supply chain and actions taken	-	Suppliers review in 2019

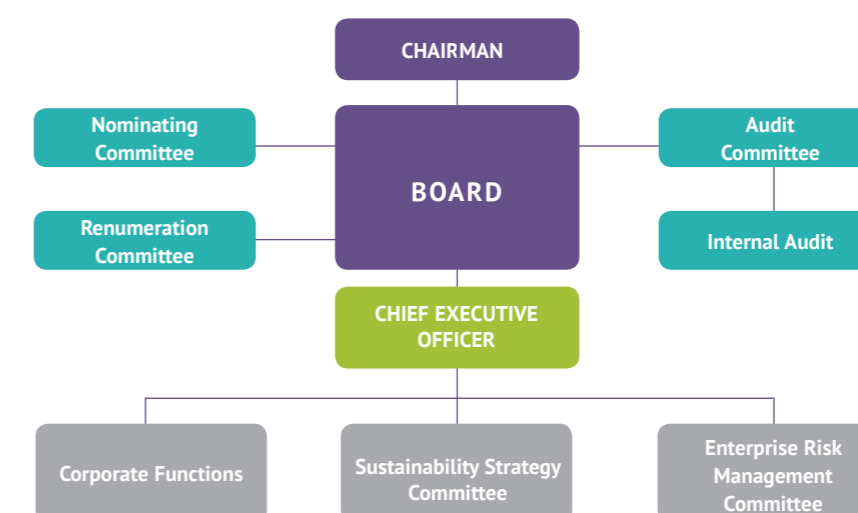
Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
<b>Social</b>			
GRI 401, 403, 404, 405, 406, 408, 409	Management approach disclosures	43-48	Our EESG Factors: Social (pages 69 and 72)
GRI 401-1	New employee hires and employee turnover	44	Social - Talent Acquisition (pages 69 to 72)
GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	-	Information unavailable. Disclosure in 2019.
GRI 401-3	Parental leave	-	Information unavailable. Tracking in 2019.
GRI 402-1	Minimum notice periods regarding operational changes	45	Social - Employee Retention
GRI 403-1	Occupational health and safety management system	46	Social - Workplace Safety, Health and Well-being
GRI 403-2	Hazard identification, risk assessment, and incident investigation	46	Social - Workplace Safety, Health and Well-being
GRI 403-3	Occupational health services	46	Social - Workplace Safety, Health and Well-being
GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	46	Social - Workplace Safety, Health and Well-being
GRI 403-5	Worker training on occupational health and safety	46	Social - Workplace Safety, Health and Well-being
GRI 403-6	Promotion of worker health	46	Social - Workplace Safety, Health and Well-being
GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	46	Social - Workplace Safety, Health and Well-being
GRI 403-8	Workers covered by an occupational health and safety management system	46	Social - Workplace Safety, Health and Well-being
GRI 403-9	Work-related injuries	-	Information unavailable. Tracking in 2019
GRI 403-10	Work-related ill health	-	Information unavailable. Tracking in 2019

# GRI Content Index

Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
GRI 404-1	Average hours of training per year per employee	-	Information unavailable. Tracking in 2019
GRI 404-2	Programmes for upgrading employee skills and transition assistance programmes	45	Social - Learning and Development
GRI 404-3	Percentage of employees receiving regular performance and career development reviews	-	Information unavailable. Tracking in 2019
GRI 405-1	Diversity of governance bodies and employees	45-46	Social - Diversity and Inclusion
GRI 405-2	Ratio of basic salary and remuneration of women to men	-	Information unavailable. Tracking in 2019
GRI 406-1	Incidents of discrimination and corrective actions taken	46	Social - Incident Investigations
GRI 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	48	Social - Respect for Freedom of Association
GRI 408-1	Operations and suppliers at significant risk for incidents of child labour	46-48	Social - Anti-Child Labour and Anti-Forced Labour
GRI 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	46-48	Social - Anti-Child Labour and Anti-Forced Labour
GRI 410-1	Security personnel trained in human rights policies and procedures	-	Information unavailable. Tracking in 2019.
GRI 411-1	Incidents of violations involving rights of indigenous peoples	-	None during the reporting period
GRI 412-1	Operations that have been subject to human rights reviews or impact assessments	-	None during the reporting period
GRI 412-2	Employee training on human rights policies or procedures	-	None during the reporting period
GRI 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	-	Not applicable
GRI 413-1	Operations with local community engagement, impact assessments, and/or development programmes	-	Not applicable
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	-	Not applicable

Disclosure Number	Disclosure Title	Page(s)	Where have we disclosed this
GRI 414-1	New suppliers that were screened using social criteria	-	Suppliers review in 2019
GRI 414-2	Negative social impacts in the supply chain and actions taken	-	Suppliers review in 2019
GRI 415-1	Political contributions	-	None
GRI 416-1	Assessment of the health and safety impacts of product and service categories	46	Social - Workplace Safety, Health and Well-being
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	-	None during the reporting period
GRI 417-1	Requirements for product and service information and labelling	46 42	Social - Workplace Safety, Health and Well-being Environment - Materials and Waste
GRI 417-2	Incidents of non-compliance concerning product and service information and labelling	-	No incidents in Miyoshi of non-compliance concerning product and service information and labelling
GRI 417-3	Incidents of non-compliance concerning marketing communications	-	No incidents in Miyoshi of non-compliance concerning marketing communications
GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	-	There were no known complaints during the reporting period
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	-	There were no fines or non-monetary sanctions for noncompliance with laws and regulations

## Corporate Governance Framework



# Corporate Governance

**“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”) aspires to the highest standards of corporate governance as we believe that good governance safeguards shareholders’ interests and long-term value creation. To this end, Miyoshi has in place a set of well-defined policies and processes to enhance corporate performance and accountability, as well as to protect the interest of stakeholders. The Board of Directors (“Board”) is responsible for Miyoshi’s corporate governance standards and policies, and stresses their importance across the Group.

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, save for principle 9.2, 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.

### A. Board Matters Principle 1: The Board’s Conduct of its Affairs

#### Principal Duties of the Board

Miyoshi is headed by an effective Board which is collectively responsible and works with Management for

the long-term success of Miyoshi. The Board aims to create value for shareholders 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. In addition, the Board puts in place a code of conduct and ethics, sets appropriate tone from the top and desired organisational culture, ensures proper accountability within Miyoshi. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

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 funding and investment proposals, financial performance reviews, compliance and accountability systems and corporate governance practices. The Board ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board has also established a framework of prudent and effective controls which enable risks to be assessed and managed, including safeguarding shareholders’ interest and the Company’s assets.

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 fiduciaries who act objectively in the best interests of the Company and hold Management accountable for performance. 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 of each committee are reviewed from time to time, as are, the committee structure and membership.

The selection of Board Committee members requires careful management to ensure that each committee comprises Directors with appropriate qualifications and skills, and that there is an equitable distribution of responsibilities among Board members. The need to maximise the effectiveness of the Board, and encourage active participation and contribution from Board members, is also taken into consideration.

A record of each Director’s Board Committee memberships and attendance at Board Committee meetings during the financial year ended 31 August 2018 (“FY2018”) is set out on pages 65 and 61 respectively.

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

#### Board Meetings

The Board and Board committees meet regularly to discuss strategy, operational matters and governance issues. All Board and Board committee meetings are scheduled well in advance of each year in consultation with the Directors. 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.

Typically, at least one Board meeting will be held overseas in a country where the Group has a business interest. On such occasion, the Board meets with local business leaders so as to help Board members gain greater insight into the business. For the financial year ended 31 August 2018,

the Board held its 1st quarter Board and Board committee meetings at our factory in Johor Bahru, Malaysia.

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 Corporate Secretary attends all Board and Board committee meetings and is responsible for ensuring that Board procedures are observed. The number of Board and Board Committee meetings held in FY2018, as well as attendance of each board member at these meetings, are disclosed in the table below:

	Board committee Meetings			Non-Executive Directors’ Meeting (without presence of management)	
	Board Meetings	Audit	Nominating		
Lim Thean Ee	4	4	1	1	4
Andrew Sin Kwong Wah	4	-	1	-	-
Wee Piew	4	4	1	1	4
Masayoshi Taira	4	4	-	1	4
Thomas Pek Ee Perh	3	-	-	-	3
No. of Meetings Held	4	4	1	1	4

# Corporate Governance

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

The Board has adopted and documented internal guidelines setting forth matters that require Board's approval and clearly communicates this to management. Material items that require Board approval include: -

- (a) The Group's strategic plans;
- (b) The Group's annual operating plan and budget;
- (c) Full-year, half-year and quarterly financial results;
- (d) Dividend pay-out;
- (e) Issue of shares, including equity fund raising exercises which include, inter alia, placement of shares, rights issues and other issuances of convertible securities;
- (f) Board succession plans;
- (g) Succession plans for Management, including appointment of, and compensation for CEO, CFO and Vice-Presidents;
- (h) Underlying principles of long-term incentive schemes for employees;
- (i) The Group's risk appetite and risk tolerance for different categories of risk, as well as risk strategy and the policies for management of material risks;

- (j) Acquisitions and disposals of investments, and capital expenditures exceeding S\$3.0 million in total;
- (k) Corporate or financial restructuring;
- (l) Matters involving a conflict of interest for a substantial shareholder or a director; and
- (m) Matters which require Board approval as specified under Miyoshi's interested person transaction policy.

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. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits 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

The Board values ongoing professional development and recognises that it is important that all Directors receive regular training so as to be able to serve effectively on, and contribute to, the Board. The Board has therefore adopted a policy on continuous professional development for Directors.

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' responsibilities. The new director will also receive a manual containing Board and Singapore Exchange ("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. If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such person to undertake training in the areas of accounting, legal and industry specific knowledge as appropriate.

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, who have no prior experience as directors of a company listed on the SGX, must undergo training in the roles and responsibilities of a director within one year from the date of his or her appointment to the board.

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, changing commercial risks, 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 FY2018

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

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

### Board Composition and Size

There are five (5) Directors on the Board, comprising two (2) non-executive independent Directors, two (2) non-executive non-independent Directors and one executive Director. Accordingly, non-executive directors make up majority of the board. The profiles of

the Directors are set out on pages 5 to 7.

The size and composition of the Board are reviewed from time to time by the NC. The NC seeks to ensure that the size of the Board is conducive for effective discussion and decision making, and that the Board has an appropriate number of independent Directors. The NC also aims to maintain a diversity of expertise, skills and attributes among the Directors. 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. Any potential conflicts of interest are taken into consideration.

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.

### Diversity

The Board is committed to building a diverse, inclusive and collaborative culture. Miyoshi recognises and embraces the benefits of diversity on the Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

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.

## Independence

The Board, taking into account the views of the NC, assesses the independence of each Director annually in accordance with the guidance in the Singapore 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, including those identified by the Code, 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,

# Corporate Governance

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.

Based on the declarations of independence provided by the Directors and taking into account the guidance in the Code, The Board has determined that Mr Lim Thean Ee and Mr Wee Piew are considered to be independent Directors. Mr Sin Kwong Wah, Andrew, CEO, Mr Masayoshi Taira and Mr Pek Ee Perh, Thomas are non-independent Directors. In line with the Board's Code of Conduct and Ethics, each member of the NC and the Board recused himself from the NC's and the Board's deliberations respectively on his own independence.

Mr Sin Kwong Wah, Andrew is considered non-independent as he has an interest of approximately 26.7% in Miyoshi as at 31 August 2018.

Mr Masayoshi Taira is considered non-independent as he had previously been deemed non-independent by virtue of his current role as executive director of Miyoshi Industry Co. ("MIC"). MIC has an interest of approximately 10.3% in Miyoshi as at 31 August 2018.

Mr Lim Thean Ee is an independent director of Ezion Holdings Limited and held several directorships in non-listed companies. He was appointed to the Miyoshi Board on 9 January 2014 as an independent Director.

Mr Wee Piew is the independent chairman of Hosen Group Ltd and a director of Beijing Gas Blue Sky Holdings Limited, a company listed on the Stock Exchange of Hong Kong. He

was appointed to the Miyoshi Board on 1 May 2014 as an independent Director.

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

Mr Pek Ee Perh, Thomas is the Managing Director of Tai Hua Food Industries Pte Ltd. Mr Pek is considered non-independent as he is the brother-in-law of the CEO. He has an interest of approximately 2.7% in Miyoshi as at 31 August 2018.

Under the Board's Code of Conduct and Ethics, Directors must avoid situations in which their own personal or business interests directly or indirectly conflict, or appear to conflict, with the interests of Miyoshi. The Code of Conduct and Ethics provides that where a Director has a conflict of interest, or it appears that he might have a conflict of interest, in relation to any matter, he should immediately declare his interest at a meeting of the Directors or send a written notice to the Company containing details of his interest and the conflict, and recuse himself from participating in any discussion or decision on the matter. Where relevant, the Directors have complied with the provisions of the Code of Conduct and Ethics, and such compliances has been duly recorded in the minutes of meeting.

All directors exercise due diligence and independent judgement and make decisions objectively in the best interests of Miyoshi. The Nominating Committee 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 FY2018, none of the Independent Directors has served beyond 9 years from the respective date of their first appointment.

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 Director	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 possesses 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 role of the non-executive Directors encompasses the following: (i) to constructively challenge management and help develop proposals on strategy; and (ii) to review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

## Regular Meetings of Non-Executive Directors

The non-executive Directors, led by the Independent Chairman or other independent director as appropriate, meet regularly without the presence of management immediately preceding the regular board meetings or as and when the need arose. The chairman of such meetings provides feedback to the Board as appropriate. Four non-executive Directors meetings were held in FY2018.

## 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 is separate from the office of the CEO. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board and its governance processes, while the CEO is responsible for implementing the Group's strategies and policies, and for conducting the Group's business. 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 leadership of the Board and is pivotal in creating the conditions for overall Board, Board Committee and individual Director effectiveness, both inside and outside the boardroom. This includes setting the agenda of the Board in consultation with the Directors and CEO, and promoting active engagement and an open dialogue among the Directors, as well as between the Board and the CEO.

The Chairman ensures that the performance of the Board is evaluated regularly, and guides the development needs of the Board. The Chairman leads the evaluation of the CEO's performance and works with the CEO in overseeing talent management to ensure that robust succession plans are in place for the leadership team.

The Chairman works with the Board, the relevant Board Committees and Management to establish the boundaries of risk undertaken by the Group and ensure that governance and processes are in place and regularly evaluated.

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The Chairman plays a significant leadership role by providing clear oversight, advice and guidance to the CEO and Management on strategy and the drive to transform Miyoshi's businesses. This involves developing a keen understanding of the Group's diverse and complex businesses, the industry, partners, regulators and competitors.

The Chairman provides support and advice to, and acts as a sounding board for, the CEO, while respecting executive responsibility. He engages with other members of the leadership regularly.

The scope and extent of the Chairman's and the Board's responsibilities and obligations have been expanding due to increased focus on corporate governance, risk management, regulation and compliance. Given the increased demands, the Chairman in particular spends more time on, and is more hands-on in, the affairs of the Group. The Board has agreed with the Chairman that he will commit more of his time to his role and will manage his other time commitments accordingly.

The workings of the Board and ensures that all directors receive complete, adequate and timely information on financial and non-financial matters to enable them to participate actively in Board decisions.

The Chairman also exercises control over the quality, quantity and timeliness of information flow between the Board, the management and shareholders of the Company. He encourages interactions between the Board and the management, as well as between the executive and non-executive directors, and promotes a culture of openness and debate at the Board.

The Chairman also facilitates the effective contribution of non-executive directors in particular. In addition, the Chairman takes a leading role in 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.

The independent directors meet periodically without the presence of the other directors and provide feedback to the Chairman after such meetings.

## Role of the CEO

The CEO, he 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.

The Company does not appoint a Lead Independent Director as the Chairman is a non-executive independent director and is not related to the CEO.

## Principle 4: Board Membership

### Process for Selection, Appointment and Re-appointment of Directors

The NC establishes and reviews the profile required of Board members and makes recommendations to the Board on the appointment, re-nomination and retirement of Directors.

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 ensures that the new Director are aware of their duties and obligations.

When an existing Director chooses to retire or is required to retire from office by rotation, the NC reviews the range of expertise, skills and attributes of the Board and the composition of the Board. 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 Constitution, be re-elected as Directors at the Company's forthcoming AGM:

(a) Mr Lim Thean Ee and (b) Mr Wee Piew

The NC takes factors such as the directors' integrity, independence mindedness, attendance, participation, preparedness, candour and also recognises the contributions of these Directors who over time have developed deep insight into the Group's businesses and operations. Hence, the NC recommends that Mr Lim Thean Ee and Mr Wee Piew 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:

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 2017
Mr Wee Piew	Independent Director	1 May 2014	23 December 2016
Mr Masayoshi Taira	Non-Executive Director	24 September 1991	29 December 2017
Mr Pek Ee Perh, Thomas	Non-Executive Director	27 October 2014	23 December 2016

## Composition of the NC

The NC is chaired by Mr Lim Thean Ee. The other members of the NC are Mr Andrew Sin Kwong Wah and Mr Wee Piew. 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 pages 80 and 81 of this Report.

## 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; and

# Corporate Governance

- 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.

The NC met once during the financial year ended 31 August 2018. 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 annually. 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 Lim Thean Ee and Mr Wee Piew 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 directorships in public listed companies. The guideline also provides that:

- 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, and

- 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.

## Principle 5: Board Performance

### Board Performance

Each year, the NC undertakes a process to assess the effectiveness of the Board, the Board Committees and individual Directors. For FY2018, as in previous years, the Company Secretary was appointed to facilitate this process. The 2018 Board effectiveness survey was designed to provide an evaluation of current effectiveness of the Board and to support the Chairman and Board to proactively consider the Board’s role in shaping Miyoshi’s future. The Directors were requested to complete an evaluation questionnaire 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 feedback from the evaluation 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 management 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 and is accountable directly to the Board, on all matters to do with the proper functioning of the Board, including compliance with the Company’s Constitution, the Companies Act, the

# Corporate Governance

Securities and Futures Act and the SGX Listing Manual (Catalist). He assists the Board in implementing and strengthening corporate governance policies and processes. The Company Secretary, a practicing lawyer with experience in legal matters and company secretarial practices, 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.

## 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 the valuation in relation to the acquisition of an industrial property in the Philippines, the valuation of our investment properties and the valuation of our investment in the light electric vehicle business in China.

## 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, all members of the RC are non-executive directors, the majority of whom, including the chairman, are independent directors. The TOR of the RC are listed on page 81 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 cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowance, bonuses, options, share-based incentives and awards, benefits- in-kind including termination terms. 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 reviews the fairness and reasonableness of the service agreements of the executive director and key management personnel to ensure that there is no over onerous or generous termination clause.

The RC met once during the FY2018. 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 RC and the Board believes that its remuneration and reward system is aligned with the long-term interests and risk management policies 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.

#### Remuneration of Executive Director and Key Management Personnel

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 fixed remuneration, variable bonus and share award. 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.

The remuneration for key management personnel comprises a fixed remuneration, allowance and benefits, variable bonus and share award based on the performance of the Group as a whole and their individual performance.

#### Performance Share Plan 2016 ("Miyoshi PSP")

The primary objective of the Miyoshi PSP is to further motivate management to strive for superior performance and to deliver long-term shareholder value. Awards granted under the Miyoshi PSP are performance-based.

Performance targets set under the Miyoshi PSP are intended to be based on corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth.

#### 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 FY2018. 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.

#### Long-term Incentive Scheme

#### Miyoshi Restricted Share Plan 2016 ("Miyoshi RSP")

The Miyoshi RSP is targeted at a broader base of senior executives and enhances the Company's ability to recruit and enhances the Company's ability to recruit and retain talented senior executives, as well as to reward for Group, Company and individual performance. It is a tool for staff retention as this restricted share plan is tied to a three-year vesting period. That is, one-third of the amount will vest on the first anniversary, another one-third of the amount will vest on the second anniversary and the last one-third on the third anniversary of the grant. All shares, however, will deliver only on the third anniversary.

For employees who retire, are retrenched due to company restructuring or downsizing or cease to be an employee of any Miyoshi Group of companies, except in the case of termination by such Miyoshi Group of companies with due cause or dismissal, before the third anniversary of the Date of Grant, the allotted quantum may be adjusted but may still be awarded subject to the conditions set.

For each financial year, approximately 1% of the total issued share capital is set aside to be distributed to all eligible employees. The actual amount is decided on a yearly basis.

The RC administers the Miyoshi RSP and Miyoshi PSP.

#### 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 disclosure of the Directors' and CEO'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.

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The annual remuneration of directors of the Company for FY2018 is proposed as follows:

Remuneration Band and Name of Director	Fee (%)	Fixed	Variable	Total
		Remunerations (%)	Bonus (%)	Remunerations (%)
<b>Below \$250,000:</b>				
Wee Piew	100	-	-	100
Lim Thean Ee	100	-	-	100
Masayoshi Taira	100	-	-	100
Pek Er Perh, Thomas	100	-	-	100
<b>\$500,000 to \$750,000:</b>				
Sin Kwong Wah, Andrew	-	85.4	14.6	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 FY2018 was \$854,000.

The remuneration of key management personnel is as follows:

Remuneration Band and Name of Key Management Personnel	Fixed Remuneration (%)	Variable Bonus (%)	Allowance & Benefits (%)	Total Remuneration (%)
<b>Below \$250,000:</b>				
Khoo Teck Soon	75.3	-	24.7	100
Ng Cheong Kiat	97.3	-	2.7	100
Gan Yoke Fong, Karen	61.9	-	38.1	100
Tan Tiong Soon	89.7	6.2	4.1	100
Wee Soon Ghee	80.4	15.4	4.2	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 are 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 2018.

## Grant of Share Awards

Pursuant to the Miyoshi RSP, 421,000 ordinary shares of the Company were granted on 7 February 2018, of which one-third shall vest on the first anniversary date of the grant, another one-third shall vest on the second anniversary date of the grant and the final one-third shall vest on the third anniversary date of the Grant. Pursuant to the Miyoshi PSP, 2,145,500 treasury shares were granted on 7 February

2018, constituting approximately 0.35% of the total number of issued shares of the Company as at 31 August 2018. The Company has announced the details as required under Rule 704(32) in relation to the grant of share awards under the Miyoshi RSP and Miyoshi PSP on 7 February 2018.

## 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 ended 31 August 2018, Miyoshi's CEO and CFO have provided a written confirmation to the Board on the integrity of the Miyoshi's financial statements and on the adequacy and effectiveness of Miyoshi's risk management and internal control systems, addressing financial, operational and compliance risks including information technology risks. This certification covers Miyoshi and the subsidiaries that are under Miyoshi's management control. 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.

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 keep 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 2018, 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

# Corporate Governance

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 day-to-day management of risks rests with Management. 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 on-going basis.

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.

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 organisational 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 and external 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 and external 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 and external 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 Group has put in place a Board Escalation Process where major incidents and violations including major/material operational loss events and potential breaches of laws and regulations by the Company and/or its key officers, are required to be reported by Management/Internal Audit to the Board immediately to facilitate the Board's oversight of crisis management and adequacy and effectiveness of follow-up actions taken by Management. Through this process, the Board has been kept informed promptly of any incidents with potential material financial, operational, compliance and technology risk impact.

The Board has received assurance from the CEO and CFO in respect of FY2018:

- (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 system.

Based on the Group's 3LOD Framework, 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 2018 to address financial, operational, compliance and information technology controls and risk management systems, which the Group considers relevant and material to its operations.

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 Board-level risk committee comprising independent directors is not required for the time being. Discussions on internal controls and risk management systems are currently included in our AC meetings and our AC comprised independent directors.

Further details of the Group's Risk Management Philosophy and Approach can be found on pages 89 and 90.

## 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, all of whom are non-executive, the majority of whom, including the chairman, are independent directors.

The Board considers that Mr Wee Piew, who was 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 2018. 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 significant financial reporting issues so as to ensure the integrity of the financial statements including the relevance and consistency of the accounting principles adopted. The CEO, CFO, SVP (Corporate 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 reports to the Board at least annually on the adequacy and effectiveness of Miyoshi's system of internal controls, including financial, operational, compliance and information technology controls through discussions with management and the external auditor, at its quarterly AC meetings. The AC also reviews the assurance from the CEO and the CFO on the financial records and financial statements. The TOR of the AC are listed on pages 81 and 82 of this Report.

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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 auditor. Shareholders then approve the appointment at Miyoshi's AGM. The external auditors hold office until their removal or resignation. The AC is primarily responsible for proposing the appointment and removal of the external auditor. The AC assesses the external auditor based on factors such as the performance and quality of their audit and the independence of the auditor, and recommends its 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 auditor.

For FY2018, the AC met with the external auditors separately, without the presence of the Management, to discuss the reasonableness of the financial reporting process, and to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the auditors, the scope and quality of their audits and the independence and objectivity of the auditors. Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their annual reviews with the AC. Where necessary, the AC may meet the internal auditors without presence of management.

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 FY2018 are \$90,000. BDO LLP did not provide non-audit services for FY2018. 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 2018, 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 whistleblowers. Anonymous disclosures will be accepted and anonymity honoured. Reports can be lodged by via email at [whistleblowing@sg.miyoshi.biz](mailto: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 FY2018.

## Exclusion from membership of AC

None of the AC members were previous partners or directors of the existing auditing firm within the previous 12 months and that none of the AC members hold 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 and external 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, CEO, CFO 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

# Corporate Governance

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.

## Professional Standards and Competency of Internal Auditors

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 2018 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 Company's Constitution allows 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 Company's Constitution allows a shareholder to appoint up to two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. The Company's Constitution also allows 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 in our communications with shareholders, analysts and other stakeholders in the investment community. Miyoshi provides timely, regular and relevant information regarding the Group's strategy, performance and prospects to aid shareholders and investors in their investment decisions.

Miyoshi makes timely disclosures of any new material information to the SGX. 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 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) Vision and values;
- (d) Group structure;
- (e) Recent events;
- (f) Annual Reports;
- (g) Letter/Circular to Shareholders;
- (h) Company announcements;
- (i) Press releases;
- (j) Financial results; and
- (k) 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.

### Dividend Policy

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

### 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

# Corporate Governance

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.

To enhance shareholder participation, Miyoshi puts all resolutions at general meetings to vote by electronic poll and announces the results by showing the number of votes cast for and against each resolution and the respective percentage.

Miyoshi appoints an independent external party as scrutineers for the electronic poll voting process. Prior to the commencement of the AGM/EGM, the scrutineers would review the proxies and the proxy process. Miyoshi also has a proxy verification process which has been agreed upon with the scrutineers.

At the Miyoshi AGM/EGM, mobile devices are used for poll voting. When shareholders register their attendance at the meeting, they are handed the mobile device with details of their shareholding registered to the device. The shareholder is able to view his or her name and shareholding details which are clearly displayed on the device.

When the Chairman opens the poll on a resolution, the shareholder presses the relevant voting button on the device. Upon the submission, the shareholder will receive a vote response acknowledgement on the device.

The results of the electronic poll voting are announced immediately after each resolution has been put to a vote and the number of votes cast for and against and the respective percentage are displayed in real-time at the AGM/EGM. Miyoshi maintains an audit trail of all votes cast at the AGM/EGM. The outcome of the AGM/EGM (including detailed results of the poll vote for each resolution) is promptly disclosed on SGXNET after the meetings, on the same day of the AGM/EGM.

## 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 Constitution 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.
- (9) In addition, review and approve the appointment and termination/dismissal of personnel occupying key positions in the Company such as the CFO, Chief Operation Officer, Vice President, Financial Controller, General Manager or its equivalent.

### Remuneration Committee

- (1) Offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the directors and key management personnel of the Company.
- (2) Establish appropriate remuneration framework to motivate and retain directors and executives, and ensure that the Company is able to attract appropriate talent from the market in order to maximise value for shareholders.
- (3) Develop remuneration policy for the Executive Director and key management personnel (or executives of equivalent rank), structuring it to link rewards to Company and individual performance.
- (4) Determine specific remuneration packages for the Executive

Director and key management personnel (or executives of equivalent rank) and any relative of a director and/or substantial shareholder who is employed in a managerial position by the Company.

- (5) Review and approve the compensation of key management personnel.
- (6) Review the appropriateness and transparency of remuneration matters for disclosure to shareholders.
- (7) Have explicit authority to investigate any matter within its terms of reference including seeking expert advice within and/or outside the Company.

### Audit Committee

- (1) Assist the Board in fulfilling its responsibilities for the Company's financial reporting, management of financial and control risks and monitoring of the internal control systems. Review the financial reporting process, the system of internal controls and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.
- (2) Ensure that arrangements are in place for the independent investigation of possible improprieties in matters of financial reporting or other matters that may be raised and that appropriate follow-up actions are taken.
- (3) Review and approve the external auditors' proposed audit plan,

scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope. Review of the nature and extent of non-audit services provided by the external auditors. Monitor and assess the independence of the external auditors and their performance. Ensure significant findings and recommendations made by the external auditors are received and discussed in a timely manner. Ensure that management responds to recommendations made by the external auditors. Nomination of external auditors for re-appointment.

- (4) Review the activities and organisational structure of the internal audit function and ensure that there are no unjustified restrictions and limitations. Review and approve the internal audit plan with regard to the complementary roles of the internal and external audit functions. Ensure significant findings and recommendations made by the internal auditors are received and discussed in a timely manner. Ensure that management responds to recommendations made by the internal auditors.
- (5) Satisfies itself that adequate 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

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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 Directors 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 employees for a period of two weeks before the release of the first, second and third quarter results, and one month before the release of the full-year results. The CFO informs all Directors and employees of each black-out period ahead of time.

The Code of Dealing also prohibits Directors and employees with access to material non-public and price-sensitive information in the course of their duties from trading in securities in which they possess such price-sensitive information. The Code of Dealing also discourages employees from engaging in short-term speculative trading, and states that investment decisions should be geared towards long-term investment.

## 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.

All employees of Miyoshi are required to read and acknowledge the Code of Conduct on an annual basis. Members of the public may access the Code of Conduct on Miyoshi's website, as well as write in via electronic email provided on the website.

## 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 Board discussions and decision-making process on a particular agenda, and will refrain from exercising any influence over other members of the Board.

The details of the Interested Person Transactions for FY2018 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	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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.

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

## Material Contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of Miyoshi has been entered into by Miyoshi or any of its subsidiary companies, and no such contract subsisted as at 31 August 2018 or if not subsisting, were entered into since 1 September 2018.

## Sponsor

During FY2018, non-sponsorship related fees of an aggregate of approximately \$108,000 were paid to CGS-CIMB Securities (Singapore) Pte. Ltd. ("CGS-CIMB Securities"), a related entity of the Company's sponsor, CIMB Bank Berhad, Singapore Branch, in connection with CGS-CIMB Securities' role as the placement agent of the Company's Placement completed in June 2018.

## Update on Use of Proceeds

The Group raised net proceeds of \$6.80 million from its share placement in June 2018 ("Placement"), which has been fully utilised as at 26 October 2018. Please refer to the Company's announcement dated 26 October 2018 on the SGXNET in relation to the full utilisation and reasons for the re-allocation of net proceeds from the Placement.

Purpose	Allocation of Net Proceeds ('\$000)	Amount re-allocated ('\$000)	Revised allocation of Net Proceeds ('\$000)	Net Proceeds utilised ('\$000)	Balance of Net Proceeds ('\$000)
Additional investment in Core Power	6,138	682	6,820	(6,820)	-
General working capital purposes	682	(682)	-	-	-
<b>Total</b>	<b>6,820</b>	<b>-</b>	<b>6,820</b>	<b>(6,820)</b>	<b>-</b>

# Corporate Governance Checklist

## 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, save for the disclosure of the remuneration of each director and the CEO on a named basis, to the nearest thousand dollars.

**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:

- The Group's strategic plans;
- The Group's annual operating plan and budget;
- Full-year, half-year and quarterly financial results;
- Dividend pay-out;
- Issue of shares, including equity fund raising exercises which include, inter alia, placement of shares, rights issues and other issuances of convertible securities;
- Board succession plans;

- Succession plans for management, including appointment of, and compensation for CEO, CFO and Vice-Presidents;
- Underlying principles of long-term incentive schemes for employees;
- The Group's risk appetite and risk tolerance for different categories of risk, as well as risk strategy and the policies for management of material risks;
- Acquisitions and disposals of investments, and capital expenditures exceeding \$3.0 million in total;
- Corporate or financial restructuring;
- Matters involving a conflict of interest for a substantial shareholder or a director; and
- Matters which require Board approval as specified under Miyoshi's interested person transaction policy.

## Members of the Board Guideline 2.6

**Q: 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?**

**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 recognises 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, who have no prior experience as directors of a company listed on the SGX, must undergo training in the roles and responsibilities of a director within one year from the date of his or her appointment to the board.

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 FY2018

- 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 and the CFO update 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. However, the Board recognises that the individual circumstances and capacity of each Director are different and there may be circumstances in which a different limit on board appointments is appropriate.

**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.

## 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?**

# Corporate Governance Checklist

**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. The Chairman is a non-executive independent Director and is not related to the CEO.

## 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 disclosure of the remuneration of each director and the CEO on a named basis, to the nearest thousand dollars, 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 FY2018 amounted to \$854,000, as indicated on page 72.

## 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 \$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.**

**A:** The RC and the Board believes that its remuneration and reward system is aligned with the long-term interests and risk management policies 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 fixed remuneration, variable bonus and share award. 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.

The remuneration for key management personnel comprises a fixed remuneration, allowance and benefits, variable bonuses and share award based on the performance of the Group as a whole and their individual 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:

- Short-term incentives include the fixed remuneration, allowance and benefits and variable bonus paid by the Group. The pay-outs depend on both the Group's performance and the staff's individual performance over the past year.
- Long-term incentives include the share award. It is a tool for staff retention as this restricted share plan is tied to a three-year vesting period. That is, one-third of the amount will vest on the first anniversary, another one-third of the amount will vest on the second anniversary and the last one-third on the third anniversary of the grant. All shares, however, will deliver only on the third anniversary.

**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.

# Corporate Governance Checklist

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.**

**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 2017 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 the Corporate Governance Report 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: \$90,000

- Other auditors: \$61,000

Non-audit fees paid to:

- BDO: Nil

- Other auditors: \$14,000

**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.

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 2018, 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

# Risk Management

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.

# Risk Management

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 2018 are as follows:

### (1) Natural Disaster Risks

An effective early warning and forecasting system for extending the reaction time is supported by metrological 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.

Internal and external 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.

### (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 operation 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.

### (8) Cyber Security Risks

The scale and level of sophistication of cyber security threats have increased with the changing tactics and tools by cyber attackers. Our network infrastructure and supporting systems are exposed to cyber security threats which can result in disruptions to our operations and leakage of sensitive and/or confidential information.

The Group is training our people to adopt a security first mindset and be vigilant to the latest cyber threats. Other measures include regularly patching of firewalls, updating firmware, setting strong passwords and asking employees to who their own devices at work to install anti-virus software and to switch on firewalls.

# Financial Reports

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## STATEMENTS OF FINANCIAL POSITION

As at 31 August 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and bank balances	4	5,197	8,697	218	1,545
Fixed deposits	4	145	133	-	-
Trade and other receivables	5	16,596	18,372	5,669	6,958
Prepayments		175	195	44	98
Inventories	6	5,249	5,449	12	-
		27,362	32,846	5,943	8,601
Assets classified as held for sale	7	3,601	3,569	3,601	3,569
<b>Total current assets</b>		<b>30,963</b>	<b>36,415</b>	<b>9,544</b>	<b>12,170</b>
<b>Non-current assets:</b>					
Subsidiaries	8	-	-	27,746	27,758
Associate	9	17,010	-	17,010	-
Available-for-sale financial assets	10	-	8,978	-	8,978
Property, plant and equipment	11	32,049	27,504	3,037	931
Investment properties	12	6,827	6,584	-	-
Intangible assets	13	15	13	-	-
Deferred tax assets	14	33	20	-	-
Other receivables	5	117	103	-	-
<b>Total non-current assets</b>		<b>56,051</b>	<b>43,202</b>	<b>47,793</b>	<b>37,667</b>
<b>Total assets</b>		<b>87,014</b>	<b>79,617</b>	<b>57,337</b>	<b>49,837</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Trade and other payables	15	10,093	9,053	5,835	2,743
Current income tax payable		168	110	-	-
Finance lease	16	29	-	29	-
Bank borrowings	17	6,121	7,348	2,593	1,702
<b>Total current liabilities</b>		<b>16,411</b>	<b>16,511</b>	<b>8,457</b>	<b>4,445</b>
<b>Non-current liabilities:</b>					
Finance lease	16	89	-	89	-
Bank borrowings	17	3,785	2,665	533	642
Other payable	15	103	436	2,619	2,086
Provisions	18	528	368	-	-
Deferred tax liabilities	19	265	226	-	-
<b>Total non-current liabilities</b>		<b>4,770</b>	<b>3,695</b>	<b>3,241</b>	<b>2,728</b>
<b>Total liabilities</b>		<b>21,181</b>	<b>20,206</b>	<b>11,698</b>	<b>7,173</b>

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

## STATEMENTS OF FINANCIAL POSITION

As at 31 August 2018

	Note	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Equity:</b>					
Share capital	20	49,079	42,259	49,079	42,259
Treasury shares	20	(203)	(200)	(203)	(200)
Revaluation reserve	20	666	666	-	-
Other reserve	20	1,073	952	-	-
Share awards reserve	20	6	-	6	-
Currency translation reserve	20	(10,851)	(11,402)	(11,090)	(11,625)
Retained earnings		24,055	24,782	7,847	12,230
<b>Equity attributable to owners of the parent</b>		<b>63,825</b>	<b>57,057</b>	<b>45,639</b>	<b>42,664</b>
Non-controlling interests		2,008	2,354	-	-
<b>Total equity</b>		<b>65,833</b>	<b>59,411</b>	<b>45,639</b>	<b>42,664</b>
<b>Total liabilities and equity</b>		<b>87,014</b>	<b>79,617</b>	<b>57,337</b>	<b>49,837</b>

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year ended 31 August 2018

	Note	2018 \$'000	2017 \$'000
Revenue	22	51,318	52,763
Other income	23	438	1,406
Raw materials, consumables used and changes in inventories		(25,974)	(27,132)
Employee benefit expenses	24	(11,052)	(11,027)
Depreciation and amortisation expenses		(2,785)	(2,867)
Other operating expenses	25	(9,878)	(9,981)
Finance costs	26	(416)	(488)
<b>Profit before income tax</b>		<b>1,651</b>	<b>2,674</b>
Income tax expense	27	(634)	(472)
<b>Profit for the financial year</b>	28	<b>1,017</b>	<b>2,202</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		589	162
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain on defined benefit plan	18	93	119
<b>Other comprehensive income for the financial year, net of tax</b>		<b>682</b>	<b>281</b>
<b>Total comprehensive income for the financial year</b>		<b>1,699</b>	<b>2,483</b>
<b>Profit attributable to:</b>			
Owners of the parent		1,277	2,207
Non-controlling interests		(260)	(5)
		<b>1,017</b>	<b>2,202</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		1,921	2,438
Non-controlling interests		(222)	45
		<b>1,699</b>	<b>2,483</b>
<b>Earnings per share</b>			
Basic and diluted (cents)	29	0.24	0.48

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 August 2018

	Share capital \$'000	Treasury shares \$'000	Revaluation reserve \$'000	Other reserve \$'000	Share awards reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>Balance at 1 September 2017</b>	42,259	(200)	666	952	-	(11,402)	24,782	57,057	2,354	59,411
Profit for the financial year	-	-	-	-	-	-	1,277	1,277	(260)	1,017
<b>Other comprehensive income for the financial year:</b>										
Actuarial gain on defined benefit plan	-	-	-	93	-	-	-	93	-	93
Foreign currency translation	-	-	-	-	-	551	-	551	38	589
Total other comprehensive income for the financial year	-	-	-	93	-	551	-	644	38	682
<b>Total comprehensive income for the financial year</b>	-	-	-	93	-	551	1,277	1,921	(222)	1,699
<b>Transactions with owners of the parent recognised directly in equity</b>										
Transfer to statutory reserve	-	-	-	28	-	-	(28)	-	-	-
Share-based payments	-	148	-	-	6	-	-	154	-	154
<b>Total transactions with owners of the parent recognised directly in equity</b>	-	148	-	28	6	-	(28)	154	-	154
<b>Transactions with non-controlling interests</b>										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(124)	(124)
<b>Total transactions with non-controlling interests</b>	-	-	-	-	-	-	-	-	(124)	(124)
<b>Contributions by and distribution to owners</b>										
Dividends	-	-	-	-	-	-	(1,976)	(1,976)	-	(1,976)
Share placement	6,820	-	-	-	-	-	-	6,820	-	6,820
Purchase of treasury shares	-	(151)	-	-	-	-	-	(151)	-	(151)
<b>Total transactions by and distributions to owners</b>	6,820	(151)	-	-	-	-	(1,976)	4,693	-	4,693
<b>Balance at 31 August 2018</b>	<b>49,079</b>	<b>(203)</b>	<b>666</b>	<b>1,073</b>	<b>6</b>	<b>(10,851)</b>	<b>24,055</b>	<b>63,825</b>	<b>2,008</b>	<b>65,833</b>

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year ended 31 August 2018

	Share capital	Treasury shares	Revaluation reserve	Other reserve	Share options reserve	Currency translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 September 2016</b>	39,309	-	666	811	217	(11,514)	24,191	53,680	2,511	56,191
Profit for the financial year	-	-	-	-	-	-	2,207	2,207	(5)	2,202
<b>Other comprehensive income for the financial year:</b>										
Actuarial gain on defined benefit plan	-	-	-	119	-	-	-	119	-	119
Foreign currency translation	-	-	-	-	-	112	-	112	50	162
Total other comprehensive income for the financial year	-	-	-	119	-	112	-	231	50	281
<b>Total comprehensive income for the financial year</b>	-	-	-	119	-	112	2,207	2,438	45	2,483
<b>Transactions with owners of the parent recognised directly in equity</b>										
Transfer to statutory reserve	-	-	-	22	-	-	(22)	-	-	-
Share options lapsed	-	-	-	-	(217)	-	217	-	-	-
<b>Total transactions with owners of the parent recognised directly in equity</b>	-	-	-	22	(217)	-	195	-	-	-
<b>Transactions with non-controlling interests</b>										
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	(202)	(202)
<b>Total transactions with non-controlling interests</b>	-	-	-	-	-	-	-	-	(202)	(202)
<b>Contributions by and distribution to owners</b>										
Dividends	-	-	-	-	-	-	(1,811)	(1,811)	-	(1,811)
Share placement	2,950	-	-	-	-	-	-	2,950	-	2,950
Purchase of treasury shares	-	(200)	-	-	-	-	-	(200)	-	(200)
<b>Total transactions by and distributions to owners</b>	2,950	(200)	-	-	-	-	(1,811)	939	-	939
<b>Balance at 31 August 2017</b>	42,259	(200)	666	952	-	(11,402)	24,782	57,057	2,354	59,411

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 August 2018

	2018 \$'000	2017 \$'000
<b>Operating activities:</b>		
Profit before income tax	1,651	2,674
Adjustments for:		
Allowance for doubtful trade and other receivables	-	308
Bad debts written off - trade	-	3
Depreciation expense	2,785	2,867
Fair value (gain)/loss on investment property	(200)	730
Gain on disposal of plant and equipment	(128)	(932)
Gain on disposal of club membership	-	(41)
Interest expense	416	488
Interest income	(19)	(19)
Plant and equipment written off	6	1
(Reversal of)/allowance for inventory obsolescence	(41)	120
Impairment/(reversal of) loss on plant and equipment	497	(259)
Share based payments	154	-
Unrealised exchange difference	391	(10)
<b>Operating cash flows before changes in working capital</b>	5,512	5,930
Trade and other receivables	1,525	(641)
Prepayments	19	(99)
Inventories	252	(348)
Trade and other payables	1,121	98
<b>Cash generated from operations</b>	8,429	4,940
Interest paid	(416)	(488)
Interest received	19	19
Income tax paid	(447)	(463)
<b>Net cash from operating activities</b>	7,585	4,008
<b>Investing activities:</b>		
Advances and deposit paid for proposed investment	-	(3,780)
Investment in associate	(7,951)	-
Proceeds from disposal of property, plant and equipment	794	1,092
Proceeds from disposal of club membership	-	41
Purchase of property, plant and equipment	(8,273)	(4,825)
Purchase of investment properties	(57)	-
Repayment of advances	208	-
<b>Net cash used in investing activities</b>	(15,279)	(7,472)

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year ended 31 August 2018

	2018 \$'000	2017 \$'000
<b>Financing activities:</b>		
Dividend payments	(1,976)	(1,811)
Dividend paid to non-controlling interests	(124)	(202)
Net proceeds from share placement	6,820	2,950
Purchase of treasury shares	(151)	(200)
Proceeds from bank borrowings (Note A)	3,385	5,009
Repayment of bank borrowings (Note A)	(5,064)	(6,246)
Repayment of finance leases (Note A)	(47)	-
<b>Net cash from/(used in) financing activities</b>	<b>2,843</b>	<b>(500)</b>
Decrease in cash and cash equivalents	(4,851)	(3,964)
Effect of exchange rate changes on cash and cash equivalents	(221)	239
Cash and cash equivalents at beginning of financial year	8,697	12,422
<b>Cash and cash equivalents at end of financial year (Note 4)</b>	<b>3,625</b>	<b>8,697</b>

Note A: Reconciliation of liabilities arising from financing activities

	2017 \$'000	Cash flows \$'000	Non-cash changes New finance lease \$'000	2018 \$'000
Finance lease	-	(47)	165	118
Secured bank loans	10,013	(1,679)	-	8,334
	10,013	(1,726)	165	8,452

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

## 1. General corporate information

Miyoshi Limited ("the Company") is a limited liability company incorporated and domiciled in Singapore. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("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 subsidiaries are disclosed in Note 8 to the financial statements.

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 2018 were authorised for issue by the Board of Directors on 27 November 2018.

## 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, except as disclosed below:

#### FRS 7 (Amendments) Disclosure Initiative

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group adopted these amendments on 1 September 2017 and the additional disclosures have been included in the consolidated statement of cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation of financial statements (Continued)

##### Full convergence with Singapore Financial Reporting Standards (International) (SFRS(I)) and adoption of new standards

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The new framework is referred to as "Singapore Financial Reporting Standards (International) ("SFRS(I))". The Group will adopt the new framework on 1 September 2018 and will apply the SFRS(I) 1 First-time Adoption of Singapore Financial Reporting Standards (International) to the transition. This will involve restating the comparatives for the financial year ended 31 August 2018 and the opening statements of financial position as at 1 September 2017 in accordance with the new framework.

The Group has completed its assessment of the impact of transition and anticipates that the adoption of the new framework on 1 September 2018 (including the application of all the mandatory exceptions) will not have a material impact on the financial statements of the Group for the financial year ending 31 August 2019, other than the impact from the adoption of SFRS(I) 9 and SFRS(I) 15 which is expected to be similar to the impact of FRS 109 and FRS 115 as disclosed below.

*FRS and INT FRS issued but not yet effective*

At the date of the authorisation of these financial statements, the following FRS and INT FRS that 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 40 (Amendments)	: Transfers of Investment Property	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
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
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123	: Uncertainty over Income Tax Treatments	1 January 2019
Improvements to FRSs (March 2018)		
- FRS 12 (Amendments)	: Income Taxes	1 January 2019

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective (Continued)*

##### 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.

##### *Classification and measurement*

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 cash flow 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 can elect to recognise the gains and losses in other comprehensive income. 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 can also be measured at fair value through other comprehensive income.

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.

The Group has completed its preliminary assessment of the classification and measurement of its financial assets and liabilities, and expects that financial assets and liabilities currently measured at amortised cost will continue to qualify for measurement at amortised cost under FRS 109.

The Group does not have any financial liabilities which are designated at fair value through profit or loss and therefore does not expect the adoption of this standard will result in any impact in respect of these financial instruments.

##### *Impairment*

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 debt instruments at fair value through other comprehensive income, the Group will 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 under the three-stage model or from initial recognition if the simplified model is applied.

The Group and the Company are currently finalising the policies and procedures in determining the expected credit losses and the sources of forward looking data.

The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from related parties, the Group will initially provide for 12 months expected losses under the three-stage model. For other receivables due from subsidiaries, the Company will initially provide for 12 months expected losses under the three-stage model.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.1 Basis of preparation of financial statements (Continued)

*FRS and INT FRS issued but not yet effective (Continued)*

##### **FRS 109 Financial Instruments (Continued)**

*Transition*

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 and intends to elect not to restate comparatives for the previous financial year and will include the additional financial statement disclosures for the financial year when FRS 109 is adopted.

##### **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.

Under FRS 115, the Group expects to continue to recognise revenue from manufacturing of mould and precision pressed parts and trading in related products upon the delivery and acceptance of the goods sold to the customers. The Group is currently finalising the assessment and transition adjustment.

The Group plans to adopt FRS 115 in the financial year beginning on 1 September 2018 using the full retrospective method 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.

On adoption of FRS 116, the Group will be required to capitalise its rented office premises and other operating facilities on the statement of financial position by recognising them as "right-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group plans to adopt the standard in the financial year beginning on 1 September 2019 using the modified retrospective method 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

For the Financial Year ended 31 August 2018

### 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 are carried at cost, less any impairment loss that has been recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 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.

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

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

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

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

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

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at 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

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.4 Associate

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 has no control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with FRS 105. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate or a joint venture exceeds 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 in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. Where significant influence is achieved in stages, the Group's previously held interests in the investee is measured at cost at the date where significant influence was achieved.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

When a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

## 2. Summary of significant accounting policies (Continued)

### 2.5 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.

#### Loans and receivables

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

#### Impairment of financial assets

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

## 2. Summary of significant accounting policies (Continued)

### 2.5 Financial instruments (Continued)

#### **Financial assets (Continued)**

#### Impairment of financial assets (Continued)

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.5 Financial instruments (Continued)

##### Financial liabilities and equity instruments (Continued)

###### 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 borrowings 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.

#### 2.6 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

###### *Finance leases*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statements of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in accordance with the Group's general policy on borrowing costs

###### *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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.6 Leases (Continued)

###### 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.

#### 2.7 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.

#### 2.8 Assets classified as held for sale

Assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Assets classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

#### 2.9 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, fixed deposits net of fixed deposits pledged and bank overdraft. In the statements of financial position, bank overdrafts are presented within borrowings under current liabilities

#### 2.10 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

For the Financial Year ended 31 August 2018

## 2. Summary of significant accounting policies (Continued)

### 2.10 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 allocate their depreciable amounts, 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 to 8 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.

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

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.

### 2.11 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

For the Financial Year ended 31 August 2018

## 2. Summary of significant accounting policies (Continued)

### 2.11 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.

### 2.12 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are measured at cost less any accumulated impairment losses.

Intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

#### Club memberships

Club memberships acquired are measured at cost less any accumulated impairment losses.

### 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

For the Financial Year ended 31 August 2018

### 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 model as disclosed in Note 21 to the financial statements.

#### 2.16 Revenue recognition

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

##### (i) Sale of goods

Revenue from the sale of goods 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.

##### (iii) Interest income

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

##### (iv) Rental income

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.17 Borrowing costs (Continued)

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

#### 2.18 Employee benefits

##### (i) Retirement benefit costs

###### Defined contribution plans

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

###### Defined benefit plans

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

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

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

Defined benefit costs comprise the following:

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.18 Employee benefits (Continued)

- (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.

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

##### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.19 Income tax (Continued)

##### Sales tax

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

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

#### 2.20 Dividends

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

#### 2.21 Foreign currencies transactions and translation

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

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Company and the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised initially in other comprehensive income and accumulated in the Group's currency translation reserve.

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 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 2. Summary of significant accounting policies (Continued)

#### 2.22 Valuation policies and procedures (Continued)

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.

#### 2.23 Segment reporting

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

### 3. Critical accounting judgements and key sources of estimation uncertainty

#### 3.1 Critical judgements in applying the accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below:

##### 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 of investments in subsidiaries and associate and receivables from subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 in determining whether an investment in subsidiary and associate, receivables from subsidiaries or financial asset are impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the recoverable amount of an investment in subsidiary and associate 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. Management estimates the recoverable amount based on expected cash flows from the investments. Key assumptions used by management include revenue growth rate, gross profit margin, operating expenses, discount rate and terminal growth rate.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

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

#### 3.2 Key sources of estimation uncertainty (Continued)

##### Impairment 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.

The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 August 2018 were \$32,049,000 (2017: \$27,504,000) and \$3,037,000 (2017: \$931,000) respectively.

##### Allowances for doubtful receivables

The Group makes allowances for doubtful receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables 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 2018 were \$16,713,000 (2017: \$18,475,000) and \$5,669,000 (2017: \$6,958,000) 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 2018, the carrying amounts of the Group's and the Company's inventories were \$5,249,000 (2017: \$5,449,000) and \$12,000 (2017: \$Nil) respectively.

##### Fair value of investment properties

The Group's investment properties are stated at fair value in accordance with the accounting policy stated in Note 2.11 to the financial statements. As at 31 August 2018, the fair value of the Group's investment properties was determined by independent professional valuation firms and the carrying amounts of the investment properties were \$6,827,000 (2017: \$6,584,000). The valuation was based on certain assumptions, which are subject to uncertainty and might differ from the actual results. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing as at the end of the financial year. These estimates are regularly compared to actual market data.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 4. Cash and cash equivalents

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Cash and bank balances	5,197	8,697	218	1,545
Fixed deposits	145	133	-	-
Cash and cash equivalents on statements of financial position	5,342	8,830	218	1,545
Bank overdraft (Note 17)	(1,572)	-		
Restricted cash	(145)	(133)		
Cash and cash equivalents on consolidated statement of cash flows	3,625	8,697		

The Group's fixed deposits earn interest at 3.10% (2017: 3.10%) per annum and are for a tenor ranging from 90 to 365 (2017: 90 to 365) days.

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
United States dollar	1,499	2,750	-	-
Philippine peso	215	224	-	-
Malaysia ringgit	192	162	-	-
Singapore dollar	67	556	67	556

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 5. Trade and other receivables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current</b>				
Trade receivables				
- third parties	11,595	12,739	260	81
- subsidiaries	-	-	4,422	5,355
	11,595	12,739	4,682	5,436
Allowance for doubtful trade receivables	(69)	(77)	(4,194)	(4,183)
	11,526	12,662	488	1,253
<b>Non-trade receivables</b>				
- third parties	4,868	5,681	3,728	4,594
- loan to employees	476	312	476	312
- subsidiaries	-	-	5,738	4,932
	5,344	5,993	9,942	9,838
Allowance for doubtful non-trade receivables	(274)	(283)	(4,761)	(4,133)
	5,070	5,710	5,181	5,705
	16,596	18,372	5,669	6,958
<b>Non-current</b>				
Non-trade receivables				
- loan to employees	117	103	-	-
<b>Total</b>	16,713	18,475	5,669	6,958

Trade receivables from third parties are non-interest bearing and are generally on a 30 to 120 (2017: 30 to 120) days credit terms. The amounts owing from subsidiaries are unsecured, interest-free and are generally on a 30 to 120 (2017: 30 to 120) days.

The Group's and Company's current non-trade receivables due from third parties includes advances of \$484,000 (2017: \$692,000) and refundable deposit of \$3,083,000 (2017: \$3,088,000) due from Core Power (Fujian) Electric Co., Ltd, a shareholder of the associate (Note 9) for expansion of the electric vehicle business, involving the development, manufacturing, assembling and selling of electric vehicles and other infrastructure projects. The amount owing from third parties are unsecured, interest-free and repayable on demand.

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

The Group's and Company's loan to employees are expected to be repaid within 5 years (2017: within 5 years). The amount is unsecured and bore interest ranging from 5% to 7% (2017: 5% to 7%) per annum. The carrying amount of the non-current staff loans approximate their fair value.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 5. Trade and other receivables (Continued)

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At beginning of financial year	77	59	4,183	4,188
Charge to profit or loss	-	17	-	12
Currency realignment	(8)	1	11	(17)
At end of financial year	69	77	4,194	4,183
Comprising:				
- third parties	69	77	-	-
- subsidiaries	-	-	4,194	4,183
	69	77	4,194	4,183

As at 31 August 2018, the Group and the Company have determined trade receivables of \$69,000 (2017: \$77,000) and \$4,194,000 (2017: \$4,183,000) respectively as individually impaired.

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
At beginning of financial year	283	-	4,133	3,408
Charge to profit or loss	-	291	587	760
Currency realignment	(9)	(8)	41	(35)
At end of financial year	274	283	4,761	4,133
Comprising:				
- third parties	274	283	274	-
- subsidiaries	-	-	4,487	4,133
	274	283	4,761	4,133

As at 31 August 2018, the Group and the Company have determined non-trade receivables of \$274,000 (2017: \$283,000) and \$4,761,000 (2017: \$4,133,000) respectively as individually impaired.

As at 31 August 2018, the Group and the Company have recognised an allowance for doubtful trade and other receivables of \$Nil (2017: \$308,000) and \$587,000 (2017: \$772,000) respectively in profit or loss under "other operating expenses" subsequent to a debt recovery assessment performed by the management.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
United States dollar	2,046	3,684	-	-
Chinese renminbi	493	692	493	692
Singapore dollar	268	254	366	357
Philippine peso	810	644	-	-
Malaysia ringgit	218	271	-	-

### 6. Inventories

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Finished goods	2,186	2,812	12	-
Work-in-process	513	143	-	-
Raw materials	2,550	2,494	-	-
Total inventories at lower of cost and net realisable value	5,249	5,449	12	-

In the current financial year, the Group recognised a reversal of \$41,000 was recognised in profit or loss under "raw materials, consumables used and changes in inventories", being part of an inventory write-down made in previous financial years, as the inventories were sold above the carrying amounts.

In the previous financial year, allowance for inventory obsolescence of \$120,000 was recognised in profit or loss under "raw materials, consumables used and changes in inventories" after a review of the realisability of the inventories conducted at the end of the financial year.

The cost of inventories recognised as an expense in the Group's profit or loss amounted to \$25,974,000 (2017: \$27,132,000).

### 7. Assets classified as held for sale

	Group and Company	
	2018 \$'000	2017 \$'000
At beginning of financial year	3,569	-
Reclassified from property, plant and equipment	-	3,569
Currency realignment	32	-
At end of financial year	3,601	3,569

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 7. Assets classified as held for sale (Continued)

In the previous financial year, the Company entered into an option to sell its leasehold building located at No. 5 Second Chin Bee Road, Singapore 618772 of gross floor area of approximately 4,883.80 square metre for a sales consideration of \$7,800,000.

Owing to circumstances beyond the Group's control, the sale of the property was not completed during the financial year. Subsequent to the financial year ended, the Company obtained approval for the sale of property from the relevant authority on 13 September 2018. The sale of property is expected to be completed within the next three months from the date of approval.

### 8. Subsidiaries

	Company	
	2018 \$'000	2017 \$'000
Unquoted equity shares, at cost	20,417	20,383
Loans deemed as investments in subsidiaries	16,161	16,368
Currency alignment	(1,518)	(1,661)
	35,060	35,090
Allowance for impairment losses	(7,314)	(7,332)
	27,746	27,758

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

	Company	
	2018 \$'000	2017 \$'000
At beginning of financial year	7,332	20,089
Recognised during the financial year	89	-
Reversal during the financial year	(147)	(8,655)
Written off during the financial year	-	(4,378)
Currency realignment	40	276
At end of financial year	7,314	7,332

During the financial year, due to the improved performance, the management assessed that there is an indication that the impairment loss recognised in prior financial years may no longer exist. The review led to a full reversal of impairment loss of \$147,000 in a Philippines subsidiary.

During the financial year, a full impairment loss on a loan deemed as investment in subsidiary of \$89,000 was recognised in profit or loss in view of the consecutive operating losses by the Malaysian subsidiary.

The reversal of impairment loss and impairment loss have been recognised in profit or loss under "other income" and "other operating expenses" respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 8. Subsidiaries (Continued)

In the previous financial year, due to a significant increase in revenue from certain customers in the automotive business segment, management assessed that there is an indication that the impairment loss recognised in prior financial years may no longer exist. The review led to a reversal of impairment loss of \$8,655,000 in a Philippines subsidiary. The recoverable amount of the investment of \$29,974,000 has been determined based on the discounted cash flow forecasts approved by management covering a five-year period and projection to terminal year. Key assumptions used by management include revenue growth rate, discount rate and terminal growth rate.

In the previous financial year, management wrote off a loan deemed as investment in subsidiary amounting to approximately \$4,378,000 as the subsidiary was liquidated.

The loans deemed as investments in subsidiaries are unsecured.

Details of the Company's significant 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	
		2018 %	2017 %	2018 %	2017 %
Miyoshi Saitoh Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding and trading of machine	100	100	-	-
Miyoshi Precision (Malaysia) Sdn. Bhd. <sup>(2)</sup> (Malaysia)	Metal stamping, fabrication of parts and components of machine tools	100	100	-	-
Miyoshi Technologies Phils., Inc. <sup>(3)</sup> (Philippines)	Metal stamping, fabrication of parts and components of machine tools	100	100	-	-
Miyoshi International Philippines, Inc. <sup>(3)(4)</sup> (Philippines)	Property holding	40	40	60	60
Miyoshi Hi-Tech Co., Ltd <sup>(5)</sup> (Thailand)	Metal stamping	80	80	20	20
Wuxi Miyoshi Precision Co., Ltd. <sup>(6)</sup> (People's Republic of China)	Metal stamping and plastic injection moulding	100	100	-	-
Miyoshi Precision Huizhou Co., Ltd <sup>(6)</sup> (People's Republic of China)	Metal stamping and assembly of electronic components	100	100	-	-

Notes:

- (1) Audited by BDO LLP, Singapore.
- (2) Audited by BDO, Malaysia.
- (3) Audited by BDO Roxas Cruz Tagle and 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 8. Subsidiaries (Continued)

#### Subscription of additional shares

During the financial year, the Company subscribed additional equity shares in Miyoshi Precision (Malaysia) Sdn. Bhd. of 100,000 shares at RM1 per share by way of cash considerations of RM100,000 (equivalent to \$34,000).

#### 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	
	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Miyoshi Hi-Tech Co., Ltd	(330)	194	(285)	276	1,830	2,239
Miyoshi International Philippines, Inc.	70	(199)	63	(231)	178	115
Total	(260)	(5)	(222)	45	2,008	2,354

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		Miyoshi International Philippines, Inc.	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Assets and liabilities</b>				
Non-current assets	5,602	5,778	3,532	3,342
Current assets	4,867	7,087	189	215
Non-current liabilities	-	-	(265)	(2,970)
Current liabilities	(1,318)	(1,672)	(2,990)	(226)
Net assets	9,151	11,193	466	361
Revenue	6,453	13,016	75	70
Expenses	(8,102)	(12,045)	(4)	(401)
(Loss)/Profit for the year	(1,649)	971	71	(331)
Other comprehensive income	225	410	(33)	(53)
Total comprehensive income	(1,424)	1,381	38	(384)
Dividend paid to non-controlling interests	(124)	(202)	-	-
Net cash (outflow) inflow from operating activities	(641)	2,249	(195)	707
Net cash (outflow) inflow from investing activities	(1,014)	(1,157)	-	(360)
Net cash inflow (outflow) from financing activities	-	-	-	-

#### Significant restrictions

Cash and cash equivalents of \$1,088,000 (2017: \$2,096,000) 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 9. Associate

	Group and Company 2018 \$'000
Previously held interest, at cost (Note 10)	9,059
Addition	6,869
Share of results, net of tax	-
	15,928
Loans deemed as investment in associate	1,082
	17,010

On 31 July 2018, the Group entered into an agreement with Core Power (the "Agreement") to increase the Group's investment in Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power") from 15% to 32% by way of new capital injection of RMB 50,000,000 (equivalent to \$10,400,000) into Core Power and made a partial capital injection of RMB 32,200,000 (equivalent to \$6,869,000) into Core Power which resulted in an increase in equity interest from 15% to 24.34% based on the paid up share capital of Core Power. The Group has accounted for the investment in Core Power as an associate as management assessed that there is significant influence as the Group has the power to participate in the financial and operating policy decisions of Core Power based on the Agreement. As a result, the Group's previously held interest of 15% equity interest in Core Power (Note 10) has been measured at cost at the date when significant influence was achieved.

Loans deemed as investment in associate comprised advances to the associate and accounted for as part of the net investment in associate as these advances are expected to be converted into further equity interests in the associate.

As at 31 August 2018, the Group's capital commitment in relation to unpaid capital contribution in Core Power amounted to RMB12,821,000 (equivalent to \$2,564,000).

Summarised financial information:

	31 August 2018 \$'000
<b>Core Power (Fujian) New Energy Automobile Co., Ltd</b>	
Current assets	26,498
Non-current assets	37,592
Current liabilities	(7,618)
Non-current liabilities	(11,903)
Net assets	44,569
Proportion of Group's equity interest (24.34%)	10,848
Goodwill	5,044
Unrecognised share of post-acquisition loss	36
Carrying value	15,928

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 9. Associate (Continued)

The financial year end date of Core Power is 31 December. This was the financial reporting date established when that company was incorporated, and a change of reporting date is not permitted in the People's Republic of China. For the purpose of applying the equity method of accounting, Core Power's management prepared a set of financial statements based on a realignment of its financial statements from 31 December 2017 to 31 August 2018.

The summary of statement of comprehensive income is not presented as the results for period from 31 July 2018 (date when significant influence was achieved) to 31 August 2018 was not significant to the financial statements.

*Goodwill arising on the investment in Core Power*

	31 July 2018 \$'000
Consideration transferred	15,928
Less: Fair value of share of identifiable net assets acquired	(10,884)
Goodwill	<u>5,044</u>

The initial accounting for the investment in Core Power has only been provisionally determined as the acquisition occurred close to the end of the financial year. The independent valuation of the investment in Core Power is in progress and expected to be completed subsequent to the authorisation of these financial statements.

The goodwill arising from the investment in Core Power is mainly for the Group's expansion plans in the electric vehicles market in the People's Republic of China.

The details of the associate are as follows:

Name of company	Place of incorporation / registration and principal place of business	Principal activities	Proportion of ownership interest held by the Group	
			2018 %	2017 %
<b>Held by Company</b>				
Core Power (Fujian) New Energy Automobile Co., Ltd	People's Republic of China	Develop, manufacture, assemble and sell electric vehicles ("EV Project")	24.34	-

#### Significant restrictions

Cash and cash equivalents of \$5,101,000 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 10. Available-for-sale financial assets

	Group and Company	
	2018 \$'000	2017 \$'000
Unquoted equity shares, at fair value:		
At beginning of financial year	8,978	9,013
Derecognition of equity interests (Note 9)	(9,059)	-
Currency realignment	81	(35)
At end of financial year	<u>-</u>	<u>8,978</u>

In the current financial year, the previously held interest in Core Power was recognised as an associate due to additional capital injection which resulted in an increase in equity interest and significant influence in Core Power as disclosed in Note 9 to the financial statements.

In the prior financial year, the Group held a 15% equity interest in Core Power amounting to RMB42,750,000 (equivalent to \$8,978,000).

The valuation of the unquoted shares was performed by an external valuer and categorised into Level 3 of the fair value hierarchy as follow:

Description	Fair value at 31 August	Valuation technique	Significant unobservable inputs	Relationship of unobservable input to fair value
<b>2017</b>				
15% equity interest in Core Power	RMB 42.8 million (Approximately \$9 million)	Income approach	<ul style="list-style-type: none"> <li>Revenue growth rate</li> <li>Gross profit margin</li> <li>Discount rate</li> </ul>	<p>The higher the revenue growth rate, the higher the fair value, vice versa.</p> <p>The higher the gross profit margin, the higher the fair value, vice versa.</p> <p>The lower the discount rate, the higher the fair value, vice versa.</p>

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 and Company	
	2018 \$'000	2017 \$'000
Chinese renminbi	<u>-</u>	<u>8,978</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 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
<b>Group</b>								
<b>Cost:</b>								
At 1 September 2016	3,272	12,015	14,284	43,909	2,297	1,080	1,888	78,745
Currency realignment	(127)	141	57	514	17	2	35	639
Additions	380	3,444	141	469	12	-	379	4,825
Transfer from construction-in-progress	-	-	2,027	4	-	-	(2,031)	-
Reclassified as assets held for sale (Note 7)	-	-	(6,103)	-	-	-	-	(6,103)
Disposals/Write-offs	-	-	(1,212)	(3,464)	(476)	(25)	-	(5,177)
At 31 August 2017	3,525	15,600	9,194	41,432	1,850	1,057	271	72,929
Currency realignment	(28)	206	(188)	303	2	10	57	362
Additions	-	363	1,690	2,989	249	539	2,608	8,438
Disposals/Write-offs	-	-	-	(1,864)	(6)	(159)	(5)	(2,034)
At 31 August 2018	3,497	16,169	10,696	42,860	2,095	1,447	2,931	79,695
<b>Accumulated depreciation and impairment:</b>								
At 1 September 2016	-	6,302	4,269	37,861	509	921	-	49,862
Currency realignment	-	109	(4)	393	14	(7)	-	505
Depreciation for the financial year	-	607	635	1,433	140	52	-	2,867
Reclassified as assets held for sale (Note 7)	-	-	(2,534)	-	-	-	-	(2,534)
Disposals/Write-offs	-	-	(1,137)	(3,390)	(474)	(15)	-	(5,016)
Reversal of impairment loss	-	-	-	(259)	-	-	-	(259)
At 31 August 2017	-	7,018	1,229	36,038	189	951	-	45,425
Currency realignment	-	111	(51)	233	(3)	2	9	301
Depreciation for the financial year	-	597	516	1,430	90	152	-	2,785
Disposals/Write-offs	-	-	-	(1,198)	(5)	(159)	-	(1,362)
Impairment loss	-	-	-	65	-	-	432	497
At 31 August 2018	-	7,726	1,694	36,568	271	946	441	47,646
<b>Net carrying value:</b>								
At 31 August 2018	3,497	8,443	9,002	6,292	1,824	501	2,490	32,049
At 31 August 2017	3,525	8,582	7,965	5,394	1,661	106	271	27,504

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 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
<b>Company</b>						
<b>Cost:</b>						
At 1 September 2016	5,759	2,016	552	478	1,888	10,693
Currency realignment	(49)	35	10	(2)	41	35
Additions	141	59	1	-	98	299
Transfer from construction-in-progress	2,027	-	-	-	(2,027)	-
Reclassified as assets held for sale (Note 7)	(6,103)	-	-	-	-	(6,103)
Disposals/Write-offs	(1,137)	(1,730)	(461)	-	-	(3,328)
At 31 August 2017	638	380	102	476	-	1,596
Currency realignment	40	2	4	11	2	59
Additions	1,636	7	126	513	105	2,387
Disposals/Write-offs	-	(71)	-	(159)	-	(230)
At 31 August 2018	2,314	318	232	841	107	3,812
<b>Accumulated depreciation and impairment:</b>						
At 1 September 2016	3,534	1,633	450	478	-	6,095
Currency realignment	10	34	9	(2)	-	51
Depreciation for the financial year	209	62	26	-	-	297
Reclassified as assets held for sale (Note 7)	(2,534)	-	-	-	-	(2,534)
Disposals/Write-offs	(1,137)	(1,647)	(460)	-	-	(3,244)
At 31 August 2017	82	82	25	476	-	665
Currency realignment	3	-	2	4	-	9
Depreciation for the financial year	88	43	43	107	-	281
Disposals/Write-offs	-	(21)	-	(159)	-	(180)
At 31 August 2018	173	104	70	428	-	775
<b>Net carrying value:</b>						
At 31 August 2018	2,141	214	162	413	107	3,037
At 31 August 2017	556	298	77	-	-	931

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 11. Property, plant and equipment (Continued)

For the purpose of consolidated statement of cash flows, the additions to property, plant and equipment were financed as follows:

	Group	
	2018 \$'000	2017 \$'000
Additions during the financial year	8,438	4,825
Additions through finance lease	(165)	-
Cash payment to acquire plant and equipment	<u>8,273</u>	<u>4,825</u>

As at 31 August 2018, the carrying amount of the Group's motor vehicles acquired under finance lease agreement was \$195,000 (2017: \$Nil). Finance lease assets are pledged as securities for the related finance lease payables as set out in Note 16 to the financial statements.

As at 31 August 2018, the Group's and Company's land and buildings with carrying amount of \$17,523,000 (2017: \$14,071,000) and \$2,141,000 (2017: \$556,000) respectively are held as security for certain bank borrowings (Note 17).

At the end of the financial year, the Group and the Company carried out a review of the impairment loss of their property, plant and equipment in view of the declining operating performance by certain subsidiaries. The review led to an additional recognition of impairment by the Group, amounting to \$497,000 in profit or loss under "other operating expenses".

The impairment amount of the property, plant and equipment has been determined based on value in use calculations from discounted cash flow forecasts approved by management covering a five-year period and projection without terminal year. Key assumptions used by management include revenue growth rate and discount rate.

In the prior financial year, the Group carried out a review of the recoverable amounts of their property, plant and equipment in view of the improved operating performance by certain subsidiaries. The review led to the recognition by the Group of reversal of impairment loss amounting to \$259,000 in profit or loss under "other income".

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 11. Property, plant and equipment (Continued)

The Group's land and buildings comprise the following:

Location	Title	Description
Lot B1-5 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines	Freehold	A two-storey factory building
Lot 3 Blk. 2 Daiichi Industrial Park, Barangay Maguyam, Silang Cavite, 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)	A factory cum office building
26 Boon Lay Way, #01-80 Tradehub 21, Singapore 609970	Leasehold (60 years from 10 December 2003)	A 2-storey intermediate industrial unit

### 12. Investment properties

	Group	
	2018 \$'000	2017 \$'000
<b>At fair value</b>		
At beginning of financial year	6,584	7,503
Additions	57	-
Net fair value gain/(loss) recognised in profit or loss	200	(730)
Currency realignment	(14)	(189)
At end of financial year	<u>6,827</u>	<u>6,584</u>

As at 31 August 2018, the Group's investment properties with carrying amount of \$4,994,000 (2017: \$4,771,000) was held as security for a bank loan (Note 17).

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 12. Investment properties (Continued)

The Group's investment properties were valued as at 31 August 2018 and 31 August 2017 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 2018 and 31 August 2017, 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
		2018 \$'000	2017 \$'000			
Philippines	Industrial land	1,779	1,726	Sales comparison approach	Selling price per square metre	The higher the selling price per square metre, the higher the fair value, vice versa
Philippines	Residential Estate	57	–	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	3,158	3,046	Cost approach	Replacement cost of each replaceable asset, adjusted for accrued depreciation	The higher the replacement cost, the higher the fair value, vice versa
Malaysia	Industrial land	183	206	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	1,650	1,606	Cost approach	Replacement cost of each replaceable asset, adjusted for accrued depreciation	The higher the replacement cost, the higher the fair value, vice versa

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 12. Investment properties (Continued)

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	
	2018 \$'000	2017 \$'000
Rental income from investment properties	889	974
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	26	26

As at 31 August 2018 and 31 August 2017, the Group's investment properties comprise the following:

Location	Description	Tenure
PLO 122, Jalan Cyber 5, Senai III Industrial Estate 81400 Senai, Johor, Malaysia	Land and a factory cum office building	60 years Leasehold from 1996
Lot B1-4 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines	Land and two factory buildings	Freehold
Lot B1-5, Road 6, Carmelray Industrial Park II, Brgy. Milagrosa, Calamba Cuity, Laguna, Philippines	Land and two factory building	Freehold
Lot 16/17/18, Blk. 60, Carmel Ridge Residential Estates, Barangay Punta, City of Calamba, Laguna, Philippines	Residential units	Freehold

### 13. Intangible assets

Intangible assets represent club memberships acquired at cost.

### 14. Deferred tax assets

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

	2018 \$'000	2017 \$'000
<b>Group</b>		
At 1 September 2017	20	–
Credit to profit or loss	13	–
At 31 August 2018	33	–

Deferred tax are attributable to the unutilised tax losses computed at income tax rate which available for offset against future taxable profits subject to agreement by the tax authority and provision of the tax legislations.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 15. Trade and other payables

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current</b>				
Trade payables				
- third parties	7,369	8,018	78	52
- subsidiaries	-	-	33	10
- related party	9	9	-	-
	<u>7,378</u>	<u>8,027</u>	<u>111</u>	<u>62</u>
Non-trade payables				
- third parties	2,167	98	1,762	210
- subsidiaries	-	-	3,308	1,830
- related party	-	1	-	1
Accrued expenses	548	927	654	640
	<u>2,715</u>	<u>1,026</u>	<u>5,724</u>	<u>2,681</u>
	<u>10,093</u>	<u>9,053</u>	<u>5,835</u>	<u>2,743</u>
<b>Non-current</b>				
Non-trade payables				
- third party	103	436	-	-
- subsidiaries	-	-	2,619	2,086
	<u>103</u>	<u>436</u>	<u>2,619</u>	<u>2,086</u>
<b>Total</b>	<u>10,196</u>	<u>9,489</u>	<u>8,454</u>	<u>4,829</u>

Trade payables to third parties are non-interest bearing and are normally settled on 30 to 90 (2017: 30 to 90) days terms.

The trade payables due to subsidiaries and a related party are unsecured, interest-free and are normally settled on 30 to 120 (2017: 30 to 120) days terms.

Non-trade payables to third parties 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 42 monthly instalments commencing July 2016.

The Company's non-trade payables to subsidiaries comprise mainly of loans payable amounted to \$5,811,000 (2017: \$3,614,000) which are expected to be repaid within 5 years. The amounts are unsecured and bore interest ranging from 5.6% to 7.0% (2017: 5.6% to 7.0%) per annum. The carrying amount of the non-trade payables to subsidiaries approximate their fair value.

The carrying amount of the Group's non-current non-trade payables approximate its fair value.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 15. Trade and other payables (Continued)

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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollar	2,479	898	4,677	2,008
Philippine peso	2,075	1,689	-	-
United States dollar	550	-	-	-
Malaysia ringgit	144	302	-	-
Japanese yen	33	9	-	-
Chinese renminbi	-	-	2,114	1,347
Euro	-	6	-	-

### 16. Finance lease

	Minimum lease payments \$'000	Future finance charges \$'000	Present value of minimum lease payments \$'000
<b>Group and Company</b>			
<b>2018</b>			
<b>Current liabilities</b>			
Within one financial year	33	(4)	29
<b>Non-current liabilities</b>			
After one financial year but within five financial years	101	(12)	89
	<u>134</u>	<u>(16)</u>	<u>118</u>

The finance lease term was 5 years for the financial year ended 31 August 2018. The effective interest rates for the finance lease obligations was 5.43% per annum for the financial year ended 31 August 2018.

Finance lease are denominated in Singapore dollar.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 17. Bank borrowings

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Current</b>				
<i>Secured</i>				
Term loans	4,549	7,348	1,021	1,702
Bank overdrafts	1,572	-	1,572	-
	<u>6,121</u>	<u>7,348</u>	<u>2,593</u>	<u>1,702</u>
<b>Non-current</b>				
<i>Secured</i>				
Term loans	3,785	2,665	533	642
	<u>9,906</u>	<u>10,013</u>	<u>3,126</u>	<u>2,344</u>

The carrying amount of non-current bank borrowings approximates its fair value as they are floating rate instruments that are repriced to market interest rates on or near the end of the reporting period.

Non-current bank borrowings are repayable as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
In the second year	1,715	1,327	377	642
In the third year	1,440	697	156	-
In the fourth year	630	641	-	-
	<u>3,785</u>	<u>2,665</u>	<u>533</u>	<u>642</u>

The effective interest rates per annum of the bank borrowings during the financial year are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Term loans	2.50% - 7.27%	2.50% - 6.63%	2.68% - 3.70%	2.80% - 3.70%
Bank overdrafts	5.00%	-	5.00%	-

Bank borrowings are arranged at floating rates, thus exposing the Group to interest rate risk.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 17. Bank borrowings (Continued)

The Group's secured term loans are secured as follows:

- (i) legal charge over certain of the Group's properties (Note 11 and 12)
- (ii) pledges over fixed deposits (Note 4)

The term loans have maturity dates between 2019 and 2022.

As at the end of the reporting period, the Group has banking facilities as follows:

	Group	
	2018 \$'000	2017 \$'000
Banking facilities granted	10,393	10,019
Banking facilities utilised	<u>9,915</u>	<u>10,019</u>

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollar	1,554	2,344	1,554	2,344
Malaysia ringgit	<u>413</u>	<u>525</u>	<u>-</u>	<u>-</u>

### 18. Provisions

Subsidiaries of the Group in Thailand and Philippine operate a non-contributory defined benefit plan for all its qualifying employees.

For Philippine's subsidiary, 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.

For Thailand's subsidiary, an employee, who are terminated by the retirement age in condition that the employees have worked for an uninterrupted period commencing from the first working day to the retirement date as stipulated in Section 118, shall be paid severance pay, in accordance with the Thai Labour Protection Act B.E. 2553 (2010).

	Group	
	2018 \$'000	2017 \$'000
Provision for employee service entitlement benefits	<u>528</u>	<u>368</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 18. Provision (Continued)

	Group	
	2018 \$'000	2017 \$'000
<u>Defined benefit plans</u>		
Present value of defined benefit obligation	551	403
Currency alignment	(23)	(35)
Net benefit liability	<u>528</u>	<u>368</u>

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

	Group	
	2018 \$'000	2017 \$'000
Current services	252	42
Interest costs	24	17
Total	<u>276</u>	<u>59</u>

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

	Group	
	2018 \$'000	2017 \$'000
At beginning of financial year	368	463
Charged to profit or loss	276	59
Net actuarial gain recognised	(93)	(119)
Present value of unfunded obligations	551	403
Currency realignment	(23)	(35)
At end of financial year	<u>528</u>	<u>368</u>

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

	Group	
	2018	2017
<u>For Philippine's subsidiary</u>		
Annual discount rate	7%	5%
Annual salary growth rate	3%	3%
Weighted average duration	16.3 years	18.6 years
Normal retirement age	<u>60 years</u>	<u>60 years</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 18. Provisions (Continued)

	Group	
	2018	2017
<u>For Thailand's subsidiary</u>		
Annual discount rate	3%	-
Annual salary growth rate	4%	-
Weighted average duration	9.5 years	-
Normal retirement age	<u>55 years</u>	<u>-</u>

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.

#### For Philippine's subsidiary

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by \$44,000 (increase by \$54,000).
- If the salary growth rate increases (decreases) by 100 basis points, the defined benefit obligation would increase by \$53,000 (decrease by \$44,000).

#### For Thailand's subsidiary

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by \$13,000 (increase by \$16,000).
- If the salary growth rate increases (decreases) by 100 basis points, the defined benefit obligation would increase by \$15,000 (decrease by \$13,000).

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 consolidated statement of financial position.

### 19. Deferred tax liabilities

	Revaluation of property	
	2018 \$'000	2017 \$'000
<u>Group</u>		
At beginning of the financial year	226	427
Charge/(Credit) to profit or loss	44	(192)
Currency realignment	(5)	(9)
At end of the financial year	<u>265</u>	<u>226</u>

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 \$15,065,000 (2017: \$11,043,000). 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

For the Financial Year ended 31 August 2018

### 20. Share capital and reserves

#### Share capital

	Group and Company			
	2018		2017	
	Number of ordinary shares '000	\$'000	Number of ordinary shares '000	\$'000
<b>Issued and fully paid:</b>				
Share capital	497,670	42,259	452,670	39,309
Issued for cash	115,000	7,050	45,000	3,060
Share issue expenses	-	(230)	-	(110)
	<u>612,670</u>	<u>49,079</u>	<u>497,670</u>	<u>42,259</u>

On 21 May 2018, the Company issued and placed 115,000,000 of ordinary shares for cash consideration of \$6,820,000 net of share issue expenses of \$230,000. The issued share capital of the Company increased from 497,669,490 to 612,669,490.

In previous financial year, the Company issued and placed 45,000,000 of ordinary shares for cash consideration of \$2,950,000 net of share issue expenses of \$110,000. The issued share capital of the Company increased from 452,669,490 to 497,669,490.

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.

#### Treasury shares

	Group and Company			
	2018		2017	
	Number of ordinary shares '000	\$'000	Number of ordinary shares '000	\$'000
At beginning of the financial year	3,640	200	-	-
Repurchase during the year	2,102	151	3,640	200
Transferred on vesting of PSP shares (Note 21)	(2,145)	(148)	-	-
At the end of the financial year	<u>3,597</u>	<u>203</u>	<u>3,640</u>	<u>200</u>

In March 2018, the Company acquired 2,102,000 (2017: 3,640,000) of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was \$151,000 (2017: \$200,000) and has been deducted from shareholders' equity.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 20. Share capital and reserves (Continued)

#### Reserves

The amounts of the Group's reserves and the movements therein for the financial year ended 31 August 2018 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) 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.

##### (iii) Capital reserve

Capital reserve is non-distributable and represents the difference between fair value of the share based payment grants to the Group's employee and the cash consideration paid for acquire treasury shares for share based payments.

#### (c) Share awards reserve

Share awards reserve represents the equity-settled shares granted to employees (Note 21). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled shares.

#### (d) Currency translation reserve

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 21. Share-based payments

#### Share plans

The Miyoshi Restricted Share Plan ("RSP") and the Miyoshi Performance Share Plan ("PSP") were approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 23 December 2016. The two share plans are administrated by the Remuneration Committee where members are:

Mr Lim Thean Ee (Chairman)  
Mr Masayoshi Taira  
Mr Wee Piew

The number of shares available under the two share plans shall not exceed 15% of the issued share capital of the Company.

Details of share plans under the RSP and PSP as set out in the circular to the shareholders dated 30 November 2016 as follows:

#### Miyoshi RSP

Awards granted under the RSP will typically vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-related (performance-based restricted awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis.

A time-based restricted award may be granted, for example, as a supplement to the cash component of the remuneration packages of senior executives. A performance-based restricted award may be granted, for example, with a performance target based on the successful completion of a project, or on the Company meeting certain specified corporate target(s), and thereafter with a further vesting period to encourage the participant to continue serving the Group for a further period of time following completion of the project.

During the financial year, the Group and the Company granted 421,000 shares to eligible employees of the Group under RSP scheme. Eligible employees under the approved RSP scheme are subject to the fulfilment of service conditions at vesting, the 421,000 shares will vest over three years from February 2018 onwards.

Details of share plans awarded under RSP scheme as follows:

	2018
	Number of shares
At beginning of financial year	–
Granted	421,000
Vested	(81,861)
At the end of financial year	<u>339,139</u>

During the financial year, the equity-settled share based expenses in relation to the RSP scheme of \$6,000 has been recognised in profit or loss under "employee benefit expenses". The cost of these equity-settled share based payment transactions with employees was measured by reference to the fair value of the RSP at the date of grant which takes into account non-vesting conditions. The estimated fair value of the each RSP share using the Black-Scholes model amounted to \$0.069 at the date of grant.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 21. Share-based payments (Continued)

#### Share plans (Continued)

#### Miyoshi RSP (Continued)

The significant inputs into the model are as follow:

	2018
Date of grant	7 February 2018
Prevailing share price at date of grant	\$0.069
Expected volatility of the Company	51.1%
Expected term	3 years
Risk free rate	2.29%
Expected dividend yield	7.16%

#### Miyoshi PSP

Awards granted under the PSP are performance-based. Performance targets set under the PSP are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets to be set include targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted under the RSP differ from those granted under the PSP in that an extended vesting period is normally (but not always) imposed for performance based restricted awards granted under the RSP beyond the performance target completion date, that is, they also incorporate a time-based service condition as well, to encourage participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

On 7 February 2018, the Company granted 2,145,500 shares at \$0.069 per share under PSP scheme which were immediately vested. The equity-settled share-based expenses in relation to PSP scheme of \$148,000 has been recognised in profit or loss under "employee benefit expenses". The cost of these equity-settled share based payment transactions with employees is measured by reference to the fair value of the PSP which is based on the prevailing share price at date of grant.

### 22. Revenue

	Group	
	2018	2017
	\$'000	\$'000
Sales of goods	45,263	47,889
Revenue from services rendered	5,040	3,900
Rental income	1,015	974
	<u>51,318</u>	<u>52,763</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 23. Other income

	Group	
	2018 \$'000	2017 \$'000
Fair value gain on investment property	200	-
Gain on disposal of club membership	-	41
Gain on disposal of plant and equipment	128	932
Interest income from bank deposits	19	19
Reversal of impairment of plant and equipment	-	259
Miscellaneous income	91	155
	<u>438</u>	<u>1,406</u>

### 24. Employee benefit expenses

	Group	
	2018 \$'000	2017 \$'000
Short-term benefits	10,059	10,236
Post-employment benefits	839	791
Share based payments	154	-
	<u>11,052</u>	<u>11,027</u>

The above includes remuneration of Directors and key management as disclosed in Note 33 to the financial statements.

### 25. Other operating expenses

	Group	
	2018 \$'000	2017 \$'000
Allowance for doubtful trade and other receivables	-	308
Impairment of property, plant and equipment	497	-
Bad debts written off - trade	-	3
Fair value loss on investment properties	-	730
Loss on foreign exchange, net	238	146
Repairs and maintenance	432	568
Professional fees	764	598
Plant and equipment written off	5	1
Supplies and services	4,209	3,759
Office and sundry expenses	490	678
Transportation and travelling	884	876
Utilities	1,768	1,886
Others	591	428
	<u>9,878</u>	<u>9,981</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 26. Finance costs

	Group	
	2018 \$'000	2017 \$'000
Interest expense on:		
- bank borrowings	412	488
- finance lease	4	-
	<u>416</u>	<u>488</u>

### 27. Income tax expense

	Group	
	2018 \$'000	2017 \$'000
Current tax		
- Current year	479	519
- Under provision in prior financial years	45	23
Deferred tax		
- Current year	31	(192)
Withholding tax	79	122
	<u>634</u>	<u>472</u>

Domestic income tax is calculated at 17% (2017: 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	
	2018 \$'000	2017 \$'000
Profit before income tax	1,651	2,674
Income tax calculated at statutory tax rate	281	455
Effect of different tax rates of overseas operations	(774)	(478)
Expenses not deductible for income tax purposes	781	517
Income not subject to tax	(214)	(528)
Income tax exemptions	(35)	-
Utilisation of deferred tax assets not recognised in prior financial years	(480)	(1)
Deferred tax assets not recognised	990	398
Under provision of current income tax in prior years	45	23
Withholding tax	79	122
Other items	(39)	(36)
	<u>634</u>	<u>472</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 27. 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	
	2018 \$'000	2017 \$'000
Unabsorbed capital allowance	5,441	5,916
Unutilised tax losses	22,222	18,752
	<u>27,663</u>	<u>24,668</u>
Deferred tax benefits not recognised	<u>4,703</u>	<u>4,193</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 2018 are available for an unlimited future period, except for unutilised tax losses amounting to \$1,311,000 (2017: \$1,286,000) which will expire 2020 to 2022, and are subject to the conditions imposed by law including the retention of majority shareholders.

### 28. Profit for the financial year

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

	Group	
	2018 \$'000	2017 \$'000
Audit fees:		
Auditors of the Company	90	80
Other auditors	61	71
Non-audit fees:		
Other auditors	14	9
Directors' remuneration:		
Directors of the Company	572	502
Other directors of the subsidiaries	189	180
Directors' fees:		
Directors of the Company	106	106
Other directors of the subsidiaries	<u>35</u>	<u>42</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 29. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	2018 \$'000	2017 \$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share (profit attributable to the owners of the parent)	<u>1,277</u>	<u>2,207</u>
	<b>2018</b>	<b>2017</b>
<b>Number of shares ('000)</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	527,961	460,321
Effects of:		
Weighted average of share-based payment	238	-
Weighted average number of shares used in diluted EPS	<u>528,199</u>	<u>460,321</u>
	<b>2018</b>	<b>2017</b>
<b>Earnings per share (cents)</b>		
Basic and diluted	<u>0.24</u>	<u>0.48</u>

The basic earnings per share is computed by dividing the profit attributable to owners of the parent in each financial year by the weighted average of ordinary shares in issue during the respective financial year.

For the purpose of calculating diluted earnings per share, profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares including weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

### 30. Dividends

The Directors of the Company recommend a final tax-exempt dividend of \$0.002 (2017: \$0.004) per share amounting to approximately \$1,218,000 (2017: \$1,976,000) 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.

### 31. Operating lease arrangements

The Group and the Company as lessees

	Group and Company	
	2018 \$'000	2017 \$'000
Minimum lease payments under operating leases included in profit or loss	<u>161</u>	<u>161</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 31. Operating lease arrangements (Continued)

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

	Group and Company	
	2018 \$'000	2017 \$'000
Within one year	161	161
After one year but within five years	641	641
After five years	2,344	2,477
	<u>3,146</u>	<u>3,279</u>

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

*The Group as lessor*

The Group leased out its investment properties in Malaysia and Philippines under non-cancellable operating leases. The leases are contracted for 1 to 6 (2017: 1 to 7) years.

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

	Group	
	2018 \$'000	2017 \$'000
Within one year	821	811
After one year but within five years	1,359	1,688
After five years	196	358
	<u>2,376</u>	<u>2,857</u>

### 32. 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.

#### 32.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

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

#### 32.1 Credit risk (Continued)

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the consolidated statement of financial position.

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 Group and the Company have trade and non-trade receivables from a third parties of \$3,567,000 (2017: \$3,780,000) and \$3,567,000 (2017: \$3,780,000) respectively which are neither past due nor impaired. As at 31 August 2018, these receivables comprises 21% (2017: 20%) and 63% (2017: 54%) of the Group's and the Company's total trade and other receivables respectively.

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

Trade 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 receivables which are past due and not considered to be impaired are as follows:

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Past due < 3 months	5,644	5,025	23	64
Past due 3 to 6 months	173	193	7	22
Past due over 6 months	144	6	372	1,151

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

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Past due and impaired	69	77	4,194	4,183

#### 32.2 Market risks

##### Foreign exchange risk

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

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

#### 32.2 Market risks (Continued)

##### Net monetary assets/(liabilities)

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Singapore dollar	(7,164)	(5,015)	(6,798)	1,141
United States dollar	4,426	6,480	-	-
Chinese renminbi	(1,621)	8,323	(1,621)	8,323
Philippine peso	(612)	(371)	-	-
Malaysia ringgit	(145)	(394)	-	-
Euro	-	(6)	-	-

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

The following table details the Group's and the Company's sensitivity to a 5% (2017: 5%) 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% (2017: 5%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD, SGD and RMB are included in the analysis.

##### Foreign currency sensitivity analysis

	Gain/(Loss)			
	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>USD</b>				
Strengthens against RMB	221	324	-	-
Weakens against RMB	(221)	(324)	-	-
<b>SGD</b>				
Strengthens against USD	(358)	(251)	(290)	57
Weakens against USD	358	251	290	(57)
<b>RMB</b>				
Strengthens against USD	(81)	417	(81)	417
Weakens against USD	81	(417)	81	(417)

##### Interest rate risk

The Group's and the Company's exposure to interest rate risk mainly arises from bank borrowings. Their interest rates and terms of repayment are disclosed in Notes 17 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	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Bank borrowings	9,906	10,013	3,126	2,344

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

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

#### 32.2 Market risks (Continued)

##### Interest rate risk (Continued)

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 \$99,000 (2017: \$100,000), while the interest expense of the Company would increase/decrease by approximately \$31,000 (2017: \$23,000).

#### 32.3 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

	2018		Total \$'000	2017		Total \$'000
	1 year or less \$'000	2 to 5 years \$'000		1 year or less \$'000	2 to 5 years \$'000	
<b>Group</b>						
Trade and other payables	10,093	103	10,196	9,053	436	9,489
Bank borrowings	6,361	4,103	10,464	7,636	2,845	10,481
	<u>16,454</u>	<u>4,206</u>	<u>20,660</u>	<u>16,689</u>	<u>3,281</u>	<u>19,970</u>
<b>Company</b>						
Trade and other payables	5,835	2,619	8,454	2,743	2,086	4,829
Bank borrowings	2,655	664	3,319	1,772	688	2,460
	<u>8,490</u>	<u>3,283</u>	<u>11,773</u>	<u>4,515</u>	<u>2,774</u>	<u>7,289</u>

##### Corporate guarantees

As at 31 August 2018 the Company has given corporate guarantees of \$419,000 (2017: \$531,000) to a financial institution and a supplier in connection with facilities granted by these parties to subsidiaries. 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

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

#### 32.4 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 to ensure that there is adequate liquidity, taking into consideration internal funding requirements as well as external economic conditions.

As disclosed in Note 20 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 2018 and 2017.

The Group's overall strategy remains unchanged from 2017.

#### 32.5 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 non-current financial liabilities that are not carried at fair value in relation to non-trade payables, finance lease and bank borrowings are disclosed in Notes 15, 16 and 17 to the financial statements respectively.

*Fair value of financial instruments carried at fair value*

The fair value of available-for-sale financial assets is disclosed in Note 10 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

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

#### 32.6 Categories of financial instruments

	Group		Company	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and bank balances	5,197	8,697	218	1,545
Fixed deposits	145	133	-	-
Trade and other receivables	16,713	18,475	5,669	6,958
	<u>22,055</u>	<u>27,305</u>	<u>5,887</u>	<u>8,503</u>
<b>Available-for-sale financial assets</b>	-	8,978	-	8,978
<b>Financial liabilities</b>				
<b>Other financial liabilities, at amortised cost</b>				
Trade and other payables	10,196	9,489	8,454	4,829
Bank borrowings	9,906	10,013	3,126	2,344
Finance lease	118	-	118	-
	<u>20,220</u>	<u>19,502</u>	<u>11,698</u>	<u>7,173</u>

### 33. 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	
	2018 \$'000	2017 \$'000
<b>With subsidiaries</b>		
Sales	9	162
Management fee charged	161	167
Payment on behalf of	863	377
Purchases	<u>17</u>	<u>9</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 33. 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	
	2018 \$'000	2017 \$'000
Short-term benefits	1,650	1,519
Post-employment benefits	63	71
Share based payments	126	-
	<u>1,839</u>	<u>1,590</u>

	Group	
	2018 \$'000	2017 \$'000
Directors' remuneration		
- of the Company	678	608
- of the subsidiaries	224	222
	<u>902</u>	<u>830</u>

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

### 34. Group segmental information

#### 34.1 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 34. Group segmental information (Continued)

#### 34.1 Analysis by Business Segments (Continued)

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, inventories and operating receivables, net of allowances and provisions. Segment liabilities include all operating liabilities and consist principally of trade and other payables, finance lease and borrowings.

The Group is primarily engaged in four 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  
Manufacture of finished products of light electric vehicles and semi-finished metal components for motor vehicles.
- (iv) Others  
Manufacture of semi-finished metal components for solar panel, the sale of scrap and rental income.

The revenue from one customer from each of the Group's data storage and automotive segment represents \$7,886,000 (2017: \$12,044,000) and \$12,216,000 (2017: \$9,212,000) respectively.

The Group adopts these four business segments for segment reporting.

	Consumer electronics		Automotive		Data storage		Others		Unallocated		Group	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Revenue</b>												
External sales	19,209	17,622	14,795	11,449	13,003	19,747	4,311	3,945	-	-	51,318	52,763
<b>Results</b>												
Segment results	1,453	749	2,218	2,179	(155)	967	240	720	(1,708)	(1,472)	2,048	3,143
Interest expense	-	-	-	-	-	-	-	-	(416)	(488)	(416)	(488)
Interest income	-	-	-	-	-	-	-	-	19	19	19	19
Profit/(loss) before income tax	<u>1,453</u>	<u>749</u>	<u>2,218</u>	<u>2,179</u>	<u>(155)</u>	<u>967</u>	<u>240</u>	<u>720</u>	<u>(2,105)</u>	<u>(1,941)</u>	<u>1,651</u>	<u>2,674</u>
Income tax expense											(634)	(472)
Profit for the financial year											<u>1,017</u>	<u>2,202</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 34. Group segmental information (Continued)

#### 34.1 Analysis by Business Segments (Continued)

	Consumer electronics		Automotive		Data storage		Others		Unallocated		Group	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(Reversal of)/ Allowance for impairment of:												
- trade and other receivables	-	304	-	-	-	-	-	4	-	-	-	308
- plant and equipment	135	(259)	-	-	-	-	362	-	-	-	497	(259)
- inventory obsolescence	2	323	-	(157)	(43)	(46)	-	-	-	-	(41)	120
Depreciation	742	1,093	616	528	1,365	1,083	62	163	-	-	2,785	2,867
Fair value loss/ (gain) on investment property	-	-	-	-	-	-	(200)	730	-	-	(200)	730
Plant and equipment written off	5	-	1	1	-	-	-	-	-	-	6	1
<b>Segment assets</b>	<b>25,243</b>	<b>27,840</b>	<b>32,280</b>	<b>18,339</b>	<b>10,472</b>	<b>14,856</b>	<b>18,971</b>	<b>18,548</b>	<b>48</b>	<b>34</b>	<b>87,014</b>	<b>79,617</b>
Segment assets include:												
Associate	-	-	17,010	-	-	-	-	-	-	-	17,010	-
Additions to:												
- capital expenditure	3,158	1,611	2,433	1,047	2,138	1,805	709	362	-	-	8,438	4,825
<b>Segment liabilities</b>	<b>2,492</b>	<b>4,176</b>	<b>1,121</b>	<b>976</b>	<b>633</b>	<b>625</b>	<b>6,478</b>	<b>3,712</b>	<b>10,457</b>	<b>10,717</b>	<b>21,181</b>	<b>20,206</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year ended 31 August 2018

### 34. Group segmental information (Continued)

#### 34.2 Analysis by Geographical Segments

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

	External sales		Non-current assets	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Philippines	21,008	16,505	19,833	16,007
China	13,092	13,176	7,963	8,549
Thailand	6,496	13,160	2,569	2,952
Mexico	5,022	2,043	-	-
Hungary	2,012	4,102	-	-
Malaysia	1,243	1,272	4,585	4,794
Singapore	757	1,495	3,941	1,799
Others	1,688	1,010	-	-
	<b>51,318</b>	<b>52,763</b>	<b>38,891</b>	<b>34,101</b>

### 35. Reclassifications

Certain reclassifications have been made to the prior year's financial statements to enhance the comparability with current year's financial statements. As a result, certain line items have been amended in the statement of comprehensive income. Comparative figures have been adjusted to conform to the current financial year's presentation.

	2017	
	As previously reported	As restated
	\$'000	\$'000
<b>Statement of Comprehensive Income</b>		
Revenue	50,668	52,763
Other income	3,501	1,406
Raw materials, consumables used and changes in inventories	27,012	27,132
Other operating expenses	10,101	9,981

## 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 2018.

### 1. Opinion of the Directors

In the opinion of the Board of Directors,

- 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 2018, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- 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. 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

### 3. 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 except as disclosed in paragraph 5 of this statement.

### 4. 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
<b>The Company</b>	<b>Number of ordinary shares</b>			
Mr Sin Kwong Wah, Andrew	75,742,900 <sup>(1)</sup>	83,886,500 <sup>(1)</sup>	77,944,000 <sup>(2)</sup>	77,944,000 <sup>(2)</sup>
Mr Masayoshi Taira	–	–	69,509,290 <sup>(3)</sup>	63,009,290 <sup>(3)</sup>
Mr Lim Thean Ee	100,000	100,000	–	–
Mr Pek Ee Perh, Thomas	15,954,500	16,454,500	–	–

## DIRECTORS' STATEMENT

### 4. Directors' interests in shares or debentures (Continued)

Name of Directors and company in which interests are held	Shareholdings registered in the name of the Directors	
	At beginning of year	At end of year
<b>Subsidiaries</b>	<b>Ordinary shares of Philippine Peso 1,000 each</b>	
<b>- Miyoshi Technologies Phils., Inc.</b>	<b>Held in the name of Directors</b>	
Mr Sin Kwong Wah, Andrew	1 <sup>(4)</sup>	1 <sup>(4)</sup>

- 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.
- Mr Sin Kwong Wah, Andrew is deemed to have an interest in the 45,175,000 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.
- Mr Masayoshi Taira is deemed to have an interest in the 63,009,290 (2017: 69,509,290) shares held by Miyoshi Industry Co., Ltd.
- 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 2018 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 August 2018, except for Mr Sin Kwong Wah, Andrew. On 3 September 2018, Mr Sin Kwong Wah, Andrew purchased 620,500 ordinary shares of Miyoshi Limited. After the purchase, the total ordinary shares registered in his name was 84,507,000 shares.

### 5. Share plans

#### Restricted Share Plan and Performance Share Plan

The Company implemented a Miyoshi Restricted Share Plan ("RSP") and Miyoshi Performance Share Plan ("PSP") which were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 23 December 2016. Both the RSP and PSP are administered by the Remuneration Committee.

The RSP and PSP apply to group employees, executive directors and non-executive directors, who are not controlling shareholders or their associate.

During the financial year, the Company granted 421,000 shares and 2,145,500 shares to eligible employees of the Group under RSP and PSP respectively. The share awards granted under the RSP are subject to the fulfilment of service conditions and will vest over three years from February 2018. The share awards granted under PSP were vested on the date of grant in February 2018.

Details of the RSP and PSP are disclosed in Note 21 to the financial statements.

**5. Share plans (Continued)**

**Restricted Share Plan and Performance Share Plan (Continued)**

The shares awarded under PSP and RSP are as follows:

Date of grant	Number of Shares			Balance at 31.08.2018
	Balance at 01.09.2017	Granted	Vested	
<u>PSP 2016</u>				
7 February 2018	-	2,145,500	(2,145,500)	-
<u>RSP 2016</u>				
7 February 2018	-	421,000	(81,861)	339,139
	-	2,566,500	(2,227,361)	339,139

A Director of the Company who received 5% or more of the total number of shares awarded under the PSP is as follows:

	Awards granted during financial year under review	Aggregate awards granted since commencement of plans to the end of financial year	Aggregate awards vested since commencement of plans to the end of financial year	Aggregate awards granted but not vested as at the end of financial year
<b>PSP</b>				
Sin Kwong Wah, Andrew	643,000	643,000	(643,000)	-

Save for the above, there were no options or share awards granted under PSP and RSP to:

- (i) Directors of the Company;
- (ii) Participants who are controlling shareholders of the Company and their associates; and
- (iii) Participants who receive 5% or more of the total number of options or share awards under the PSP and RSP.

**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;

**6. Audit committee (Continued)**

- (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 auditors.

The Audit Committee has full access to and has the co-operation of the Management, and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any Director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

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

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

**7. Auditor**

The auditor, BDO LLP, has expressed its 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 8 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  
27 November 2018

# INDEPENDENT AUDITOR'S REPORT

To the Members of Miyoshi Limited

# INDEPENDENT AUDITOR'S REPORT

To the Members of Miyoshi Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Miyoshi Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 92 to 157, which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 August 2018;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 August 2018, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## KEY AUDIT MATTER

### Investment in associate - Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power")

#### Accounting for investment in an associate

On 31 July 2018, pursuant to an agreement with Core Power (the "Agreement") to increase the Group's investment in Core Power from 15% to 32% by way of new capital injection of RMB 50 million (equivalent to \$10.4 million) into Core Power, the Group made a partial capital injection of RMB 32.2 million (equivalent to \$6.9 million) which resulted in an increase in equity interest from 15% to 24.34% based on the paid up share capital of Core Power. Core Power is a company that manufactures, assembles and sells light electric vehicles in the People's Republic of China.

Management assessed that the Group has gained significant influence over Core Power as the Group has the power to participate in the financial and operating policy decisions of Core Power based on the Agreement. As a result, the investment in Core Power, which was previously classified as "Available-for-sale financial asset", was accounted for as an investment in an associate.

#### Impairment

As at 31 August 2018, the Group's investment in Core Power amounted to \$17.0 million. As Core Power reported losses during the current financial period, there was an indication of impairment.

Accordingly, management assessed the recoverable amount of the investment by engaging an external valuer and determined that no impairment was necessary as the recoverable amount exceeded the carrying amount of investment in Core Power.

We focused on this area as a key audit matter as this was a significant transaction during the financial year. In addition, the impairment assessment required significant judgements about the feasibility of Core Power's future business plan and key assumptions including projected revenue growth rate, gross profit margin, operating expenses, discount rate and terminal value.

Refer to Notes 3.2, 9 and 10 to the financial statements.

## AUDIT RESPONSE

Our procedures included, amongst others, the following:

#### Accounting for investment in an associate

- Discussed with management and read the Agreement to understand the key terms and conditions for management's assessment of significance influence in Core Power;
- Assessed the appropriateness of accounting for the investment in Core Power; and
- Evaluated the adequacy of the related disclosures in the financial statements.

#### Impairment

- Assessed the independence and competency of the valuer which included considering their experiences and qualification in performing valuations for similar types of assets;
- Discussed with management and the valuer on the valuation methodologies used and the results of their work; and
- Engaged our internal valuation specialist to evaluate the valuation methodologies used and assessed the reasonableness of the key assumptions used, including the projected revenue growth rate, gross profit margin, operating expenses, discount rate and terminal value.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Miyoshi Limited

## Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors 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 Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Miyoshi Limited

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## 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.

The engagement partner on the audit resulting in this independent auditor's report is Adrian Lee Yu-Min.

**BDO LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
27 November 2018

## GROUP FIVE-YEAR FINANCIAL SUMMARY

GROUP FINANCIAL HIGHLIGHTS FOR THE YEAR (\$'000)	(Restated)				
	FY2014	FY2015	FY2016	FY2017	FY2018
Revenue	57,800	56,981	51,308	52,763	51,318
Revenue Growth (%)	-6%	-1%	-10%	3%	-3%
Profit for the Period	(17)	627	1,045	2,202	1,017
<b>GROUP SEGMENTAL INFORMATION</b>					
FOR THE YEAR (\$'000)	(Restated)				
	FY2014	FY2015	FY2016	FY2017	FY2018
Consumer Electronics	19,175	22,460	21,964	17,622	19,209
Automotive	2,789	3,501	6,406	11,449	14,797
Data Storage	34,341	27,071	19,475	19,747	13,003
Others	1,495	3,949	3,463	3,945	4,309
	<b>57,800</b>	<b>56,981</b>	<b>51,308</b>	<b>52,763</b>	<b>51,318</b>
<b>GROUP CASH FLOWS</b>					
FOR THE YEAR (\$'000)	(Restated)				
	FY2014	FY2015	FY2016	FY2017	FY2018
Operating cash flow before working capital changes	1,380	4,070	3,917	5,930	5,512
Work capital Changes	2,805	(4,586)	4,263	(990)	2,917
Interest paid, net	(191)	(218)	(347)	(469)	(397)
Income tax paid	(248)	(348)	(488)	(463)	(447)
Net cash from/(used in) operating activities	3,746	(1,082)	7,345	4,008	7,585
Net cash used in investing activities	(1,761)	(5,966)	(6,734)	(7,472)	(15,279)
Net cash used in financial activities	(6,843)	3,508	5,483	(500)	2,843
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(4,858)</b>	<b>(3,540)</b>	<b>6,094</b>	<b>(3,964)</b>	<b>(4,851)</b>

## GROUP FIVE-YEAR FINANCIAL SUMMARY

GROUP FINANCIAL RATIOS FOR THE YEAR (\$'000)	(Restated)				
	FY2014	FY2015	FY2016	FY2017	FY2018
Earnings per share (cents)	0.11	0.12	0.25	0.48	0.24
Net asset value per share (cents)	11.16	12.11	11.86	11.55	10.48
Dividend per share (cents)	0.35	-	0.4	0.4	0.2
Return on equity (%)	1.00	1.07	2.13	3.99	2.11
Return on assets (%)	(0.02)	0.92	1.38	2.80	1.22
Gearing ratio	0.06	0.11	0.21	0.18	0.16
Current ratio	2.74	2.65	2.16	2.21	1.89
Cash ratio	0.82	0.56	0.85	0.53	0.22
<b>GROUP FINANCIAL POSITION</b>					
FOR THE YEAR (\$'000)	(Restated)				
	FY2014	FY2015	FY2016	FY2017	FY2018
Property, plant and equipment	28,053	30,676	28,883	27,504	32,049
Available-for-sale financial assets (non-current)	-	17	9,031	8,978	-
Investment properties	840	7,357	7,503	6,584	6,827
Associate	-	-	-	-	17,010
Intangible assets	-	2,883	-	13	15
Other assets	385	376	99	215	208
Cash and cash equivalents	10,118	6,812	12,559	8,830	5,342
Trade and other receivables	14,815	18,099	14,385	18,475	16,713
Inventories	6,807	7,321	5,203	5,449	5,249
Assets classified as held for sale	1,924	-	-	3,569	3,601
<b>Total Assets</b>	<b>62,942</b>	<b>73,541</b>	<b>77,663</b>	<b>79,617</b>	<b>87,014</b>
Equity attributable to owners of the parent	46,952	54,831	53,680	57,057	63,825
Non-controlling interests	2,020	3,252	2,511	2,354	2,008
Borrowings: non-current	1,303	2,603	5,009	2,665	3,874
Borrowings: current	1,961	3,381	6,241	7,348	6,150
Trade and other payables	10,424	8,661	8,476	9,053	10,093
Other liabilities	282	813	1,746	1,140	1,064
<b>Total Equity and Liabilities</b>	<b>62,942</b>	<b>73,541</b>	<b>77,663</b>	<b>79,617</b>	<b>87,014</b>

## GROUP FIVE-YEAR FINANCIAL SUMMARY

### FY2018

The group recorded a 2.7% decrease in revenue from \$52.8 million in FY2017 to \$51.3 million in FY2018. The consumer electronics segment overtook the data storage segment as Miyoshi's largest revenue contributor. Revenue from the consumer electronics grew by 9.0% from \$17.6 million in FY2017 to \$19.2 million in FY2018. The increase was mainly due to more orders from Japanese customers, especially for ink jet printer, projectors, photocopiers and scanners.

The automotive segment grew 29.2% from \$11.4 million in FY2017 to \$14.8 million in FY2018, and contributed to 28.8% of Group's revenue. Revenue from the data storage segment decreased by 34.2% from \$19.7 million in FY2017 to \$13.0 million in FY2018, contributed to 25.3% of group's revenue.

Profit after tax for FY2018 decreased by 53.8% mainly due to one-off, non-recurring expenses, such as the \$0.5 million for the impairment of plant and equipment for Thailand and Malaysia operations. In FY2017, profit after tax was higher due to a higher gain on disposal of plant and equipment of \$0.9 million and reversal of impairment of plant and equipment of \$0.3 million.

### FY2017

The Group recorded a 2.8% increase in revenue from \$51.3 million in FY2016 to \$52.8 million in FY2017. The increase was mainly due to more orders from automotive customers.

Profit after tax increased by \$1.2 million from \$1.0 million in FY2016 to \$2.2 million in FY2017. The increase was mainly due to increase in revenue of \$1.5 million, decreases in income tax expense of \$0.3 million, offset, by decrease in other income of 0.7 million.

### FY2016

The Group recorded a 10.0% decrease in revenue from \$57.0 million in FY2015 to \$51.3 million in FY2016. Consumer electronics segment, which includes manufacturers of photocopiers, printers, projectors and home appliances, contributed 44.5% of the Group's revenue. Data storage segment contributed to 39.6% of Group's revenue. Automotive and others segment grew 59.9% year-on-year and contributed to 15.9% of Group's revenue.

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.

On 6 June 2016, the Group completed the transfer of listing from the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") to the Catalist sponsored regime. The Company has appointed CIMB Bank Berhad, Singapore Branch to act as its continuing sponsor. Following the transfer, the Company also exited from the SGX-ST's Watch-Lists with effect from 6 June 2016.

In August 2016, the Group completed its 15% investment in Core Power (Fujian) New Energy Automobile Co., Ltd.

## GROUP FIVE-YEAR FINANCIAL SUMMARY

### FY2015

The Group recorded a 22.4% decrease in revenue from \$70.1 million in FY2014 to \$54.4 million in FY2015. The decrease was mainly due to dilution of shareholding interest and subsequent disposal of principal subsidiary, Giken Sakata (S) Limited ("Giken") in the last financial year. Excluding Giken's revenue, revenue decreased 1.4% from \$57.8 million in FY2014 to \$56.9 million in FY2015.

Revenue from data storage segment decreased by 21.0% from \$34.3 million in FY2014 to \$27.1 million in FY2015. In the near term, our operating landscape remains challenging as a result of intense competition in the data storage segment. Revenue from consumer electronics segment increased 16.7% from \$19.2 million in FY2014 to \$22.4 million in FY2015.

Profit before tax increased by \$0.9 million from \$0.3 million for FY2014 to \$1.2 million in FY2015.

Fair value gain on investment property for other comprehensive income of \$0.7 million arose from the transfer of Senai property from Property, Plant and Equipment to Investment Property in 4Q2015.

### FY2014

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

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

Other income increased by \$4.9 million mainly due to gain on disposal of property in Singapore.

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

## CONTACT DETAILS

### MIYOSHI LIMITED

**MIYOSHI SAITOH PTE LTD**  
**OE AQUITECH (SINGAPORE) PTE LTD**  
 5 Second Chin Bee Road  
 Singapore 618772  
 Tel: (65) 6265-5221

### MIYOSHI OPTRONICS (S) PTE LTD

28D Penjuru Close #01-07  
 Singapore 609132  
 Tel: (65) 6904-4376

### MIYOSHI TECHNOLOGIES PHILS., INC.

**MIYOSHI INTERNATIONAL PHILIPPINES., INC.**  
 Lot B1-5, Road 6, Carmelray Industrial Park II,  
 Barangay Tulo, Calamba City, Laguna 4027,  
 The Philippines  
 Tel: (63) (049) 508-1388

Lot 3 Block 2, Daiichi Industrial Park,  
 Barangay Maguyam, Silang Cavite 4118,  
 The Philippines

### MIYOSHI HI-TECH CO., LTD

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 BanPo, Ban Pa-In, Ayutthaya 13160  
 Thailand  
 Tel: (66) (35) 314-031

### WUXI MIYOSHI PRECISION CO., LTD

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 Wuxi New District, Jiangsu Province, 214115,  
 People's Republic of China  
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### MIYOSHI PRECISION HUIZHOU CO., LTD

Jin Chuan Road, Tong Qiao Industrial Park  
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 516032 Guangdong Province,  
 People's Republic of China  
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### MIYOSHI PRECISION (MALAYSIA) SDN BHD

**OE AQUITECH (M) SDN BHD**  
 No. 4, Jalan Wira 3, Taman Tan Sri Yaacob  
 81300 Skudai, Johor D.T.,  
 Malaysia  
 Tel: (60) 7511-1855

### CORE POWER (FUJIAN) NEW ENERGY AUTOMOBILE CO., LTD

229 Luo Xi Road, Yong An City, Fujian Province,  
 People's Republic of China  
 Tel: (86) (598) 513-3888

## AWARDS AND ACCOLADES

2018

### Singapore Governance and Transparency Index (SGTI) 2017

- Ranked 46 out of 589 Singapore Exchange (SGX) listed companies evaluated

### DP Information Group

- Ranked 353 of Singapore 500 Public Listed Companies (Ranked by Sales)

2017

### Singapore Governance and Transparency Index (SGTI) 2017

- Ranked 164 out of 606 Singapore Exchange (SGX) listed companies evaluated

### DP Information Group

- Ranked 354 of Singapore 500 Public Listed Companies (Ranked by Sales)

### Securities Investors Association Singapore (SIAS) Investors' Awards 2017

- Most Transparent Company Award (Winner, Small and Medium Enterprise)

2016

### Singapore Governance and Transparency Index (SGTI) 2016

- Ranked 443 out of 631 Singapore Exchange (SGX) listed companies evaluated

### DP Information Group

- Ranked 336 of Singapore 500 Public Listed Companies (Ranked by Sales)

2015

### Singapore Governance and Transparency Index (SGTI) 2015

- Ranked 623 out of 639 Singapore Exchange (SGX) listed companies evaluated

### DP Information Group

- Ranked 197 of Singapore 500 Public Listed Companies (Ranked by Sales)

2014

### Singapore Governance and Transparency Index (SGTI) 2014

- Ranked 634 out of 644 Singapore Exchange (SGX) listed companies evaluated

### DP Information Group

- Ranked 1,391 of Singapore 1000 Public Listed Companies (Ranked by Sales)

2013

### Singapore Governance and Transparency Index (SGTI) 2013

- Ranked 659 out of 664 Singapore Exchange (SGX) listed companies evaluated

### DP Information Group

- Ranked 212 of Singapore 500 Public Listed Companies (Ranked by Sales)

2019

11 January

2019 First Quarter Results

January

Payment date of Final Dividends on Ordinary Shares for the financial year ended 31 August 2018

5 April

2019 Second Quarter Results

5 July

2019 Third Quarter Results

25 October

2019 Full Year Results

27 December

Annual General Meeting

2018

11 January

2018 First Quarter Results

19 January

Payment date of Final Dividends on Ordinary Shares for the financial year ended 31 August 2017

6 April

2018 Second Quarter Results

18 May

Completion of placement of 115 million new shares

6 July

2018 Third Quarter Results

26 October

2018 Full Year Results

28 December

Annual General Meeting

Class of equity securities	:	Ordinary Shares
No. of equity securities (excluding treasury shares)	:	609,072,900
Number of subsidiary holdings	:	Nil
Voting Rights	:	One vote per share

As at 22 November 2018, the total number of treasury shares held is 3,596,500 (0.59%)

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 1000	255	8.99	137,656	0.02
1,001 - 10,000	963	33.96	5,340,200	0.88
10,001 - 1,000,000	1,573	55.46	148,964,831	24.46
1,000,001 and above	45	1.59	454,630,303	74.64
<b>TOTAL</b>	<b>2,836</b>	<b>100.00</b>	<b>609,072,990</b>	<b>100.00</b>

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
<b>Substantial shareholders</b>				
Miyoshi Industry Co., Ltd	63,009,290	10.35%	-	-
Masayoshi Taira	-	-	63,009,290	10.35%
Sin Kwong Wah Andrew	84,507,000	13.87%	77,944,000	12.80%
Pek Yee Chew	31,269,000	5.13%	131,182,000	21.54%

Notes:

- Mr Masayoshi Taira is deemed to have an interest in the 63,009,290 shares held by Miyoshi Industry Co., Ltd.
- Mr Sin Kwong Wah, Andrew is deemed to have an interest in the 45,175,000 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.
- 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 and 1,500,000 Shares held by her daughter, Ms. Sin Shi Min Andrea.

## SHAREHOLDING STATISTICS

As at 22 November 2018

### TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DBS NOMINEES PTE LTD	85,739,789	14.08
2	SIN KWONG WAH ANDREW	84,507,000	13.87
3	MIYOSHI INDUSTRY CO LTD	63,009,290	10.35
4	MAYBANK KIM ENG SECURITIES PTE LTD	34,722,330	5.70
5	PEK YEE CHEW	31,269,000	5.13
6	KHOO TECK POH	17,700,000	2.91
7	PEK EE PERH THOMAS	16,454,500	2.70
8	RAFFLES NOMINEES (PTE) LTD	12,951,500	2.13
9	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	12,298,049	2.02
10	LIM YUH PING	11,196,400	1.84
11	JEREMY LEE SHENG POH	10,000,000	1.64
12	LOW HUAT YEW	9,207,700	1.51
13	LEOW BENG LEE (LIAO MINGLI)	4,911,000	0.81
14	LIM BUAN HUA	4,288,800	0.70
15	PHILLIP SECURITIES PTE LTD	3,526,845	0.58
16	KUAN BON HENG	3,260,000	0.54
17	LIM CHYE HUAT	3,086,900	0.51
18	CITIBANK NOMINEES SINGAPORE PTE LTD	2,971,500	0.49
19	WOO KOON CHEE	2,830,000	0.46
20	NG HWEE KOON	2,764,500	0.45
	<b>TOTAL</b>	<b>416,695,103</b>	<b>68.42</b>

As at 22 November 2018, 60.27% 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 81 Choa Chu Kang Way, Warren Golf & Country Club, Singapore 688263, Conference Room 1 & 2 (Level 2) on 28 December 2018 at 10.00 a.m. for the following purposes:

### AS ORDINARY BUSINESS

- To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 August 2018 together with the Auditors' Report thereon. **(Resolution 1)**
- To declare a first and final dividend of 0.2 Singapore cent per share tax exempt (one-tier) for the year ended 31 August 2018 (2017: 0.4 Singapore cent per share). **(Resolution 2)**
- To re-elect the following Directors of the Company who retire by rotation in accordance with Regulation 89 of the Company's Constitution and who, being eligible, offer themselves for re-election:
 

Mr Lim Thean Ee **(Resolution 3)**  
Mr Wee Piew **(Resolution 4)**

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

Mr Wee Piew, upon his re-election as director of the Company, remain as a Chairman of Audit Committee and a member of the Nominating and Remuneration Committees and will be considered independent.
- To approve the payment of Directors' fees of S\$90,000 for the year ended 31 August 2018 (2017: S\$106,000). **(Resolution 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)**
- 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:

- (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 Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution, whether on a pro rata or non pro rata basis, shall not exceed 100% of the total issued Shares at the time of passing of this Ordinary Resolution (excluding treasury shares and subsidiary holdings) (as

## NOTICE OF ANNUAL GENERAL MEETING

calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 50% of the total issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

- (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 allot, issue and deliver shares pursuant to Miyoshi Restricted Share Plan 2016

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards under the prevailing Miyoshi Restricted Share Plan (“**Miyoshi RSP**”) and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be delivered pursuant to the vesting of RSP Awards under the Miyoshi RSP, provided that the aggregate number of (1) new Shares allotted and issued and/or be allotted and issued and (2) existing Shares (including Shares held in treasury) delivered and/or to be delivered, and (3) Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to the Miyoshi RSP and the Miyoshi Performance Share Plan and all options or awards granted under any other share option schemes or share schemes implemented by the Company and for the time being in force shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.  
[See Explanatory Note (ii)] **(Resolution 8)**

### 9. Authority to allot, issue and deliver shares pursuant to Miyoshi Performance Share Plan 2016

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards under the prevailing Miyoshi Performance Share Plan (“**Miyoshi PSP**”) and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be delivered pursuant to the vesting of PSP Awards under the Miyoshi PSP, provided that the aggregate number of (1) new Shares allotted and issued and/or be allotted and issued and (2) existing Shares (including Shares held in treasury) delivered and/or to be delivered, and (3) Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to the Miyoshi RSP and the Miyoshi Performance Share Plan and all options or awards granted under any other share option schemes or share schemes implemented by the Company and for the time being in force 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 (iii)] **(Resolution 9)**

## NOTICE OF ANNUAL GENERAL MEETING

### 10. Proposed Renewal of Share Buy-Back Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
- (i) market purchase(s) (each a “**Market Purchase**”) on the SGX-ST; and/or
  - (ii) off-market purchase(s) (each an “**Off-Market Purchase**”) effected otherwise than on the SGX-ST in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Catalist Rules and the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the Catalist Rules as may for the time being be applicable be and is hereby authorised and approved generally and unconditionally (the “**Share Buy-Back Mandate**”);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the conclusion of the next Annual General Meeting of the Company is held or date by which such Annual General Meeting is required to be held;
  - (ii) the date on which the Share Buy-Backs are carried out to the full extent of the Share Buy-Back Mandate; or
  - (iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;
- (c) for purposes of this ordinary resolution:

“**Average Closing Price**” means the average of the closing market prices of the Shares for the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the Catalist Rules of the SGX-ST for any corporate action that occurs after the relevant five (5)-Market Day period;

“**date of the making of the offer**” means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price (as hereinafter defined) for an off-market purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

“**Maximum Limit**” means ten per cent. (10%) of the total issued Shares of the Company as at the date of the passing of this ordinary resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buy-back) in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined) in which event the issued Shares of the Company shall be taken to be the total number of the issued Shares as altered by such capital reduction (the total number of Shares shall exclude any Shares that may be held as treasury shares by the Company from time to time);

“**Maximum Price**”, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and

## NOTICE OF ANNUAL GENERAL MEETING

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price;

“Market Day” means a day on which the SGX-ST is open for trading in securities;

- (d) the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;
- (e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buy-Back Mandate in any manner as they think fit, which is permitted under the Companies Act; and
- (f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this ordinary resolution.  
[See explanatory note (iv)]

(Resolution 10)

By Order Of The Board

Ong Wei Jin  
Company Secretary

6 December 2018  
Singapore

### 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 and subsidiary holdings) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.
- (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 vesting of awards under the RSP and such other share-based incentive schemes up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iii) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held 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 vesting of awards under the RSP and such other share-based incentive schemes up to a number not exceeding in total (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.
- (iv) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buy-Back Mandate. This authority will continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting or the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated, whichever is the earlier. Information relating to this proposed Resolution is set out in the Appendix attached to the Company's Annual Report 2018.

### 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.

**APPENDIX DATED** 6 December 2018

This Appendix is circulated to shareholders of Miyoshi Limited (the “Company”) (“Shareholders”) together with the Company’s annual report for the financial year ended 31 August 2018 (“Annual Report”). Its purpose is to provide Shareholders with the relevant information relating to, and seek Shareholders’ approval for the renewal of the Share Buyback Mandate (as defined herein) to be tabled at the Annual General Meeting of the Company to be held on 28 December 2018 at 10:00 am at 81 Choa Chu Kang Way, Warren Golf & Country Club, Singapore 688263, Conference Room 1 & 2 (Level 2).

The Notice of Annual General Meeting and a Proxy Form are enclosed with the Annual Report.

**IF YOU ARE IN ANY DOUBT IN RELATION TO THIS APPENDIX OR AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

This Appendix 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 Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the “SGX-ST”). The Sponsor has not verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Appendix, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Mr. Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.



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

**APPENDIX IN RELATION TO****THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

In this Appendix, the following definitions apply throughout unless otherwise stated:

“Annual Report 2018”	:	Annual report of the Company for the financial year ended 31 August 2018
“ACRA”	:	Accounting & Corporate Regulatory Authority of Singapore
“AGM”	:	The annual general meeting of the Company
“Associates”	:	(a) in relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none"> <li>(i) his immediate family;</li> <li>(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and</li> <li>(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;</li> </ul> (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“Auditors”	:	The auditors of the Company for the time being
“Board” or “Directors”	:	The board of directors of the Company for the time being
“Catalist”	:	The sponsor-supervised listing platform of the SGX-ST
“Catalist Rules”	:	The SGX-ST Listing Manual (Section B: Rules of Catalist), as amended, supplemented or modified from time to time
“CDP”	:	The Central Depository (Pte) Limited
“Appendix”	:	This Appendix to Shareholders dated 6 December 2018
“Company”	:	Miyoshi Limited
“Companies Act” or “Act”	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
“Concert Parties”	:	Collectively, Mr. Sin Kwong Wah, Andrew, Mdm. Pek Yee Chew and Ms. Sin Shi Min Andrea
“Constitution”	:	The constitution of the Company, comprising the memorandum and articles of association of the Company or other regulations of the Company for the time being in force
“Controlling Shareholder”	:	A person who: <ul style="list-style-type: none"> <li>(a) holds directly or indirectly 15% or more of the of the issued Shares (excluding treasury shares) in the Company; or</li> <li>(b) (subject to the SGX-ST determining that such a person is not a controlling shareholder) in fact exercises control over the Company</li> </ul>
“EPS”	:	Earnings per Share

“FRS”	: Financial Reporting Standard
“FY”	: Financial year ending or ended (as the case may be) 31 August of a particular year as stated
“Group”	: The Company and its subsidiaries
“Latest Practicable Date”	: 22 November 2018, being the latest practicable date prior to the printing of this Appendix
“Market Day”	: A day on which the SGX-ST is open for trading in securities
“Market Purchases”	: On-market purchases transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stockbrokers appointed by the Company for the purpose
“NTA”	: Net tangible assets
“Off-Market Purchases”	: Off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme as defined in Section 76C of the Companies Act
“Relevant Period”	: The Period commencing from the date on which the forthcoming AGM is held and the resolution relation to the proposed renewal of the Share Buy-Back Mandate is passed and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier.
“Relevant Persons”	: The Concert Parties and the parties acting in concert with them
“ROE”	: Return on equity
“Securities Account”	: The securities account maintained by a Depositor with CDP but does not include a securities sub-account maintained with a Depository Agent
“SFA”	: The Securities and Futures Act (Chapter 289) of Singapore, as amended, supplemented or modified from time to time
“SGX-ST”	: Singapore Exchange Securities Trading Limited
“Share Buy-Back”	: The Buy-Back of Shares by the Company pursuant to the terms of the Share Buy-Back Mandate
“Share Buy-Back Mandate”	: The mandate to authorize the Directors to exercise all powers of the Company to purchase or otherwise acquire, on behalf of the Company, its issued Shares on the terms of such mandate in accordance with the terms set out in the Appendix as well as the rules and regulations set forth in the Companies Act and Catalist Rules
“Shareholders”	: Registered holder(s) of the Shares except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose securities accounts are credited with those Shares
“Shares”	: Ordinary shares in the capital of the Company
“SIC”	: The Securities Industry Council of Singapore
“Sponsor”	: CIMB Bank Berhad, Singapore Branch
“Substantial Shareholder”	: A person who has an interest (directly or indirectly) in 5% or more of the total issued share capital of the Company

“Take-over Code” or “Code”	: The Singapore Code on Take-overs and Mergers, as modified, supplemented or amended from time to time
“Treasury Share(s)”	: A share that was or is treated as having been acquired and held by the Company and has been held continuously by the Company since it was so acquired and has not been called
“S\$” and “cents”	: Singapore dollars and cents, respectively
“%” or “per cent”	: Per cent. or percentage

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term “**subsidiary**” shall have the meaning ascribed to it under Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. References to persons shall, where applicable, include corporations.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated. Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any term defined under the SFA, the Companies Act or the Catalist Rules, or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the SFA, the Companies Act or the Catalist Rules, or such modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in figures included in this Appendix between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

**MIYOSHI LIMITED**

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

**Directors:**

Lim Thean Ee (Non-Executive Chairman and Independent Director)  
Sin Kwong Wah, Andrew (Chief Executive Officer and Executive Director)  
Wee Piew (Independent Director)  
Masayoshi Taira (Non-Independent & Non-Executive Director)  
Pek Ee Perh, Thomas (Non-Independent & Non-Executive Director)

6 December 2018

To: Shareholders of Miyoshi Limited (the “Company”)

Dear Sir/Madam

**1. INTRODUCTION**

- 1.1** The Directors wish to refer to (i) the Notice of AGM dated 6 December 2018, accompanying the Annual Report 2018 to convene the AGM to be held on 28 December 2018; and (ii) the ordinary resolution to seek Shareholders’ approval for the proposed renewal of the Share Buy-Back Mandate.
- 1.2** The purpose of this Appendix is to provide Shareholders with relevant information relating to the proposed renewal of the Share Buy-Back Mandate and to seek Shareholders’ to be tabled at the AGM.
- 1.3** The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Appendix.

**2. THE PROPOSED RENEWAL OF THE SHARE BUY-BACK MANDATE****2.1 Background**

Any purchase or acquisition of Shares by the Company would have to be made in accordance with, and in the manner prescribed by the Companies Act and the Catalist Rules and such other laws and regulations as may, for the time being, be applicable. It is also a requirement that a company which wishes to purchase or acquire its own shares should obtain approval from its shareholders to do so at a general meeting of its shareholders.

Shareholders had at the last AGM held on 29 December 2017 (“**2017 AGM**”), renewed the share Buy-Back mandate (the “**Share Buy-Back Mandate**”) for the Directors to exercise all the powers of the Company to purchase or acquire up to 10% of the issued Shares (excluding treasury shares and subsidiary holdings) of the Company at the time of passing of the resolution on the terms of the Share Buy-Back Mandate.

As the said Share Buy-Back Mandate will expire on the forthcoming annual general meeting, being 28 December 2018, the Directors propose that the Share Buy-Back Mandate be renewed at the forthcoming AGM to be held on 28 December 2018.

If approved by the Shareholders at the AGM, the authority conferred by the renewed Share Buy-Back Mandate will take effect from the date of the AGM and continue in force until the date of the next AGM of the Company or such date as the next AGM is required by law or by the Constitution of the Company, whereupon it will lapse, unless renewed at such meeting, unless prior thereto, Share Buy-Backs are carried out to the full extent mandated or the Share Buy-Back Mandate is revoked or varied by the Company in a general meeting. The Share Buy-Back Mandate will be put to Shareholders for renewal at each subsequent general meetings of the Company.

**Registered Office:**

5 Second Chin Bee Road  
Singapore 618772

**2.2 Rationale**

The approval of the Share Buy-Back Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share Buy-Back of not more than ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings), as described in paragraph 2.3.1 below, at any time during the period when the Share Buy-Back Mandate is in force.

The rationale for the Company to undertake the Buy-Back or acquisition of its issued Shares is as follows:-

- a) In line with international practice, the Share Buy-Back Mandate will provide the Company with greater flexibility in managing its capital and maximizing returns to Shareholders. To the extent that the Company has capital and sufficient funds which are in excess of its working capital needs, taking into account its growth and expansion plans, the Share Buy-Back Mandate will facilitate the return of excess cash and surplus funds (if any) to Shareholders in an expedient, effective and cost-efficient manner
- b) In managing the business of the Group, the management of the Group will strive to increase Shareholders’ value by improving, amongst others, the ROE of the Company. In addition to growth and expansion of the business, Share Buy-Backs may be considered as one of the ways through which the ROE of the Company may be enhanced.
- c) The Share Buy-Back Mandate will provide the Company with the flexibility to undertake Share Buy-Backs or acquisitions at any time, subject to market conditions and compliance with the Catalist Rules, during the period when the Share Buy-Back Mandate is in force.
- d) Share Buy-Backs may help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholder confidence. The lack of liquidity most times makes it difficult for Shareholders to realise their gains. The Company now offers Shareholders an exit path.
- e) The Company is also able to protect Shareholders’ investments in the Company in a depressed share price situation through judicious purchases of Shares to enhance the EPS. Shares purchased or acquired by the Company may also enhance the net asset value per Share of the Group if the Share Purchases are made at a price below the net asset value per Share of the Group.

While the Share Buy-Back Mandate would authorise a purchase or acquisition of Shares up to the said ten per cent. (10%) limit during the duration referred to in paragraph 2.3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate may not be carried out to the full ten per cent. (10%) limit as authorised. In particular, no purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from Catalist. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on Catalist.

**2.3 Authority and Limits on the Share Buy-Back Mandate**

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the proposed Share Buy-Back Mandate are summarised below:-

**2.3.1 Maximum number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Buy-Back Mandate is limited to that number of Shares representing not more than ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (ascertained as at the date of the forthcoming AGM at which the Share Buy-Back Mandate is approved), unless the Company has, at any time during the Relevant Period, effected a reduction of its share capital in accordance with the applicable provisions under the Act, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the capital reduction. Any Shares which are held as Treasury Shares or subsidiary holdings will be disregarded for purposes of computing the ten per cent. (10%) limit.

For illustrative purposes only, on the basis of 609,072,990 Shares (excluding 3,596,500 Treasury Shares and subsidiary holdings) in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the AGM, not more than 60,907,299 Shares (representing not more than ten per cent. (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at that date) may be purchased or acquired by the Company pursuant to the proposed Share Buy-Back Mandate during the duration referred to in paragraph 2.3.2 below.

### 2.3.2 Duration of authority

Purchases or acquisitions of Shares pursuant to the proposed Share Buy-Back Mandate may be made, at any time and from time to time, on and from the date of the forthcoming AGM, at which the renewal of the Share Buy-Back Mandate is approved, up to the earlier of:-

- (a) the conclusion of the next AGM;
- (b) the date by which the next AGM is required by law to be held;
- (c) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Buy-Back Mandate are carried out to the full extent mandated; or
- (d) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by Shareholders in a general meeting.

The authority conferred on the Directors by the Share Buy-Back Mandate to purchase or acquire Shares may be renewed at the next AGM or at an extraordinary general meeting to be convened immediately after the conclusion or adjournment of the next AGM. When seeking the approval of the Shareholders for the renewal of the Share Buy-Back Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Buy-Back Mandate made during the previous 12 months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

### 2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:-

- (a) on-market purchase(s) ("**Market Purchase**"), transacted on the SGX-ST through the ready market, through one (1) or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
- (b) off-market purchase(s) ("**Off-Market Purchase**"), effected pursuant to an equal access scheme or schemes as defined in Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are consistent with the Share Buy-Back Mandate, the Catalist Rules and the Companies Act, as they consider appropriate in the interests of the Company in connection with or in relation to any equal access scheme(s). An Off-Market Purchase must, however, satisfy all the following conditions:-

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, pursuant to the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will have to issue an offer document to all Shareholders containing, amongst others, the following information:-

- (1) the terms and conditions of the offer;
- (2) the period and procedures for acceptances;
- (3) the reasons for the proposed purchase or acquisition of Shares;
- (4) the consequences, if any, of the purchase or acquisition of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
- (5) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST; and
- (6) details of any purchases or acquisitions of Shares made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases

### 2.3.4 Purchase price

The purchase price per Share (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) to be paid for Shares to be purchased or acquired pursuant to the Share Buy-Back Mandate will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

For the above purposes of determining the Maximum Price:

- (i) "**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as defined below) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5)-Market Day period; and
- (ii) "**date of making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

## 2.4 Status of Purchased Shares

### 2.4.1 Cancellation

Any Share which is purchased or acquired by the Company shall, unless held as Treasury Shares to the extent permitted under the Act, be deemed cancelled immediately on purchase or acquisition, and all rights and privileges attached to that Share will expire on cancellation. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Act) will be automatically delisted by the SGX-ST, and certificates in respect thereof will be cancelled and destroyed by the Company as soon as is reasonably practicable following settlement of any such purchase or acquisition.

At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as Treasury Shares, or partly cancelled and partly kept as Treasury Shares, depending on the needs of the Company and as the Directors deem fit in the interest of the Company at that time.

#### 2.4.2 Treasury Shares

Under the Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the provisions on Treasury Shares under the Act are summarised below:-

##### (i) Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares ("**Treasury Shares Limit**"). Any Shares in excess of this limit shall be disposed of or cancelled in accordance with Section 76K of the Act within six (6) months or such further periods as ACRA may allow.

##### (ii) Voting and Other Rights

The Company cannot exercise any right in respect of Treasury Shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Act, the Company shall be treated as having no right to vote and the Treasury Shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made to the Company in respect of Treasury Shares. However, the allotment of shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision or consolidation of any treasury share into Treasury Shares of a smaller amount is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

##### (iii) Disposal and Cancellation

Where Shares are held as Treasury Shares, the Company may at any time:-

- (a) sell the Treasury Shares for cash;
- (b) transfer the Treasury Shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the Treasury Shares; or
- (e) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance.

Where Shares purchased pursuant to the Share Buy-Back Mandate are held as Treasury Shares, the number of such Shares to be held as Treasury Shares, when aggregated with the existing Treasury Shares held, shall not, subject to the Act, exceed the Treasury Shares Limit at any time.

Under the Catalyst Rules, immediate announcement must be made of any sale, transfer, cancellation and/or use of Treasury Shares (in each case, the "usage"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of Treasury Shares comprised in the usage, the number of Treasury Shares before and after the usage, and the percentage of the number of Treasury Shares comprised in the usage against the total number of issued shares (of the same class as the Treasury Shares) which are listed on the SGX-ST before and after the usage.

#### 2.5 Reporting Requirements

Within 30 days of the passing of a Shareholders' resolution to approve the purchases or acquisitions of Shares by the Company, the Company shall lodge a copy of such resolution with ACRA.

Within 30 days of a purchase or acquisition of Shares on the SGX-ST or otherwise, the Company shall lodge with ACRA the notice of the purchase in the prescribed form, such notification including, amongst others, the details of the purchase, the total number of Shares purchased by the Company, the total number of Shares cancelled, the number of Shares held as Treasury Shares, the Company's issued ordinary share capital before the purchase and after the purchase of Shares, the amount of consideration paid by the Company for the purchase, and whether the Shares were purchased out of the profits or the capital of the Company.

Within 30 days of the cancellation or disposal of Treasury Shares in accordance with the provisions of the Act, the Company shall lodge with ACRA the notice of cancellation or disposal of Treasury Shares in the prescribed form as required by ACRA.

The Catalyst Rules specify that a listed company shall notify the SGX-ST of all purchases or acquisitions of its shares not later than 9.00 a.m.:-

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptance of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

#### 2.6 Source of Funds

The Companies Act provides that any purchase or acquisition of Shares by the Company may be made out of the Company's capital or profits, so long as the Company is solvent (as defined in paragraph 2.7 below). The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such an extent that the working capital position and/or the gearing of the Group would be materially adversely affected.

The Company intends to use internal sources of funds and/or if need be, external borrowings, to finance purchases or acquisitions of its Shares. The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from such purchases or acquisitions of the Shares pursuant to the proposed Share Buy-Back Mandate will depend on, amongst others, the aggregate number of Shares purchased or acquired, the consideration paid at the relevant time and the amount (if any) borrowed by the Company to fund the purchases or acquisitions.

#### 2.7 Solvency Test

Under the Act in force as at the Latest Practicable Date, we may not purchase Shares if we know that our Company is not solvent. For this purpose, a company is "solvent" if:-

- (a) the company is able to pay its debts in full at the time of the payment for the purchase and will be able to pay its debts as they fall due in the normal course of business during the period of 12 months immediately following the date of the payment; and
- (b) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) having regard to the most recent financial statements of the company and all other circumstances that the directors or managers of the company know or ought to know affect, or may affect, such values.

## 2.8 Financial Effects

It is not possible for the Company to realistically calculate or quantify the financial effects of purchases or acquisitions of Shares that may be made pursuant to the Share Buy-Back Mandate as it would depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases, whether the purchase or acquisition is made out of profits or capital, and whether the Shares purchased are held in treasury or cancelled. The purchase price paid by the Company for the Shares, if made out of profits, such consideration (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the Share Purchase is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

The Directors do not propose to exercise the Share Buy-Back Mandate in a manner and to such an extent that it would have a material adverse effect on the working capital requirements and/or gearing of the Group. The purchase of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group, and the prevailing market conditions.

### (a) Information as at the Latest Practicable Date

As at the Latest Practicable Date, the Company has 609,072,990 issued Shares (excluding 3,596,500 Shares held in treasury).

### (b) Illustrative Financial Effects

Purely for **illustrative purposes**, on the basis of 609,072,990 Shares (excluding the 3,596,500 Treasury Shares) in issue as at the Latest Practicable Date and assuming no further Shares are issued and no Shares are held by the Company as Treasury Shares on or prior to the AGM, the purchase by the Company of 10% of its issued Shares (excluding Shares held in treasury or subsidiary holdings) will result in the purchase of 60,907,299 Shares.

In the case of Market Purchases by the Company and assuming that the Company purchases or acquires 60,907,299 Shares at the Maximum Price of S\$0.046 for each Share (being the price equivalent to 105% of the Average Closing Price of the Shares for the 5 Market Days on which the Shares were traded on Catalist immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 60,907,299 Shares is approximately S\$2,802,000.

In the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 60,907,299 Shares at the Maximum Price of S\$0.053 for each Share (being the price equivalent to twenty per cent. (20%) above the Average Closing Price of the Shares over the last five (5) Market Days on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of 60,907,299 Shares is approximately S\$3,228,000.

For illustrative purposes only and on the basis of the assumptions set out above as well as the following:-

- (i) the Share Buy Back Mandate had been effective since 1 September 2017;
- (ii) such Share purchases are funded solely by internal resources and/or borrowings;
- (iii) purchase or acquisition of 60,907,299 Shares by the Company pursuant to the Share Buy-Back Mandate by way of Market Purchases made entirely out of capital and cancelled;
- (iv) purchase or acquisition of 60,907,299 Shares by the Company pursuant to the Share Buy-Back Mandate by way of Off-Market Purchases made entirely out of capital and cancelled;
- (v) purchase or acquisition of 60,907,299 Shares by the Company pursuant to the Share Buy-Back Mandate by way of Market Purchases made entirely out of capital and held in treasury; and
- (vi) purchase or acquisition of 60,907,299 Shares by the Company pursuant to the Share Buy-Back Mandate by way of Off-Market Purchases made entirely out of capital and held in treasury,

the financial effects on the audited consolidated financial results of the Group for FY2018, are set out below:-

### Scenario 1: Purchases made entirely out of capital and cancelled

(\$'000) As at 31 August 2018	Group			
	Market Purchase		Off-Market Purchase	
	Before Share Buy-Back	After Share Buy-Back	Before Share Buy-Back	After Share Buy-Back
Share capital and Reserves	64,028	61,226	64,028	60,800
Treasury Shares	(203)	(203)	(203)	(203)
Total Shareholders' Equity	63,825	61,023	63,825	60,597
Net Tangible Assets attributable to owners of the Company	63,825	61,023	63,825	60,597
Current Assets	30,963	28,161	30,963	27,735
Current Liabilities	16,411	16,411	16,411	16,411
Working Capital	14,552	11,750	14,552	11,324
Total Borrowings	10,024	10,024	10,024	10,024
Number of shares (excluding treasury shares ('000))	609,073	548,166	609,073	548,166
Number of treasury shares ('000)	3,597	3,597	3,597	3,597
Weighted average number of shares ('000)	526,724	465,817	526,724	465,817
<b>Financial Ratios</b>				
NTA per share (cents)	10.48	11.13	10.48	11.05
Gearing (times)	0.16	0.16	0.16	0.17
Current Ratio (times)	1.89	1.72	1.89	1.69
Basic EPS (cents)	0.24	0.27	0.24	0.27

### Scenario 2: Purchases made entirely out of capital and held as treasury shares

(\$'000) As at 31 August 2018	Group			
	Market Purchase		Off-Market Purchase	
	Before Share Buy-Back	After Share Buy-Back	Before Share Buy-Back	After Share Buy-Back
Share capital and Reserves	64,028	64,028	64,028	64,028
Treasury Shares	(203)	(3,005)	(203)	(3,431)
Total Shareholders' Equity	63,825	61,023	63,825	60,597
Net Tangible Assets attributable to owners of the Company	63,825	61,023	63,825	60,597
Current Assets	30,963	28,161	30,963	27,735
Current Liabilities	16,411	16,411	16,411	16,411
Working Capital	14,552	11,750	14,552	11,324
Total Borrowings	10,024	10,024	10,024	10,024
Number of shares (excluding treasury shares ('000))	609,073	548,166	609,073	548,166
Number of treasury shares ('000)	3,597	64,504	3,597	64,504
Weighted average number of shares ('000)	526,724	465,817	526,724	465,817
<b>Financial Ratios</b>				
NTA per share (cents)	10.48	11.13	10.48	11.05
Gearing (times)	0.16	0.16	0.16	0.17
Current Ratio (times)	1.89	1.72	1.89	1.69
Basic EPS (cents)	0.24	0.27	0.24	0.27

Shareholders should note that the financial effects set out herein are purely for illustrative purposes only. In particular, it is important to note that the analysis herein is based on the audited consolidated financial statements of the Company and the Group for FY2018 and is not necessarily representative of future financial performance.

Although the proposed Share Buy-Back Mandate would authorise the Company to purchase or acquire up to ten per cent. (10%) of its total number of issued Shares (excluding Treasury Shares and subsidiary holdings), the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire ten per cent. (10%) of its total number of issued Shares (excluding Treasury Shares and subsidiary holdings). In addition, the Company may cancel, or hold as Treasury Shares, all or part of the Shares purchased or acquired.

Shareholders who are in doubt as to their respective tax positions or any tax implications arising from the proposed Share Buy-Back Mandate or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisers.

## 2.9 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

### 2.9.1 Obligation to make a take-over offer

Rule 14 of the Take-over Code ("**Rule 14**") requires, *inter alia*, that except with the consent of SIC, where:

- (a) any person acquires, whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry thirty per cent. (30%) or more of the voting rights of a company; or
- (b) any person who, together with persons acting in concert with him, holds not less than thirty per cent. (30%) but not more than fifty per cent. (50%) of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than one per cent. (1%) of the voting rights.

such person shall extend immediately an offer on the basis set out below to the holders of any class of shares in the capital which carries votes and in which such person or persons acting in concert with him hold shares. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In calculating the percentage of voting rights of such person and their concert parties, treasury shares shall be excluded.

### 2.9.2 Persons acting in concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert under the Take-over Code:

- (a) a company with its parent company, its subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, any company whose associated companies include any of the foregoing companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;

- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;
- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, any person who is accustomed to act according to his instructions, companies controlled by any of the foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the foregoing persons and/or entities for the purchase of voting rights.

For this purpose, ownership or control of at least 20% but not more than 50% of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### 2.9.3 Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, the Directors and their concert parties will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code if, as a result of any purchase or acquisition by the Company of its Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or in the event that such Directors and their concert parties hold between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months. In calculating the percentages of voting rights of such Directors and their concert parties, treasury shares shall be excluded.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or, if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the ordinary resolution authorising the Share Buy-Back Mandate.

### 2.9.4 Application of the Take-over Code

As at the Latest Practicable Date, Mr. Sin Kwong Wah, Andrew, has a total direct and deemed interest of approximately 26.7% of the entire issued and paid up share capital of the Company, and is the chief executive officer and executive Director, and Controlling Shareholder of the Company. Mr. Sin Kwong Wah, Andrew is deemed to have an interest in the 45,175,000 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, Ms. Sin Shi Min Andrea. Please refer to shareholding details as set out in paragraph 3 of this Appendix.

Accordingly, by virtue of their relationships, Mr. Sin Kwong Wah, Andrew, Mdm. Pek Yee Chew and Ms. Sin Shi Min Andrea ("**Concert Parties**") are presumed acting in concert with each other in relation to the Company for the purposes of the Take-over Code in respect of their combined direct and deemed holdings of approximately 26.7% of the entire issued and paid up share capital of our Company.

The obligation of the Concert Parties under (i) Market Purchase; and (ii) Off-Market Purchase in accordance with an equal access scheme, is illustrated using the following examples:

(a) Market Purchase

Assumptions

- (i) the Company purchases a maximum 60,907,299 Shares, the total being ten per cent (10%) of the total number of Shares in issue (excluding Treasury Shares and subsidiary holdings);
- (ii) the 60,907,299 Shares are not held as treasury shares and are cancelled; and
- (iii) there was no change in the number of Shares held or deemed to be held by the Concert Parties.

Concert Parties	Interests in Shares directly held or held by a nominee company before Share Buy-Back (No. of Shares)	Interests in Shares directly held or held by a nominee company after Share Buy-Back (No. of shares)	Before Share Buy-Back assuming Market Purchases (%) <sup>(1)</sup>	After Share Buy-Back assuming Market Purchases (%) <sup>(2)</sup>
Mr. Sin Kwong Wah, Andrew	129,682,000	129,682,000	21.3	23.6
Mdm. Pek Yee Chew	31,269,000	31,269,000	5.1	5.7
Ms. Sin Shi Min Andrea	1,500,000	1,500,000	0.2	0.3
Total	162,451,000	162,451,000	26.7	29.6

**Notes: -**

- (1) The percentages are calculated on the basis of the share capital of 609,072,990 Shares as at the Latest Practicable Date.
- (2) The percentages are calculated on the basis of the issued share capital of 548,165,691 Shares after the purchase or acquisition by the Company of 60,907,299 Shares, being ten per cent. (10%) of the Shares (excluding Treasury Shares and subsidiary holdings).

Based on the example above, in the event that the Company purchases or acquires up to ten per cent. (10%) of its Shares (excluding Treasury Shares and subsidiary holdings) pursuant to the proposed Share Buy-Back Mandate, the aggregate holdings of Mr. Sin Kwong Wah, Andrew, Mdm. Pek Yee Chew and Ms. Sin Shi Min Andrea and their concert parties will increase by more than one per cent. (1%) within a six (6) month period.

Accordingly, under the Take-over Code, the Concert Parties and the parties acting in concert with them (collectively the "Relevant Persons"), unless exempted, will become obliged to make a general offer under the Take-over Code for the Shares not owned by them, if as a result of the exercise of the Share Buy-Back Mandate, their interest in the voting rights of the Company increase by more than one per cent. (1%) within a six (6) month period.

(b) Off-Market Purchase

Assumptions

- (i) the Company purchases a maximum 60,907,299 Shares, total being ten per cent (10%) of the total number of Shares in issue (excluding Treasury Shares and subsidiary holdings); and

- (ii) the 60,907,299 Shares are not held as treasury shares and are cancelled.

Concert Parties	Interests in Shares directly held or held by a nominee company before Share Buy-Back (No. of shares)	Interests in Shares directly held or held by a nominee company after Share Buy-Back (No. of shares)	Before Share Buy-Back assuming Off-Market Purchases (%) <sup>(1)</sup>	After Share Buy-Back assuming Off-Market Purchases (%) <sup>(2)</sup>
Mr. Sin Kwong Wah, Andrew	129,682,000	116,713,800	21.3	21.3
Mdm. Pek Yee Chew	31,269,000	28,142,100	5.1	5.1
Ms. Sin Shi Min Andrea	1,500,000	1,350,000	0.3	0.3
Total	162,451,000	146,205,900	26.7	26.7

**Notes: -**

- (1) The percentages are calculated on the basis of the share capital of 609,072,990 Shares as at the Latest Practicable Date.
- (2) The percentages are calculated on the basis of the issued share capital of 548,165,691 Shares after the purchase or acquisition by the Company of 60,907,299 Shares, being ten per cent. (10%) of the Shares (excluding Treasury Shares and subsidiary holdings).

Based on the example above, in the event that the Company purchases or acquires up to ten per cent. (10%) of its Shares (excluding Treasury Shares and subsidiary holdings) pursuant to the proposed Share Buy-Back Mandate, the percentage shareholding interests of Mr. Sin Kwong Wah, Andrew, Mdm. Pek Yee Chew and Ms. Sin Shi Min Andrea and their concert parties will remain the same after the purchases or acquisition of up to ten per cent. (10%) by the Company of its Shares pursuant to the proposed Share Buy-Back Mandate and the Relevant Persons will not be obliged to make a general offer under the Take-over Code for the Shares not owned by them.

### 2.9.5 Exemptions under the Take-over Code

The Relevant Persons will be exempted from the requirement under Rule 14.1, Note 6 of notes on dispensation from Rule 14, and Appendix 2 – Share Buy-Back Guidance Note of the Take-over Code to make a general offer for the Company in the event that their total shareholding increases by more than one per cent. (1%) in any six (6) month period as a result of the Company acquiring its own shares under the proposed Share Buy-Back Mandate ("Relevant Scenario"), subject to the following conditions:

- (a) this Appendix to Shareholders on the resolution to authorise the proposed Share Buy-Back Mandate contains advice to the effect that by voting for the approval of the proposed Share Buy-Back Mandate, Shareholders are waiving their rights to a general offer at the required price from Relevant Persons who, as a result of the Company buying back its Shares, would increase their voting rights by more than one per cent. (1%) in any six (6) month period and the names of the Relevant Persons and their voting rights at the time of the resolution and after the share Buy-Back are disclosed in the same Appendix;
- (b) the resolution to authorise the proposed Share Buy-Back Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the share Buy-Back;
- (c) the Relevant Persons abstain from voting for and/or recommending Shareholders to vote in favour of the resolution to authorise the proposed Share Buy-Back Mandate;
- (d) within seven (7) days after the passing of the resolution to authorise the proposed Share Buy-Back Mandate, each of the Directors is to submit to the SIC a duly signed form as prescribed by the SIC;
- (e) the Relevant Persons have not acquired and will not acquire any Shares of the Company between the date on which they know that the announcement of the proposed Share Buy-Back Mandate is imminent and the earlier of:
  - (i) the date on which the authority of the proposed Share Buy-Back Mandate expires; and

- (ii) the date on which the Company announces it has bought back such number of Shares as authorised by the proposed Share Buy-Back Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the Buy-Back, would cause their aggregate voting rights to increase to thirty per cent. (30%) or more; and

- (f) the Relevant Persons, together holding between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the proposed Share Buy-Back Mandate is imminent and the earlier of:

- (i) the date on which the authority of the proposed Share Buy-Back Mandate expires; and
- (ii) the date on which the Company announces it has bought back such number of Shares as authorised by the proposed Share Buy-Back Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with the Buy-Back would cause their aggregate voting rights to increase by more than one per cent. (1%) in the preceding six (6) months.

The required price in relation to the obligation of the Relevant Persons to make a general offer arising from the proposed Share Buy-Back Mandate is the higher of:

- (a) the highest price paid by the Relevant Persons for the Shares in the preceding six (6) months; or
- (b) the highest price paid by the Company for the Shares in the preceding six (6) months.

It follows that where the aggregate voting rights held by the Relevant Persons increase by more than one per cent. (1%) solely as a result of the Relevant Scenario and none of them has acquired any Shares during the relevant period defined in paragraph (f) above, then the Relevant Persons would be eligible for the SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

If the Company ceases to buy back its Shares under the proposed Share Buy-Back Mandate and the increase in the aggregate voting rights held by the Relevant Persons as a result of the Company repurchasing its Shares at the time of such cessation is less than one per cent. (1%) in any six (6) month period, the Relevant Persons will be allowed to acquire Shares. However, any increase in the Relevant Persons' percentage of voting rights in the Company as a result of the share Buy-Back will be taken into account together with any Shares acquired by the Relevant Persons (by whatever means) in determining whether the Relevant Parties have increased their aggregate voting rights in the Company by more than one per cent. (1%) in any six (6) month period.

**Shareholders should therefore note that by voting in favour of the ordinary resolution to approve the proposed Share Buy-Back Mandate, they will be waiving their rights to a general offer at the required price by Relevant Persons in the circumstances set out above.**

For the purposes of this Appendix, "required price" shall mean in relation to the offer required to be made under the provisions of Rule 14.1 of the Take-over Code, the offer shall be in cash or be accompanied by a cash alternative at a price in accordance with Rule 14.3 of the Take-over Code which is the highest of the price paid by the Relevant Persons for the Company's Shares (i) during the offer period and within the preceding six (6) months, (ii) acquired through the exercise of instruments convertible into securities which carry voting rights within six (6) months of the offer and during the offer period, or (iii) acquire through the exercise of rights to subscribe for, and options in respect of, securities which carry voting rights within six (6) months of the offer or during the offer period; or at such price as determined by SIC under Rule 14.3 of the Take-over Code.

Save as disclosed, the Directors confirm that they are not aware of any facts or factors which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue as a result of a purchase of Shares by the Company pursuant to the proposed Share Buy-Back Mandate.

As at the Latest Practicable Date, the Relevant Persons consist of the Concert Parties.

**Shareholders are advised to consult their professional advisers and/or the Securities Industry Council and/or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any share Buy-Backs by the Company.**

#### 2.9.6 Listing status of Shares on the SGX-ST

The Company does not have any individual shareholding limit or foreign shareholding limit. However, the Company is required under Rule 723 of the Catalist Rules to ensure that at least ten per cent. (10%) of its Shares (excluding treasury shares, preference shares and convertible equity securities) are in the hands of the public. The term "public", as defined under the Catalist Rules, are persons other than (a) the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholders of the Company and its subsidiaries; and (b) the Associates of persons in (a).

As at the Latest Practicable Date, approximately 367,058,200 issued Shares were held by the public, representing approximately 60.3% of the total number of issued Shares. For illustration purposes only, assuming that the Company purchases the maximum number of ten per cent. (10%) of the issued Shares (excluding treasury shares and subsidiary holdings), being 60,907,299 Shares as at the Latest Practicable Date, and assuming that such Shares are held in public hands, the resultant number of Shares held by the public after the purchase of such Shares would be 306,150,901 Shares, representing approximately 55.9% of the remaining issued Shares of the Company.

Before deciding to effect a purchase of Shares, the Directors will consider whether, notwithstanding such purchase, a sufficient float in the hands of the public will be maintained to provide for an orderly market for trading in the Shares.

The Directors will use their best efforts to ensure that the Company does not effect a purchase or acquisition of Shares if the purchase or acquisition of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company.

#### 2.10 Timing of purchases

While the Catalist Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buy-Back Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in observing the best practices recommended in the Catalist Rules on securities dealings, the Company will not purchase or acquire any Shares through Market Purchases during the period of two (2) weeks immediately preceding the announcement of the Company's results for each of the first three (3) quarters and one (1) month immediately preceding the announcement of the Company's full-year results, as the case may be, and ending on the date of announcement of the relevant results.

#### 2.11 Previous Share Purchases

Information on the Share Purchases carried out by the Company during the 12 months preceding the Latest Practicable Date is set out below:-

Date of Share Purchase	Type of Transaction	Total Number of Shares Purchased	Highest Price paid per Share (S\$)	Lowest Price paid per Share (S\$)	Total Consideration (S\$) <sup>(1)</sup>
23 March 2018	On-Market Share Purchase	705,000	0.071	0.071	50,183.54
19 March 2018	On-Market Share Purchase	687,000	0.073	0.071	50,197.12
15 March 2018	On-Market Share Purchase	710,000	0.071	0.069	50,311.68

Note:-

- (1) Inclusive of stamp duties, clearing charges, etc, paid or payable for the Shares.

None of the Shares purchased was resold or cancelled in the preceding 12 months. All the purchased Shares were held as Treasury Shares.

#### 2.12 Interested Persons

The Company is prohibited from knowingly buying Shares on the SGX-ST from an interested person, that is, a Director, the chief executive officer of the Company or Substantial Shareholders of the Company or any of their associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

#### 2.13 Tax Implications

Shareholders who are in doubt as to their respective tax positions or tax implications of a Share Buy-Back by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

### 3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders (both direct and deemed) in the Shares as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	(%) <sup>(1)</sup>	Number of Shares	(%) <sup>(1)</sup>	Number of Shares	(%) <sup>(1)</sup>
<b>Directors</b>						
Sin Kwong Wah, Andrew <sup>(2)</sup>	84,507,000	13.9	77,944,000	12.8	162,451,000	26.7
Masayoshi Taira <sup>(3)</sup>	–	–	63,009,290	10.3	63,009,290	10.3
Pek Ee Perh, Thomas	16,454,500	2.7	–	–	16,454,500	2.7
Wee Piew	–	–	–	–	–	–
Lim Thean Ee	100,000	n.m.	–	–	100,000	n.m.
<b>Substantial Shareholders (other than Directors)</b>						
Miyoshi Industry Co., Ltd	63,009,290	10.3	–	–	63,009,290	10.3
Pek Yee Chew <sup>(4)</sup>	31,269,000	5.1	131,182,000	21.6	162,451,000	26.7

#### Notes: -

- (1) Based on the issued share capital of the Company of 609,072,990 Shares (excluding Treasury Shares and subsidiary holdings) as at the Latest Practicable Date.
- (2) Mr. Sin Kwong Wah, Andrew is deemed to have an interest in the 45,175,000 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, Ms. Sin Shi Min Andrea.
- (3) Mr. Masayoshi Taira is deemed to have an interest in the 63,009,290 Shares held by Miyoshi Industry Co., Ltd.
- (4) 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 and 1,500,000 Shares held by his daughter, Ms. Sin Shin Min Andrea.

### 4. DIRECTORS' RECOMMENDATION

The Directors (save for Mr. Sin Kwong Wah, Andrew, who is a Relevant Person, has accordingly refrained from making any voting recommendations to Shareholders) are of the opinion that the proposed renewal of the Share Buy-Back Mandate is in the best interests of the Company and accordingly recommend that Shareholders vote in favour of Resolution 10 in set out in the Notice of AGM dispatched to Shareholders together with the Annual Report 2018 of the Company.

### 5. APPROVAL AND RESOLUTION

Shareholders' approval for the proposed renewal of the Share Buy-Back Mandate will be sought at the AGM. The resolution relating to the proposed renewal of the Share Buy-Back Mandate is contained in the Notice of AGM as Resolution 10.

### 6. ABSTENTION FROM VOTING

The Relevant Persons will abstain from voting at the AGM in respect of the resolution relating to the proposed renewal of the Share Buy-Back Mandate in view of Note 3(iii) of Appendix 2 of the Take-over Code and would not accept nominations as proxy or otherwise for voting at the AGM in respect of the said ordinary resolution.

The Relevant Persons have also undertaken to ensure that their Associates will abstain from making any recommendation and from voting at the AGM in respect of the ordinary resolution relating to the proposed renewal of the Share Buy-Back Mandate and would not accept nominations as proxy or otherwise for voting at the AGM relating to the proposed renewal of the Share Buy-Back Mandate.

### 7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Buy-Back Mandate and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

### 8. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 5 Second Chin Bee Road, Singapore 618772 during normal business hours for a period of three (3) months from the date of this Appendix:

- (a) the annual report of the Company for FY2018; and
- (b) the Constitution of the Company.

By Order of the Board  
MIYOSHI LIMITED

Sin Kwong Wah, Andrew  
Chief Executive Officer and Executive Director  
6 December 2018

## 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 CPF/SRS investors who have used their CPF/SRS monies to buy Miyoshi Limited shares, this proxy form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.

### 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 6 December 2018.

## 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 AGM to be held at 81 Choa Chu Kang Way, Warren Golf & Country Club, Singapore 688263, Conference Room 1 & 2 (Level 2) on 28 December 2018 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 AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM 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 Financial Statements for the year ended 31 August 2018		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Lim Thean Ee as a Director		
4	Re-election of Mr Wee Piew as a Director		
5	Approval of Directors' fees amounting to S\$90,000		
6	Re-appointment of BDO LLP as Auditors		
7	Authority to issue new shares		
8	Authority to allot, issue and deliver shares pursuant to Miyoshi Restricted Share Plan 2016		
9	Authority to allot, issue and deliver shares pursuant to Miyoshi Performance Share Plan 2016		
10	Proposed renewal of Share Buy-Back Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018



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

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

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 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

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Website: [www.miyoshi.biz](http://www.miyoshi.biz)