MIYOSHI PRECISION LIMITED

A GROUP OF EXPERTISE ONE EMERGING GOAL

Annual Report 2012

Contents

Corporate Profile

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

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

CEO's Statement

"The past two years have indeed been challenging, and this has taken a toll on the Group's results. In the midst of addressing these difficult challenges, however, we have not lost sight of the need to focus on future growth."

SIN KWONG WAH, ANDREW
Chief Executive Officer

Dear Shareholders,

The last two financial years have been particularly challenging for the Group. Two natural calamities and their after-effects, the Japan Triple Disaster in FY2011 and the Thailand Floods in FY2012, severely affected Miyoshi's business and operations. Factory production was disrupted, supply lines were compromised and goods delivery was delayed. Not surprisingly, customer orders slowed down too. The Thai floods especially did significant damage to our assets, which dealt a substantial blow to our performance. But this however, did not weaken the spirit of steadfastness of our people.

Overcoming Challenges and Building Customer Confidence

Barely after recovering from the effects of the Japan Triple Disaster, the Group was debilitated by yet another onslaught – the torrential floods that crippled Thailand's capital, Bangkok. Manufacturing plants sited close by, including our factory at the Ayutthaya's industrial complex, were inundated by the floodwaters.

While both the Japan's triple disaster in FY2011 and the Thai floods in FY2012 caused major disruptions to the global supply chains and reduced our revenue, the Thai floods had a far greater and more direct impact on the Group. Our Ayutthaya factory, the second largest in the Group was partially submerged, causing substantial damage to our assets and bringing operations to a halt for six months until June 2012. Contingency measures were quickly implemented. Swift actions were taken to relocate the affected production to other countries within the Miyoshi Business Ring to minimize revenue loss and inconveniences to our customers.

The Thai floods was a testing time for both management and staff, putting tremendous strain on the Group's resources. Additional costs were incurred to temporarily shift production from Ayutthaya to our other sites, but from a strategic viewpoint, it was a necessary price to pay to mitigate revenue loss, and more importantly, to maintain customer confidence and nurture long-term relationships. We had overcome the challenges of the Thai floods through the sheer resilience of our people, and by leveraging on the synergy of Miyoshi's business network. I would like to express my gratitude to all those who have helped us see through this difficult event.

Going Forward

The past two years have indeed been challenging, and this has taken a toll on the Group's results. In the midst of addressing these difficult challenges, however, we have not lost sight of the need to focus on future growth. Apart from replacing assets damaged by the Thai floods, we also invested in new automated machinery and equipment at our facilities where we anticipate increased customer demand. We have also re-doubled our marketing efforts, and are starting to see higher sales for a certain consumer electronic product lines. These will place us on firmer footing as we move forward.

Our priority now is to drive sales & production, improve capacity utilization and manage costs. To this end, I am glad to note our manufacturing facility in Thailand had been restored to its original state since June 2012.

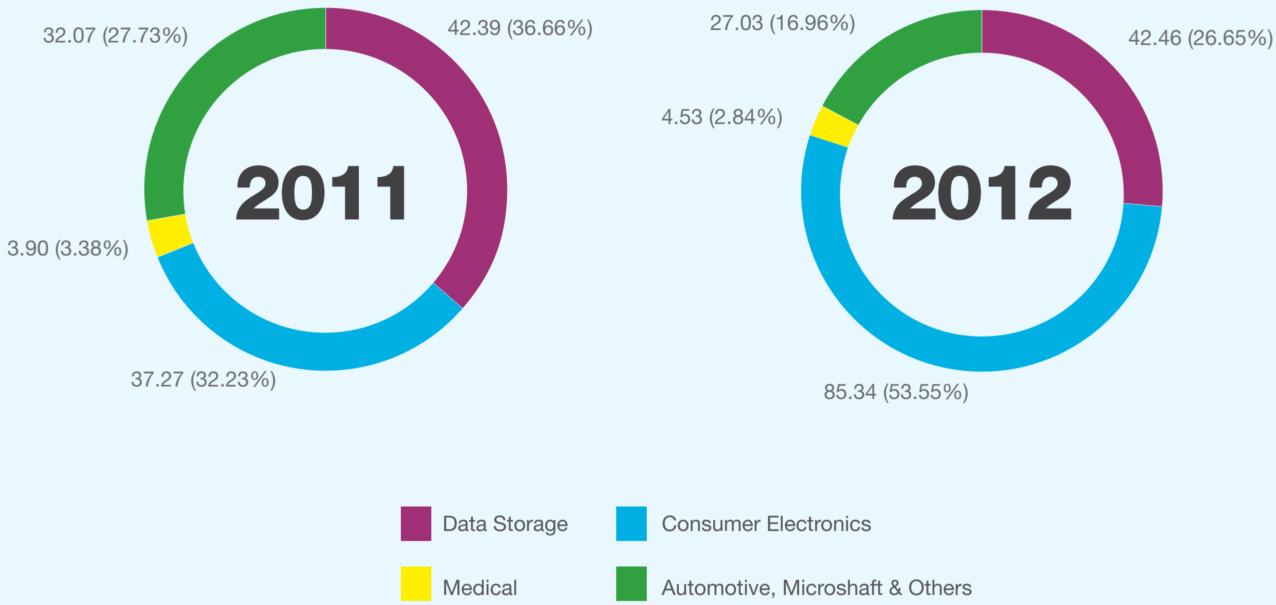
While we are just starting to see green shoots recovery in some of our regional markets, we remain concerned of the unfolding global economic uncertainty. As such, we intend to adopt a prudent strategy for growth, focusing on products and markets which display potential, while at the same time leveraging on our regional presence to lower production costs.

I would like to take this opportunity to express my sincere appreciation to our Board of Directors for their insightful counsel, our key management team for their dedication and all our staff for their unwavering loyalty and for putting in their best foot forward in the face of adversity. I would also like to thank our shareholders, customers, suppliers, bankers and business partners for their years of support. Together, I am confident we would be well placed to achieving our mission and goals in the coming year.

SIN KWONG WAH, ANDREW
Chief Executive Officer

Operations Review

Revenue by Business Segment
($'million)



After reeling in from the effects of two major natural disasters that set off state of emergencies in Japan and Thailand in 2011 and 2012 respectively, we are starting to see stability return to the Group's Data Storage ("DS") and Consumer Electronics ("CE") businesses. We are also seeing significant revenue growth for CE with the ramping up of a new product starting from the third quarter of FY2012. CE revenue as a result, increased from $37.27m to $85.34m for FY2012, a rise of 129.0%. Since June 2012, we have restored our manufacturing capability in Thailand, which suffered significant damage from the Thai floods. With these calamities behind us, operational capability restored, and some initial signs of growth returning, we need to look to expanding the business.

Fresh Impetus

The new CE product mentioned is a leading brand of video gaming device, which is manufactured turnkey at one of our subsidiaries. While margins are slim, the anticipated shipment volumes should make this product a significant contributor to the Group's results in the next financial year. For our other product lines, we see geographical shifts in customer demand, and have responded by making investments at the sites with potential growth. We are also looking to expand manufacturing at our lower cost centres to manage costs.

The geographical distribution of revenue for the Group in FY2012 was skewed by the Thai floods as well as the launch of the new CE product, with Singapore, China and Thailand being the top three revenue generators. For next financial year, we expect our Philippines revenue to grow, and over the mid-term China as well. In anticipation of this trend, we have started to invest in assets and capabilities at these locations.

Given the difficult phase that we have just recovered from, and considering the current global economic uncertainties, the emphasis for operations going forward is on manufacturing efficiency, cost reduction, and making targeted investments in products and locations where we see short to mid-term growth.

The Company is also following closely the consolidation among the world's leading hard-disk drive manufacturers as it may have a bearing on Miyoshi's Data Storage future. Any impact may be known only towards the tail end of the coming financial year. For now, the Group is focused on building and diversifying its customer base and fortifying its Regional Business Ring in line with its efforts to be sited close to its customers. These measures would help mitigate any effects of a potential worldwide economic downturn should it occur.

Financial Review

Financial Results

Revenue by Business Segments	DS	CE	MED	AMO	Total
FY2011 revenue ($'mil)	42.39	37.27	3.90	32.07	**115.63**
FY2011 % by business segment	36.7%	32.2%	3.4%	27.7%	**100.0%**
FY2012 revenue ($'mil)	42.46	85.34	4.53	27.03	**159.36**
FY2012 % by business segment	26.6%	53.6%	2.8%	17.0%	**100.0%**
YoY increase/(decrease) ($'mil)	0.07	48.07	0.63	-5.04	**43.73**
YoY increase/(decrease) (%)	0.2%	129.0%	16.2%	-15.7%	**37.8%**

Group revenue for FY2012 is $159.36m as compared with $115.63m for last year, FY2011, an increase of $43.73m or 37.8%. Data Storage ("DS") revenue was flat as compared with last year; both years' revenues negatively impacted by significant calamities; the Japan triple disaster in FY2011 and the Thailand floods in FY2012. Consumer Electronics ("CE") revenues for both years were similarly constrained by these calamities; however, overall revenue for this year increased by $48.07m or 129.0% due to increased sales of a new product line starting from 3QFY2012. Automotive, Microshaft and Other ("AMO") revenue for the year fell on lower sales of microshaft products.

Full year group loss for FY2012 and FY2011 were $7.41m and $10.20m respectively; or $2.94m and $2.47m if non-recurring and exceptional items (below) are excluded. In the current year, revenues from the new CE product line increased significantly starting from 3QFY2012, which contributed to better FY2012 full-year results; but this was more than offset by lower revenues and additional costs (below) in the first 2 quarters due to the Thai floods.

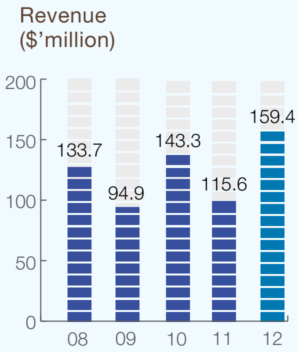
While both the Japan triple disaster of FY2011 and the Thai floods in FY2012 caused major disruptions to the global supply chains, resulting in lower revenues; the Thai floods had a more direct and far-reaching impact on the Group, partially submerging our second largest production facility located at Ayutthaya and bringing operations there to a standstill for 6 months until June 2012. Actions were taken to temporarily relocate production from Ayutthaya to our other regional facilities to mitigate revenue loss, as well as to maintain the confidence of our customers. In the process however, additional costs for manufacturing set-up, staff relocation and carriage of goods were incurred, which significantly contributed to the operating loss for the year. The Thai floods also contributed to the suspension of product development of an associate company (SPN International Pte Ltd) (see "Other Significant Matters" below).

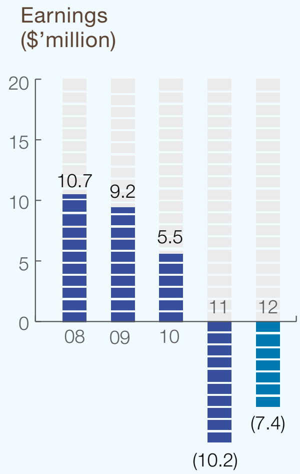
Net non-recurring and exceptional charge (expense) for the current year of $4.47m comprise mainly allowances for impairment of assets, net of insurance claim received for assets damaged by the Thai floods, and gains from disposal of a subsidiary. For last year, the net non-recurring and exceptional charge (expense) was $7.73m, comprising mainly allowance for impairment of assets, provision for legal claim and fees, net of gain from disposal of a factory building.

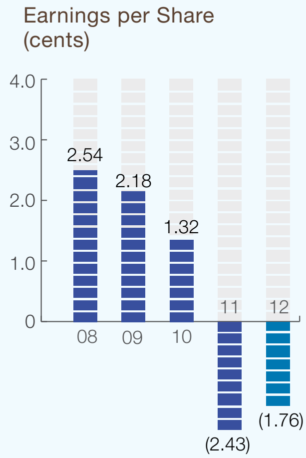
Financial Position

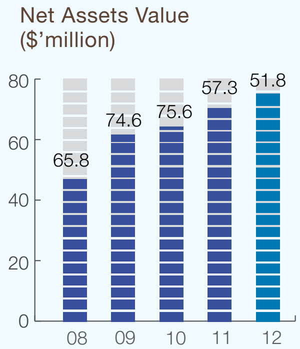
Cash balance (cash & bank and fixed deposits, net of bank overdrafts) as at 31 August 2012 was $16.29m as compared with $27.58m as at 31 August 2011. Borrowings (bank loans, other loans and finance leases) stood at $11.29m, with the corresponding balance last year at $16.08m. Net cash balance (cash net of borrowings) as at the end of the current and last financial years were $5.00m and $11.50m respectively.

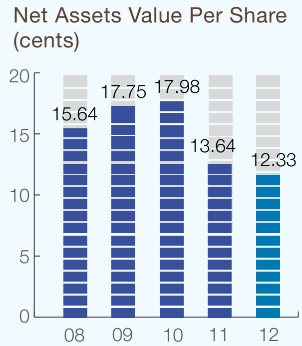
Net asset value fell by $5.50m to $51.80m this year as compared with $57.30m last year largely because of this year's loss.











Cash Flows

Cash and cash equivalents (cash & bank and fixed deposits, net of bank overdrafts and restricted cash) decreased by $12.12m during the 12 months to 31 August 2012.

The Group generated $5.26m of positive operating cash flows (before movements in working capital); and net cash outflows of $7.40m from movements in working capital, and payment of interest, tax and non-controlling interests' dividends. A significant amount of this net cash outflow relates to a build-up of inventory and net trade receivables for the new CE product line.

$4.09m of cash was used in investing activities, mainly to acquire production machinery for our Philippines and Singapore operations in anticipation of customer demand, and to improve on automation; while at our Thailand operations, machines were acquired to replace those damaged by the Thai floods.

$5.56m of cash was used in financing activities to reduce the level of borrowings.

Other Significant Matters

(a) Winding-Up of SPN International Pte Ltd ("SPN").

In May 2011, the Company invested in SPN, to develop new surface coating materials, processes and related machinery to be used in a wide range of products, including those from the data storage and consumer electronic industries. The Thai floods had severely damaged the production facilities of SPN's product development partners and prospective end-customer; who have, as a result, decided to suspend further development for an indefinite period of time. Additional funding would be required by SPN as a result of the suspension, over and above the amounts already invested by the Company.

Given the uncertainty as to whether the development work will re-start, and considering that SPN lacks the necessary funding to continue its operations, the Company had made full allowances for impairment of this investment in 2QFY2012.

Subsequently, in 3QFY2012, the High Court of Singapore issued a winding-up order against SPN, which the Company announced on 23 April 2012. The winding-up process is currently ongoing, and no significant further costs and charges, over and above what has already been recorded, are expected.

(b) Voluntary Winding-Up of Miyoshi Precision (Thailand) Co. Ltd ("MPT").

The Company has decided to voluntarily wind-up the operations of MPT as it is not meeting its growth and profitability expectations. The Company holds 70% of the ordinary shares of MPT, the balance 30% being held by Yajima Works Co., Ltd, of Japan. MPT's revenue and earnings are not significant as compared with the Group's results. The winding-up process had been completed and was announced on 1 October 2012.

(c) Disposal of Equity Interests in AWP Precision Engineering Pte Ltd ("AWP")

On 9 February 2012 and 6 March 2012, the Company announced that it had entered into a sale and purchase agreement to dispose of its entire equity interests in its subsidiary, AWP. The disposal had been completed and was announced on 4 May 2012.

Our Regional Presence

Board of Directors

SIN KWONG WAH, ANDREW
Chief Executive Officer

Mr. Sin was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 29 December 2009. He has been proposed for re-election at the Company's forthcoming Annual General Meeting on 28 December 2012. Mr. Sin, with more than 21 years of experience in the metal stamping industry, is the driving force behind the Group's success and business expansion. Mr. Sin's primary responsibilities include the charting and reviewing of corporate directions and strategies for the Group as well as the Group's marketing operations. He sits on the Board of Directors of Miyoshi Industry Co., Ltd, Japan as a non-executive Director. He also oversees our operations in China. Mr. Sin was formerly with the Singapore Armed Forces. Mr. Sin holds a Bachelor of Science (First Class Honors) degree in Management from the Japan National Defence Academy.

TAN KAY GUAN
Executive Director

Mr. Tan was first appointed to the Board of Directors on 1 September 1999 and was last re-elected on 29 December 2009. He will be retiring from the Board of Directors and will not be seeking re-election at the Company's forthcoming Annual General Meeting on 28 December 2012. Mr. Tan has more than 15 years of experience in the metal stamping industry. From 1 November 2009, Mr. Tan assumed the Chief Executive Officer role in Giken Sakata (S) Limited, one of the Company's subsidiaries. Mr. Tan plays a pivotal role in collaborating and synergizing marketing effort between Miyoshi Group and Giken Group of companies. He also oversees our operations in the Philippines. Mr. Tan was formerly with Singapore Armed Forces. Mr. Tan holds a Bachelor of Engineering (First Class Honors) degree from Japan National Defence Academy.

GAN YOKE FONG, KAREN
Executive Director

Ms. Gan was first appointed to the Board of Directors on 6 December 1995 and was last re-elected on 29 December 2011. Ms. Gan, with more than 24 years of experience in the metal stamping industry, is responsible for the Company's development activities as well as supply chain management. She also oversees our operations in Thailand and is a member of the Nominating Committee. Ms. Gan holds a Bachelor of Science degree in Physics and Mathematics from the National University of Singapore.

U KEAN SENG
Non-Executive and Independent Director

Mr. U was first appointed to the Board of Directors on 13 February 2004 and was last re-elected on 29 December 2010. Mr. U currently chairs the Nominating and the Remuneration Committees and is a member of Audit Committee. Mr. U was admitted to the Supreme Court of Victoria, Australia in 1991 and to the Singapore Bar in 1993. With more than 18 years of experience in the legal practice, he specialises in the area of corporate law and corporate finance. Mr. U currently holds the professional appointment as the Head of Corporate and legal Affairs of Agria Corporation, a company listed on the New York Stock Exchange. Brothers Capital Limited, an investment vehicle wholly-owned by Mr. Lai Guanglin, the largest shareholder of Agria Corporation. Mr. U Kean Seng was also appointed as Non-Executive Director of China Pipe Group Limited on 23 February 2009. Mr. U serves as a Non-Executive and Independent Director on the Board of GRP Limited. Mr. U holds degrees in BEc and LLB (Honours) both from Monash University, Australia.

MASAYOSHI TAIRA
Non-Executive Chairman

Mr. Taira was first appointed to the Board of Directors on 24 September 1991 and was last re-elected on 29 December 2010. He was appointed as Chairman of the Company since 31 December 2002. Mr. Taira currently is a member of both the Audit and Remuneration Committees. Mr. Taira has served as our Marketing Director from 1992 to 1999. Mr. Taira has more than 22 years of experience in metal stamping industry. He is currently the Managing Director as well as a member of the Board of Directors of Miyoshi Industry Co., Ltd. Mr. Taira holds a Bachelor of Business Administration degree from Hosei University, Japan.

TAY PENG LIM
Non-Executive and Independent Director

Mr. Tay was first appointed to the Board of Directors on 3 April 2006 and was last re-elected on 29 December 2011. Mr. Tay currently chairs the Audit Committee and is a member of the Nominating and Remuneration Committees. With more than 25 years of experience in financial and general management, Mr. Tay's substantial work experience includes appointments as Financial Controller and Assistant General Manager in the manufacturing and IT industries. Mr. Tay is a member of the Chartered Institute of Management Accountants, United Kingdom and Institute of Certified Public Accountants of Singapore.

Corporate Information

DIRECTORS

Executive:

Mr. Sin Kwong Wah, Andrew Chief Executive Officer
Mr. Tan Kay Guan Executive Director
Ms. Gan Yoke Fong, Karen Executive Director

Non-Executive:

Mr. Masayoshi Taira Chairman
Mr. U Kean Seng Independent
Mr. Tay Peng Lim Independent

AUDIT COMMITTEE

Mr. Tay Peng Lim Chairman
Mr. Masayoshi Taira
Mr. U Kean Seng

NOMINATING COMMITTEE

Mr. U Kean Seng Chairman
Ms. Gan Yoke Fong, Karen
Mr. Tay Peng Lim

REMUNERATION COMMITTEE

Mr. U Kean Seng Chairman
Mr. Masayoshi Taira
Mr. Tay Peng Lim

COMPANY SECRETARIES

Ms. Tan San-Ju (FCIS)
Ms. Kim Yi Hwa (ACIS)

COMPANY REGISTRATION NO.

198703979K

REGISTERED OFFICE

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Singapore 618772
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Email: info@sg.miyoshi.biz
Website: http://www.miyoshi.biz

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355 Fax: (65) 6536 1360

AUDITORS

BDO LLP
Public Accountants and Certified Public Accountants
21 Merchant Road
#05-01 Royal Merukh S.E.A. Building
Singapore 058267
Partner-in-charge: Ms. Goh Chern Ni
(First appointed in respect of the financial year ended 31 August 2009)

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Limited
Malayan Banking Berhad
Standard Chartered Bank

Miyoshi Precision Limited is committed to maintain a high standard of corporate governance and degree of transparency within the Group to safeguard the interests of its shareholders and maximise long-term shareholder value.

Where applicable, the Board of Directors has established various self-regulatory and monitoring mechanisms to ensure that effective corporate governance is practised. This statement describes the corporate governance policies and practices of the Company in compliance with the Code of Corporate Governance 2005 that were in place for the financial year ended 31 August 2012.

BOARD MATTERS

Board's Conduct of its Affairs

Besides its statutory duties, the Board reviews and approves the Group's overall strategic plans, key operational initiatives and major investment and funding decisions. It also reviews the Group's financial performance and evaluates the performance and compensation of key management personnel. The Board carries out these functions directly or through committees of the Board, which have been set up to support its work.

The Board members and the number of meetings held in the financial year 2012 by the Board and the attendance thereat are as follows:

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

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

Board Composition and Balance

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

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

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

The Group's Chief Executive Officer ("CEO"), Mr Sin Kwong Wah, Andrew, is an Executive Director and he assumes full responsibilities over the business directions and operational decisions of the Group.

Role of Chairman and Chief Executive Officer

Mr Masayoshi Taira is the Non-Executive Chairman of the Group. He ensures that Board meetings are held as and when necessary and that each Board member is provided with complete, adequate and timely information.

Board Membership

The Nominating Committee comprises the following members:

Mr U Kean Seng	Chairman (Non-Executive and Independent)
Ms Gan Yoke Fong, Karen	Member (Executive, Non-Independent)
Mr Tay Peng Lim	Member (Non-Executive and Independent)

The number of meeting held in the financial year 2012 by the Nominating Committee and the attendance thereat are as follows:

	Nominating Committee Meeting	
	No. of meeting	Attendance
Mr U Kean Seng - Chairman	1	1
Ms Gan Yoke Fong, Karen	1	1
Mr Tay Peng Lim	1	1

The Nominating Committee, in consultation with the Chairman and CEO, will consider and make recommendations to the Board concerning the appropriate size of the Board and the balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and ability.

The Nominating Committee reviews and assesses candidates for directorships (including executive directors) before recommending to the Board for appointment. Candidates are selected for their character, judgement, business experience and acumen.

The Nominating Committee also recommends Directors who are retiring by rotation, to be put forward for re-election.

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

The Nominating Committee has reviewed the independence of the Board members and is of the opinion that Mr U Kean Seng and Mr Tay Peng Lim are independent.

Despite some of the Directors having other board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

Key information on Directors of the Company can be found on pages 10 and 11 of the Annual Report.

The Company's Articles of Association provides that at least one-third of the Company's Directors are required to retire from office at every Annual General Meeting.

The Nominating Committee meets at least once every financial year.

Board Performance

The fiduciary responsibilities of the Board include the following:

- Conduct itself with proper due diligence and care;
- Profess good faith; and
- Act in the best interests of the Company and of its shareholders at all times.

The Company holds the belief that the Group's performance and that of the Board are directly related. The Nominating Committee assesses the effectiveness of the Board as a whole. The Nominating Committee assesses the Board's performance through its ability to steer the Group in the right direction and the support it renders to the management. For the purpose of evaluating directors' performance, the Nominating Committee takes into consideration a number of factors including participation and contributions at meetings and other Company activities.

The Nominating Committee uses its best effort to ensure that directors appointed to the Board possess the necessary background, experience, skills and knowledge in management, business and finance, critical to the Group's business; and that each director is able to contribute his/her perspective; thus allowing for effective decisions to be made.

Access to Information

Regular meetings were held between the Executive Directors and key management personnel to discuss business and operational matters. Monthly management meetings were held to present monthly financial management accounts to the Executive Directors to review business and operational matters.

The Board has separate and independent access to the Company's senior management and the Company Secretaries. The role of the Company Secretaries have been defined by the Board to include supervising, monitoring and advising on compliance by the Company with its Memorandum and Articles of Association, laws and regulations, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX- ST"), and communicating with the relevant authorities on behalf of the Company. The Company Secretary attends all Board meetings and is responsible for ensuring that Board procedures are followed. Where decisions to be taken require specialised knowledge or expert opinion, the Board has adopted a policy to seek independent professional advice.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies and Level of Mix of Remuneration
The Remuneration Committee comprises the following members:

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

The number of meeting held in the financial year 2012 by the Remuneration Committee and the attendance thereat are as follows:

	Remuneration Committee Meeting	
	No. of meeting	**Attendance**
Mr U Kean Seng - Chairman	1	1
Mr Masayoshi Taira	1	1
Mr Tay Peng Lim	1	1

The Remuneration Committee is tasked to determine the remuneration packages of the directors and key executives so as to ensure that the level of remuneration packages are appropriate to attract, retain and motivate the personnel of the required quality to run the Group successfully.

The Remuneration Committee, in consultation with the Chairman and CEO, reviews and recommends to the Board, a framework of remuneration for the Board and key executives.

In its deliberation on issues to be considered, the Remuneration Committee takes into consideration the industry practices and norms for remuneration packages. It may obtain independent professional advice at the Company's expense.

No director is involved in any decision-making in relation to his/her own remuneration, terms and conditions of service, and the review of his/her own performance.

The Remuneration Committee meets at least once every financial year.

DISCLOSURE ON REMUNERATION

a) Details of the remuneration of the Company's Directors and five key executives for the financial year ended 31 August 2012 are as follows:

Directors' Remuneration Band and Name of Directors	Salary %	Bonuses %	Fees %	Others %	Total Compensation %
$500,000 and above					
None	–	–	–	–	–
$250,000 to $499,999					
Mr Sin Kwong Wah, Andrew	91.1	–	6.7	2.2	100.0
Ms Gan Yoke Fong, Karen	81.9	8.6	–	9.5	100.0
Mr Tan Kay Guan	82.7	–	–	17.3	100.0
Below $250,000					
Mr Masayoshi Taira	–	–	–	–	–
Mr U Kean Seng	–	–	–	–	–
Mr Tay Peng Lim	–	–	–	–	–
Remuneration Band and Name of Key Executives					
Below $250,000					
Mr Wee Soon Ghee	90.7	5.4	–	3.9	100.0
Mr Brian Especkerman	91.4	6.1	–	2.5	100.0
Mr Lee Ah Kow, David	96.5	3.5	–	–	100.0
Mr Chew Sze Wan	90.7	5.1	–	4.2	100.0
Mr Yoshihito Asano	97.7	–	–	2.3	100.0

b) Details of options granted are as follows:

Details of options granted to Directors are disclosed in paragraph 3 of the Report of the Directors. Details of options granted to five key executives are as follows:

	Number of share options to subscribe for the Company's ordinary shares	
	At date of grant	**At 31 August 2012**
Pursuant to options granted on 29 January 2002		
Mr Wee Soon Ghee	80,000	–
Mr Brian Especkerman	–	–
Mr Lee Ah Kow, David	180,000	–
Mr Chew Sze Wan	–	–
Mr Yoshihito Asano	–	–
Pursuant to options granted on 29 January 2004		
Mr Wee Soon Ghee	80,000	102,000*
Mr Brian Especkerman	–	–
Mr Lee Ah Kow, David	180,000	229,000*
Mr Chew Sze Wan	–	–
Mr Yoshihito Asano	–	–
Pursuant to options granted on 29 January 2005		
Mr Wee Soon Ghee	150,000	–
Mr Brian Especkerman	–	–
Mr Lee Ah Kow, David	180,000	–
Mr Chew Sze Wan	–	–
Mr Yoshihito Asano	–	–
Pursuant to options granted on 31 January 2007		
Mr Wee Soon Ghee	150,000	191,000*
Mr Brian Especkerman	–	–
Mr Lee Ah Kow, David	180,000	229,000*
Mr Chew Sze Wan	20,000	26,000*
Mr Yoshihito Asano	–	–

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

Summarised details of the Miyoshi Employees' Share Options Scheme are included in paragraph 5 of the Report of the Directors.

c) There are no employees who are related to the Chief Executive Officer or a Director whose remuneration exceeds $150,000 in the Group's employment during the financial year.

ACCOUNTABILITY AND AUDIT

Accountability

In presenting the annual financial statements and announcement on quarterly and full year results to the shareholders, it is the aim of the Board to provide the shareholders with a balanced and comprehensible assessment of the Group's position and prospects.

Audit Committee

The Audit Committee members and the number of meetings held in the financial year 2012 and the attendance thereat are as follows:

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

The Board is of the opinion that the members of the Audit Committee are appropriately qualified to discharge their responsibilities.

The Audit Committee, which has written terms of reference, performs the following delegated functions:

(1) Reviews the audit plans and scope of audit examination of the external auditors and approves the Audit plans of the internal auditors;

(2) Reviews the nature and extent of non-audit services performed by the external auditors;

(3) Evaluates the overall effectiveness of both the internal and external audits through meetings with each group of auditors;

(4) Evaluates the adequacy and effectiveness of the Group's internal controls by reviewing written reports from the internal and external auditors, and management's responses and actions to correct any deficiencies;

(5) Reviews the annual and interim financial statements and announcements to shareholders before submission to the Board for approval;

(6) Reviews interested person transactions; and

(7) Nominates the internal and external auditors for re-appointment.

The Audit Committee has full access to and co-operation of Management, and has full discretion to invite any Director or executive officer to attend its meetings. It also has reasonable resources to enable it to discharge its functions.

The Audit Committee confirms that it has undertaken a review of all the non-audit services provided by the Company's auditor during the financial year and is satisfied that such services would not, in the Audit Committee's opinion, affect the independence of the external auditors.

The aggregate amount of fees paid to the external auditors amounted to approximately $183,000 for audit services and $23,000 for non audit services.

Audit Committee (cont'd)

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

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

Internal Controls

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

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve its business objectives. It can only provide reasonable and not absolute assurance against material misstatement or loss. The Directors regularly review the effectiveness of all internal controls, including financial, operational and compliance controls, and risk management. The Audit Committee reviews and approves the internal audit plans annually; and the internal auditor's activities on a quarterly basis.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by management, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls in respect of financial, operational and compliance risks, were adequate as at 31 August 2012.

Internal Audit

The Group outsources its internal audit functions to an external consultant firm ("Internal Auditor"). The Internal Auditor reports directly to the Chairman of the Audit Committee on internal audit matters. The internal audit work programme is prepared by the Internal Auditor with input from management, and is subject to approval by the Audit Committee.

COMMUNICATION WITH SHAREHOLDERS

The Board strives to ensure timely disclosure of material business matters affecting the Group. All announcements, including quarterly and full year financial results, are made through SGXNET and press releases as well as on investor relations channels.

At the Annual General Meeting, shareholders are encouraged to participate in the question and answer session. The Chairmen of the Audit Committee, Remuneration Committee and Nominating Committee, the Directors and the external auditors are available to respond to shareholders' queries during the meeting.

DEALINGS IN COMPANY'S SECURITIES

The Company has adopted a Code of Conduct to provide guidance to its Officers with regard to dealings in the Company's securities. The Company has complied with its Code of Best Practices Guide on Securities Transactions by the Company and its Officers which states that the Company and Officers of the Company should not deal in the Company's securities on short-term considerations and during the period commencing two weeks before the announcement of the Company's financial statements for the first three quarters of its financial year or one month before the announcement of the Company's full year financial statements.

INTERESTED PERSON TRANSACTIONS

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

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under the shar eholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Miyoshi Industry Co., Ltd		
Type of transactions		
Sales	–	109,152
Purchases (Note)	–	–
Marketing Services (Note)	–	–
Total	–	–

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

MATERIAL CONTRACTS

There were no material contracts entered between the Company or any of its subsidiaries with any Director or controlling shareholders during the financial year ended 31 August 2012.

Financial Report

Report of the Directors

The Directors present their report together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 August 2012.

1. Directors

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

Mr Sin Kwong Wah, Andrew
Mr Tan Kay Guan
Ms Gan Yoke Fong, Karen
Mr Masayoshi Taira
Mr U Kean Seng
Mr Tay Peng Lim

2. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate, except as disclosed in paragraph 3 of this report.

3. Directors' interests in shares and debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and its related corporations as recorded in the register of Directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act") except as follows:

	Shareholdings registered in the name of Directors or their nominees		Shareholdings in which Directors are deemed to have an interest	
Name of Directors and company in which interests are held	**At beginning of year**	**At end of year**	**At beginning of year**	**At end of year**
The Company	**Number of ordinary shares**			
Mr Sin Kwong Wah, Andrew	76,439,000	76,439,000	63,444,000	63,444,000
Mr Tan Kay Guan	4,006,000	2,250,500	–	–
Ms Gan Yoke Fong, Karen	18,252,960	18,252,960	–	–
Mr Masayoshi Taira	–	–	99,509,290	99,509,290
Subsidiaries				
- Giken Sakata (S) Limited				
Mr Sin Kwong Wah, Andrew	–	–	150,000[2]	150,000[2]
Mr Tan Kay Guan	–	330,000	–	–

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

Name of Directors and company in which interests are held	At beginning of year	At end of year
Subsidiaries		
	Ordinary shares of Thai Baht 100 each	
- Miyoshi Precision (Thailand) Co., Ltd	**Held in the name of Directors**	
Ms Gan Yoke Fong, Karen	2[(3)]	2[(3)]
	Ordinary shares of Thai Baht 100 each	
- Miyoshi Hi-Tech Co., Ltd	**Held in the name of Directors**	
Ms Gan Yoke Fong, Karen	1[(3)]	1[(3)]
	Ordinary shares of Philippine Peso 1,000 each	
- Miyoshi Technologies Phils., Inc.	**Held in the name of Directors**	
Mr Sin Kwong Wah, Andrew	1[(3)]	1[(3)]
Mr Tan Kay Guan	1[(3)]	1[(3)]

	Number of share options to subscribe for the Company's ordinary shares	
Name of Directors and company in which interests are held	**At beginning of year**	**At end of year**
Options granted on 29 January 2004		
Mr Tan Kay Guan	381,000	381,000
Ms Gan Yoke Fong, Karen	381,000	381,000
Options granted on 29 January 2005		
Mr Tan Kay Guan	381,000	381,000
Options granted on 31 January 2007		
Mr Tan Kay Guan	381,000	381,000
Ms Gan Yoke Fong, Karen	381,000	381,000
Mr U Kean Seng	254,000	127,000
Mr Tay Peng Lim	127,000	64,000

(1) By virtue of Section 7 of the Act, Mr Sin Kwong Wah, Andrew is deemed to have an interest in all the subsidiaries of the Company.

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

(3) Shares held in trust for the Company.

On 7 September 2012, Mr Tan Kay Guan purchased 200,000 ordinary shares of Giken Sakata (S) Limited. After the purchase, the total ordinary shares registered in his name was 530,000 shares. Except for this, there was no change in any of the abovementioned interests between the end of the financial year and 21 September 2012.

4. **Directors' receipt and entitlement to contractual benefits**

Since the beginning of the financial year, no Director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporations as disclosed in Note 5 to the financial statements.

5. **Share options**

On 4 May 2001, the shareholders of the Company approved the Miyoshi Employees' Share Option Scheme (the "Scheme"). The Scheme is administered by a committee ("Committee") whose members are:

- Mr Sin Kwong Wah, Andrew (Chairman)
- Mr Masayoshi Taira
- Mr Tan Kay Guan
- Ms Gan Yoke Fong, Karen

a) Options granted

(i) Options granted on 29 January 2002

Options were granted pursuant to the Scheme to 38 employees and Directors (collectively the "Participants") of the Company to subscribe for 4,190,000 ordinary shares in the Company at the subscription price of $0.144 per ordinary share with no discount. 3,570,000 options were accepted by the Participants.

(ii) Options granted on 29 January 2004

Options were granted pursuant to the Scheme to 41 employees and Directors (collectively the "Participants") of the Company to subscribe for 3,100,000 ordinary shares in the Company at the subscription price of $0.252 per share with no discount. 2,940,000 options were accepted by the Participants.

(iii) Options granted on 29 January 2005

Options were granted pursuant to the Scheme to 39 employees and Directors (collectively the "Participants") of the Company to subscribe for 3,090,000 ordinary shares in the Company at the subscription price of $0.180 per share with no discount. 2,970,000 options were accepted by the Participants.

(iv) Options granted on 31 January 2007

Options were granted pursuant to the Scheme to 35 employees and Directors (collectively the "Participants") of the Company to subscribe for 3,150,000 ordinary shares in the Company at the subscription price of $0.239 per share with no discount. 3,150,000 options were accepted by the Participants.

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

5. **Share options (Continued)**

a) Options granted (Continued)

(iv) Options granted on 31 January 2007 (Continued)

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

No other options to take up unissued shares of the Company or its subsidiaries were granted during the financial year.

b) Unissued shares under option

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

Date of grant	At beginning of year or date of grant, if later	Options adjustments	Exercised	Forfeited	At end of year	Original exercise price ($)	Adjusted exercise price ($)	Exercise period
29-Jan-02	51,000	–	–	(51,000)	–	0.144	0.114	29 Jan 03 to 28 Jan 12
29-Jan-02	51,000	–	–	–	51,000	0.144	0.114	29 Jan 04 to 28 Jan 13
29-Jan-04	752,000	–	–	(26,000)	726,000	0.252	0.199	29 Jan 05 to 28 Jan 14
29-Jan-04	752,000	–	–	(25,000)	727,000	0.252	0.199	29 Jan 06 to 28 Jan 15
29-Jan-05	197,000	–	–	–	197,000	0.180	0.142	29 Jan 06 to 28 Jan 15
29-Jan-05	197,000	–	–	–	197,000	0.180	0.142	29 Jan 07 to 28 Jan 16
31-Jan-07	1,357,000	–	–	(77,000)	1,280,000	0.239	0.188	31 Jan 08 to 30 Jan 17
31-Jan-07	1,358,000	–	–	(77,000)	1,281,000	0.239	0.188	31 Jan 09 to 30 Jan 18
31-Jan-07	190,000	–	–	(190,000)	–	0.239	0.188	31 Jan 08 to 30 Jan 12
31-Jan-07	191,000	–	–	–	191,000	0.239	0.188	31 Jan 09 to 30 Jan 13
Total	5,096,000	–	–	(446,000)	4,650,000			

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

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

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

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

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

5. Share options (Continued)

c) Details of options granted

The information on Participants who are Directors, and who received 5% or more of total number of options available under the Scheme is as follows:

Name of participants	Options granted during the year	Aggregate options granted since commencement of Scheme to end of the year	Aggregate options exercised/ cancelled since commencement of Scheme to end of the year	Aggregate options outstanding at end of the year
Directors of the Company				
Mr Tan Kay Guan	–	1,443,000	(300,000)	1,143,000
Ms Gan Yoke Fong, Karen	–	1,362,000	(600,000)	762,000
Mr U Kean Seng	–	381,000	(254,000)	127,000
Mr Tay Peng Lim	–	127,000	(63,000)	64,000
Employees				
Mr Lee Ah Kow	–	818,000	(360,000)	458,000
Mr Seah Kin Song	–	843,000	(385,000)	458,000

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

6. Audit committee

The members of the Audit Committee are:

Mr Tay Peng Lim (Chairman)
Mr U Kean Seng
Mr Masayoshi Taira

The Audit Committee, which has written terms of reference, performs the following delegated functions:

(i) Reviews the audit plans and scope of audit examination of external auditors and approves the audit plans of the internal auditors;

(ii) Reviews the nature and extent of non-audit services performed by the external auditors;

(iii) Evaluates the overall effectiveness of both the internal and external audits through meetings with each group of auditors;

(iv) Evaluates the adequacy of the Group's internal controls by reviewing written reports from the internal and external auditors, and management's responses and actions to correct any deficiencies;

(v) Reviews the annual and interim financial statements and announcements to shareholders before submission to the Board of Directors for approval;

(vi) Reviews interested person transactions; and

(vii) Nominates the internal and external auditors for re-appointment.

6. Audit committee (Continued)

The Audit Committee has full access to and has the co-operation of the Management, and has been given the resources required for it to discharge its function properly. It has also full discretion to invite any Director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

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

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

7. Auditors

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

On behalf of the Directors

Sin Kwong Wah, Andrew

Gan Yoke Fong, Karen

Singapore
28 November 2012

Statement of Directors

In the opinion of the Directors,

(a) the accompanying financial statements comprising the statements of financial position of the Group and of the Company, the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2012 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Directors

Sin Kwong Wah, Andrew

Gan Yoke Fong, Karen

Singapore
28 November 2012

Independent Auditor's Report

To the members of Miyoshi Precision Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Miyoshi Precision Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 30 to 104 which comprise the statements of financial position of the Group and of the Company as at 31 August 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 August 2012 and of the results, changes in equity and cash flows of the Group for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO LLP
Public Accountants and
Certified Public Accountants

Singapore
28 November 2012

Statements of Financial Position

As at 31 August 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
ASSETS					
Current assets:					
Cash and bank balances	6	11,771	19,521	4,094	4,871
Fixed deposits	6	5,321	8,864	827	3,000
Trade receivables	7	33,515	22,986	11,862	10,329
Other receivables and prepayments	8	1,518	1,743	3,380	1,997
Inventories	9	11,819	9,627	2,574	2,218
Asset held for sale	10	1,932	1,859	–	–
Total current assets		65,876	64,600	22,737	22,415
Non-current assets:					
Investments in associates	11	34	3,026	49	47
Investment in joint venture	12	–	–	–	–
Subsidiaries	13	–	–	24,042	27,614
Available-for-sale financial assets	14	20	59	4	4
Other receivables	8	68	9	–	–
Property, plant and equipment	15	33,786	36,688	7,612	7,363
Intangible assets	16	–	429	–	–
Deferred tax assets	17	10	30	–	–
Loans receivable	18	2,257	2,463	2,257	2,161
Total non-current assets		36,175	42,704	33,964	37,189
Total assets		102,051	107,304	56,701	59,604
LIABILITIES AND EQUITY					
Current liabilities:					
Bank overdrafts	19	806	809	–	–
Trade payables	20	24,222	15,057	3,831	3,382
Other payables and accruals	21	5,896	6,076	1,382	1,699
Provisions	22	344	2,117	–	–
Current income tax payable		432	438	526	531
Finance leases	23	755	863	234	285
Bank loans	24	7,032	9,359	5,024	7,375
Other loan	25	239	160	–	–
Total current liabilities		39,726	34,879	10,997	13,272

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

Statements of Financial Position

As at 31 August 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current liabilities:					
Finance leases	23	621	1,425	154	379
Bank loans	24	2,646	4,196	–	–
Other loan	25	–	81	–	–
Provisions	22	463	480	–	–
Deferred tax liabilities	26	–	324	–	324
Total non-current liabilities		3,730	6,506	154	703
Total liabilities		43,456	41,385	11,151	13,975
Equity:					
Share capital	27	37,389	37,389	37,389	37,389
Treasury share reserve	27	(55)	(55)	(55)	(55)
Fair value reserve	27	(10)	(10)	–	–
Other reserve	27	1,076	918	–	–
Share options reserve	27	505	549	505	549
Currency translation reserve	27	(13,597)	(15,507)	(14,250)	(16,066)
Retained earnings	27	26,494	34,018	21,961	23,812
Equity attributable to owners of the parent		51,802	57,302	45,550	45,629
Non-controlling interests		6,793	8,617	–	–
Total equity		58,595	65,919	45,550	45,629
Total liabilities and equity		102,051	107,304	56,701	59,604

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

Consolidated Statement of Comprehensive Income

Year ended 31 August 2012

	Note	2012 $'000	2011 $'000
Revenue	29	159,357	115,629
Other income	30	3,711	4,371
Changes in inventories of finished goods and work-in-progress		(2,579)	513
Raw materials and consumables used		(103,067)	(63,365)
Employee benefit expenses	31	(28,151)	(26,667)
Depreciation expense		(7,169)	(7,557)
Other operating expenses	32	(28,538)	(31,866)
Finance costs	33	(605)	(744)
Share of results of associates		(262)	(660)
Loss before income tax		(7,303)	(10,346)
Income tax expense	34	(20)	(340)
Loss for the financial year	35	(7,323)	(10,686)
Other comprehensive income:			
Exchange differences on translating foreign operations		2,013	(8,164)
Income tax relating to components of other comprehensive income		–	–
Other comprehensive income for the financial year, net of tax		2,013	(8,164)
Total comprehensive income for the financial year		(5,310)	(18,850)
Loss attributable to:			
Owners of the parent		(7,410)	(10,204)
Non-controlling interests		87	(482)
		(7,323)	(10,686)
Total comprehensive income attributable to:			
Owners of the parent		(5,500)	(16,995)
Non-controlling interests		190	(1,855)
		(5,310)	(18,850)
Loss per share			
Basic (cents)	36	(1.76)	(2.43)
Diluted (cents)	36	(1.76)	(2.43)

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

Consolidated Statement of Changes in Equity

Year ended 31 August 2012

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

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

Consolidated Statement of **Changes in Equity**

Year ended 31 August 2012

	Share capital $'000	Treasury share reserve $'000	Fair value reserve $'000	Other reserve $'000	Share options reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Equity attributable to owners of the parent $'000	Non-controlling interests $'000	Total equity $'000
Balance 1 September 2010	37,389	(55)	(10)	767	707	(8,733)	45,493	75,558	10,519	86,077
Loss for the financial year	–	–	–	–	–	–	(10,204)	(10,204)	(482)	(10,686)
Other comprehensive income for the financial year:										
Exchange differences on translating foreign operations	–	–	–	–	(10)	(6,774)	(7)	(6,791)	(1,373)	(8,164)
Total other comprehensive income for the financial year	–	–	–	–	(10)	(6,774)	(7)	(6,791)	(1,373)	(8,164)
Total comprehensive income for the financial year	–	–	–	–	(10)	(6,774)	(10,211)	(16,995)	(1,855)	(18,850)
Transactions with owners of the parent recognised directly in equity										
Dividends (Note 37)	–	–	–	–	–	–	(1,261)	(1,261)	–	(1,261)
Statutory reserve by a subsidiary	–	–	–	151	–	–	(151)	–	–	–
Share options lapsed	–	–	–	–	(148)	–	148	–	–	–
Total transactions with owners of the parent recognised directly in equity	–	–	–	151	(148)	–	(1,264)	(1,261)	–	(1,261)
Transaction with non-controlling interests										
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(47)	(47)
Balance at 31 August 2011	37,389	(55)	(10)	918	549	(15,507)	34,018	57,302	8,617	65,919

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

Consolidated Statement of Cash Flows

Year ended 31 August 2012

	2012 $'000	2011 $'000
Operating activities:		
Loss before income tax and share of results of associates	(7,041)	(9,686)
Adjustments for:		
Allowance for impairment of plant and equipment	1,643	2,618
Allowance for impairment of investment in associate	2,847	–
Allowance for impairment of available-for-sale financial assets	42	–
Allowance for doubtful trade receivables	371	84
Allowance for doubtful other receivables	98	916
Allowance for doubtful loan receivables	328	2,679
Amortisation of intangible assets	429	429
Bad trade receivables written off	231	20
Depreciation expense	7,169	7,557
Gain on disposal of subsidiary	(239)	–
Gain on de-consolidation of subsidiary	–	(5)
Gain on disposal of property, plant and equipment	(67)	(1,497)
Interest expense	605	744
Interest income	(282)	(212)
Provision for legal claim	–	2,217
Provision for legal claim no longer required	(381)	–
(Reversal)/Allowance for inventory obsolescence	(496)	71
Property, plant and equipment written off	–	20
Operating cash flows before changes in working capital	5,257	5,955
Trade receivables	(12,329)	4,114
Other receivables and prepayments	(126)	1,171
Inventories	(1,982)	1,732
Trade payables	11,279	(3,071)
Other payables and accruals	(2,081)	(4,894)
Cash generated from operations	18	5,007
Interest paid	(605)	(744)
Interest received	282	212
Income tax paid	(626)	(916)
Dividend paid to owners of the parent	–	(1,261)
Dividend paid to non-controlling interests	(1,213)	(47)
Net cash (used in)/from operating activities	(2,144)	2,251
Investing activities:		
Proceeds from disposal of subsidiary (Note 13)	1,088	–
Loans receivable	292	(301)
Proceeds from disposal of property, plant and equipment	815	7,039
Purchase of property, plant and equipment (Note 15)	(6,288)	(5,223)
Net cash (used in)/from investing activities	(4,093)	1,515

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

Consolidated Statement of Cash Flows

Year ended 31 August 2012

	2012 $'000	2011 $'000
Financing activities:		
Proceeds from bank loans	–	6,934
Repayment of bank loans	(3,877)	(7,539)
Repayment of finance leases	(848)	(1,709)
Restricted cash	(831)	6
Net cash used in financing activities	(5,556)	(2,308)
Currency translation adjustment	(328)	(4,148)
Decrease in cash and cash equivalents	(12,121)	(2,690)
Cash and cash equivalents at beginning of financial year	27,435	30,125
Cash and cash equivalents at end of financial year (Note 6)	15,314	27,435

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

1. General corporate information

Miyoshi Precision Limited ("the Company") is a public limited company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited. The Company's registration number is 19870397K. Its principal place of business and registered office is at No. 5 Second Chin Bee Road, Singapore 618772. The financial statements are presented in Singapore dollar ($) and all values are rounded to the nearest thousand ($'000) except where otherwise indicated.

The principal activities of the Company are those of designing and manufacturing of mould and precision pressed parts and trading in related products.

The principal activities of the associates, joint venture and subsidiaries are disclosed in Notes 11, 12 and 13 to the financial statements respectively.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 August 2012 were authorised for issue by the Board of Directors on 28 November 2012.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

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

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

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

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) has been adopted beginning 1 September 2011 and has been applied retrospectively. The revised standard clarified the definition of a related party and does not have any impact on the amounts reported for the current or prior financial years.

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

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

			Effective date (Annual periods beginning on or after)
FRS 1	:	Amendments to FRS 1 – Presentation of Items of Other Comprehensive Income	1 July 2012
FRS 12	:	Amendments to FRS 12 - Deferred Tax: Recovery of Underlying Assets	1 January 2012
FRS 19	:	Employee Benefits (Revised)	1 January 2013
FRS 27	:	Separate Financial Statements	1 January 2014
FRS 28	:	Investments in Associates and Joint Ventures	1 January 2014
FRS 32	:	Amendments to FRS 32 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
FRS 101	:	Amendments to FRS 101 – Government Loans	1 January 2013
FRS 107	:	Amendments to FRS 107 – Offsetting Financial Assets and Financial Liabilities	1 January 2013
FRS 110	:	Consolidated Financial Statements	1 January 2014
FRS 111	:	Joint Arrangements	1 January 2014
FRS 112	:	Disclosure of Interests in Other Entities	1 January 2014
FRS 113	:	Fair Value Measurement	1 January 2013
INT FRS 120	:	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Improvements to FRS 2012			1 January 2013

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

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

Amendments to FRS 1 Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, the Group and the Company do not expect any impact on their financial position or performance upon adoption of this standard from the financial year beginning 1 September 2012.

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 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

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

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

FRS 111 Joint Arrangements

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

FRS 112 Disclosure of Interests in Other Entities

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

FRS 113 Fair Value Measurement

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

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation

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

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

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

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations

Business combinations from 1 September 2009

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

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 Income Taxes and FRS 19 Employee Benefits respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 Share-based Payment; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

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

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

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 September 2009 (Continued)

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

Business combinations before 1 September 2009

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

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

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

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

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

2.4 Financial instruments

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

Effective interest method

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

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial assets

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

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

Available-for-sale financial assets

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

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

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

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

2. Summary of significant accounting policies (Continued)

2.4 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Derecognition of financial liabilities

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

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

2.5 Leases

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

2. Summary of significant accounting policies (Continued)

2.5 Leases (Continued)

The Group as lessee

(i) Finance leases

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

(ii) Operating leases

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

The Group as lessor

(i) Operating leases

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

2.6 Inventories

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

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

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

2.7 Non-current assets held for sale

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

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

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

2. Summary of significant accounting policies (Continued)

2.8 Cash and cash equivalents

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

2.9 Property, plant and equipment

(i) Land and buildings

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

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

(ii) Other property, plant and equipment

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.9 Property, plant and equipment (Continued)

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

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

Freehold buildings	20 years
Leasehold land and buildings	5 to 50 years (over remaining terms of lease with effect from date of purchase)
Plant and equipment	1½ to 10 years
Office furniture and equipment	3 to 8 years
Motor vehicles	4 to 8 years

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

2.10 Intangible assets

Intangible assets acquired in a business combination

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

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

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

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

2.11 Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2. Summary of significant accounting policies (Continued)

2.11 Associates (Continued)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, investments in associates are carried in the Group's statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment loss of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payment on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

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

2.12 Joint venture

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

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

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

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

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

2. Summary of significant accounting policies (Continued)

2.13 Impairment of tangible and intangible assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

2.14 Provisions

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

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

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

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

2.15 Share-based payments

The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

2. Summary of significant accounting policies (Continued)

2.15 Share-based payments (Continued)

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

2.16 Revenue recognition

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

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Rental income

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

2.17 Borrowing costs

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

2.18 Employee benefits

(i) Retirement benefit costs

<u>Defined contribution plans</u>

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.

2. Summary of significant accounting policies (Continued)

2.18 Employee benefits (Continued)

(i) Retirement benefit costs (Continued)

Defined benefit plans

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

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

Retirement gratuity

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

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

(ii) Employee leave entitlement

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

2.19 Income tax

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

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted in countries where the subsidiaries operate by the end of the financial year. Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are accounted for using the balance sheet liability method.

2. Summary of significant accounting policies (Continued)

2.19 Income tax (Continued)

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

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

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

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.

2. Summary of significant accounting policies (Continued)

2.21 Foreign currencies transactions and translation (Continued)

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

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

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

2.22 Segment reporting

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

3. Critical accounting judgements and key sources of estimation uncertainty

3.1 Critical judgements in applying the Group's accounting policies

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

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

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

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

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.

<u>Allowances for inventories</u>

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 2012, the carrying amounts of the Group's and the Company's inventories were $11,819,000 (2011: $9,627,000) and $2,574,000 (2011: $2,218,000) respectively.

<u>Allowances for doubtful receivables</u>

The Group makes allowances for doubtful receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables including loan receivables and advances to subsidiaries and associates where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of management's assessment of collectibility. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The carrying amounts of the Group's and the Company's trade receivables, other receivables, loans receivable and advances to subsidiaries as at 31 August 2012 were $36,978,000 (2011: $26,819,000) and $32,281,000 (2011: $33,108,000) respectively.

<u>Impairment of investments in subsidiaries and associates</u>

In determining whether investments in subsidiaries and associates are impaired requires an estimation of the recoverable amount of the investments in subsidiaries and associates as at end of the financial year. For those subsidiaries with indication of impairment, management has assessed the value in use using the future cash flows expected to arise from subsidiaries over a period of five years (2011: five to six years) using a discount rate ranging from 4.4% to 7.19% (2011: 7.19% to 18%). Estimates of future cash flows are based on a forecast annual growth in revenue between 3% to 700% (2011: 0.5% to 825%). The carrying amounts of the Company's investments in subsidiaries and associates as at 31 August 2012 were $13,501,000 (2011: $13,642,000) and $49,000 (2011: $47,000) respectively.

<u>Depreciation of property, plant and equipment</u>

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1½ to 50 years. The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 August 2012 were $33,786,000 (2011: $36,688,000) and $7,612,000 (2011: $7,363,000) respectively. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets.

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

3.2 Key sources of estimation uncertainty (Continued)

Income taxes

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 August 2012, the Group's deferred tax assets, current income tax payable and deferred tax liabilities were $10,000 (2011: $30,000), $432,000 (2011: $438,000) and $Nil (2011: $324,000) respectively and the Company's current income tax payable and deferred tax liabilities were $526,000 (2011: $531,000) and $Nil (2011: $324,000) respectively.

Provision for legal claim

The calculation of provisions requires management to estimate the expected future cash outflows as a result of the claims which are subject to significant uncertainty. The provision for legal claim is based on the management's best estimate of the losses or damages, if awarded to the other party. The carrying amount of the Group's provision for legal claim as at 31 August 2012 was $310,000 (2011: $2,117,000).

4. Financial instruments, financial risks and capital management

Financial risk management objectives and policies

The Group's overall policy with respect to managing risk arising in the normal course of the Group's business as well as that associated with financial instruments is to minimise the potential adverse effects on the financial performance of the Group. There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures them. The Group's policies for managing specific risks and its risk exposures are summarised below.

4.1 Credit risk

The Group's credit risk is primarily attributable to its cash and cash equivalents, trade receivables, other receivables and loans receivable. Cash and cash equivalents are placed with credit worthy financial institutions. The Group has adopted a stringent procedure in extending credit terms to customers and monitoring its credit risk. Where appropriate, letters of credit, cash and/or advance payments are required for new customers. The Group does not have any significant credit risk exposure to any single counterparty or any Group of counterparties having similar characteristics. The carrying amount of financial assets recorded in the financial statements, net of any allowances for impairment losses, represents the Group's maximum exposure to credit risk.

Credit risk on trade receivables

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

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

4.1 Credit risk (Continued)

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Past due < 3 months	10,038	5,091	1,097	186
Past due 3 to 6 months	379	108	612	169
Past due over 6 months	642	896	4,476	3,588
	11,059	6,095	6,185	3,943

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Past due over 6 months	492	254	271	25

Credit risk on loan to associate

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

4.2 Market risk

Foreign exchange risk

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

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

The Group utilises foreign currency forward exchange contracts on a limited basis to hedge firm commitments from customers for the sale of goods. The Group does not enter into derivative foreign exchange contracts for speculative purpose. The Group has no contracts outstanding as at the end of the financial year.

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

4.2 Market risk (Continued)

Foreign exchange risk (Continued)

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

Net monetary assets/(liabilities)

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
United States dollar	5,445	10,488	–	–
Singapore dollar	(5,777)	(3,833)	4,205	667
Japanese yen	(115)	1,246	227	1,271
Philippine peso	(686)	(348)	–	–
Malaysia ringgit	(1,819)	(1,968)	–	–
Thailand baht	4	558	(30)	1,117
Chinese renminbi	806	151	–	–
Others	(42)	60	–	–
Total	(2,184)	6,354	4,402	3,055

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

The following table details the Group's sensitivity to a 5% change in USD against the SGD and MYR. The sensitivity analysis assumes an instantaneous 5% change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD, SGD and MYR are included in the analysis.

Foreign currency sensitivity analysis

	Gain/(Loss)			
	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
USD				
Strengthens against SGD	(272)	(524)	–	–
Weakens against SGD	272	524	–	–
SGD				
Strengthens against USD	289	192	(210)	(34)
Weakens against USD	(289)	(192)	210	34
MYR				
Strengthens against USD	91	98	–	–
Weakens against USD	(91)	(98)	–	–

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

4.2 Market risk (Continued)

Interest rate risk

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

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Bank overdrafts	806	809	–	–
Finance leases	1,376	2,288	388	664
Bank loans	9,678	13,555	5,024	7,375
Other loan	239	241	–	–
	12,099	16,893	5,412	8,039

Assuming that the amount of borrowings outstanding at the end of the financial year was outstanding for the whole year and interest rates increase/decrease instantaneously by 5% from the end of the financial year, with all other variables held constant, the interest expense of the Group would increase/decrease by approximately $30,000 (2011: $38,000), while the interest expense of the Company would increase/decrease by approximately $9,000 (2011: $8,000).

4.3 Liquidity risk

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

Financial liabilities

	2012				2011			
	1 year or less	2 to 5 years	After 5 years	Total	1 year or less	2 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Bank overdrafts	806	–	–	806	809	–	–	809
Trade payables	24,222	–	–	24,222	15,057	–	–	15,057
Other payables and accruals	5,896	–	–	5,896	6,076	–	–	6,076
Finance leases	773	626	–	1,399	899	1,429	30	2,358
Bank loans	7,039	1,989	657	9,685	9,361	3,373	829	13,563
Other loan	243	–	–	243	164	80	–	244
	38,979	2,615	657	42,251	32,366	4,882	859	38,107

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

4.3 **Liquidity risk (Continued)**

Financial liabilities (Continued)

	2012				2011			
	1 year or less $'000	2 to 5 years $'000	After 5 years $'000	Total $'000	1 year or less $'000	2 to 5 years $'000	After 5 years $'000	Total $'000
Company								
Trade payables	3,831	–	–	3,831	3,382	–	–	3,382
Other payables and accruals	1,382	–	–	1,382	1,699	–	–	1,699
Finance leases	246	159	–	405	309	396	–	705
Bank loans	5,026	–	–	5,026	7,377	–	–	7,377
	10,485	159	–	10,644	12,767	396	–	13,163

4.4 **Capital management policies and objectives**

The Group and the Company manage capital to ensure that it is able to continue as a going concern. It maintains sufficient cash and cash equivalents and internally generated cash flows to finance its activities. Adequate lines of credit and availability of committed funding lines are maintained at all times to meet its obligations as and when they fall due.

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

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

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

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade payables	24,222	15,057	3,831	3,382
Other payables and accruals	5,896	6,076	1,382	1,699
Bank loans	9,678	13,555	5,024	7,375
Other loan	239	241	-	-
Finance leases	1,376	2,288	388	664
Less: Cash and cash equivalents	(15,314)	(27,435)	(4,094)	(7,871)
Net debt	26,097	9,782	6,531	5,249
Equity attributable to owners of the parent	51,802	57,302	45,550	45,629
Total capital	77,899	67,084	52,081	50,878
Gearing ratio	33.5%	14.6%	12.5%	10.3%

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

4.4 Capital management policies and objectives (Continued)

The Group is in compliance with all externally imposed capital requirements for the financial years ended 31 August 2011 and 2012.

The Group's overall strategy remains unchanged from 2011.

4.5 Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables, approximate their respective fair values due to the relatively short–term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements. The fair value of financial assets with standard terms and conditions and trade in an active liquid market is determined with reference to quoted market prices. The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables				
Cash and bank balances	11,771	19,521	4,094	4,871
Fixed deposits	5,321	8,864	827	3,000
Trade receivables	33,515	22,986	11,862	10,329
Other receivables	1,206	1,370	3,338	1,964
Loans receivable	2,257	2,463	2,257	2,161
Advances to subsidiaries	–	–	3,672	2,966
	54,070	55,204	26,050	25,291
Financial liabilities				
Other financial liabilities				
Bank overdrafts	806	809	–	–
Trade payables	24,222	15,057	3,831	3,382
Other payables and accruals	5,896	6,076	1,382	1,699
Finance leases	1,376	2,801	388	664
Bank loans	9,678	13,555	5,024	7,375
Other loan	239	241	–	–
	42,217	38,539	10,625	13,120

It is not practicable to determine the fair value of advances to subsidiaries amounting to $18,028,000 (2011: $15,688,000) as they have no fixed term of repayment (Note 13).

5. Related party transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

- (i) Has control or joint control over the Company;
- (ii) Has significant influence over the Company; or
- (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

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

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

Associates are related parties and include those that are associates of the holding and/or related companies.

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

5. Related party transactions (Continued)

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

	Associates		Related party (A shareholder)		Joint venture	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Sales	–	–	(109)	(98)	–	(110)
Purchases	–	–	27	47	–	–
Sales commission expense	–	–	16	26	–	–
Interest income	(26)	(27)	–	–	–	–
Interest expense	–	–	1	1	–	–
Marketing fees expense	–	–	69	93	–	–
Rental expenses	–	–	10	30	–	–
Other expense	4	4	–	–	–	–
Allowance for doubtful receivables	274	–	–	–	11	975

<u>Compensation of Directors and key management personnel</u>

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

	Group	
	2012	2011
	$'000	$'000
Short-term benefits	2,303	2,490
Post-employment benefits	128	135
	2,431	2,625

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

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

6. Cash and cash equivalents

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash and bank balances	11,771	19,521	4,094	4,871
Fixed deposits	5,321	8,864	827	3,000
Bank overdrafts (Note 19)	(806)	(809)	–	–
	16,286	27,576	4,921	7,871
Restricted cash	(972)	(141)	(827)	–
	15,314	27,435	4,094	7,871

Fixed deposits of the Group bear interest ranging from 0.03% to 3.25% (2011: 0.06% to 4.50%) per annum and are for a tenor of approximately 365 days (2011: 365 days).

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

The Group's cash and cash equivalents of $1,817,000 (2011: $2,409,000) have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 24). Pursuant to the debt restructuring agreement, the subsidiaries shall not dispose of the asset pledged except in the ordinary course of business.

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
United States dollar	1,365	6,993	–	–
Singapore dollar	911	5,184	911	5,184
Japanese yen	62	1,011	29	1,009
Malaysia ringgit	341	391	–	–
Philippine peso	50	103	–	–
Thailand baht	4	558	4	558
Indonesia rupiah	76	83	–	–
Chinese renminbi	2,122	1,872	–	–

7. Trade receivables

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Third parties	33,674	22,959	4,645	5,812
Subsidiaries	–	–	7,217	4,334
Associate	271	208	271	208
Related parties	19	32	–	–
Joint venture	43	41	–	–
	34,007	23,240	12,133	10,354
Allowance for doubtful receivables	(492)	(254)	(271)	(25)
	33,515	22,986	11,862	10,329

Trade receivables from third parties are non–interest bearing and are generally on a 30 to 60 (2011: 30 to 60) days credit terms. The amounts owing from subsidiaries, associate, joint venture and related parties are unsecured, interest–free and repayable on demand.

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At beginning of financial year	254	581	25	10
Bad receivables written off	–	(391)	–	(9)
Charge to profit or loss	371	84	247	27
Disposal of a subsidiary	(127)	–	–	–
Currency realignment	(6)	(20)	(1)	(3)
At end of financial year	492	254	271	25
Comprising:				
- third parties	178	254	–	25
- associate	271	–	271	–
- joint venture	43	–	–	–
	492	254	271	25

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

The Group's trade receivables of $14,344,000 (2011: $4,653,000) have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 24).

7. Trade receivables (Continued)

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
United States dollar	14,639	4,480	–	–
Singapore dollar	558	681	554	684
Malaysia ringgit	339	257	–	–
Philippine peso	32	46	–	–
Chinese renminbi	1,242	1,023	–	–
Japanese yen	205	376	–	–
Euro	491	534	–	–

8. Other receivables and prepayments

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current				
Third parties	3,654	3,601	251	203
Subsidiaries	–	–	3,131	1,793
Associate	–	3	–	–
Joint venture	98	93	–	–
Related party	–	1	–	1
	3,752	3,698	3,382	1,997
Allowance for doubtful receivables	(2,234)	(1,955)	(2)	–
	1,518	1,743	3,380	1,997
Non-current				
Third parties	68	9	–	–

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

The Group's and the Company's prepayments which are included above amounted to $380,000 (2011: $382,000) and $42,000 (2011: $33,000) respectively.

The amounts due from subsidiaries, associate, joint venture and a related party are unsecured, interest–free and repayable on demand.

The management has determined the carrying amount of non-current other receivable to approximate its fair value as the amount is not significant.

8. Other receivables and prepayments (Continued)

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At beginning of financial year	1,955	1,213	–	–
Charge to profit or loss	98	916	2	–
Currency realignment	181	(174)	–	–
At end of financial year	2,234	1,955	2	–
Comprising:				
- third parties	2,136	1,955	2	–
- joint venture	98	–	–	–
	2,234	1,955	2	–

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

The Group's other receivables and deposits of $220,000 (2011: $209,000) have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 24).

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Singapore dollar	610	96	1,725	1,094
Japanese yen	–	99	–	99
Malaysia ringgit	206	214	–	–
Philippine peso	136	129	–	–
Thailand baht	190	–	–	–
Chinese renminbi	450	94	–	–

9. Inventories

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Finished goods	5,727	4,544	1,126	1,206
Work-in-process	1,468	1,131	883	477
Raw materials	4,624	3,952	565	535
Total inventories at lower of cost and net realisable value	11,819	9,627	2,574	2,218

The Group's cost of inventories recognised as expense during the financial year amounted to $105,646,000 (2011: $62,852,000).

The Group's inventories of $3,303,000 (2011: $2,527,000) have been pledged as a collateral for bank loans granted to certain subsidiaries (Note 24).

During the financial year, a reversal of allowance of $496,000 (2011: $Nil) was recognised in profit or loss and included in "other operating expenses" when the related inventory were sold.

In the previous financial year, allowance for inventory obsolescence of $71,000 was recognised in profit or loss and included in "other operating expenses" after a review of the realisability of the inventories conducted at the end of the financial year.

10. Asset held for sale

Group

In the previous financial year, a leasehold building with gross floor area of approximately 6,454.8 sqm owned by a subsidiary located at PLO122 Jalan Cyber 5, Senai III Industrial Estate 81400 Senai, Johor Malaysia is now in the process of being sold. During the current financial year, the Group has entered into a sale and purchase agreement. Owing to circumstances beyond the Group's control, the asset which was expected to be sold within the previous twelve months, have not been sold as at the reporting date. The management remains committed to its plan to sell the asset.

11. Investments in associates

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Unquoted equity shares at cost	3,751	3,751	68	68
Currency realignment	106	(35)	(19)	(21)
Share of post-acquisition accumulated losses	(930)	(675)	–	–
Share of post-acquisition other reserves	(46)	(15)	–	–
Allowance for impairment loss	(2,847)	–	–	–
	34	3,026	49	47

Details of the Group's associates are as follows:

Associate	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2012	2011
			%	%
Miyoshi International Philippines, Inc.[(1)]	Property holding	Philippines	40	40
Held through Cerise Group Limited				
Galaxy Pte Ltd[(2)]	Developing, manufacturing and selling coating materials	British Virgin Islands	42.86	42.86
Held through Galaxy Pte Ltd				
SPN International Pte Ltd[(3)]	Electroplating and plating of metals and formed products	Singapore	42.86	42.86

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

(2) Not required to be audited under the laws of its country of incorporation. The associate is not considered a significant associate as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(3) In the process of winding up under the High Court of Singapore since April 2012.

Acquisition of Galaxy Pte Ltd

In the previous financial year, the Group completed the acquisition of 42.86% of the issued capital of Galaxy Pte Ltd at a purchase consideration of $3,833,000. The cost of investment in associate includes goodwill amounting to $3,142,000. The goodwill was calculated based on consolidated net book value of Galaxy Pte Ltd and its subsidiary as at 30 April 2011. An independent valuation on purchase price allocation and valuation of associates was performed using the standard of fair market value.

11. Investments in associates (Continued)

Summarised financial information of associates is set out below:

	Company	
	2012	2011
	$'000	$'000
Assets	2,260	11,956
Liabilities	(6,262)	(4,885)
Revenue	–	–
Net loss for the financial year	(611)	(1,527)

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

12. Investment in joint venture

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

Joint venture	Principal activities	Country of incorporation and operations	Proportion of ownership interest and voting power held	
			2012	2011
			%	%
Held through Miyoshi Technologies Phils. Inc.				
Miyoshi FL Systems, Inc.[1]	Manufacture and assembly of automated cash counting and dispensing machine components	Philippines	51	51

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

12. Investment in joint venture (Continued)

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

	Group	
	2012	2011
	$'000	$'000
Assets		
Current assets	–	14
Non-current assets	1	2
Total assets	1	16
Liabilities		
Current liabilities	1,215	1,172
Net liabilities	(1,214)	(1,156)
Revenue	–	110
Expenses	(12)	(1,249)
Loss before income tax	(12)	(1,139)
Income tax expense	–	–
Loss for the financial year	(12)	(1,139)

13. Subsidiaries

	Company	
	2012	2011
	$'000	$'000
Quoted equity shares, at cost	3,000	3,000
Unquoted equity shares, at cost	15,159	15,457
Advances	21,700	18,654
Currency alignment	(4,283)	(4,682)
	35,576	32,429
Allowance for impairment losses	(11,534)	(4,815)
	24,042	27,614

The management has performed a review on the recoverable amount of its investment in subsidiaries as at the end of financial year. The review led to the recognition of impairment losses of investments in subsidiaries of $547,000 (2011: $4,449,000) and advances of $6,946,000 (2011: $Nil) in view of the operating losses sustained by the subsidiaries and negative cash flows projected for the next five years.

13. **Subsidiaries (Continued)**

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

(a) advances of $9,505,000 (2011: $9,808,000) which are interest–free and with no fixed repayment terms;

(b) advances of $3,666,000 (2011: $3,215,000) which bear interest between 4.05% and 5.00% per annum with no fixed repayment terms, and not expected to be repaid within the next 12 months from the end of the financial year;

(c) advances of $545,000 (2011: $559,000) which bear interest at 0.50% per annum with no fixed repayment terms, and not expected to be repaid within the next 12 months from the end of the financial year;

(d) advances of $4,312,000 (2011: $2,106,000) which bear interest at 2.37% per annum with no fixed repayment terms, and not expected to be repaid within the next 12 months from the end of the financial year;

(e) advances of $3,542,000 (2011: $2,843,000) which bear interest at 2.29% per annum with monthly repayment of principal over 36 equal monthly instalment of $82,000 starting September 2013; and

(f) advances of $130,000 (2011: $123,000) which bear interest at 1.79% per annum with monthly repayment of principal over 36 equal monthly instalment of $4,000 starting September 2013.

The advances to subsidiaries are unsecured.

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

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

	Company	
	2012	**2011**
	$'000	**$'000**
At beginning of financial year	4,815	564
Addition during the financial year	547	4,449
Currency realignment	(704)	(198)
At end of financial year	4,658	4,815

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

	Company	
	2012	**2011**
	$'000	**$'000**
At beginning of financial year	–	–
Addition during the financial year	6,946	–
Currency realignment	(70)	–
At end of financial year	6,876	–

13. **Subsidiaries (Continued)**

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

	Company	
	2012	2011
	$'000	$'000
Data storage	6,971	2,402
Consumer electronics	242	1,054
Automotive and others	280	993

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

	Company	
	2012	2011
	$'000	$'000
Singapore dollar	3,623	3,556
Japanese yen	221	217
Thailand baht	567	559

Details of the Company's subsidiaries are as follows:

Name of subsidiary/Country of incorporation and operations	Principal activities	Proportion of ownership interest and voting power held	
		2012	2011
		%	%
Held by Miyoshi Precision Limited			
Miyoshi Saitoh Pte Ltd[1] Singapore	Investment holding and trading of machine	100	100
Miyoshi Precision (Malaysia) Sdn. Bhd[2] Malaysia	Metal stamping, fabrication of parts and components of machine tools	100	100
Miyoshi Technologies Phils., Inc.[3] Philippines	Metal stamping, fabrication of parts and components of machine tools	100	100
Miyoshi Precision (Thailand) Co., Ltd.[4] Thailand	Metal stamping and plastic injection moulding	70	70
Miyoshi Hi-Tech Co., Ltd[5] Thailand	Metal stamping	80	80
iNovuus Technologies Pte Ltd[1] Singapore	System integration service provider, application and development solutions and e-commerce web development services	92.99	92.99

13. Subsidiaries (Continued)

Name of subsidiary/Country of incorporation and operations	Principal activities	Proportion of ownership interest and voting power held 2012 %	2011 %
Held by Miyoshi Precision Limited (Continued)			
AWP Precision Engineering Pte Ltd Singapore	Fabrication of parts and components of industrial equipment and machine tools Singapore	–	60
Giken Sakata (S) Limited[(1)] Singapore	Manufacture of parts and assembly of mechanisms for electronic products	53.16	53.16
Cerise Group Limited[(6)] British Virgin Islands	Investment holding	100	100
Held through Miyoshi Saitoh Pte Ltd			
Wuxi Miyoshi Precision Co., Ltd.[(7)] People's Republic of China	Metal stamping and plastic injection moulding	100	100
Miyoshi Precision Huizhou Co., Ltd[(7)] People's Republic of China	Metal stamping and assembly of electronic components	51	51
Held through Wuxi Miyoshi Precision Co., Ltd.			
Miyoshi Precision Huizhou Co., Ltd[(7)] People's Republic of China	Metal stamping and assembly of electronic components	49	49
Held through Giken Sakata (S) Limited			
Changzhou Giken Precision Co., Ltd. [(7)] People's Republic of China	Manufacturing and sale of microshafts and other precision parts	50.50	50.50
PT Giken Precision Indonesia[(8)] Indonesia	Assembly of mechanisms and manufacture of precision parts used in computers and a range of electronic products	53.16	53.16
Giken Precision Vietnam (HCMC) Co, Ltd.[(9)] Vietnam	Dormant	53.16	53.16

(1) Audited by BDO LLP, Singapore.

(2) Audited by BDO, Malaysia.

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

(4) Not audited as the subsidiary is under voluntary winding up. Winding up was completed on 1 October 2012.

(5) Audited by BDO Limited, Thailand.

(6) Not considered as a significant subsidiary as defined under Rule 718 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

(7) Audited by BDO China Shu Lun Pan Certified Public Accountants, People's Republic of China, for consolidation purposes.

(8) Audited by Tanubrata Sutanto Fahmi & Rekan, Indonesia, a member firm of BDO International.

(9) Has not commenced operations since date of incorporation, not required to be audited under the laws of country of incorporation.

13. Subsidiaries (Continued)

Disposal of subsidiary

On 4 May 2012, the Company disposed of its entire 60% equity interest in AWP Precision Engineering Pte Ltd ("AWP") for a cash consideration of $1,440,000. The carrying amounts of the identifiable assets and liabilities of AWP as at the date of disposal were:

	Carrying amounts before disposal 2012 $'000
Property, plant and equipment (Note 15)	1,566
Trade and other receivables	1,868
Inventories	286
Cash and cash equivalents	352
	4,072
Less:	
Trade and other payables	1,600
Bank loans and finance leases	470
	2,070
Net identifiable assets disposed	2,002

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

	2012 $'000
Net identifiable assets disposed (as above)	2,002
Non-controlling interest	(801)
Gain on disposal (Note 30)	239
Cash proceeds from disposal	1,440
Cash and bank balances	(352)
Cash flow on disposal, net of cash disposed	1,088

14. Available-for-sale financial assets

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
At beginning of financial year	59	66	4	4
Currency realignment	3	(7)	–	–
Impairment loss for the financial year	(42)	–	–	–
At end of financial year	20	59	4	4

14. Available-for-sale financial assets (Continued)

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

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Unquoted equity shares				
- At cost less impairment loss	20	19	4	4
Quoted equity shares				
- At market value less impairment loss	–	40	–	–
	20	59	4	4

15. Property, plant and equipment

	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and equipment	Office furniture and equipment	Motor vehicles	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost:								
At 31 August 2010	1,923	6,302	19,586	52,969	3,765	1,776	3,108	89,429
Reclassification	–	–	790	(139)	–	–	(651)	–
Currency realignment	(178)	(411)	(2,106)	(4,699)	(356)	(166)	(204)	(8,120)
Additions	–	16	1,097	4,077	294	–	1,111	6,595
Transfer from construction-in-progress	–	170	19	970	71	–	(99)	1,131
Reclassified as held for sale	–	–	(2,069)	–	–	–	–	(2,069)
Disposals/Write-offs	–	–	(1,121)	(5,371)	(648)	(145)	(62)	(7,347)
At 31 August 2011	1,745	6,077	16,196	47,807	3,126	1,465	3,203	79,619
Reclassification	–	–	–	–	(636)	–	–	(636)
Currency realignment	27	64	763	1,153	101	56	109	2,273
Additions	–	570	238	5,788	346	34	280	7,256
Transfer from construction-in-progress	–	119	2,545	541	140	19	(3,533)	(169)
Disposal of subsidiary	–	–	(432)	(4,944)	(40)	(160)	–	(5,576)
Disposals/Write-offs	–	(237)	(1,095)	(5,195)	(808)	(109)	(7)	(7,451)
At 31 August 2012	1,772	6,593	18,215	45,150	2,229	1,305	52	75,316

15. Property, plant and equipment (Continued)

	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Plant and equipment $'000	Office furniture and equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Group								
Accumulated depreciation and impairment:								
At 31 August 2010	–	538	6,707	33,798	1,756	638	–	43,437
Reclassification	–	1,112	(1,112)	–	–	–	–	–
Currency realignment	–	(146)	(728)	(3,324)	(275)	(76)	–	(4,549)
Depreciation for the financial year	–	350	950	5,971	3	283	–	7,557
Disposals/Write-offs	–	(152)	–	(5,078)	(589)	(103)	–	(5,922)
Impairment loss	–	–	421	2,190	7	–	–	2,618
Reclassification as held for sale	–	–	(210)	–	–	–	–	(210)
At 31 August 2011	–	1,702	6,028	33,557	902	742	–	42,931
Reclassification	–	–	–	–	(636)	–	–	(636)
Currency realignment	–	(11)	253	673	190	29	–	1,134
Depreciation for the financial year	–	402	887	5,311	327	242	–	7,169
Disposal of subsidiary	–	–	(78)	(3,801)	(20)	(111)	–	(4,010)
Disposals/Write-offs	–	(186)	(901)	(4,717)	(793)	(104)	–	(6,701)
Impairment loss	–	–	1,756	(223)	93	17	–	1,643
At 31 August 2012	–	1,907	7,945	30,800	63	815	–	41,530
Net carrying value:								
At 31 August 2011	1,745	4,375	10,168	14,250	2,224	723	3,203	36,688
At 31 August 2012	1,772	4,686	10,270	14,350	2,166	490	52	33,786

15. Property, plant and equipment (Continued)

	Leasehold land and buildings $'000	Plant and equipment $'000	Furniture and equipment $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Company						
Cost:						
At 31 August 2010	8,152	14,691	1,588	774	–	25,205
Currency realignment	(896)	(1,614)	(174)	(85)	–	(2,769)
Additions	111	921	71	–	9	1,112
Disposals/Write-offs	–	(1,008)	(8)	–	–	(1,016)
At 31 August 2011	7,367	12,990	1,477	689	9	22,532
Currency realignment	290	511	58	27	–	886
Additions	114	977	75	–	52	1,218
Transfer from construction-in-progress	–	18	–	–	(18)	–
Disposals/Write-offs	–	(2,288)	(516)	–	–	(2,804)
At 31 August 2012	7,771	12,208	1,094	716	43	21,832
Accumulated depreciation:						
At 31 August 2010	3,675	11,491	1,256	168	–	16,590
Currency realignment	(416)	(1,290)	(142)	(25)	–	(1,873)
Depreciation for the financial year	273	599	97	139	–	1,108
Disposals/Write-offs	–	(648)	(8)	–	–	(656)
At 31 August 2011	3,532	10,152	1,203	282	–	15,169
Currency realignment	136	393	46	10	–	585
Depreciation for the financial year	261	650	109	133	–	1,153
Disposals/Write-offs	–	(2,171)	(515)	–	–	(2,686)
At 31 August 2012	3,929	9,024	843	425	–	14,221
Net carrying value:						
At 31 August 2011	3,835	2,838	274	407	9	7,363
At 31 August 2012	3,842	3,184	251	291	43	7,611

During the financial year, the Group acquired plant and equipment amounting to $7,256,000 (2011: $6,595,000) of which cash payments of $6,288,000 (2011: $5,223,000) were made to purchase the plant and equipment and the remaining were purchased by means of finance leases and loans.

Included in the Group's and the Company's plant and equipment and motor vehicles are items with aggregate net carrying value of $612,000 (2011: $594,000) and $396,000 (2011: $426,000) respectively which were purchased under finance lease arrangements.

During the financial year, the Group had insurance claims amounting to $1,042,000 (2011: $Nil) as compensation for plant and equipment damaged by the floods in Thailand in October 2011.

15. Property, plant and equipment (Continued)

The Group's land and buildings comprise the following:

Location	Title	Description
No. 5 Second Chin Bee Road, Singapore 618772	Leasehold (30 years from 16 December 1979, expired on 16 August 2010. Lease period has been extended for another 30 years from 16 August 2010)	A two-storey factory cum office building
No. 7 Second Chin Bee Road, Singapore 618774	Leasehold (60 years from 30 December 1983)	A two-storey factory building
Lot B1-5 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines	Leasehold (50 years from 1 October 1999, expiring in September 2049 with an option to extend by another 25 years)	A two-storey factory building
38 Moo 1 Tumbol Banpo Amphur Bangpa-In Ayutthaya Province, Thailand	Freehold	A factory cum office building
No. 4, Jalan Wira 3, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia	Freehold	A factory cum office building
Tongqiao Industrial Base Huicheng District Huizhou, Guangdong China 516001	Leasehold (50 years from 12 March 2009)	A factory cum office building
Block 9 Coty Garden, #16-02 Changzhou Jiangsu Province People's Republic of China	Leasehold (64 years from August 1998)	An apartment
No. 206, Taishan Road, New Area, Changzhou, Jiangsu Province People's Republic of China	Leasehold (50 years from January 1994)	A factory cum office building

16. Intangible assets

	Customer list $'000	Trade name and Know-how $'000	Total $'000
Group			
Cost:			
At 31 August 2010, 2011 and 2012	633	654	1,287
Accumulated amortisation:			
At 31 August 2010	211	218	429
Amortisation for the financial year	211	218	429
At 31 August 2011	422	436	858
Amortisation for the financial year	211	218	429
At 31 August 2012	633	654	1,287
Net carrying value:			
At 31 August 2011	211	218	429
At 31 August 2012	–	–	–

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

The remaining useful life of the intangible assets is Nil (2011: 1 year).

17. Deferred tax assets

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

	Unutilised tax losses $'000	Others $'000	Total $'000
Group			
At 1 September 2011	30	–	30
Currency realignment	(2)	–	(2)
Charge to profit or loss	–	(18)	(18)
At 31 August 2012	28	(18)	10
At 1 September 2010	2	93	95
Currency realignment	(5)	–	(5)
Credit/(Charge) to profit or loss	33	(93)	(60)
At 31 August 2011	30	–	30

18. Loans receivable

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Third party	1,647	1,586	–	–
Associate	2,582	2,463	2,257	2,161
Joint venture	1,013	974	–	–
Allowance for doubtful loans receivable	(2,985)	(2,560)	–	–
	2,257	2,463	2,257	2,161

The loans receivable from associate included an amount of $1,995,000 (2011: $1,899,000) given for the purpose of financing the purchase of a property by the associate. These loans are secured against the properties owned by the associate, repayable on demand and not expected to be repaid within the next 12 months. The loans are subject to interest at 2% (2011: 2%) per annum.

Also included in the loans receivable from associate is an amount of $587,000 (2011: $564,000) which is unsecured, interest-free and repayable on demand but not expected to be repaid within the next 12 months.

The loans receivable from joint venture amounting to $1,013,000 (2011: $974,000) were given to support the activities of the joint venture. These loans are unsecured, repayable on demand and not expected to be repaid within the next 12 months. The loans are subject to interest at 2.29% (2011: 2.29%) per annum.

The loans receivable from a third party of $1,647,000 (2011: $1,586,000) represent amounts given to the joint venture partner to support the activities of the joint venture. These loans are unsecured, repayable on demand and not expected to be repaid within the next 12 months. The loans are subject to interest at 2.29% (2011: 2.29%) per annum.

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

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At beginning of financial year	2,560	101	–	101
Bad receivables written off	–	(101)	–	(101)
Charge to profit or loss	328	2,679	–	–
Currency realignment	97	(119)	–	–
At end of financial year	2,985	2,560	–	–
Comprising:				
- third party	1,647	1,586	–	–
- associate	235	–	–	–
- joint venture	1,103	974	–	–
	2,985	2,560	–	–

18. Loans receivable (Continued)

The management has performed a review on the recoverable amount of its loan receivables as at the end of financial year. The review led to the recognition of impairment losses $328,000 (2011: $2,679,000) in view of the operating losses sustained by the associate and joint venture and lack of immediate funds of the joint venture partner. Allowance for doubtful loans receivable is recognised in profit or loss in “other operating expenses”.

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

	Group and Company	
	2012	2011
	$’000	$’000
Singapore dollar	263	263

19. Bank overdrafts

	Group and Company	
	2012	2011
	$’000	$’000
Secured	806	809

The bank overdrafts bear interest at 7.18% (2011: 7.75%) per annum and are secured by legal charges over the leasehold land and building of a subsidiary at No. 4, Jalan Wira, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia and supported by a corporate guarantee by the Company.

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

	Group and Company	
	2012	2011
	$’000	$’000
Malaysia ringgit	800	809
Thailand baht	6	–

20. Trade payables

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Third parties	24,220	14,594	3,441	3,028
Subsidiaries	–	–	388	324
Related party	2	463	2	30
	24,222	15,057	3,831	3,382

Trade payables to third parties are non-interest bearing and are normally settled on 30 to 60 (2011: 30 to 60) days terms.

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

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
United States dollar	10,553	877	–	–
Singapore dollar	1,401	968	1,462	1,015
Japanese yen	350	166	2	29
Malaysia ringgit	300	248	–	–
Euro	297	258	–	–
Chinese renminbi	1,863	1,994	–	–
Indonesia rupiah	413	287	–	–
Others	37	10	–	–

21. Other payables and accruals

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Accrued wages and salaries	991	1,673	614	603
Other accrued expenses	3,230	3,334	358	562
Third parties	1,638	993	341	209
Subsidiaries	–	–	49	299
Related parties	37	76	20	26
	5,896	6,076	1,382	1,699

Other payables are unsecured, interest-free and repayable on demand.

21. Other payables and accruals (Continued)

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
United States dollar	171	108	–	–
Singapore dollar	1,070	1,375	1,171	1,385
Japanese yen	32	73	20	25
Malaysia ringgit	262	301	–	–
Philippine peso	886	627	–	–
Chinese renminbi	258	268	–	–

22. Provisions

	Group and Company	
	2012	2011
	$'000	$'000
Provision for retirement gratuities	252	252
Provision for employee service entitlement benefits	245	228
Provision for legal claim	310	2,117
	807	2,597
Less: Current portion	(344)	(2,117)
Non-current portion	463	480

(a) Provision for retirement gratuities

	Group	
	2012	2011
	$'000	$'000
At beginning of financial year	252	280
Utilised during the financial year	–	(50)
Addition during the financial year	–	22
At end of financial year	252	252
Less: Current portion	(34)	–
Non–current portion	218	252

22. Provisions (Continued)

(b) Provision for employee service entitlement benefits

	Group 2012 $'000	Group 2011 $'000
Defined benefit plan		
Present value of defined benefit obligation	568	734
Unrecognised net actuarial losses	(272)	(441)
Unrecognised past service cost non-vested	(51)	(65)
Net benefit liability	245	228

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

	Group 2012 $'000	Group 2011 $'000
At beginning of financial year	228	243
Current service cost	38	53
Interest cost	11	23
Net actuarial gains recognised	(1)	(9)
Amortisation - net	5	5
Benefits paid	(36)	(87)
At end of financial year	245	228

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

	Group 2012	Group 2011
Financial assumptions:		
- Annual discount rate	10%	10%
- Annual salary growth rate	5%	8%
Demographic assumptions:		
- Table of mortality	TMI II-2000	TMI II-2000
- Turnover rate	2.5%	2.5%
- Normal retirement age	55 years	55 years

22. Provisions (Continued)

(c) Provision for legal claim

	Group 2012 $'000	Group 2011 $'000
At beginning of financial year	2,117	–
(Reversal)/addition during the financial year	(381)	2,217
Utilised during the financial year	(1,456)	–
Currency realignment	30	(100)
At end of financial year	310	2,117

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

In the previous financial year, the Claimant had submitted a statement of claim to the arbitrator for the remaining balance of the Consideration of US$1,520,000; losses and damages of an additional NTD837,669 (US$29,105 equivalent) for transportation costs, storage fees and costs of returning the equipment from customs, further losses and damages to be assessed, including interests and costs.

During the financial year, the arbitrator issued the final award and adjudged that MPM shall pay the claimant compensation pursuant to breaches of the sale and purchase agreement. As at the date of these financial statements, the management had made full payment of the damages and interest and no further claims shall be made by the supplier against the Group.

23. Finance leases

	Group				Company			
	Minimum lease payments		Present value of minimum lease payments		Minimum lease payments		Present value of minimum lease payments	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Amounts payable under finance leases								
Within one year	773	899	755	863	246	309	234	285
In the second to fifth year inclusive	626	1,429	621	1,398	159	396	154	379
After five years		30	–	27	–	–	–	–
Less: Future finance charges	(23)	(70)	–	–	(17)	(41)	–	–
Present value of lease obligations	1,376	2,288	1,376	2,288	388	664	388	664
Less: Current portion			(755)	(863)			(234)	(285)
Non-current portion			621	1,425			154	379

23. Finance leases (Continued)

The finance lease terms range from 2 to 10 years.

The rate of interest for the Group and the Company ranges from 2.40% to 6.66% (2011: 2.40% to 6.66%) per annum. The finance leases are secured on the plant and equipment purchased under finance lease arrangements (Note 15).

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

The carrying amounts of finance leases approximate their fair values.

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Singapore dollar	179	338	179	338
Chinese renminbi	49	123	–	–

24. Bank loans

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Secured				
Bank loan I	531	587	–	–
Bank loan II	813	885	–	–
Bank loan III	1,388	2,082	–	–
Bank loan IV	929	1,394	–	–
Bank loan V	518	778	–	–
Bank loan VI	277	265	–	–
Bank loan VII	198	189	–	–
	4,654	6,180		
Unsecured				
Bank loan VIII	–	375	–	375
Bank loan IX	1,000	1,000	1,000	1,000
Bank loan X	–	2,000	–	2,000
Bank loan XI	1,004	1,000	1,004	1,000
Bank loan XII	1,007	1,000	1,007	1,000
Bank loan XIII	1,009	1,000	1,009	1,000
Bank loan XIV	1,004	1,000	1,004	1,000
	9,678	13,555	5,024	7,375
Current portion	(7,032)	(9,359)	(5,024)	(7,375)
Non–current portion	2,646	4,196	–	–

24. Bank loans (Continued)

Bank loan I bears interest at 6.45% (2011: 6.45%) per annum and is repayable in 180 monthly instalments commencing September 2006. It is secured by legal charges over the freehold land and building of a subsidiary at No. 4, Jalan Wira 3, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia and supported by a corporate guarantee by the Company.

Bank loan II bears interest at 6.45% (2011: 6.45%) per annum and is repayable in 120 monthly instalments commencing January 2007. It is secured by legal charges over the freehold land and building of a subsidiary at No. 4, Jalan Wira 3, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia and supported by a corporate guarantee by the Company.

Bank loan III bears interest at 4.25% (2011: 4.25%) per annum and is repayable in 72 monthly instalments commencing September 2008. It is secured by fixed and floating charge on assets and properties of Giken and its subsidiary, PT Giken Precision Indonesia.

Bank loan IV bears interest at 4.25% (2011: 4.25%) per annum and is repayable in 72 monthly instalments commencing September 2008. It is secured by fixed and floating charge on assets and properties of Giken and its subsidiary, PT Giken Precision Indonesia.

Bank loan V bears interest at 4.25% (2011: 4.25%) per annum and is repayable in 72 monthly instalments commencing September 2008. It is secured by fixed and floating charge on assets and properties of Giken and its subsidiary, PT Giken Precision Indonesia.

Bank loan VI bears interest at 6.28% (2011: 6.31%) per annum and is repayable in 60 monthly instalments commencing March 2009. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd.

Bank loan VII bears interest at 6.28% (2011: 6.31%) per annum and is repayable in 24 monthly instalments commencing October 2010. It is secured by short term deposit and property of Giken's subsidiary, Changzhou Giken Precision Co., Ltd.

Bank loan VIII bears interest ranging 1.46% to 1.53% (2011: 1.46% to 1.53%) per annum and is repayable 3 years after the date of drawdown on 19 December 2009. The loan has been fully repaid as at 31 August 2012.

Bank loan IX bears interest at 3.60% (2011: 2.90%) per annum and is repayable 6 months after the date of drawdown on June 2012, with option to rollover for another 6 months.

Bank loan X bears interest at 2.90% (2011: 2.90%) per annum and is repayable 3 months after the date of drawdown on June 2011. The loan has been fully repaid as at 31 August 2012.

Bank loan XI bears interest at 2.24% (2011: 1.90%) per annum and is repayable 6 months after the date of drawdown on April 2012, with option to rollover for another 6 months.

Bank loan XII bears interest at 2.27% (2011: 1.98%) per annum and is repayable 6 months after the date of drawdown on July 2012, with option to rollover for another 6 months.

Bank loan XIII bears interest at 2.75% (2011: 1.52%) per annum and is repayable 3 months after the date of drawdown on July 2012, with option to rollover for another 3 months.

Bank loan XIV bears interest at 4.04% (2011: 2.70%) per annum and is repayable 6 months after the date of drawdown on July 2012, with option to rollover for another 6 months.

24. Bank loans (Continued)

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

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Singapore dollar	7,860	7,375	5,024	7,375
Malaysia ringgit	1,343	1,472	–	–
Chinese renminbi	474	454	–	–

25. Other loan

Other loan is repayable as follows:

	Group and Company	
	2012	2011
	$'000	$'000
Within one year	239	160
After one year but within five years	–	81
	239	241

Other loan represents a loan given by Yajima Works Co., Ltd. ("Yajima") to Miyoshi Precision (Thailand) Co., Ltd., a subsidiary of the Company. Yajima is a non-controlling shareholder of Miyoshi Precision (Thailand) Co., Ltd., holding 30% of its ordinary shares. The loan bears interest of 0.5% (2011: 0.5%) per annum and is repayable over 3 years.

The carrying amount of the loan approximates its fair value.

Other loan is denominated in Thailand baht.

26. Deferred tax liabilities

	Accelerated tax depreciation $'000	Others $'000	Total $'000
Group and Company			
At 1 September 2011	342	(18)	324
Currency realignment	13	–	13
(Credit)/Charge to profit or loss	(355)	18	(337)
At 31 August 2012	–	–	–
At 1 September 2010	676	(19)	657
Currency realignment	(73)	1	(72)
Credit to profit or loss	(261)	–	(261)
At 31 August 2011	342	(18)	324

27. Share capital and reserves

Share capital and treasury reserves

	Group and Company			
	2012		2011	
	Number of ordinary shares '000	$'000	Number of ordinary shares '000	$'000
Issued and fully paid:				
At beginning of financial year	420,670	37,389	420,670	37,389
Treasury shares	(499)	(55)	(499)	(55)
At end of financial year	420,171	37,334	420,171	37,334

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

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

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

27. **Share capital and reserves (Continued)**

Reserves

	Group	
	2012	2011
	$'000	$'000
Fair value reserve		
At beginning and end of financial year	(10)	(10)
Other reserve		
At beginning of financial year	918	767
Transfer from retained earnings	158	151
At end of financial year	1,076	918
Share options reserve		
At beginning of financial year	549	707
Share options lapsed	(44)	(158)
At end of financial year	505	549
Currency translation reserve		
At beginning of financial year	(15,507)	(8,733)
Net effect of translating foreign operations	1,807	(8,147)
Non-controlling interests	103	1,373
At end of financial year	(13,597)	(15,507)

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

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

(i) People's Republic of China

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

(ii) Thailand

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

27. Share capital and reserves (Continued)

(c) Share options reserve

Share options reserve represents the equity-settled share options granted to employees and certain Directors (Note 28). The reserve is made up of the cumulative value of services received from employees and certain Directors recorded on grant of equity-settled share options.

(d) Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of financial statements of the Company and foreign operations whose functional currencies are different from that of the Group's presentation currency.

(e) Retained earnings

	Group	
	2012	2011
	$'000	$'000
Distributable	27,026	34,289
Non-distributable	(532)	(271)
	26,494	34,018

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

	Company	
	2012	2011
	$'000	$'000
At beginning of financial year	23,812	26,117
Net loss for the financial year	(1,851)	(1,044)
Dividend (Note 37)	–	(1,261)
At end of financial year	21,961	23,812

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

28. Share-based payments

The Company has a share options scheme for certain employees and Directors of the Company.

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

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

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

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

28. Share-based payments (Continued)

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

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

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

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

	Group and Company			
	2012		2011	
	Number of share options	Weighted average exercise price $	Number of share options	Weighted average exercise price $
Outstanding at beginning of financial year	5,096,000	0.227	5,096,000	0.227
Forfeited during the financial year	(446,000)	0.219	–	–
Outstanding at end of financial year	4,650,000	0.233	5,096,000	0.227
Exercisable at end of financial year	4,650,000		5,096,000	

There were no share options exercised during the current financial year. The share options outstanding at the end of the financial year have a weighted average remaining contractual life of 3.63 (2011: 4.49) years.

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

Share options granted on 29 January 2004 - $0.10
Share options granted on 29 January 2005 - $0.06
Share options granted on 31 January 2007 - $0.15

28. Share-based payments (Continued)

These fair values were calculated using the Black-Scholes Pricing Model. The inputs into the model were as follows:

	Granted on 31 January 2007	Granted on 29 January 2005	Granted on 29 January 2004
Weighted average share price ($)	0.220	0.185	0.245
Weighted average exercise price ($)	0.239	0.180	0.252
Expected life of share options (years)	4 to 9	5 to 7	5 to 7
Risk-free interest rate (%)	3.07% to 3.18%	2.25% to 2.57%	2.33% to 2.83%
Expected volatility (%)	77%	30%	42%
Dividend yield (%)	1.85%	2.62%	2.62%

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

29. Revenue

	Group	
	2012 $'000	2011 $'000
Sales of goods	153,799	109,613
Revenue from services rendered	5,558	6,016
	159,357	115,629

30. Other income

	Group	
	2012 $'000	2011 $'000
Bad trade receivables recovered	–	28
Gain on foreign currency forward contract	–	219
Gain on deconsolidation of subsidiaries	–	5
Gain on disposal of property, plant and equipment	67	1,497
Gain on disposal of a subsidiary	239	–
Income from sales of scrap	1,162	1,519
Interest income from an associate	26	27
Interest income from bank deposits	256	185
Insurance claim, net	1,042	–
Provision for legal claim no longer required	381	–
Rental income	110	312
Miscellaneous income	428	579
	3,711	4,371

31. Employee benefit expenses

	Group	
	2012	2011
	$'000	$'000
Short-term benefits	26,351	24,894
Post-employment benefits	1,800	1,773
	28,151	26,667

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

32. Other operating expenses

	Group	
	2012	2011
	$'000	$'000
Allowance for doubtful trade receivables	371	84
Allowance for doubtful other receivables	98	916
Allowance for doubtful loan receivables	328	2,679
(Reversal)/Allowance for inventory obsolescence	(496)	71
Allowance for impairment of plant and equipment	1,643	2,618
Allowance for impairment of investment in associate	2,847	–
Allowance for impairment of quoted investment	42	–
Amortisation of intangible assets	429	429
Bad trade receivables written off	231	20
Insurance expense	369	450
Loss on foreign exchange, net	46	989
Repairs and maintenance	1,795	1,888
Office expenses	604	954
Operating lease expense	375	384
Professional fees	1,140	1,309
Provision for legal claim	–	2,217
Provision for retirement gratuities	–	22
Plant and equipment written off	–	20
Supplies and services	9,458	8,102
Transportation and travelling	2,164	2,016
Utilities	5,797	5,303
Others	1,297	1,395
	28,538	31,866

33. Finance costs

	Group	
	2012	2011
	$'000	$'000
Interest expense on:		
- bank loans	455	541
- bank overdraft	62	131
- finance leases	88	72
	605	744

34. Income tax expense

	Group	
	2012	2011
	$'000	$'000
Current tax		
- Current year	582	659
- Over provision in prior years	(334)	(168)
	248	491
Deferred tax		
- Current year	–	(117)
- Over provision in prior years	(319)	(84)
	(319)	(201)
Withholding tax	91	50
	20	340

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

34. Income tax expense (Continued)

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

	Group	
	2012	2011
	$'000	$'000
Loss before income tax	(7,303)	(10,346)
Income tax calculated at statutory tax rate of 17%	(1,241)	(1,759)
Effect of different tax rates of overseas operations	(498)	(153)
Expenses not deductible for income tax purposes	3,277	1,017
Income not subject to tax	(697)	(799)
Income tax exemptions	(917)	(361)
Deferred tax assets not recognised in profit or loss	463	2,633
Utilisation of deferred tax assets previously not recognised	(6)	(11)
Overprovision of current income tax in prior years	(334)	(168)
Overprovision of deferred income tax in prior years	(319)	(84)
Withholding tax	91	50
Other items	201	(25)
	20	340

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

	Group	
	2012	2011
	$'000	$'000
Unutilised tax losses	21,087	18,274
Deferred tax benefits not recognised	3,584	3,127

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

The realisation of the future income tax benefits from tax loss carry-forwards is available for an unlimited future period except for tax losses with aggregate amount of $91,000 (2011: $1,631,000) which will expire in 2016 (2011: 2013 to 2016), subject to the conditions imposed by law including the retention of majority shareholders.

35. Loss for the financial year

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

	Group	
	2012	2011
	$'000	$'000
Audit fees:		
Auditors of the Company	183	180
Other auditors	92	84
Non-audit fees:		
Auditors of the Company	23	24
Other auditors	25	25
Directors' remuneration:		
Directors of the Company	672	591
Other directors of the subsidiaries	1,201	1,256
Directors' fees:		
Directors of the Company	–	120
Other directors of the subsidiaries	167	167

Number of Directors in remuneration bands is as follows:

	Group	
	2012	2011
$250,000 to $499,999	3	3
Below $250,000	3	3
Total	6	6

36. Loss per share

(a) Basic earnings per share

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

	Group	
	2012	2011
Loss attributable to owners of the parent ($'000)	(7,410)	(10,204)
Actual number of ordinary shares in issue ('000)	420,170	420,170
Basic loss per share (cents per share)	(1.76)	(2.43)

36. Loss per share (Continued)

(b) Diluted earnings per share

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

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

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

37. Dividends

In the previous financial year, the Company declared and paid a final tax exempt dividend of $0.003 per ordinary share on the ordinary shares of the Company totalling $1,261,000 for the financial year ended 31 August 2010.

The Directors of the Company did not recommend any dividend in respect of the financial years ended 31 August 2011 and 31 August 2012.

38. Contingent liabilities

Corporate Guarantees

As at 31 August 2012, the Company has given corporate guarantees of $2,360,000 (2011: $2,365,000) to financial institutions in connection with banking facilities granted by the financial institutions to the subsidiaries. The Directors are of the view that no material losses will arise from these contingent liabilities.

39. Commitments

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

	Group	
	2012	2011
	$'000	$'000
Authorised and contracted for	–	38

40. Operating lease arrangements

The Group and the Company as a lessee

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Minimum lease payments under operating leases included in profit or loss	1,595	1,758	159	157

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Within one year	679	1,750	158	160
In the second to fifth year inclusive	1,105	1,611	631	631
After five years	4,920	4,866	3,470	3,470
	6,704	8,227	4,259	4,261

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

The Group as a lessor

	Group	
	2012	2011
	$'000	$'000
Minimum lease income under operating leases included in profit or loss	80	312

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

	Group	
	2012	2011
	$'000	$'000
Within one year	80	44
In the second to fifth year inclusive	137	144
	217	188

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

41. Group segmental information

41.1 Analysis by Business Segments

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

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

Income taxes are managed by the management of the Group.

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

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

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

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

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

(i) Data Storage;

(ii) Consumer Electronics;

(iii) Medical; and

(iv) Automotive, Microshaft and Others.

The Group adopts these four business segments for segment reporting.

The revenue from two customers of the Group's data storage segment represents approximately $23,075,000 (2011: $25,777,000).

41. Group segmental information (Continued)

41.1 Analysis by Business Segments (Continued)

	Data Storage		Consumer Electronics		Medical		Automotive, Microshaft and others		Unallocated		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue												
External sales	42,463	42,390	85,343	37,269	4,524	3,903	27,027	32,067	–	–	159,357	115,629
Results												
Segment results	(1,733)	1,971	(4,568)	(13,338)	976	198	(1,393)	2,015	–	–	(6,718)	(9,154)
Interest expense	–	–	–	–	–	–	–	–	(605)	(744)	(605)	(744)
Interest income	–	–	–	–	–	–	–	–	282	212	282	212
Share of results of associates	–	–	–	–	–	–	–	–	(262)	(660)	(262)	(660)
(Loss)/Profit before income tax and non-controlling interests	(1,733)	1,971	(4,568)	(13,338)	976	198	(1,393)	2,015	(585)	(1,192)	(7,303)	(10,346)
Income tax expense											(20)	(340)
Loss for the financial year											(7,323)	(10,686)

41. Group segmental information (Continued)

41.1 Analysis by Business Segments (Continued)

	Data Storage		Consumer Electronics		Medical		Automotive, Microshaft and Others		Unallocated		Group	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Allowance for doubtful trade and other receivables	–	–	–	–	–	–	797	3,679	–	–	797	3,679
Allowance for impairment of available-for-sale financial assets	–	–	42	–	–	–	–	–	–	–	42	–
Allowance for impairment of plant and equipment	–	–	2,565	1,622	–	–	(922)	996	–	–	1,643	2,618
Allowance for impairment of investment in associate	–	–	–	–	–	–	2,847	–	–	–	2,847	–
(Reversal)/Allowance for inventory obsolescence	(410)	(35)	(40)	62	–	–	(46)	44	–	–	(496)	71
Depreciation	3,369	3,100	2,329	2,666	3	7	1,468	1,784	–	–	7,169	7,557
Amortisation	–	–	429	429	–	–	–	–	–	–	429	429
Segment assets	43,241	45,887	45,339	34,559	907	2,235	12,486	21,527	78	3,096	102,051	107,304
Segment assets includes:												
Investment in associates	–	–	–	–	–	–	–	–	34	3,206	34	3,206
Asset held for sale	–	–	–	–	–	–	–	–	1,932	1,859	1,932	1,859
Additions to:												
- Capital expenditure	1,886	2,418	3,791	2,126	201	222	1,378	1,829	–	–	7,256	6,595
Segment liabilities	4,385	3,641	15,860	7,165	387	462	10,373	12,463	12,451	17,654	43,456	41,385

41. Group segmental information (Continued)

41.2 Analysis by Geographical Segments

Revenue is analysed by the location of the customers. Segment assets and capital expenditure are analysed by the location of the assets:

	External sales		Non–current assets		Capital expenditure	
	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore	94,897	43,528	9,918	14,082	1,457	2,222
Malaysia	3,791	5,989	1,758	3,385	353	617
Thailand	18,482	17,526	7,050	6,218	2,888	959
Philippines	9,248	6,427	6,496	5,854	1,381	1,014
Indonesia	1,642	5,431	2,664	3,169	878	886
Japan	1,682	1,326	–	–	–	–
China	19,417	26,540	8,289	9,996	299	897
Germany	6,261	5,768	–	–	–	–
Others	3,937	3,094	–	–	–	–
	159,357	115,629	36,175	42,704	7,256	6,595

Statistics of Shareholdings

As at 19 November 2012

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

As at 19 November 2012, the total number of treasury shares held is 499,000 (0.12%).

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	126	4.15	22,386	0.01
1,000 - 10,000	1,263	41.59	6,524,149	1.55
10,001 - 1,000,000	1,625	53.50	114,699,631	27.30
1,000,001 and above	23	0.76	298,924,324	71.14
TOTAL	**3,037**	**100.00**	**420,170,490**	**100.00**

LIST OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Substantial shareholders				
Miyoshi Industry Co., Ltd	99,509,290	23.68	–	0.00
Masayoshi Taira	–	–	99,509,290	23.68
Sin Kwong Wah Andrew	76,439,000	18.19	63,444,000	15.10
Pek Yee Chew	31,269,000	7.44	108,614,000	25.85

Notes:

1 Mr Masayoshi Taira is deemed to have an interest in the 99,509,290 shares held by Miyoshi Industry Co., Ltd.

2 Mr Sin Kwong Wah, Andrew is deemed to have an interest in the 30,175,000 shares held by DBS Nominees Pte Ltd, 31,269,000 shares held by his spouse, Mdm Pek Yee Chew and 2,000,000 shares held by his daughter, Sin Shi Min Andrea.

3 Mdm Pek Yee Chew is deemed to have an interest in the shares held or deemed to be held by her spouse, Mr Sin Kwong Wah, Andrew.

Statistics of Shareholdings

As at 19 November 2012

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	MIYOSHI INDUSTRY CO LTD	99,509,290	23.68
2	SIN KWONG WAH ANDREW	76,439,000	18.19
3	DBS NOMINEES PTE LTD	32,683,829	7.78
4	PEK YEE CHEW	31,269,000	7.44
5	GAN YOKE FONG KAREN	18,252,960	4.34
6	PEK EE PERH THOMAS	5,754,500	1.37
7	PHILLIP SECURITIES PTE LTD	3,646,545	0.87
8	LIM YUH PING	3,646,000	0.87
9	UNITED OVERSEAS BANK NOMINEES (PTE) LTD	3,045,700	0.72
10	OCBC SECURITIES PRIVATE LTD	2,977,500	0.71
11	TAN KAY GUAN	2,250,500	0.54
12	WONG SIN TIN	2,190,000	0.52
13	UOB KAY HIAN PTE LTD	2,180,500	0.52
14	MAYBAN NOMINEES (SINGAPORE) PTE LTD	2,101,100	0.50
15	ANDREA SIN SHI MIN	2,000,000	0.48
16	MAYBANK KIM ENG SECURITIES PTE LTD	1,789,700	0.43
17	WONG BARK CHUAN DAVID	1,500,000	0.36
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	1,475,200	0.35
19	KUAN BON HENG	1,391,000	0.33
20	DBS VICKERS SECURITIES (S) PTE LTD	1,308,000	0.31
	TOTAL	**295,410,324**	**70.31**

As at 19 November 2012, 38.15% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST which require that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Miyoshi Precision Limited ("the Company") will be held at No. 5 Second Chin Bee Road, Singapore 618772 on Friday, 28 December 2012 at 3.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 August 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. (a) To re-elect Mr. Sin Kwong Wah, Andrew, a Director of the Company retiring pursuant to Article 89 of the Articles of Association of the Company. **(Resolution 2)**

   (b) To note that Mr. Tan Kay Guan will be retiring pursuant to Article 89 of the Articles of Association and he will not be seeking re-election at this Annual General Meeting.

3. To approve the payment of Directors' fees of S$288,000 for the year ended 31 August 2012 (2011: Nil). **(Resolution 3)**

4. To re-appoint BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 4)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX - ST"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX - ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX - ST for the time being in force (unless such compliance has been waived by the SGX - ST) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)] **(Resolution 5)**

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

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

[See Explanatory Note (ii)] **(Resolution 6)**

8. **Renewal of Shareholders' Mandate for Interested Person Transactions**

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

(a) approval be given for the renewal of the mandate for the Company, its subsidiaries and associated companies or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions as set out in paragraph 2.4 of the Appendix A to the AGM Notice to Shareholders dated 12 December 2012 ("Appendix A") with any party who is of the class of Interested Persons described in Appendix A, provided that such transactions are carried out on normal commercial terms and in accordance with the review procedures of the Company for such Interested Person Transactions as set out in Appendix A (the "Shareholders' Mandate");

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) authority be given to the Directors of the Company to complete and do all such acts and things (including executing all such documents as may be required) as they may consider necessary, desirable or expedient to give effect to the Shareholders' Mandate as they may think fit.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Tan San-Ju
Kim Yi Hwa
Secretaries

Singapore, 12 December 2012

Explanatory Notes:

(i) The Ordinary Resolution 5 in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

(ii) The Ordinary Resolution 6 in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 7 proposed in item 8 above, if passed, will authorise the Interested Person Transactions as described in Appendix A to the AGM Notice to Shareholders dated 12 December 2012 and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the Shareholders' Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 5 Second Chin Bee Road, Singapore 618772 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

MIYOSHI PRECISION LIMITED

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

IMPORTANT:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________

of ______________________________

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

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above , the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 28 December 2012 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 August 2012		
2	Re-election of Mr. Sin Kwong Wah, Andrew as a Director		
3	Approval of Directors' fees amounting to S$288,000		
4	Re-appointment of BDO LLP as Auditors		
5	Authority to issue new shares		
6	Authority to issue shares under the prevailing Miyoshi Employees' Share Option Scheme		
7	Renewal of Shareholders' Mandate for Interested Person Transactions		

Dated this ________ day of ______________ 2012

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

____

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

*Delete where inapplicable

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

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

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No. 5 Second Chin Bee Road, Singapore 618772 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CONTINUOUS BREAKTHROUGH With You™

MIYOSHI PRECISION LIMITED
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