

**MIYOSHI LIMITED**

# **SUSTAINABLE GROWTH**

**ANNUAL REPORT 2017**

## Who We Are

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

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

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

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

## What We Do

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

More specifically, our capabilities include:

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

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

Through our investment in Core Power (Fujian) New Energy Automobile Co., Ltd, we manufacture and sell electric cars in various parts of China.

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



## Vision

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



## Mission

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

## Values

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

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This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, CIMB Bank Berhad, Singapore Branch ("Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), this being the SGX-ST Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this annual report.

The annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this annual report including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Mr Ken Lee, Associate Director, Investment Banking. The contact particulars are 50 Raffles Place, #09-01 Singapore Land Tower, Singapore 048623, telephone (65) 6337 5115.



# Where We Are



# Financial Highlights

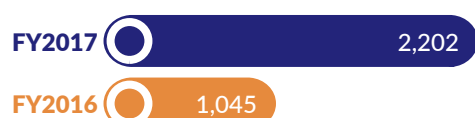
## Revenue (\$'000)



\$50.7 mil

↑ 2.9%

## Profit for the Period (\$'000)



\$2.2 mil

↑ 110.7%

## EBITDA (\$'000)



\$5.9 mil

↑ 37.1%

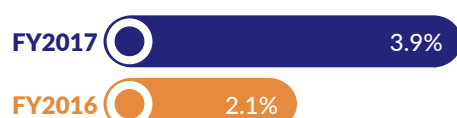
## Dividend per Share (cents)



0.40 cents

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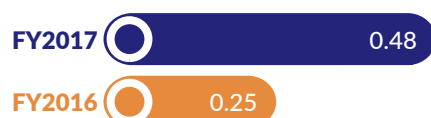
## Return on Equity



3.9%

↑ 1.8%ppt

## Earnings per Share (cents)



0.48 cents

↑ 92.0%

## Net Assets per Share (cents)



11.55 cents

↓ 2.6%

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

## Board of Directors



*Seated (from left):* Lim Thean Ee, Andrew Sin Kwong Wah  
*Standing (from left):* Thomas Pek Ee Perh, Wee Piew, Masayoshi Taira



## MR. LIM THEAN EE

*Chairman, Non-Executive Independent Director*

### Date of first appointment as a director

9 January 2014

### Date of last re-elected as a director

23 December 2015

### Length of service as a director (at 31 August 2017)

3 years 8 months

### Committee(s) served on:

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

### Academic and Professional Qualification(s)

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

### Present Directorships (at 31 August 2017)

#### Listed companies

- Ezion Holdings Ltd

#### Non-listed companies

- All Construction Engineering Pte Ltd
- Coastal Engineering Services Pte Ltd
- Coastal Navigation Pte Ltd
- Lumut Quarry (S) Pte Ltd
- Yue Hua Food Court Pte Ltd

### Major Appointments (other than Directorships)

- Telok Blangah Citizens' Consultative Committee (Chairman)
- CCC's Community Development and Welfare Fund Committee (Chairman)
- Telok Blangah CCMC Building Fund Committee (Chairman)
- Depot Estate Business Association (Chairman)
- Telok Blangah Neighbourhood Standing Committee (Vice-Chairman)
- West Coast Town Council (Councillor)

### Past Directorships held over the preceding three years (from 1 September 2014 to 31 August 2017)

#### Non-listed companies

- Masindo Marine Pte Ltd
- Transcon Shipping Pte Ltd

#### Awards

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



## MR. ANDREW SIN KWONG WAH

*Chief Executive Officer, Executive Director*

### Date of first appointment as a director

24 September 1991

### Date of last re-elected as a director

29 December 2014

### Length of service as a director (at 31 August 2017)

26 years

### Committee(s) served on:

- Nominating Committee (Member)

### Academic and Professional Qualification(s)

- Bachelor of Science (First Class Honours), Japan National Defence Academy
- FSID – Fellow, Singapore Institute of Directors

### Present Directorships (at 31 August 2017)

#### Non-listed companies

- Miyoshi FL Systems, Inc.
- Miyoshi Hi-Tech Co., Ltd
- Miyoshi Industry Co., Ltd
- Miyoshi International Philippines, Inc.
- Miyoshi Optoelectronics (S) Pte Ltd
- Miyoshi Precision Huizhou Co., Ltd
- Miyoshi Precision (Malaysia) Sdn Bhd
- Miyoshi Saitoh Pte Ltd
- Miyoshi Technologies Phils., Inc.
- Wuxi Miyoshi Precision Co., Ltd

### Major Appointments (other than Directorships)

- Nil

### Past Directorships held over the preceding three years (from 1 September 2014 to 31 August 2017)

#### Non-listed companies

- Cerise Group Limited
- Galaxy Pte Ltd
- Green Galaxy Limited
- Green Galaxy New Energy (Jiangxi) Co., Ltd
- Huizhou Miyoshi Green Galaxy Trading Co., Ltd
- iNovuus Technologies Pte Ltd
- Miyoshi Investment (Yingtan) Co., Ltd
- SPN International Pte Ltd
- Suqian Miyoshi Trading Co., Ltd



## Board of Directors



### **MR. WEE PIEW**

Non-Executive and Independent Director

#### **Date of first appointment as a director**

1 May 2014

#### **Date of last re-elected as a director**

23 December 2016

#### **Length of service as a director (at 31 August 2017)**

3 years 4 months

#### **Committee(s) served on:**

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

#### **Academic and Professional Qualification(s)**

- Bachelor of Accountancy (Honours), National University of Singapore

#### **Present Directorships (at 31 August 2017)**

##### **Listed companies**

- Blue Sky Power Holdings Limited
- Hosen Group Ltd (Chairman)

##### **Major Appointments (other than Directorships)**

- Chief Executive Officer, PSL Holdings Limited

##### **Past Directorships held over the preceding three years (from 1 September 2014 to 31 August 2017)**

##### **Listed companies**

- PSL Holdings Limited



### **MR. MASAYOSHI TAIRA**

Non-Executive and Non-Independent Director

#### **Date of first appointment as a director**

24 September 1991

#### **Date of last re-elected as a director**

23 December 2015

#### **Length of service as a director (at 31 August 2017)**

26 years

#### **Committee(s) served on:**

- Audit Committee (Member)
- Remuneration Committee (Member)

#### **Academic and Professional Qualification(s)**

- Bachelor of Business Administration, Hosei University (Japan)

#### **Present Directorships (at 31 August 2017)**

##### **Non-listed companies**

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

##### **Major Appointments (other than Directorships)**

- Nil

##### **Past Directorships held over the preceding three years (from 1 September 2014 to 31 August 2017)**

- Nil





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**MR. THOMAS PEK EE PERH**

Non-Executive and Non-Independent Director

**Date of first appointment as a director**

27 October 2014

**Date of last re-elected as a director**

23 December 2016

**Length of service as a director (at 31 August 2017)**

2 year 10 months

**Committee(s) served on:**

Nil

**Academic and Professional Qualification(s)**

- Diploma of Business Management

**Present Directorships (at 31 August 2017)****Non-listed companies**

- Cheng Chuan Holdings Pte Ltd
- Food Corporation (S) Pte Ltd
- Food Corporation (Shanghai) Co., Ltd
- Tai Hua Food Industries Pte Ltd

**Major Appointments (other than Directorships)**

- Singapore Chinese Chamber of Commerce and Industry (Chairman, General Affairs Committee)
- Trade Association and Membership Affairs of SCCC (Chairman)
- Singapore Food Manufacturers Association (President)
- Singapore Noodles Manufacturers' Association (Life Honorary President)
- Telok Blangah Community Club Management Committee (Patron)
- Clementi Town Secondary School Advisory Committee (Chairman)
- Kwan-In Welfare Society Singapore (Life Honorary President)
- Peh Clan Association (Vice-President)

**Past Directorships held over the preceding three years (from 1 September 2014 to 31 August 2017)**

- Nil

**Awards**

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

## Letter from the Chairman

**“We believe  
that a sound  
corporate culture  
is a vital factor in a  
company’s success.”**

**LIM THEAN EE**

*Chairman*





### Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Miyoshi's annual report for the year ended 31 August 2017 ("FY2017").

### **Increases in both revenue and profit after tax**

In FY2017, Miyoshi achieved increases in both revenue and profit after tax. Revenue increased by 2.9% to \$50.7 million from a year ago. Profit after tax increased by 110.7% to \$2.2 million.

I would like to congratulate the Management for their efforts to drive both the top and bottom lines. The Group's revenue managed a turnaround and broke from the falling revenue trend it had been following since FY2015. The Group also continues the trend of reporting better profits in FY2017.

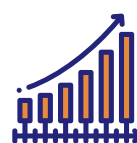
### **Corporate culture**

We believe that a sound corporate culture is a vital factor in a company's success. In Miyoshi, the CEO is the owner and driver of our corporate culture. Having been the CEO of Miyoshi for the last 26 years, Andrew has set the vision, mission and values for the Group to take us forward to the new disruptive age.

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

### **Corporate governance rankings and transparency award**

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



**\$50.7 mil**  
Revenue



**\$2.2 mil**  
Profit after Tax



**\$5.9 mil**  
EBITDA

1 CEO receiving the prestigious Transparency Award - SMEs 2017 from Mr. Tan Boon Gin, Chief Regulatory Officer, Singapore Exchange Securities Trading Limited, at the Securities Investors Association Singapore ("SIAS") 18<sup>th</sup> Investors' Choice Awards, September 2017



## Letter from the Chairman



Our standards of corporate governance continued to improve, with our score under the Singapore Governance and Transparency Index 2017 ("SGTI 2017") at a record high of 60 points. Our ranking on the SGTI 2017 also improved significantly from 443<sup>rd</sup> place in 2016 to 164<sup>th</sup> place in 2017.

We received the prestigious *Transparency Award – SMEs 2017* at the Securities Investors Association Singapore ("SIAS") 18th Investors' Choice Awards for 2017.

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

## Sustainability

We are glad to be reporting on sustainability for the very first time in FY2017. We are looking to take a more sustainable approach to how we do business. This year, we look at various economic, social and environmental systems that we intimately, as a business connects with. Specifically, we seek to create a sustainable ethos, setting goals and targets across the Group and involving the local community, to achieve **Sustainable Growth**.

In the coming years, we hope to prepare the sustainability report against the Global Reporting Initiatives ("GRI") Standards to ensure Miyoshi's ambition and programs are aligned with well-established international standards.



**0.48 cents**  
Earnings per share



**0.40 cents**  
Dividends per share



**11.55 cents**  
Net asset per share



**“Specifically, we seek to create a sustainable ethos, setting goals and targets across the Group and involving the local community, to achieve Sustainable Growth.”**

### Dividends

We intend to continue providing an attractive return to our shareholders. Subject to the approval by the shareholders at the forthcoming Annual General Meeting (“AGM”), the Board is recommending a first and final one-tier tax exempt dividend of 0.4 cents per share.

The proposed dividend of 0.4 cents per share for FY2017 represents a total payout of \$2.0 million based on the estimated number of shares entitled to dividend at the date of the AGM. Based on the profit for the period of \$2.2 million for FY2017, the dividend payout percentage is 90%.

### FY2018 Outlook

We expect FY2018 to continue to be a challenging year. Our base case is that the demand for data storage products has been on a decline in recent years and will continue such trend. Demand for hard disk drives

has been decreasing due to economic trends, increased use of solid-state drives, and tablets and smart phones replacing personal computers that uses hard disk drives.

The Group is going the extra mile to increase our revenue from other business segments, especially from the automotive and consumer electronics segments. The purchase of the industrial property in the Philippines puts us in good position to leverage on the continued robust growth for the Philippines. These initiatives will enable us to forge ahead in our quest to sustainable growth and strive to achieve better returns for our shareholders.

### Acknowledgements

As we celebrate our 30th anniversary in 2017, we would like to extend our sincerest thanks to our customers, partners and suppliers for the continued support given to Miyoshi over the last three decades.

To all our employees at Miyoshi, thank you for standing by us through thick and thin.

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

Yours sincerely,

**LIM THEAN EE**  
Chairman  
Miyoshi Limited

From left to right:

- 1 Group photo of Miyoshi Hi-Tech Co., Ltd Corporate Social Responsibility activities in Samut Sakhon, Thailand, June 2017
- 2 Miyoshi Hi-Tech Co., Ltd Corporate Social Responsibility activities in Samut Sakhon, Thailand

# CEO Review

**“I am proud of our team for delivering improved performance in FY2017, both operationally and financially, while continuing to promote our values of integrity, teamwork, innovation and quality.”**

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







## FY2017 Financial Performance

We achieved a net profit after tax of \$2.2 million in FY2017, 110% more than a year ago. Group revenue of \$50.7 million was \$1.5 million (2.9%) higher compared to FY2016.

Revenue from automotive and other segments rose \$5.5 million (70.5%) to \$13.3 million on mass production of automotive components and a new customer in Mexico.

Rental income rose \$0.2 million (27.3%) to \$1.0 million on rental income derived from our investment properties and cold store. In FY2015, the rental income was \$0.1 million.

Total costs and expenses remained relatively unchanged, resulting in an increase in net profit after tax, from \$1.0 million in FY2016 to \$2.2 million in FY2017.

Fair value loss on investment properties of \$0.7 million relates mainly to the decrease in valuation of the industrial properties of the Group. The fair value gain recognised last year amounted to \$0.6 million.

Taxation charge of \$0.5 million was based on the statutory tax rate, taking into account non-deductible expenses and non-taxable income. There were no material adjustments for over or under-provision of taxation in respect of prior years.

Net profit attributable to owners of the parent of \$2.2 million was \$1.0 million (91.4%) higher compared to FY2016.

## Miyoshi celebrates 30 years

Miyoshi was first officially incorporated as a company in Singapore in 1987. As we celebrate our 30th anniversary, we would like to express our sincere gratitude

to our dedicated employees, who have work assiduously over the years. Your contributions have not gone unnoticed. Thank you for your continued support and with your continued service, we expect to make it another thirty years and beyond.

We also want to thank our customers, suppliers, vendors and partners for your unwavering support over the past 30 years. We could not have done it without you.

## Sustainability

Macro trends such as climate change, urbanisation and resource constraints are changing the world. Sustainability in all its forms, business, social, environmental, is central to our strategy.

Our strategic focus on business sustainability served us well in FY2017. As you can see from the

1 Miyoshi 30<sup>th</sup> Anniversary Dinner and Dance, July 2017



charts in the financial highlights, revenue, profit for the year, return on equity and earnings per share were up from the prior year. These results follow a multi-year pattern of improving financial performance driven by our strategic framework of **sustained growth**, operational excellence and favourable cash flow from operations.

We are continuously engaging our employees to address social sustainability issues through volunteerism, customer partnerships and corporate social responsibility to meet the needs of our local communities.

Equally important, our people believe that environmental sustainability and energy efficiency are critical to our future success. With their support, we are able to meet our customers' expectations, the competition and the regulatory environment.

### Work-life balance

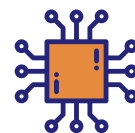
At Miyoshi, we wish to create the best workplace that supports our employees' needs, priorities and lifestyles. Flexible working is a key part of our diversity and inclusion strategy, and employees enjoy a range of workplace flexibility options, which include flexible hours and working remotely. We are also prepared to let our employees take urgent time off should there be an emergency situation at home.

Such flexible working arrangements allow us to keep our employees engaged to advance their careers in creative ways, while fostering long-term loyalty and productivity benefits for all. The flexible working arrangements have also bolstered our talent engagement and retention strategy and our appeal to the millennials, who value work-life balance.



**\$19.7 mil**

Revenue from  
Data Storage Segment



**\$17.6 mil**

Revenue from Consumer  
Electronics Segment



**\$13.3 mil**

Revenue from Automotive  
and Other Segments



**“Our plan for FY2018 is to capitalise on last year’s positive momentum to maximise growth while delivering productivity and discerning investment and allocation of our cash.”**

It is important to recognise that this arrangement is not possible for all roles and that different stages of life affects the value that individuals attribute to flexi-work options.

Success did not come overnight and much time and resources had been devoted to change management, policy reviews and technology enablement. Our flexible working arrangements help cultivate a family-friendly environment.

### Looking forward

Market conditions are expected to remain difficult in view of the uncertain economic outlook and the continuing decrease in revenue from the data storage segment.

We understand that optimising or repositioning our core business while pursuing new growth drivers is complex. Without thoughtful governance, leadership and resource

allocation, the core business can over-consume resources and perpetuate existing business models, dooming promising new growth efforts. We work with our core business and new growth drivers with distinct but parallel efforts.

Our plan for FY2018 is to capitalise on last year’s positive momentum to maximise growth while delivering productivity, discerning investment and allocation of our cash.

### Thank you

I am proud of our team for delivering improved performance in FY2017, both operationally and financially, while continuing to promote our values of integrity, teamwork, innovation and quality. These values will stand us in good stead to face the challenges that FY2018 will bring.

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

Sincerely,

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

From left to right:

- 1 CFO’s discussion with various Finance Managers on Enterprise-wide Risk Management Framework at Miyoshi Annual Retreat in Malacca, Malaysia, July 2017
- 2 Cyclists of Miyoshi Singapore at Marina Bay, Singapore, June 2017
- 3 Securities Investors Association Singapore (“SIAS”) 18<sup>th</sup> Investors’ Choice Awards in September 2017



# Key Management Team



**ANDREW SIN KWONG WAH**  
*Chief Executive Officer*



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



**MARK KHOO TECK SOON**  
*Chief Financial Officer*



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



**JAYCE TAN GUIK HIANG**  
*Group Finance Manager*



**WEE SOON GHEE**  
*Vice President, Operations*



**JOHNNY TAN TIONG SOON**  
*Vice President, Marketing*

### ANDREW SIN KWONG WAH

*Chief Executive Officer*

Mr Andrew Sin Kwong Wah, 64, is the Chief Executive Officer and has been its Executive Director since 24 September 1991 and has 27 years experience in the metal stamping industry. He has the overall responsibility for the Group's business. Andrew joined Miyoshi in 1990 as an Operations Manager.

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

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

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

### KAREN GAN YOKE FONG

*Vice President, Corporate Development*

Ms Karen Gan Yoke Fong, 54, is the Vice President for Corporate Development with 29 years of experience in manufacturing industry. She has been the catalyst for new business ventures across industries, to support the growth of Miyoshi's business, instrumental in the integration of operations to bridge these new business ventures to the individual business units and subsidiaries of Miyoshi.

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

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

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

### MARK KHOO TECK SOON

*Chief Financial Officer*

Mr Mark Khoo Teck Soon, 46, is Chief Financial Officer. He assumed this role on 30 July 2015 and is responsible for the Miyoshi Group's finance-related functions including financial planning and management, mergers and acquisitions support, internal controls, taxation, financial reporting and investor relations.

Mark has over 22 years of experience in finance and mergers and acquisitions ("M&A"). He joined Miyoshi on 8 September 2014 as a Financial Controller.

Prior to joining Miyoshi, Mark was Vice-President, Finance of Dyna-Mac Holdings. From 2011 to 2014, he was based in Mexico, where he was the Finance Manager with the additional responsibility for the incorporation of a subsidiary in Brazil. He also worked at Integro Technologies, Moore Stephens and Maintech Engineering in various finance and M&A roles. He started his career with Osprey Maritime Limited as a Finance Executive.

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

### MICHAEL NG CHEONG KIAT

*Vice President, Optoelectronics*

Mr Michael Ng Cheong Kiat, 56, is the Vice President for the Optoelectronics business with more than 28 years of experience in wireless and power electronics, specialising in digital signal processing. He was appointed VP Optoelectronics on 2 October 2014. He has the overall responsibility for the Group's optoelectronics business.

Prior to joining Miyoshi, Michael was Vice-President of STL Co., Ltd, a company listed on the Taiwan Stock Exchange. His responsibility included the design, manufacture and distribution of lithium battery packs to the electric vehicles, micro-grids and consumer electronics segments. He was based in Kaohsiung, Taiwan during this stint.

He also worked at Philips Telecom Data Systems, Motorola TTPCom and Wearnes Electronics in various senior management positions. He started his career with Texas Instruments as a Technical Marketing and Field Sales Engineer.

Michael has a Master of Science (Electrical Engineering) from Purdue University and holds Masters of Business Administration ("MBA") from University of California, Los Angeles ("UCLA") and National University of Singapore.

### JAYCE TAN GUIK HIANG

*Group Finance Manager*

Ms Jayce Tan Guik Hiang, 42, is Group Finance Manager. She assumed this role on 16 June 2008 and is responsible for the full spectrum of group consolidation, management reporting and internal audit functions. She also assists the CFO in

overseeing the accounting matters for all overseas offices.

Jayce has over 21 years of experience in finance and joined Miyoshi on 26 September 2005 as an Assistant Accountant. Prior to joining Miyoshi, Jayce was handling the full set of accounts for companies in various industries, including construction, trading, manufacturing and retail.

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

### WEE SOON GHEE

*Vice President, Operations*

Mr Wee Soon Ghee, 49, is the Vice President for Operations since 16 November 2016. He has over 27 years of experience in the metal stamping industry and is responsible for the coordination and management of Group's operations and heads our operations in Thailand.

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

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

### JOHNNY TAN TIONG SOON

*Vice President, Marketing*

Mr Johnny Tan Tiong Soon, 56, is the Vice President for Marketing with over 30 years of experience in metal stamping and plastic injection. He was appointed VP Marketing on 16 November 2016.

Johnny is responsible for the Group's marketing activities and heads our operations in Huizhou, China since 14 April 2014. Johnny joined Miyoshi on 15 April 2012 as Senior Manager, Supply Chain Management.

Prior to joining Miyoshi, Johnny was with Sony Precision (Huizhou) as head of various departments, including Purchasing, Product Engineering and Quality Control. From 1987 to 2004, Johnny worked at Sony Precision Engineering Center (Singapore).

Johnny holds a Diploma in Industrial Engineering from SIM Business Management.

# Our Business Model

**“Miyoshi has completed our third year of our business transformation, a journey that was focused on two objectives. The first is to re-engineer and strengthen our core business so that we continue to thrive. The second is to leverage our unique assets as an engineering company to incubate new businesses.”**

- **ANDREW SIN KWONG WAH**, CEO Review, Annual Report 2016

## Getting the right strategic vision is critical

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

January to May 2014	New independent directors
October 2014	New vision of being a “tomorrow-focused manufacturer with a multi-business strategy”
December 2014	New company name “Miyoshi Limited”
June 2015	New values of “Integrity, Innovation, Teamwork, Quality”
June 2015	New company logo
July 2015	New company website
March 2016	New growth driver “Optoelectronics”
June 2016:	Transferred our listing to the Catalist board and exited from the SGX-ST watch-list
August 2016	New growth driver “Core Power”
October 2016	New independent Chairman
December 2016	New growth driver “Indoor Farming”

## Our Strategy

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

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

Our marketing plan includes having our Heads of Sub-units (“HOS”) to lead the business development

efforts, meet more regularly, set specific business goals and keeping track of the metrics or key performance indicators. We seek to drive long-term sustainable business growth while continuing to promote our values of integrity, teamwork, innovation and quality.

On improving the profitability of our core business, we seek to innovate, adapt and evolve with our customers’ needs. We do this by continuously building key capabilities, such as the increased

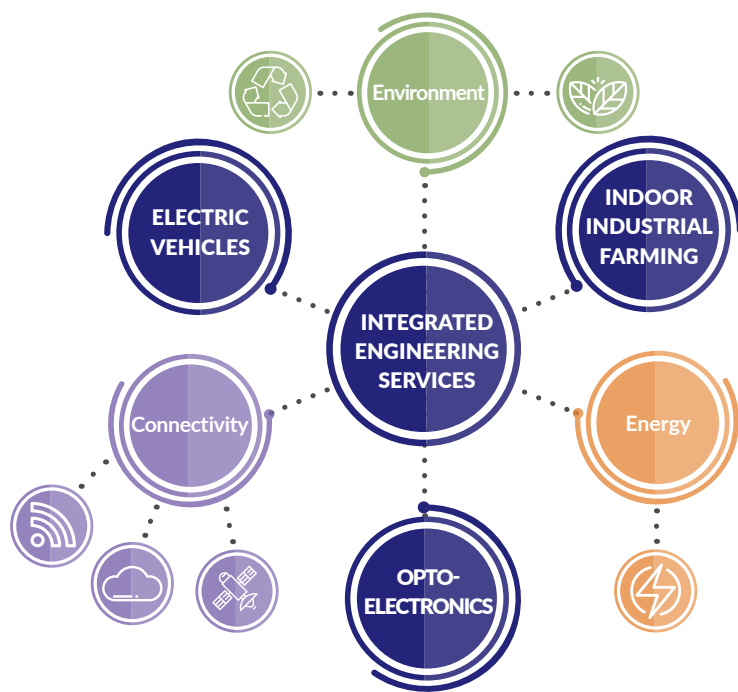
use of robots in our production process, investments in production equipment and development of our human capital. Our HOS meet periodically to identify patterns and trends, share information and to think creatively by generating alternatives, visualising new possibilities and challenging assumptions.

Revenue from our core business accounted for 97.9% of revenue in FY2017.



### Our Businesses

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



in line with our vision of being a “tomorrow-focused manufacturer.” The product of the new business has to be for the future. We have also identified possessing domain knowledge as an important factor in our selection of new businesses.

### Investment in Electric Vehicle Business

Electric vehicle is one such example of tomorrow's product. We also possess the domain knowledge of metal stamping, tooling fabrications for the electric vehicle, as well as welding and electro-plating operations. We believe we have the right business partner in Core Power.

### Incubation of Optoelectronics Business

Our optoelectronics business was initially started to support the core technology of our electric vehicle business, i.e. the production of lithium batteries and the battery management system (“BMS”). It has since evolved to specialise in portable police electronics.

Miyoshi Optoelectronics first showcased our products in the NEC Exhibition in Marina Bay

### (2) Development of New Businesses

The development of new businesses were very much driven by the decline in revenue from our core business, specifically, demand for data storage products that has been

in decline since 2010. We produce dampers and top covers, and electro-plating of actuator arms for the hard disk drive industry.

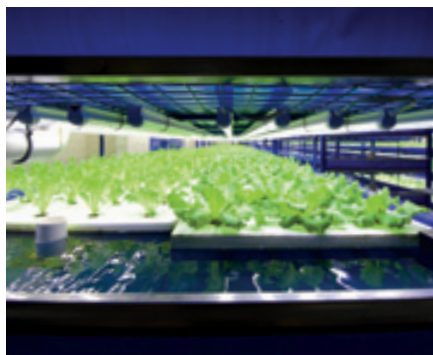
An over-riding criterion in our assessment of new business opportunities is that it has to be



From left to right:

- 1 All-electric vehicle produced by our partner, Core Power (Fujian) New Energy Automobile Co., Ltd
- 2 NEC Innovative Solutions, Marina Bay Sands, Singapore, January 2017

## Our Business Model



Sands in January 2017. We also successfully participated in the Hanoi Homeland Security Expo (Vietnam) and Defence and Security Expo (Thailand) in August 2017 and November 2017 respectively.

### Incubation of Indoor Farming Business

In December 2016, we started the incubation of a new business of 'indoor farming', tapping on our competitive advantage of our Japanese roots, and our domain knowledge of operating a farm in a clean room environment. We operate clean room for our data storage production to control the airborne particles and contaminants. We are undergoing

research and production trials for our indoor farming business.

### (3) Re-allocation of Capital

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

- *Operations Review, Annual Report 2016*

Capital allocation is the most critical aspect to generating sustainable long-term investment returns. We re-allocate our resources consistently over the

medium to long-term in service of a clear corporate strategy. That provides the time necessary for new investments to flourish.

In June 2015, we completed the construction of two (2) industrial buildings in the Philippines and they have been generating recurring rental income streams since.

In October 2017, we completed the acquisition of an industrial property in the Philippines to leverage on the continued growth of the Philippines economy. In the same month, we entered into a sale and purchase agreement to dispose of our industrial property at 5 Second Chin Bee Road as the property is under-utilised. The proposed disposal will see the optimal release of value from the asset as a strategic imperative.

We believe that an active re-allocation of capital strategy to value-creating businesses will generate sustainable long-term growth for our shareholders.

## Creating and Capturing Value

Stage	Activity	Revenue	Earning Streams
Development	Design and Build	<ul style="list-style-type: none"> <li>Tooling sales</li> <li>Prototype sales</li> <li>Proof-of-concepts</li> </ul>	<ul style="list-style-type: none"> <li>Prototype profit</li> <li>Development profit</li> </ul>
Operations	Sale and Service	<ul style="list-style-type: none"> <li>Component sales</li> <li>Equipment sales</li> <li>Automotive sales</li> </ul>	<ul style="list-style-type: none"> <li>Operating profit</li> <li>Sales profit</li> </ul>
Re-allocation of capital	Stabilise and Monetise	<ul style="list-style-type: none"> <li>Unlocking value</li> <li>Re-investing capital for higher returns</li> </ul>	<ul style="list-style-type: none"> <li>Capital gains</li> </ul>
Recurring	Fee-Based	<ul style="list-style-type: none"> <li>Property rental services</li> <li>Maintenance contracts</li> </ul>	<ul style="list-style-type: none"> <li>Recurring income</li> </ul>

From left to right:

- 1 Production trials of our Hydroponics System with Japanese technology
- 2 Hydroponics exhibition at Asia Pacific Food Expo, November 2017

# Economic Value and Our Stakeholders

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

We generated revenue (customers) of:

(\$'million)



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

(\$'million)



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

(\$'million)



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

(\$'million)



and accrued income tax of (governments):

(\$'million)



Economic value retained

(\$'million)

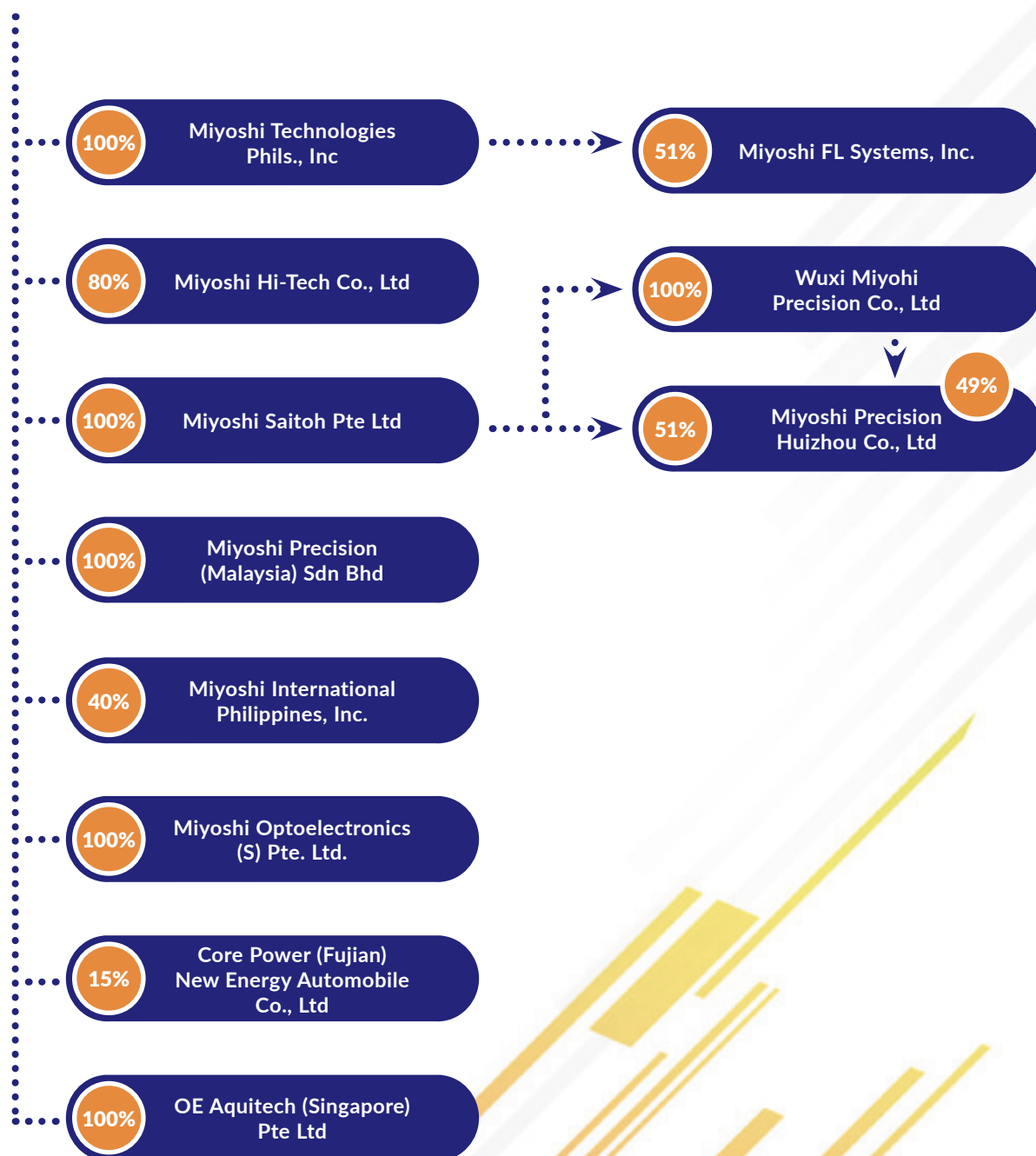


\*Calculated in accordance with the Global Reporting Initiative ("GRI") G4: Core Option, G4-EC1 Direct Economic Value Generated and Distributed. Economic value retained is calculated as 'Direct economic value generated' less 'Economic value distributed'.



# Corporate Structure

## MIYOSHI LIMITED



\*Group Structure as of 31 August 2017

# Corporate Information

## DIRECTORS

### Executive:

Mr. Andrew Sin Kwong Wah (CEO)

### Non-Executive:

Mr. Lim Thean Ee (Independent Chairman)

Mr. Wee Piew (Independent)

Mr. Masayoshi Taira (Non-Independent)

Mr. Thomas Pek Ee Perh (Non-Independent)

## AUDIT COMMITTEE

Mr. Wee Piew (Chairman)

Mr. Masayoshi Taira

Mr. Lim Thean Ee

## NOMINATING COMMITTEE

Mr. Lim Thean Ee (Chairman)

Mr. Andrew Sin Kwong Wah

Mr. Wee Piew

## REMUNERATION COMMITTEE

Mr. Lim Thean Ee (Chairman)

Mr. Masayoshi Taira

Mr. Wee Piew

## COMPANY SECRETARY

Mr. Ong Wei Jin

## SPONSOR

CIMB Bank Berhad, Singapore Branch

50 Raffles Place

#09-01 Singapore Land Tower

Singapore 048623

## COMPANY REGISTRATION NO.

198703979K

## REGISTERED OFFICE

No. 5 Second Chin Bee Road

Singapore 618772

Tel: (65) 6265 5221 Fax: (65) 6265 2058

Email: [info@sg.miyoshi.biz](mailto:info@sg.miyoshi.biz)

Website: <http://www.miyoshi.biz>

## SHARE REGISTRAR

M & C Services Pte Ltd

112 Robinson Road #05-01

Singapore 068902

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

## AUDITOR

BDO LLP

Public Accountants and Chartered Accountants

600 North Bridge Road, #23-01

Park View Square

Singapore 188778

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

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

## PRINCIPAL BANKERS

United Overseas Bank Limited

DBS Bank Limited

# CFO Statement



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

## OPERATIONS REVIEW

### A strong and resilient SME

We achieved another year of strong operating performance. Revenue increased by 2.9% to \$50.7 million from sustained growth across the group. Our concerted efforts to enhanced operational efficiencies and improve capacity utilisation have yielded results. Profit after tax improved to \$2.2 million in FY2017. Miyoshi's earnings resilience is the pay-off from our Group's efforts to grow revenue and manage costs, resulting in the increases of both revenue and profits for FY2017.

The performance was particularly satisfying because the operating environment was challenging. Revenue from consumer electronics decreased by 19.8% as a result of weaker end-market demand for existing products and product end-of-life. Our performance was the result of double-digit percentage growth from our automotive and other businesses with new projects in FY2017.

Revenue from automotive and others segment grew by 70.5% year-on-year in FY2017. Further to our development efforts in the product design, engineering and prototyping over the last few years,

### Financial Highlights

For the year (\$'000)	FY2017	% Total Revenue	FY2016	% Total Revenue	Change %
Revenue	50,668	100.0%	49,239	100.0%	2.9%
Profit before tax	2,674	5.2%	1,773	3.6%	50.8%
Income tax	(472)	-0.9%	(728)	(1.5%)	(35.2%)
<b>Profit after tax</b>	<b>2,202</b>	<b>4.3%</b>	<b>1,045</b>	<b>2.1%</b>	<b>110.7%</b>

### Business Segmental Information

For the year (\$'000)	FY2017	% Total Revenue	FY2016	% Total Revenue	Change %
Data Storage	19,747	39.0%	19,475	39.6%	1.4%
Consumer Electronics	17,622	34.8%	21,964	44.6%	(19.8%)
Automotive & Others	13,299	26.2%	7,800	15.8%	70.5%
<b>Total</b>	<b>50,668</b>	<b>100.0%</b>	<b>49,239</b>	<b>100.0%</b>	<b>2.9%</b>

### Geographical Segmental Information (Location of customers)

For the year (\$'000)	FY2017	% Total Revenue	FY2016	% Total Revenue	Change %
Philippines	15,398	30.4%	16,833	34.2%	(8.5%)
China	13,007	25.7%	12,770	25.9%	1.9%
Thailand	12,774	25.2%	12,929	26.3%	(1.2%)
Hungary	4,102	8.1%	1,921	3.9%	113.5%
Mexico	2,043	4.0%	973	2.0%	110.0%
Singapore	1,339	2.6%	1,760	3.6%	(23.9%)
Malaysia	995	2.0%	1,013	2.1%	(1.8%)
Others	1,010	2.0%	1,040	2.1%	(2.9%)
<b>Total</b>	<b>50,668</b>	<b>100.0%</b>	<b>49,239</b>	<b>100.0%</b>	<b>2.9%</b>



our automotive components went into mass production, resulting in a significant jump in revenue for FY2017.

Revenue from data storage increased slightly by 1.4% in FY2017. Despite the increase, we expect the revenue from hard disk drive top covers to decrease significantly in FY2018 due to projects to be transferred out in 1Q2018.

Our customers are primarily located in the Philippines, People's Republic of China and Thailand. In FY2017, these three countries accounted for 81.3% of Group's revenue.

In FY2017, revenue from Hungary and Mexico grew by 113.5% and 110.0% respectively due to mass production of automotive parts and a new customer in Mexico.

### Continued robust growth of the Philippines

The factors contributing to our strong operating performance had one common theme: the continued robust growth of the Philippines. Our Philippines operations have achieved the goal of doubling its revenue over the last five years, from \$11.4 million in FY2013 to \$22.9 million in FY2017. We expect the Philippines economy to continue to be the fastest-growing in Southeast Asia for the next few years. Thus, our acquisition of an additional industrial property in the Philippines during the financial year.

During the financial year in the Philippines, we fabricated and installed a second assembly line and installed a new electro-deionisation ("EDI") system. The deionised ("DI") water is used to support the two (2) new fully automated degreasing lines installed last year.

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

For the year (\$'000)	FY2017	% Total Revenue	FY2016	% Total Revenue	Change %
Philippines	22,860	45.1%	20,523	41.7%	11.4%
Thailand	12,431	24.5%	13,617	27.7%	(8.7%)
Huizhou	9,168	18.1%	7,984	16.2%	14.8%
Wuxi	3,554	7.0%	3,546	7.2%	0.2%
Malaysia	2,110	4.2%	886	1.8%	138.1%
Singapore	555	1.1%	2,683	5.4%	(79.3%)
<b>Total</b>	<b>50,668</b>	<b>100.0%</b>	<b>49,239</b>	<b>100.0%</b>	<b>2.9%</b>

### Other Income

For the year (\$'000)	FY2017	% Other Income	FY2016	% Other Income	Change %
Income - sales of scrap	1,121	32.0%	1,304	31.4%	(14.0%)
Rental income	974	27.8%	765	18.4%	27.3%
Others	1,406	40.2%	2,081	50.2%	(32.4%)
<b>Total</b>	<b>3,501</b>	<b>100.0%</b>	<b>4,150</b>	<b>100.0%</b>	<b>(15.6%)</b>

With new projects won in FY2017, we expect our operations in the Philippines to continue to grow in the next few years. Our Philippines operations have been generating the most revenue within the Group since FY2015, and accounted for more than 45% of Group's revenue in FY2017.

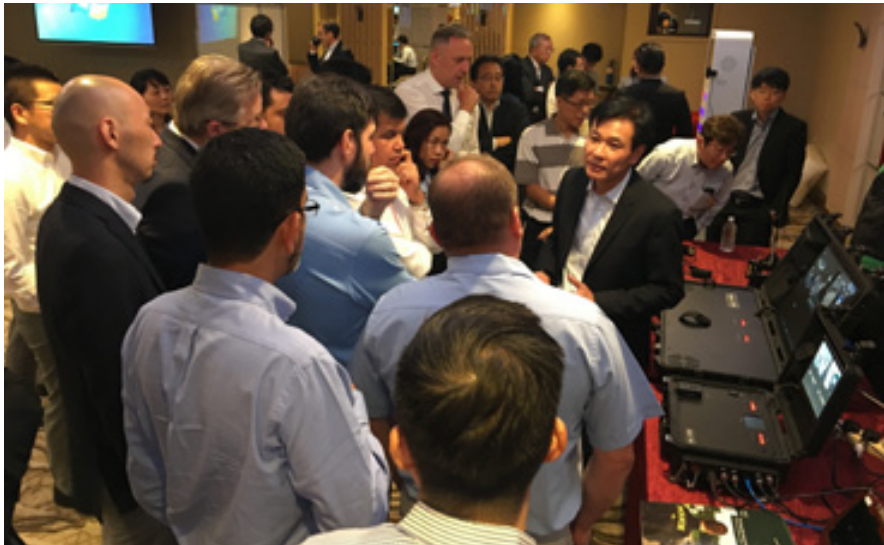
The Philippines is also our main source of recurring income from our investment properties. Rental income from the Philippines accounted for more than 68% of Group's rental income.

### Milestone Transactions

During the financial year, we completed three milestone transactions, which will strengthen our Group's financial position and pushed for the continued development of our new growth drivers, namely the optoelectronics

business and investments in electric vehicle business:-

- In June 2016, we successfully raised \$3.0 million from placement of 45,000,000 ordinary shares in the capital of the Company in accordance with the terms of the placement entered into with CIMB Securities (Singapore) Pte. Ltd. ("Placement"). The issue price of \$0.068 per share represents a 9.9% discount to the volume weighted average price on trades done on the full day before the placement agreement was signed. The net proceeds has been used as a refundable deposit placed with Core Power (Fujian) Electric Co., Ltd for possible further investments in our Core Power (Fujian) New Energy Automobile Co., Ltd.
- In August 2017, we entered into a joint marketing agreement with NEC Asia Pacific to jointly market



cutting-edge face recognition surveillance products, which has wide applications in homeland security, border control and law enforcements in Singapore, Malaysia and other countries in the Asia Pacific region.

- In August 2017, we acquired an industrial property in the Philippines for \$3.4 million in Daiichi Industrial Park, Silang. We are of the view that the acquisition will further our Group's business strategy to leverage on the continued robust growth of the Philippines economy to increase existing production capacity, to rent out when the opportunities arise and to support new growth opportunities in the Philippines, particularly in the support of Group's electric vehicle business.

Subsequent to the financial year-end, we have entered into a sale and purchase agreement to dispose of our industrial property at 5 Second

Chin Bee Road for \$7.8 million. We intend to use the net proceeds to reduce borrowings, as well as to provide working capital for the Group and other business opportunities as and when they arise.

### Eventful year for Miyoshi Optoelectronics

Michael Ng heads Miyoshi Optoelectronics as the Vice-President of the optoelectronics business. The principal activities of Miyoshi Optoelectronics include the development and manufacturing of portable power equipment, tele-surveillance systems and communication electronics.

Since its incorporation in March 2016, MOS has grown from strength-to-strength. We completed the set-up of the high-tech laboratory in Penjuru Close in August 2016 for the fabrication and testing of advanced electronics solutions. During the year, besides manufacturing our products for sales to customers, we also developed prototypes for proof-of-concepts and for demonstration purposes at public security exhibitions.

Working with NEC Asia Pacific ("NEC"), we incorporate our mobile,

body-worn surveillance system with NEC's artificial intelligence ("AI") facial recognition software. This allows real-time facial recognition solution that is highly reliable and with low latency, or we normally refer to as 'lag'. The combination of Miyoshi Optoelectronics and NEC solutions allow security officers on the ground instant analysis of what they see, enabling them to provide actionable intelligence to commanders. NEC's Neoface facial recognition technology is the fastest in the world in picking out criminal suspects from a crowd using AI. The target market is Singapore, Malaysia and other countries in the Asia Pacific region.

Miyoshi Optoelectronics successfully participated in the Homeland Security Exhibition in Hanoi, Vietnam in August 2017. We were also part of the Singapore pavilion for the Defense & Security Expo in Bangkok, Thailand in November 2017.

The investment in Miyoshi Optoelectronics is a strong testament to our drive for tomorrow-focused business, which depends much on the development of strong innovation capabilities and the drive towards the digital transformation of industries.

From left to right:

- 1 Michael Ng presenting the wearable SRS at NEC Global Safety Division meeting, May 2017
- 2 Transmitter, lithium battery, camera (items from left to right)
- 3 Portable receiver box captures wireless video/audio



Our surveillance products were sold in Southeast Asia, and we have had small successes in Europe and Middle East.

Spring Singapore has supported the Group in the development of engineering know-how and manufacturing capabilities for portable lithium batteries and video surveillance systems.

### Investment in Core Power

We completed our investment in Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power") in August 2016. Core Power (Fujian) Electric Co., Ltd, our partner in the joint venture, leads the electric vehicle business. Core Power manufactures and sells mass-market all-electric vehicles to various parts of China.

Core Power is located on 330,000m<sup>2</sup> of industrial land in Yong'an, Sanming, or an equivalent of 33 international rugby fields. It has its four major operations, of metal stamping, welding, and spray-painting and final assembly in the same location. The annual production capacity of the factory is 100,000 cars. From January 2017, Core Power started to produce its own car body, doors, and other components from steel sheets.

During the year, Core Power also grew their distributorships in China, especially in the southern provinces of Fujian, Hunan, Jiangxi, Yunnan and Sichuan. They have more than 100 distributorships across China and their cars are also sold in the provinces of Henan, Jiangsu, Shaanxi, Gansu and Guizhou.

From April 2017, Core Power started a new car development (model K1) to target the young car buyers. The prototype was launched during the all-electric car exhibition in Jinan, Shandong in August 2017. The mass production of K1 will begin in December 2017.

Miyoshi's role in the coming year will be to help Core Power scale-up and internationalise their cars, tapping on the larger potential markets of Central and South Asia, and Central and South America.

### Outlook

The coming year is likely to be an even more challenging with the expected decrease in revenue from data storage segment being our biggest headwind. At the same time, geopolitical uncertainty and policy direction of the US and China will have a bearing on Asia's economic growth.

We have strong foundations to meet the challenges. Automotive and others segment will be our revenue's main growth driver. The financial discipline we exercised over the years led us to manage our leverage and liquidity prudently to ensure balance sheet resilience and flexibility in difficult times. Finally, the proposed sale of our industrial property announced will provide our Group with additional funds for business opportunities, reducing borrowings and working capital requirements.

The critical success factors essential for us to achieve our strategies include growing revenue from both existing and new customers, development of new growth drivers, cost management to improve returns and maintaining a quality balance sheet.

Integrating sustainability seamlessly into our business operations has benefited Miyoshi in many areas, including diversifying into non-precision business, such as optoelectronics and electric cars, future-proofing our business with strategic investments.

From left to right:

1. Signing Ceremony of Miyoshi Optoelectronics and NEC Asia Pacific joint marketing agreement, August 2017
2. Michael Ng interviewed by Channel News Asia at Homeland Security Exhibition in Hanoi, Vietnam, August 2017

## FINANCIAL PERFORMANCE

### Increased profitability and higher capital efficiency

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

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

Sustainable revenue and profit development has to be supported by a healthy capital structure. A key consideration is to preserve our ability to repay and service our debt obligations over time. Our primary measure for managing and controlling our capital structure is the ratio of total borrowings to EBITDA. This financial measure indicates the approximate amount of time in years that would be needed to cover total borrowings through profits from existing operations, without taking into account, interest, taxes, depreciation, amortisation and non-recurring items. We aim to achieve a ratio of up to 2.0

### Calculation of return on capital employed

Average capital employed for a financial year is determined as a two-point average in capital employed of

### Profitability Ratios

For the year	FY2017	FY2016	Change %
Net profit margin (%)	4.35	2.12	110.7%
Earnings per share (cents)	0.48	0.25	92.0%
Return on capital employed (%)	5.72	1.95	193.3%
Return on equity (%)	3.87	2.15	80.0%
Return on assets (%)	2.80	1.38	102.9%
Total borrowings/EBITDA	1.69	2.60	(35.0%)

### Calculation of Capital Employed

For the year	FY2017	FY2016	FY2015
Equity attributable to owners of the parent	57,057	53,680	54,831
Plus: Total borrowings	10,013	11,250	5,984
Less: Cash and cash equivalents	(8,697)	(12,422)	(6,679)
Less: Current non-current assets held for sale	(3,569)	-	-
Capital employed	54,804	52,508	54,136
<b>Average capital employed</b>	<b>53,656</b>	<b>53,322</b>	<b>45,989</b>

### Calculation of ROCE

For the year	FY2017	FY2016	Change %
Profit after tax (\$'000)	2,202	1,045	110.7%
Add: Interest expense, net	469	347	34.9%
Add: Tax expense	472	728	(35.0%)
Add: Non-recurring gains or losses	(73)	(1,078)	(93.2%)
<b>(i) EBIT</b>	<b>3,070</b>	<b>1,042</b>	<b>194.6%</b>
<b>(ii) Average capital employed</b>	<b>53,656</b>	<b>53,322</b>	<b>0.6%</b>
<b>(i)/(ii) ROCE</b>	<b>5.72%</b>	<b>1.95%</b>	<b>193.3%</b>

(1) the respective year-end and (2) the year-end of the previous financial year.

### Dividends

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

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

At the forthcoming Annual General Meeting, the Board, proposed to pay a first and final one-tier tax-



exempt dividend of 0.4 cents on each share for the financial year 2017.

Payment of the proposed dividend is contingent upon approval by Miyoshi shareholders at the Annual General Meeting to be held on 29 December 2017. The prior-year dividend was 0.4 cents per share.

The proposed dividend of 0.4 cents per share for FY2017 represents a total payout of \$2.0 million based on the estimated number of shares entitled to dividend at the date of the Annual General Meeting. Based on the net profit attributable to owners of the parent of \$2.2 million, the dividend payout percentage is 90%.

### Liquidity and balance sheet remain strong

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

Our gearing ratio, which compares the shareholders equity to funds borrowed by the Group, decreased by 16.4% to 0.18.

Net asset value per share decreased by 2.6% to 11.55 cents, primarily due to the increase in number of outstanding shares from the Placement and dividend payout of 0.4 cents per share. Miyoshi had a market capitalisation of \$33.6 million as at 31 August 2017.

At \$79.6 million, Miyoshi's total assets at the end of FY2017 exceeded the prior-year figure by \$2.0 million, or 2.5%, due to Placement of \$3.0 million and profit attributable to owners of the parent of \$2.2 million, offset by payment

### Solvency and Liquidity Ratios

For the year	FY2017	FY2016	Change %
Gearing ratio	0.18	0.21	(16.4%)
Current ratio	2.21	2.16	2.1%
Cash ratio	0.53	0.85	(37.1%)
Net asset value per share (cents)	11.55	11.86	(2.6%)

### Group Financial Position

Assets (\$'000)	FY2017	% Total Assets	FY2016	% Total Assets	Change %
Property, plant & equipment	27,504	34.6%	28,883	37.2%	(4.8%)
Available-for-sale financial assets	8,978	11.3%	9,013	11.6%	(0.4%)
Investment properties	6,584	8.3%	7,503	9.7%	(12.2%)
Other non-current assets	136	0.1%	341	0.4%	(60.1%)
Cash and bank balances	8,830	11.1%	12,559	16.2%	(29.7%)
Trade and other receivables	18,567	23.3%	14,161	18.2%	31.1%
Inventories	5,449	6.8%	5,203	6.7%	4.7%
Assets held for sale	3,569	4.5%	-	-	n.m.
<b>Total assets</b>	<b>79,617</b>	<b>100.0%</b>	<b>77,663</b>	<b>100.0%</b>	<b>2.5%</b>

of dividends of \$1.8 million and reduction of liabilities of \$1.3 million.

Non-current assets held for sale was the book value of the industrial property in Second Chin Bee Road for proposed disposal. The amount of \$3.6 million was re-classified to current assets from property, plant and equipment.

The increase in trade and other receivables of \$4.4 million was mainly due to a \$3.1 million refundable deposit placed with Core Power (Fujian) Electric Co., Ltd for possible further investments in Core Power (Fujian) New Energy Automobile Co., Ltd and due from our customers.

Total borrowings amounted to \$10.0 million at the end of the reporting period, down \$1.2 million, or 11.0% on the prior-year figure. Repayment of bank loans of \$6.2 million exceeded proceeds from new bank loans of \$5.0 million.

At \$57.1 million, equity due to owners of the parent was up 6.3% year-on-year. In addition, profit for the year, equity was pushed up by the share placement in June 2017, and offset by the payment of dividends.

# CFO Statement

## Cash Flows

Cash and cash equivalents decreased by \$3.7 million from \$12.4 million as at 31 August 2016 to \$8.7 million as at 31 August 2017. Cash and cash equivalents comprised of cash and bank balances, fixed deposits and excluding restricted cash.

## Operating Activities

The conversion of profit into cash inflows from operating activities was mainly driven by integrated engineering services and rental income. The cash outflows due to the build-up of operating net working capital were mainly driven by integrated engineering services, due mainly to an increase in the line items of trade and other receivables, and inventories.

## Investing Activities

The cash outflows for deposit paid with regards to the proposed investment totalling \$3.1 million related to the further acquisition of Core Power (Fujian) New Energy Automobile Co., Ltd. The cash outflows for other purchases of assets primarily included purchase of industrial property in the Philippines of \$3.4 million and equipment of \$1.3 million. The cash inflows from disposal of plant and equipment included the sale of machines that were not utilised or under-utilised.

## Financing Activities

The cash outflows for financing activities primarily included the repayment of loans of \$6.2 million, the payment of dividends of \$2.0 million and the purchase of treasury shares of \$0.2 million. The cash inflows were new loans of \$5.0 million and proceeds from Placement of \$3.0 million.

## Group Financial Position

Equity/Liabilities (\$'000)	FY2017	% Total Assets	FY2016	% Total Assets	Change %
Equity attributable to owners of the parent	57,057	71.7%	53,680	69.1%	6.3%
Non-controlling interests	2,354	3.0%	2,511	3.2%	(6.3%)
Borrowings: non-current	2,665	3.3%	5,009	6.5%	(46.8%)
Borrowings: current	7,348	9.2%	6,241	8.0%	17.7%
Trade and other payables: current	9,053	11.4%	8,476	10.9%	6.8%
Other liabilities	1,140	1.4%	1,746	2.3%	(34.7%)
Non-current assets held for sale	79,617	100.0%	77,663	100.0%	2.5%
<b>Total assets</b>	<b>79,617</b>	<b>100.0%</b>	<b>77,663</b>	<b>100.0%</b>	<b>2.5%</b>

## Group Cash Flows

Equity/Liabilities (\$'000)	FY2017	FY2016	Change %
Operating cash flow before working capital changes	5,930	3,917	51.4%
Working capital changes	(990)	4,263	(123.2%)
Interest paid, net	(469)	(347)	35.2%
Income tax paid	(463)	(488)	(5.1%)
Net cash from/(used in) operating activities	4,008	7,345	(45.4%)
Net cash used in investing activities	(7,472)	(6,734)	11.0%
Net cash (used in)/from financial activities	(500)	5,483	(109.1%)
<b>Increase/(Decrease) in cash and cash equivalents</b>	<b>(3,964)</b>	<b>6,094</b>	<b>(165.0%)</b>

We report free cash flow and working capital and as a supplemental liquidity measure:

## Free Cash Flow and Working Capital

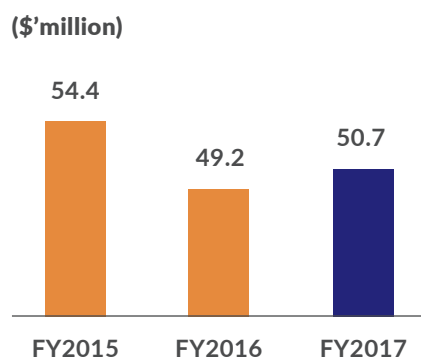
For the year (\$'000)	FY2017	FY2016	Change %
Cash flows from operating activities	4,008	7,345	(45.4%)
Additions to property, plant and equipment, net	(4,825)	(3,244)	48.7%
Free cash flow	(817)	4,101	n.m.
Current assets	36,415	31,923	14.1%
Current liabilities	(16,511)	(14,749)	11.9%
Working capital	19,904	17,174	15.9%

# Key Performance Indicators

## 1. Grow revenue

**Target:** Deliver consistent revenue growth.

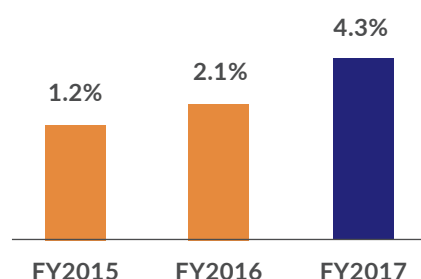
**Outcome for FY2017:** 2.9% revenue growth to \$50.7 million.



## 2. Improve Returns

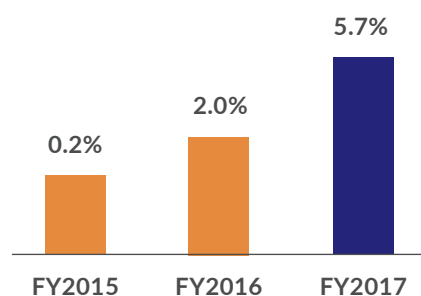
**Target:** Net profit margins of 6% or better.

**Outcome for FY2017:** Net profit margin was 4.3%.



**Target:** Return on capital employed of 6% or better.

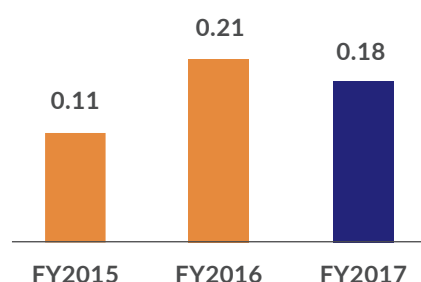
**Outcome for FY2017:** Return on capital employed was 5.7%.



## 3. Quality balance sheet

**Target:** Efficient capital structure, with manageable gearing ratio.

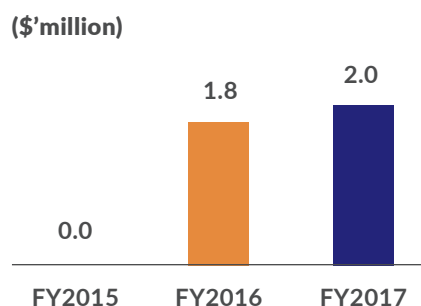
**Outcome for FY2017:** Gearing ratio fell to 0.18 due to repayment of loans and proceeds from share placement.



## 4. Returns to shareholders

**Target:** Regular dividend payment to shareholders.

**Outcome for FY2017:** Dividend payments this year will be \$2.0 million or 0.4 cents per share.



# Corporate Governance

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

## INTRODUCTION

Miyoshi Limited (“Miyoshi” or the “Company”) is committed to achieving high standards of corporate governance, business integrity and professionalism to ensure sustainability of the Company’s businesses and performance as well as to safeguard shareholders’ interests and maximise long-term shareholder value. This report sets out the Miyoshi’s corporate governance practices for the financial year with reference to the principles set out in the Singapore Code of Corporate Governance 2012 (the “Code”). The Board is pleased to report that, save for principle 9.2, the Company has complied in all material aspects with the principles and guidelines set out in the Code and where applicable, it has identified and explained areas of non-compliance under respective sections.

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

### Principal Duties of the Board

The Board aims to create value for shareholders and ensure the long-term success of the Group and protection of its assets by focusing on the development of the right strategy, business model, risk appetite, management, succession plan and compensation framework. It also seeks to align the interests of the Board and Management with that of

shareholders and balance of interest of all stakeholders that the Board has identified as the Board recognise that their perceptions affect the Company’s reputation. In addition, the Board sets the tone for the entire organisation where ethics and values are concerned.

The Board oversees the business affairs of the Miyoshi Group. It assumes responsibility for the Group’s overall strategic plans and performance objectives, financial plans and annual budget, key operational initiatives, major funding and investment proposals, financial performance reviews, compliance and accountability systems and corporate governance practices. The Board ensures that the necessary financial and human resources are in place for the Company to meet its objectives.

The Board has also established a framework of prudent and effective controls which enable risks to be

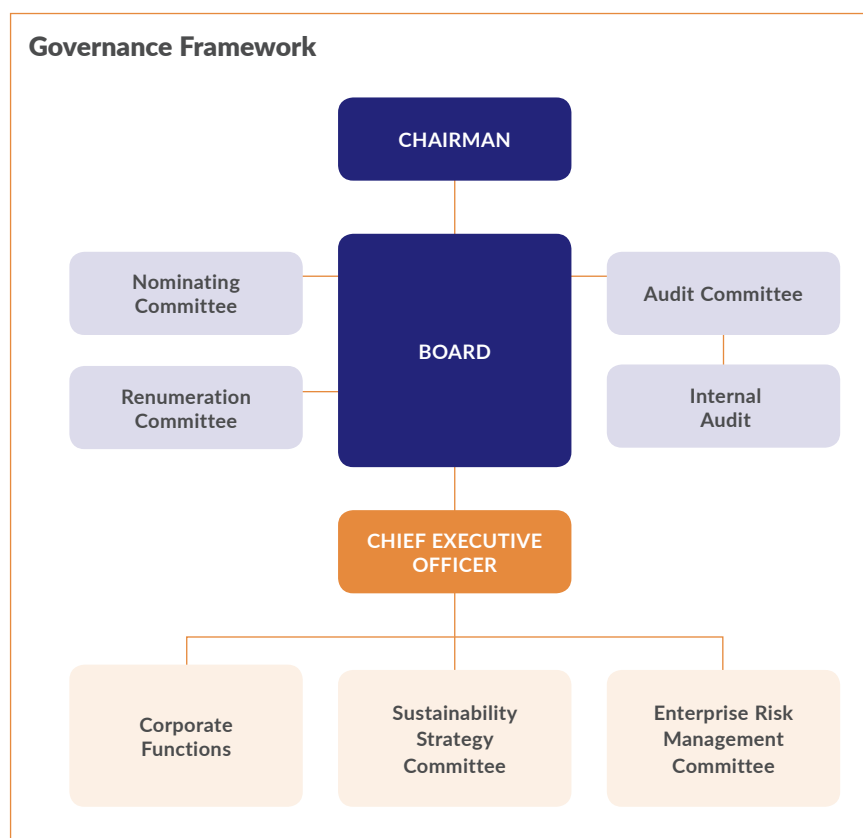
assessed and managed, including safeguarding shareholders’ interest and the Company’s assets.

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

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

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

### Governance Framework





## Delegation by the Board

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

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

## Key Features of Board Processes

The schedule of all Board and Board committee meetings and the Annual

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

Typically, at least one Board meeting will be held overseas in a country where the Group has an interest in investing. On such occasion, the Board meets with local business leaders so as to help Board members gain greater insight into the business. For the financial year ended 31 August 2017,

the Board held its 3rd quarter Board and Board committee meetings at our factory in Johor Bahru, Malaysia.

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

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

The Corporate Secretary attends all Board and Board committee meetings and is responsible for ensuring that Board procedures are observed. The number of Board and Board Committee meetings held in FY2017, as well as attendance of each board member at these meetings, are disclosed in the table below:

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

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

## Board Approval

Miyoshi has adopted and documented internal guidelines setting forth matters that require Board's approval. Material items that require Board approval include: -

- (a) The Group's strategic plans;
- (b) The Group's annual operating plan and budget;
- (c) Full-year, half-year and quarterly financial results;
- (d) Dividend pay-out;
- (e) Issue of shares;
- (f) Board succession plans;
- (g) Succession plans for Management, including appointment of, and compensation for CEO, CFO and Vice-Presidents;
- (h) Underlying principles of long-term incentive schemes for employees;
- (i) The Group's risk appetite and risk tolerance for different categories of risk, as well as risk strategy and the policies for management of material risks;
- (j) Acquisitions and disposals of investments, and capital expenditures exceeding \$3.0 million in total;
- (k) Corporate or financial restructuring;
- (l) Matters involving a conflict of interest for a substantial shareholder or a director; and
- (m) Matters which require Board approval as specified under Miyoshi's interested person transaction policy.

Miyoshi has established financial authorisation and approval limits for operating and capital expenditure, the procurement of goods and services, and the acquisition and disposal of investments. The Board approves transactions exceeding certain threshold limits, while delegating authority for transactions below those

limits to Management to optimise operational efficiency.

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

## Board orientation and training

A formal letter of appointment is provided to every new director. The formal letter of appointment indicates the time commitment required and role of directors, including directors' responsibilities. The new director will also receive a manual containing Board and SGX policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving Miyoshi, prohibition on dealings in Miyoshi's securities and restrictions on the disclosure of price-sensitive information. If a newly appointed Director does not have any prior experience as a director of a listed company, the Company will arrange for such person to undertake training in the areas of accounting, legal and industry specific knowledge as appropriate.

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

Newly appointed directors would be given a detailed and in-depth briefing and induction into Miyoshi by the

management. The directors would undergo the induction programme, with presentations by management to introduce them to every aspect of the Miyoshi business.

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

## Briefings and Updates Provided for Directors in FY2017

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

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

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

## Principle 2: Board Composition And Guidance

### Independent Element of the Board

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

The NC determines on an annual basis whether or not a director is independent bearing in mind the Code's definition of an "independent director" and guidance as to relationships the existence of which would deem a director not to be independent. The Committee carried out the review on the independence of each independent Director in October 2017 based on the respective director's self-declaration and their actual performance on the Board and Board committees.

### Independence of Directors

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

The Board takes into account the existence of relationships or circumstances, including those

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

### Independent Judgement

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

During FY2017, none of the Independent Directors has served beyond 9 years from the respective

date of their first appointment.

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

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

### Composition, Size and Diversity of the Board

The NC conducted its annual review on the composition of the Board which comprises members of different backgrounds whose core competencies, qualifications, skills and experiences are extensive. Taking into account the scope and nature of the operations of the Group, the NC considered the current Board size to be appropriate to facilitate effective

## Corporate Governance

decision making for the existing needs and demands of the Group's business and that no individual or small group of individuals dominates the decisions of the Board. Nevertheless, the NC has recommended to the Board to consider changing the Board composition so as to comply with the requirements of the Code.

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

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

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

### Competency of the Board

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

### Role of Non-Executive Directors

The Board encourages its members, in particular, the non-executive Directors, to engage in open and constructive

debate and challenge management on its assumptions and proposals on strategy and review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.

### Regular Meetings of Non-Executive Directors

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

### Principle 3: Chairman and Chief Executive Officer

#### Separation of the role of Chairman and the Chief Executive Officer

The Chairman of the Board is a non-executive appointment and is separate from the office of the CEO. The Chairman leads the Board and is responsible for ensuring the effectiveness of the Board and its

governance process, while the CEO is responsible for implementing the Group's business and policies, and for conducting the Group's business. The Chairman and the CEO are not related. The division of responsibilities and functions between the two has been demarcated with the concurrence of the Board.

### Role of the Chairman

The Chairman is responsible for leadership of the Board and is pivotal in creating the conditions for overall Board, Board Committee and individual Director effectiveness, both inside and outside the boardroom. This includes setting the agenda of the Board in consultation with the Directors and CEO, and promoting active engagement and an open dialogue among the Directors, as well as between the Board and the CEO. The Chairman ensures that adequate time is available for discussion of all agenda items, in particular strategic issues.



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

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

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

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

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

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

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

The Chairman also facilitates the effective contribution of non-executive directors in particular. In addition, the Chairman takes a leading role in ensure the Company's compliance with corporate governance guidelines. The Independent Directors confer among themselves when necessary, without the presence of the other directors, and the Independent Directors provide feedback to the Chairman after such meetings as appropriate.

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

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

### Role of the CEO

The CEO, he is the highest ranking executive officer of the Group and assisted by the management team. He is responsible for making strategic proposals to the Board and

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

## Principle 4: Board Membership

### Composition of the NC

The NC is chaired by Mr Lim Thean Ee. The other members of the NC are Mr Andrew Sin Kwong Wah and Mr Wee Piew. In compliance with the Code, the NC has three members, the majority of whom, including the chairman, are independent directors. The NC is guided by its written TOR which stipulates that its principal roles include maintaining a formal and transparent process for the appointment of new directors to the Board, determining the independence of directors and the appropriate Board size, reviewing and approving the appointment of key management personnel of the Group. The TOR of the NC are listed on pages 50 and 51 of this Report.

### The Role of the NC on Board Appointments

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

- the review of the size, composition and core competencies of and skills required by the Board and Board committees,
- the review of board succession plans for directors, in particular, the Chairman and for the CEO,

## Corporate Governance

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

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

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

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

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

The NC met once during the financial year ended 31 August 2017. The Company also maintains records of the deliberations and proceedings of the NC.

### Assessment of Independence of Directors

Procedures and control mechanisms are in place to ensure that the independence of the directors is monitored at regular intervals and updated expeditiously. Directors are required to submit declarations of independence annually and are

required to report to the Company any changes in their external appointments, interests in shares and other pertinent information, including any corporate developments relating to their external appointments, which may affect their independence.

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

### Multiple Board Representations and Appointment of Alternate Directors

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

- In support of their candidature for directorship or re-election, Directors are to provide the NC with details of other commitments and an indication of the time involved, and
- Non-executive Directors should consult the Chairman or chairman of NC before accepting any new appointments as Directors.

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

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

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

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

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

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

(a) Mr Lim Thean Ee and (b) Mr Sin Kwong Wah, Andrew

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

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

Name of Director	Appointment	Date of Initial Appointment	Date of Last Re-election Re-Appointment
Mr Lim Thean Ee	Independent Chairman	9 January 2014	23 December 2015
Mr Sin Kwong Wah, Andrew	CEO	24 September 1991	29 December 2014
Mr Wee Piew	Independent Director	1 May 2014	23 December 2016
Mr Masayoshi Taira	Non-Executive Director	24 September 1991	23 December 2015
Mr Pek Ee Perh, Thomas	Non-Executive Director	27 October 2014	23 December 2016

## Key information on Directors

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

## Principle 5: Board Performance

### Process for Assessing Board Performance

Reviewing of the performance of the Board as a whole, the Board committees and each director will be conducted by the NC annually. The NC has adopted a system for assessing the effectiveness of the Board as a

whole, the board committees, and each individual director. Each director was requested to participate in the appraisal process which focused on:

- the composition and degree of independence of the Board;
- information flow from management;
- Board's access to management and external experts;
- Investor relations and corporate social responsibility vis-à-vis the Board;
- Strategy review activities;
- appropriate financial measures to

assess the Board's stewardship;

- Board's management of the Company's performance
- Board committees' effectiveness;
- Chairman of the Board effectiveness; and
- CEO's performance and succession planning.

The performance criteria did not change from year-to-year. The Board and the NC have, with its best effort, ensured that directors appointed to the Board possess the background, experience, knowledge

## Corporate Governance

in business, finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board's performance, the adequacy of the blend of skillsets and experience of the Board, and the quality and timeliness of Board and Board committee meeting agendas and papers submitted by the Management. The review was internally undertaken with each director being asked to complete a questionnaire. Their feedback was collated and shared with the Board. The NC, having reviewed the overall performance of the Board and each Board committee in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board, each Board committee and each individual Director has been satisfactory. The Chairman will act on the results of the performance evaluation and, in consultation with the NC, will propose, where appropriate, new members to be appointed to the Board or seek resignation of Directors.

During FY2017, our Corporate Secretary assisted with the annual board evaluation process.

### Principle 6: Access to Information

#### Complete, Adequate and Timely Information

Management recognises that the flow of complete, adequate and timely information on an on-going basis to

the Board is essential to the Board's effective and efficient discharge of its duties. All directors have unrestricted access to Miyoshi's management records and information.

To allow directors sufficient time to prepare for the meetings, all scheduled Board and Board committee papers are distributed not less than a week in advance of the meeting to directors. This enables the discussion during the meeting to focus on questions that directors may have. The detailed papers include background information, related materials, budgets, forecasts and management accounts. The management also kept the Board apprised of material variances between the actual results, corresponding period of last year and the budget, with appropriate explanation on such variances. The Board is also updated on current business operations, opportunities and business trends. This enables the discussion during the meeting to focus on questions that directors may have. Any additional material or information requested by the directors is promptly furnished. Employees, who can provide additional insight into matters to be discussed, will be present at the relevant time during the Board and Board committee meetings.

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

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

#### Company Secretary

Directors have separate and independent access to the Company Secretary.

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

The Company Secretary assists the Chairman and the directors chairing the various Board committees in scheduling the Board and Board committee meetings respectively, advises the Board on all governance matters, as well as facilitates orientation and professional development as required. The appointment and removal of the Company Secretary are subject to the Board's approval as a whole.

#### Independent Professional Advice

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

During the financial year, the Board engaged professional advisers and experts to aid the Board in its determination of the valuation in relation to the acquisition of an industrial property in the Philippines, the valuation of our investment



properties and the valuation of our investment in the light electric vehicle business in China.

## B. REMUNERATION MATTERS

### Principle 7: Procedures For Developing Remuneration Policies

#### Remuneration Committee

The RC is chaired by Mr Lim Thean Ee. The other members of the RC are Mr Masayoshi Taira and Mr Wee Piew. In compliance with the Code, the RC has three members, the majority of whom, including the chairman, are independent directors. The TOR of the RC are listed on page 51 of this Report.

The RC plays an important role in helping to ensure that the Group is able to attract, recruit, motivate and retain the best talents through competitive remuneration and progressive and robust policies so as to achieve the Group's goals and deliver sustainable shareholder value. The RC's review cover all aspects of remuneration, including but not limited to Director's fees, salaries, allowance, bonuses, options, share-based incentives and awards, and benefits-in-kind. The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the Board. No director is involved in deciding his own remuneration.

The RC reviews the fairness and reasonableness of the service agreements of the executive director and key management personnel to ensure that there is no over onerous or generous termination clause. The RC met once during the financial year ended 31 August 2017. The Company also maintains records of the

deliberations and proceedings of the RC.

#### Remuneration Consultant

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

### Principle 8: Level and Mix of Remuneration

#### Performance-Related Remuneration

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

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

The CEO, as an Executive Director, does not receive directors' fees. As the highest ranking executive officer of the Group, his compensation consists of a fixed remuneration, variable bonus and share award. The annual review of the compensation of Executive Director is carried out by the RC to ensure that his remuneration commensurate with his performance, giving due regard to the financial and commercial health and business needs of the Group. The

performance of the CEO is reviewed periodically by the RC and the Board.

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

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

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

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

#### Remuneration of Non-Executive Directors

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

The Board concurred with the RC's proposal for non-executive Directors' fees for FY2017. The RC and the Board are of the view that the remuneration of the non-executive

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

### Long-term Incentive Scheme Miyoshi Restricted Share Plan 2016 ("RSP 2016")

The RSP 2016 is targeted at a broader base of senior executives and enhances the Company's ability to recruit and enhances the Company's ability to recruit and retain talented senior executives, as well as to reward for Group, Company and individual performance. It is a tool for staff retention as this restricted share plan is tied to a three-year vesting period. That is, one-third of the amount will vest on the first anniversary, another one-third of the amount will vest on the second anniversary and the last one-third on the third anniversary of the grant. All shares, however, will deliver only on the third anniversary.

For employees who retire, are retrenched due to company restructuring or downsizing or cease to be an employee of any Miyoshi Group of companies, except in the case of termination by such Miyoshi Group of companies with due cause or dismissal, before the third anniversary of the Date of Grant,

the allotted quantum may be adjusted but may still be awarded subject to the conditions set.

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

The RC administers the Miyoshi Restricted Share Plan 2016 and Miyoshi Performance Share Plan 2016.

### Miyoshi Employee Share Option Scheme ("ESOS")

The ESOS was adopted at an Extraordinary General Meeting ("EGM") of the Company held on 4 May 2001. The last grant under the Miyoshi ESOS was made on 31 January 2007 and the ESOS expired on 18 January 2017. The ESOS expired on 23 December 2016.

As at 31 August 2017, all share options granted under ESOS have lapsed and are cancelled.

### Contractual Provisions to Reclaim Incentive Components of Remuneration

Having reviewed and considered the variable components of the Executive Director and key management personnel, which are moderate, the RC is of the view that there is no

requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration paid in prior years on exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

### Principle 9: Disclosure of Remuneration

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

The annual remuneration of directors of the Company for the financial year ended 31 August 2017 is proposed as follows:

		Fixed	Variable	Total
Remuneration Band and Name of Director	Fee (%)	Remunerations (%)	Bonus (%)	Remunerations (%)
Below \$250,000:				
Wee Piew	100	-	-	100
Lim Thean Ee	100	-	-	100
Masayoshi Taira	100	-	-	100
Pek Er Perh, Thomas	100	-	-	100
\$500,000 to \$750,000:				
Sin Kwong Wah, Andrew	-	96.8	3.2	100

### Remuneration of Top 5 Key Management Personnel

As regards to disclosure of the remuneration of top five key management personnel, the Code recommends full disclosure of remuneration on a named basis. After considering this matter carefully, the Board has decided that disclosure of the top five key management personnel's detailed disclosure of the remuneration in exact dollar value will not be in the interests of the Company given the wage discrepancies in the industry and the competitive pressures that may result from such disclosure. The Company named and disclosed the remuneration of the Group's top five key management personnel in bands of \$250,000. The total aggregate remuneration paid to the Group's top five key management personnel during FY2017 was \$760,000.

The remuneration of key management personnel is as follows:

Remuneration Band and Name of Key Management Personnel	Fixed Remuneration (%)	Variable Bonus (%)	Allowance & Benefits (%)	Total Remuneration (%)
<b>Below \$250,000:</b>				
Ng Cheong Kiat	100.0	-	-	100
Khoo Teck Soon	100.0	-	-	100
Gan Yoke Fong, Karen	55.3	14.6	30.1	100
Tan Tiong Soon	93.0	7.0	-	100
Keh Ngen Fatt	100.0	-	-	100

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

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

### Remuneration of Certain Related Employees

There is no immediate family member of any Director or the Chief Executive Officer whose remuneration has exceeded \$50,000 for the financial year ended 31 August 2017.

### Grant of Share Awards

During FY2017, there was no grant of share awards pursuant to the Company's Restricted Share Plan and Performance Share Plan.

### Link between Remuneration and Performance

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

## C. ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

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

For the financial year ended 31 August 2017, Miyoshi's CEO and CFO have provided a written confirmation to the Board on the integrity of the Miyoshi's financial statements and on the adequacy and effectiveness of Miyoshi's risk management and internal control systems, addressing

## Corporate Governance

financial, operational and compliance risks including information technology risks. This certification covers Miyoshi and the subsidiaries that are under Miyoshi's management control. For interim financial statements, the Board provides of negative assurance to shareholders, in line with the Listing Rules. For the full year financial statements, the Board, with the concurrence of the AC provides an opinion that the financial statements give a true and fair view of the results of Miyoshi Group and Miyoshi will be able to pay its debts as and when they fall due. This, in turn, is supported by a negative assurance statement from the CEO and the CFO. Management provides directors on or prior to the day when the annual or quarterly financial results are released.

The Board also undertakes such effort with respect to other price sensitive public reports and reports to regulators, where required. Price sensitive information will be publicly released either before the Company meets with any groups of investors or analysts or simultaneously with such meetings. The Company believes that prompt compliance with statutory reporting requirements is imperative to maintaining shareholders' confidence and trust in the Company.

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

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

### Principle 11: Risk Management And Internal Controls

The Board has overall responsibility for the governance of risk and exercises oversight of the material risks in the Group's business. During the financial year ended 31 August 2017, the AC assisted the Board in the oversight of Group's risk profile and policies, adequacy and effectiveness of the Group's risk management system including the framework and process for the identification and management of significant risks, and reports to the Board on material matters, findings and recommendations pertaining to risk management. The AC also provides oversight of the financial reporting risk and the adequacy and effectiveness of the Group's internal control and compliance systems.

The Board has approved a Group Risk Framework for the identification of key risks within the business. This Framework defines 7 types of risks ranging from environmental to strategic and operational decision-making risks. The Group's risk management and internal control framework is aligned to the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Controls Integrated Framework. Major incidents and violations, if any, are also reported to the Board to facilitate the Board's oversight of the

effectiveness of crisis management and the adequacy of mitigating measures taken by Management to address the underlying risks.

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

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

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

The Second Line of Defence includes various risk management and compliance functions put in place by management to help ensure controls and risk management processes implemented by the first line of defence are designed appropriately and operating as intended. Miyoshi uses the ERM Framework for the



assessment of risks and PDCA Audits, which are conducted for each significant business units on a half-yearly basis, for internal monitoring and oversight functions.

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

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

Internal and external auditors conduct audits that involve testing the effectiveness of the material internal control systems in the Group, addressing financial, operational and compliance risks. Any material non-compliance or lapses in internal controls together with remedial measures recommended by internal and external auditors are reported to the AC. The AC also reviews the adequacy and timeliness of the actions taken by Management in response to the recommendations made by

the internal and external auditors. Control self-assessments (CSA) in key areas of the Group's operations are conducted by Management on a periodic basis to evaluate the adequacy and effectiveness of the risk management and internal control systems, including quarterly and annual certifications by Management to the AC and the Board respectively, on the integrity of financial reporting and the adequacy and effectiveness of the risk management, internal control and compliance systems.

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

The Board has received assurance from the CEO and CFO in respect of FY2017:

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

Based on the Group's 3LOD Framework, the internal controls established and maintained by the Group, work performed by internal and external auditors, and

reviews performed by Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management framework and systems were adequate and effective as at 31 August 2017 to address financial, operational, compliance and information technology controls and risk management systems, which the Group considers relevant and material to its operations.

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

Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate Board-level risk committee comprising independent directors is not required for the time being. Discussions on internal controls and risk management systems are currently included in our AC meetings and our AC comprised independent directors.

Further details of the Group's Risk Management Philosophy and Approach can be found on pages 60 and 61.

## Principle 12: Audit Committee

### Composition and Expertise of the AC

The AC is chaired by Mr Wee Piew. The other members of the AC are Mr Masayoshi Taira and Mr Lim Thean Ee. In compliance with the Code, the AC has three members, the majority of whom, including the chairman, are independent directors.

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

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

The AC met four times during the financial year ended 31 August 2017. The Company also maintains records of the deliberations and proceedings of the AC.

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

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

The AC reviews and reports to the Board at least annually on the adequacy and effectiveness of Miyoshi's system of internal controls, including financial, operational, compliance and information technology controls through discussions with management and the external auditor, at its quarterly AC meetings. The TOR of the AC are listed on pages 51 and 52 of this Report.

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

### External Auditor

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

For the financial year ended 31 August 2017, the AC met with the external auditors separately, without the presence of the Management, to discuss the reasonableness of the financial reporting process, and to review the adequacy of audit arrangements with particular emphasis on the observations and recommendations of the auditors, the scope and quality of their audits and the independence and objectivity of the auditors. Changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to the AC, and highlighted by the external auditors in their annual reviews with the AC. Where necessary, the AC may meet the internal auditors without presence of management.

The AC reviewed the independence and objectivity of the external auditor through discussions with them as well as a review of the volume and nature of non-audit services provided by the external auditor during the financial year under review. The aggregate amount of audit services provided by BDO LLP for FY2017 are \$80,000. BDO LLP did not provide non-audit services for FY2017. Based on this information, the AC is satisfied that the financial, professional and business relationships between Miyoshi and the external auditor will not prejudice their independence and objectivity. The AC, together with management, has evaluated their performance and concluded that BDO LLP has fulfilled its responsibilities as external auditor. The Board concurred with AC's endorsement. Accordingly, the Board recommends the re-appointment of BDO LLP at the coming AGM.

In the review of the financial statements for the financial year ended 31 August 2017, the AC discussed with management and the external auditor the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. Following the review and discussions, the AC recommended to the Board to approve the full-year financial statements.

## Whistleblowing Policy

Miyoshi has a whistleblowing policy in place which encourages employees and vendors to report malpractices and misconduct in the workplace. Miyoshi will protect employees, who have acted in good faith, from victimisation and harassment by their colleagues. Miyoshi will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Anonymous disclosures will be accepted and anonymity honoured.

Reports can be lodged by via email at [whistleblowing@sg.miyoshi.biz](mailto:whistleblowing@sg.miyoshi.biz).

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

## Keeping Abreast of Changes to Accounting Standards

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

## Interested Person Transactions Policy

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

## Material Contracts (Rule 1207(8) of the Listing Manual)

There were no material contracts entered into by Miyoshi or any of its

subsidiaries involving interests of any director or controlling shareholder during FY2017.

Exclusion from membership of AC  
None of the AC members were previous partners or directors of the existing auditing firm within the previous 12 months and that none of the AC members hold any financial interest in the auditing firm.

## Principle 13: Internal Audit

### Internal Audit

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

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

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

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## Line of Reporting and Activities

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

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

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

## Adequate of the Internal Audit Function

The annual plan of the internal audit is established in consultation with, but independent of management and is aligned with the risk management

framework of Miyoshi. The plan is submitted to and approved by the AC. The AC is satisfied that the internal auditors have adequate resources to perform its functions, and have appropriate standing within Miyoshi. The AC also reviews annually the adequacy and effectiveness of the internal auditors.

## Professional Standards and Competency

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

## Annual Review of the Adequacy and Effectiveness of the Internal Audit Function

Based on the internal controls established and maintained by the Group, work performed by the internal auditors and reviews performed by management and AC, the Board, with the concurrence of the AC, is satisfied that the Group's framework of internal controls and procedures is adequate as at 31 August 2017 to provide reasonable, but not absolute, assurance of achieving its internal control objectives and addressing financial, operational and compliance and information technology risks.

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

team of the Company.

## D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### Principle 14: Shareholder Rights

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

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

Shareholders are informed of general meetings through notices published in the newspaper and the Company's announcement via SGXNET as well as through the notice of the general meeting dispatched to them, together with explanatory notes or a circular on items of special business, at least 14 calendar days before the meeting. Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution.

The Board views the AGM and EGMs as the principal forum for dialogue with shareholders, being



an opportunity for shareholders to raise issues and ask the directors or management questions regarding the Company and its operations.

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

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

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

## Principle 15: Communication with Shareholders

Miyoshi remains committed to delivering high standards of corporate disclosure and transparency in our communications with shareholders, analysts and other stakeholders in the investment community. Miyoshi provides timely, regular and relevant information regarding the Group's strategy, performance and prospects to aid shareholders and investors in their investment decisions.

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

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

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

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

The Company is committed to achieving sustainable income and growth to enhance total shareholder return. The Group's policy aims to balance cash return to shareholders and investment for sustaining growth,

while aiming for an efficient capital structure. The Company does not have a fixed policy on payment of dividends, instead the issue of the payment of dividends is deliberated seriously and at length by the Board annually having regard to various factors.

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

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

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

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

## Corporate Governance

for addressing investors' queries or complaints as soon as possible.

### Principle 16: Conduct of Shareholder Meetings

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

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

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

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

Where it is not possible to provide immediate answers, the Chairman will

undertake to furnish the shareholder with a written answer after the AGM. The external auditors and legal advisors are also present to assist the Board as necessary.

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

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

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

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

At the Miyoshi AGM/EGM, mobile devices are used for poll voting. When shareholders register their attendance at the meeting, they are handed the

mobile device with details of their shareholding registered to the device. The shareholder is able to view his or her name and shareholding details which are clearly displayed on the device.

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

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

## Appendix – Key Terms of Reference

### Nominating Committee

- (1) Nomination of new directors to the Board and re-election/re-appointment of directors at regular intervals, having regard to provisions in the Constitution of the Company and the Code.
- (2) Review annually whether or not a director is independent, having regard to the guidelines of the Code and other factors that the NC considers salient.
- (3) Determine a suitable size of the Board which facilitates effective decision-making, after taking into consideration the scope and nature of the operations of the Company.

- (4) Develop and maintain internal guidelines to assess a director's ability and his/her performance in carrying out his/her duties as director of the Company. Review the directors' mix of skills, qualities and experiences that the Board requires to function competently and efficiently.
- (5) Recommend to the Board on appropriate internal guidelines to address the competing time commitments that are faced by directors serving on multiple boards.
- (6) Develop and maintain, as appropriate, a formal assessment process to evaluate the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board, as appropriate.
- (7) To rigorously review, as appropriate, the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment.
- (8) Review the appointment and termination/dismissal of the Company's CEO and Company Secretary for recommendation to the Board for approval. In addition, review and approve the appointment and termination/dismissal of personnel occupying key positions in the Company such as the CFO, Chief Operation Officer, Vice President, Financial Controller, General Manager or its equivalent.

## Remuneration Committee

- (1) Offer an independent perspective in assisting the Board in the establishment of a formal and transparent procedure for developing policy on remuneration matters for the

directors and key management personnel of the Company.

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

## Audit Committee

- (1) Assist the Board in fulfilling its responsibilities for the Company's financial reporting, management of financial and control risks and monitoring of the internal control systems. Review the financial reporting process, the system of internal controls and management of financial

risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and its own code of business conduct.

- (2) Ensure that arrangements are in place for the independent investigation of possible improprieties in matters of financial reporting or other matters that may be raised and that appropriate follow-up actions are taken.
- (3) Review and approve the external auditors' proposed audit plan, scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope. Review of the nature and extent of non-audit services provided by the external auditors. Monitor and assess the independence of the external auditors and their performance. Ensure significant findings and recommendations made by the external auditors are received and discussed in a timely manner. Ensure that management responds to recommendations made by the external auditors. Nomination of external auditors for re-appointment.
- (4) Review the activities and organisational structure of the internal audit function and ensure that there are no unjustified restrictions and limitations. Review and approve the internal audit plan with regard to the complementary roles of the internal and external audit functions. Ensure significant findings and recommendations made by the internal auditors are received and discussed in a timely manner. Ensure that management responds to recommendations made by the internal auditors.

- (5) Satisfies itself that adequate countermeasures are in place to identify and mitigate any material business risks associated with the Company. Review the adequacy of the Company's internal financial controls, operational, compliance and information technology controls, and risk management policies and systems established by the management. Ensure that a review of the effectiveness of the Company's internal controls is conducted at least annually.
- (6) Evaluate how management is reviewing the principal business risks and assess the appropriateness of the mechanisms in place to identify, prevent and minimise these business risks. Ensure an appropriate system is established to identify and report areas of potential business risk promptly in order for remedial actions to be taken. Assess at least annually the effectiveness of the control and risk management systems. Recommend to the Board its findings and propose course of actions to be taken by management to ensure controls are put in place to address these risks. Management is responsible for the actions to be taken.
- (7) Review the relevance and consistency of the accounting standards used by the Company and the Group, significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance. Review of annual

and interim financial statements and announcements prior to approving or recommending their release to the Board, as applicable.

- (8) Review and recommend for the Board's approval, all Interested Person Transactions, as specified under Chapter 9 of the SGX-ST Listing Manual.

### Additional Corporate Governance

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

### Dealing In Securities – Listing Manual Rule 1207(19)

#### Securities Dealing

To guard against insider trading, Miyoshi's Code of Dealing in Securities ("Code of Dealing") adopts a "black-out" policy that is consistent with what is prescribed in the Listing Manual. The Code of Dealing prohibits dealings in Miyoshi's securities by its Directors and employees for a period of two weeks before the release of the first, second and third quarter results, and one month before the release of the full-year results. The CFO informs all Directors and employees of each black-out period ahead of time.

The Code of Dealing also prohibits Directors and employees with access to material non-public and price-sensitive information in the course of their duties from trading in securities in which they possess such price-

sensitive information. The Code of Dealing also discourages employees from engaging in short-term speculative trading, and states that investment decisions should be geared towards long-term investment.

### Code of Conduct and Practices

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

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

### Interested Person Transactions

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



The details of the Interested Person Transactions for the year ended 31 August 2017 are as follows:

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

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

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

## Material Contracts

Since the end of the previous financial year, no material contracts involving the interest of any Director or controlling shareholder of Miyoshi has been entered into by Miyoshi or any of its subsidiary companies, and no such contract subsisted as at 31 August 2017 or if not subsisting, were entered into since 1 September 2017.

## Sponsor

During FY2017, non-sponsorship related fees of an aggregate of approximately \$33,000 were paid to CIMB Securities (Singapore) Pte. Ltd. ("CIMB Securities"), a related entity of the Company's sponsor, CIMB Bank Berhad, Singapore Branch, in connection with CIMB Securities' role as the placement agent of the Company's Placement completed in June 2017.

## Update on Use of Proceeds

The Group raised net proceeds of \$2.95 million from its share placement in June 2017 ("Placement"), which has been fully utilised as at 27 October 2017. The Company has re-allocated \$1.92 million of the net proceeds from the Placement from general working capital to new business investments. Please refer to the Company's announcement dated 27 October 2017 on the SGXNET in relation to the full utilisation of net proceeds from the Placement.

Purpose	Allocation of Net Proceeds ('\$000)	Amount re-allocated ('\$000)	Revised allocation of Net Proceeds ('\$000)	Net Proceeds utilised ('\$000)	Balance of Net Proceeds ('\$000)
New business investments	1,032	1,918	2,950	(2,950)	-
General working capital purposes	1,918	(1,918)	-	-	-
Total	2,950	-	2,950	(2,950)	-

The net proceeds has been used as a refundable deposit place with Core Power (Fujian) Electric Co., Ltd. for possible further investments in Core Power (Fujian) New Energy Automobile Co., Ltd.

# Corporate Governance Checklist

## General

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

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

**A:** Yes, the Company has complied in all material respects with the principles and guidelines of the Code of Corporate Governance 2012, save for the disclosure of the remuneration of each director and the CEO on a named basis, to the nearest thousand dollars.

Disclosure of the remuneration of each director and the CEO on a named basis, to the nearest thousand dollars.

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

**A:** Not applicable.

## Board Responsibility Guideline 1.5

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

**A:** Material items that require Board approval include:

- The Group's strategic plans;
- The Group's annual operating plan and budget;
- Full-year, half-year and quarterly financial results;
- Dividend pay-out;
- Issue of shares;
- Board succession plans;

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

## Members of the Board Guideline 2.6

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

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

to be selected on the basis of their experience, skills, knowledge, insight and relevance to the Board.

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

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

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

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

**A:** The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

## Guideline 4.6

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

**A:** In the nomination and selection

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

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

## Guideline 1.6

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

**A:** Yes, new directors are given formal training.

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

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

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

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

Briefings and Updates Provided for Directors in FY2017

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

The directors also attend other appropriate courses, conferences and seminars at Miyoshi's expense. These include programmes run by the Singapore Institute of Directors, of

which Miyoshi is a corporate member, and SGX Academy.

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

## Guideline 4.4

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

**A:** The Board has adopted an internal guideline that seeks to address the competing time commitments that may be faced when a Director holds multiple board appointments. The guideline provides that, as a general rule, each Director should hold no more than six directorships in public listed companies. However, the Board recognises that the individual circumstances and capacity of each Director are different and there may be circumstances in which a different limit on board appointments is appropriate.

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

**A:** Not applicable.

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

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

# Corporate Governance Checklist

## Board Evaluation Guideline 5.1

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

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

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

The NC conducted a collective assessment of the Board to gauge the effectiveness of the Board's performance, the adequacy of the blend of skillsets and experience of the Board, and the quality and timeliness of Board and Board committee meeting agendas and papers submitted by the Management. The review was internally undertaken with each director being asked to complete a

questionnaire. Their feedback was collated and shared with the Board. The NC, having reviewed the overall performance of the Board and each Board committee in terms of its roles and responsibilities and the conduct of its affairs as a whole, and the individual Director's performance, is of the view that the performance of the Board, each Board committee and each individual Director has been satisfactory. The Chairman will act on the results of the performance evaluation and, in consultation with the NC, will propose, where appropriate, new members to be appointed to the Board or seek resignation of Directors.

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

**A:** Yes.

## Independence of Directors Guideline 2.1

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

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

## Guideline 2.3

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

**A:** No.

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

**A:** Not applicable.

## Guideline 2.4

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

**A:** No.

## Disclosure of Remuneration Guideline 9.2

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

**A:** Yes, save for the disclosure of the remuneration of each director and the CEO on a named basis, to the nearest thousand dollars, the details of each Director's and the CEO's remuneration are fully disclosed.

## Guideline 9.3

**Q:** (a) Has the Company disclosed each key management personnel's remuneration, in bands of \$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based



**incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?**

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

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

**A:** The aggregate remuneration, comprising total cash and benefits, paid to the top five key management for FY2017 amounted to \$760,000, as indicated on page 43.

## Guideline 9.4

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

**A:** No.

## Guideline 9.6

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

**A:** The RC and the Board believes that its remuneration and reward system is aligned with the long-term interests and risk management policies of the Company and that a competitive remuneration and reward system based on individual performance is important to attract, retain and incentivise the best talent. In setting remuneration packages, the RC takes into account pay and employment

conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individual Directors.

The CEO, as an Executive Director, does not receive directors' fees. As the highest ranking executive officer of the Group, his compensation consists of a fixed remuneration, variable bonus and share award. The annual review of the compensation of Executive Director is carried out by the RC to ensure that his remuneration commensurate with his performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO is reviewed periodically by the RC and the Board. The remuneration for key management personnel comprises a fixed remuneration, allowance and benefits, variable bonuses and share award based on the performance of the Group as a whole and their individual performance.

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

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

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

anniversary, another one-third of the amount will vest on the second anniversary and the last one-third on the third anniversary of the grant. All shares, however, will deliver only on the third anniversary.

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

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

Risk Management and Internal Controls

## Guideline 6.1

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

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

# Corporate Governance Checklist

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

## Guideline 13.1

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

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

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

## Guideline 11.3

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

**A:** Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, and reviews performed by Management and various Board Committees, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management framework and systems were adequate and effective as at 31 August 2017 to address financial, operational and compliance risks, including information technology risk, which the Group considers relevant and material to its operations.

Please refer to the section "Miyoshi Risk Management" in the Corporate Governance Report for further details.

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

**A:** Yes.

## Guideline 12.6

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

**A:** Audit fees paid to:

- BDO: \$80,000
- Other auditors: \$71,000

Non-audit fees paid to:

- BDO: Nil
- Other auditors: \$9,000

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

**A:** Not applicable.

## Communication with Shareholders Guideline 15.4

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

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

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

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

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

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

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

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

### Guideline 15.5

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

**A:** Not applicable.

# Risk Management

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

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

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

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

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

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

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

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

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

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

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

## Bolstering Operational Readiness

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

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

## Enhancing a Risk-Centric Culture

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



business processes.

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

## Proactive Risk Management

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

## Managing Key Risks

The key risks identified and appropriate mitigating actions undertaken by Miyoshi in 2017 are as follows:

### (1) Natural Disaster Risks

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

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

### (2) Fraud/Corruption Risks

Effective internal controls can greatly reduce the risk of fraud and corruption. Miyoshi has put

in place the code of conduct, insider trading and whistle-blower protection policies, financial authority limits and control self-assessment tools to mitigate the risk of fraud, corruption and misconduct by staff.

Internal and external audits are conducted regularly to prevent, detect and mitigate fraud risk.

### (3) Competition

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

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

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

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

### (5) Business Continuity Risks

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

Critical business functions are determined and alternative

processes, resource requirements and interdependencies are identified to support operation at times of disruption.

### (6) Succession Planning

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

### (7) Credit Risks

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

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

### (8) Cyber Security Risks

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

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

# Letter from CEO on Sustainability



**“Sustainability in all its forms – economic, environmental, social and governance – is central to our strategy.”**

**- Andrew Sin Kwong Wah**

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

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

The 2017 Sustainability Report highlights our pursuit of better ways of doing business – ways that, whenever possible, benefit both our stakeholders and the environment. This report explains how Miyoshi integrates sustainability into the fabric of the Group.

Our strategic focus on business sustainability served us well in FY2017. Our revenue and earnings per share were up from previous year. These results follow a multi-year pattern of consistently improving operating and financial performance driven by our strategic framework

of sustained growth, operational excellence, favourable cash flow and a commitment to our values of integrity, quality, innovation and teamwork.

We also retained a strong balance sheet while returning cash to shareholders in FY2017. Miyoshi paid approximately \$1.8 million in dividends during the year, and executed \$0.2 million in share-buybacks. We will continue our history of annual dividend payments, subject to the approval by the shareholders at the forthcoming Annual General Meeting.

Our people feel they are winning – individually, as a team and as a company. It was particularly inspiring to see Miyoshi making significant improvements in both the absolute scores and rankings in the Singapore Governance and Transparency Index 2017. We were also awarded the Winner of the ‘Transparency Award – SME 2017’ in 18th Investors’ Choice Awards organised by Securities Investors Association Singapore (SIAS).

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

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

I am proud of our team for delivering the first sustainability report for the Group’s financial year ended 31 August 2017. It provides a detailed account of our sustainability performance in all our operations and a sustainability report will be published annually thereafter in accordance with our sustainability efforts.

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

Sincerely,

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

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

## Sustainability Governance Structure

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

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

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

## About our Reporting

Our sustainability reporting is prepared in accordance with the Global Reporting Initiative (“GRI”) G4: Core Option as it provides a set of an extensive framework that is widely accepted as a global standard for sustainability reporting. In defining our reporting content, we applied the GRI’s principles for defining report content by considering the Group’s activities, impacts and substantive expectations and interests of its stakeholders. We observed a total of four principles, including materiality, stakeholder inclusiveness, sustainability index and completeness.

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

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

## External Charters, Principles or Other Initiatives

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

## Member of Industry Associations

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

- (a) Singapore Business Federation
- (b) Singapore Manufacturer’s Federation
- (c) Singapore Chinese Chamber of Commerce and Industry
- (d) Thailand Tool and Die Industry Association

## Our Material Analysis

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

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

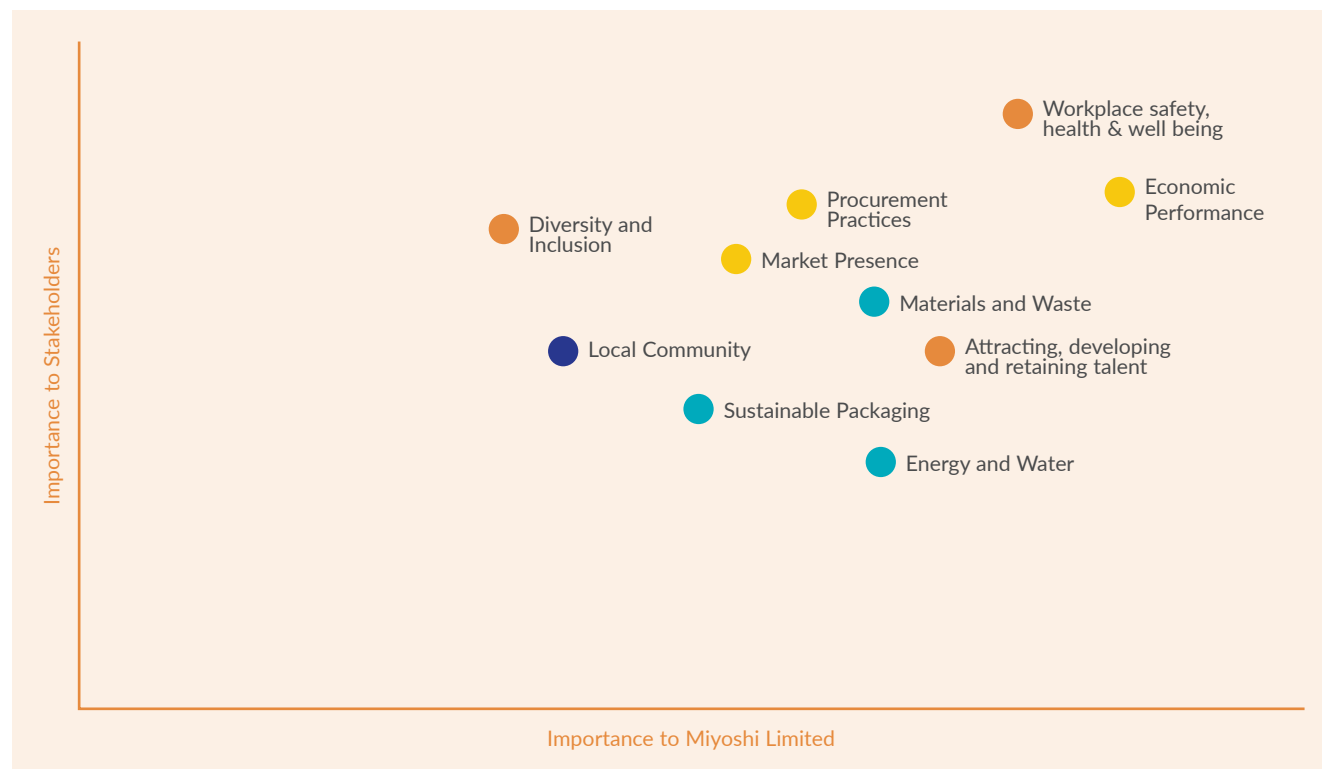
The initial identification of the material EESG factors were followed by extensive consultation with internal stakeholders, including members of the management team, to establish the direction for sustainability reporting.

## Sustainability

The SSC also examined the evaluation criteria applied by the relevant sustainability indices and rankings to understand the EESG matters of interest to our stakeholders to ensure completeness. We considered the guiding principles from the Singapore Exchange in its Catalist Rules Practice Note 7F – Sustainability Reporting Guide.

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

### Materiality Matrix



### Aspect Boundaries

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

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

### What our Stakeholders are telling us

At Miyoshi, we believe that constructive stakeholder engagement enables us to serve the needs of our customers more effectively, to build meaningful careers for our people and to make a difference in the communities in which we operate.

Stakeholders include those who are invested in Miyoshi, such as employees, shareholders, customers, suppliers, as well as those who have other relationships to the organisation, such as local communities and regulators.

By gathering stakeholder feedback through dialogue, collaboration and cooperation, we secure insights into the EESG factors that matters most to them and that are relevant to our business.



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

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2017
Customers	<ul style="list-style-type: none"> <li>• Good quality products</li> <li>• Competitive pricing</li> <li>• Strong technical support</li> <li>• Prompt service and resolution of defects</li> <li>• w</li> </ul>	<ul style="list-style-type: none"> <li>• Meet customers' expectations on product quality and timeliness of deliveries</li> <li>• Communicating with our customers on their preferred channel, be it in person, online or on the phone</li> <li>• Providing timely response to customers for quotations, queries and complaints</li> <li>• Maintaining effective work instructions and good quality management systems</li> <li>• Emphasis on continuous improvement programme</li> <li>• Ability to attract, develop and retain talent</li> </ul>	<ul style="list-style-type: none"> <li>• Face-to-face meetings</li> <li>• Tele-conversations</li> <li>• Emails</li> </ul>
Employees	<ul style="list-style-type: none"> <li>• Work-life balance</li> <li>• Competitive wage and benefits</li> <li>• Trust and respect</li> <li>• Career development</li> <li>• Job satisfaction and recognition</li> <li>• Fair employment practices</li> <li>• Workplace well-being</li> <li>• Conducive work environment</li> </ul>	<ul style="list-style-type: none"> <li>• Creating a values-based organisational culture</li> <li>• Providing opportunities for training and development</li> <li>• Enabling our colleagues Group-wide to be informed and engaged in order to contribute effectively</li> <li>• Promoting teamwork and supporting one another to achieve shared goals</li> <li>• Ensuring fair human resource policies</li> <li>• Allow flexible work arrangements</li> <li>• Providing health and wellness benefits</li> <li>• Maintaining workplace health and safety</li> </ul>	<ul style="list-style-type: none"> <li>• One-on-one sessions</li> <li>• HR policies and procedures</li> <li>• Open door policy by management</li> <li>• Recreational activities</li> </ul>

Stakeholders	What They Expect	How We Meet Their Expectations	How We Engaged Them in 2017
Shareholders, Investors and Analysts	<ul style="list-style-type: none"> <li>Stable and sustainable growth and profitability</li> <li>Reasonable returns to shareholders</li> <li>Strong balance sheet</li> <li>Strong corporate governance and transparency</li> <li>Timely disclosures</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring strong oversight and accountability by an experienced and competent Board and Management team</li> <li>Adopting a disciplined and measured approach towards business risks and opportunities</li> <li>Ensuring robust risk governance and management</li> <li>Maintaining a strong corporate governance culture</li> <li>Ensuring timely disclosure and reporting</li> </ul>	<ul style="list-style-type: none"> <li>General meetings with shareholders</li> <li>Quarterly financial reports</li> <li>Annual reports</li> <li>SGXNet announcements</li> <li>Road shows</li> </ul>
Community	<ul style="list-style-type: none"> <li>Employment opportunities</li> <li>Good corporate citizenry</li> </ul>	<ul style="list-style-type: none"> <li>Encouraging strategic investments that drive economic growth and social development</li> <li>Creating jobs in local economies</li> <li>Giving back to society through programmes focused on environment, aged and education</li> </ul>	<ul style="list-style-type: none"> <li>Partnerships with voluntary welfare organisations</li> <li>Donations</li> </ul>
Government and Regulators	<ul style="list-style-type: none"> <li>Upholding of the highest standards of corporate governance and ethical behaviour</li> <li>Prevention of fraud and money-laundering</li> <li>Financial stability</li> <li>Taxes</li> <li>Support of the development of local economies and industry</li> </ul>	<ul style="list-style-type: none"> <li>Complying with applicable and current laws, regulations and policies</li> <li>Maintaining sound risk management systems and processes</li> <li>Conducting regular internal and external audits</li> </ul>	<ul style="list-style-type: none"> <li>Regular meetings with local authorities</li> <li>Consultations with regulatory bodies</li> <li>Annual reports</li> <li>Audit reports</li> </ul>
Suppliers	<ul style="list-style-type: none"> <li>Fair vendor selection process</li> <li>Ethical conduct</li> <li>Timely payment</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring integrity in all purchasing decisions</li> <li>Adhering to agreement terms</li> </ul>	<ul style="list-style-type: none"> <li>Requests for Quotations and/or Proposals</li> <li>Vendor briefings</li> <li>Purchase agreements</li> <li>Periodic reviews</li> </ul>

## Sustainability Reporting Processes



### Identification

Identification of material EESG factors to the Group



### Consultation

Extensive consultation with internal stakeholders to establish direction for sustainability reporting



### Evaluation

Examine the evaluation criteria to ensure completeness

## Our Material EESG Factors

### Economic

#### Objective

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

#### Approach and Targets

##### (a) Economic Performance

Management have been developing a more resilient and diversified revenue model, such as recurring rental income and revenue from non-core business, such as revenue from optoelectronics business

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

##### (b) Market Presence

Management also ensures that management is drawn from the local communities in countries which we have operations so that it can benefit the local communities. Diversity within a management team and the inclusion of members from the local communities, can enhance human capital, brings economic benefit to the local

communities and the organisation's ability to understand local needs.

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

##### (c) Procurement Practices

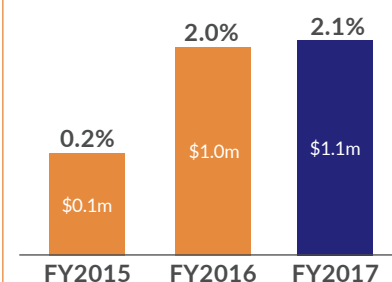
Miyoshi depends on high-quality, safe, affordable supply of materials to meet the demands of our operations and the expectations of our customers to deliver consistent products. Our sourcing is a complex and often decentralised issue.

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

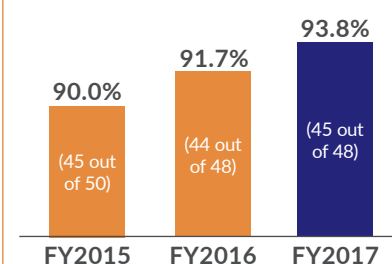
**Target:** To increase the use of locally-based suppliers to 70% of materials by FY2020.

## Performance Highlights (Economic)

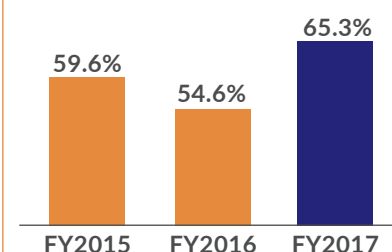
### Revenue from non-core business vs total revenue



### Proportion of management hired from local communities



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



## Environmental

### Objective

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

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

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

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

### Approach and Targets

#### (a) Materials and Waste

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

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

Our approach is to minimise quality scrap by keeping our employees trained and motivated. We believe our people are still key to our Group's success. It is our workers who set up, operate, and maintain the machinery that we use to meet our production goals. Keeping their skills up to date while motivating them to find ways to improve efficiency is a key part of minimising scrap.

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

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

#### (b) Energy and Water

Managing energy and water is important to our bottom line and the environment. Our factories require energy, approximately 10,755 megawatt hours (MWh) regionally in FY2017.

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

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

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

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

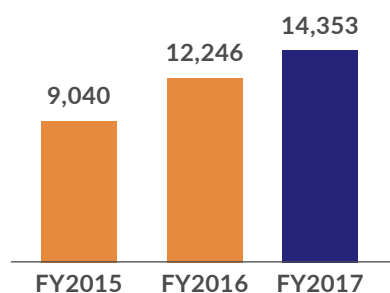
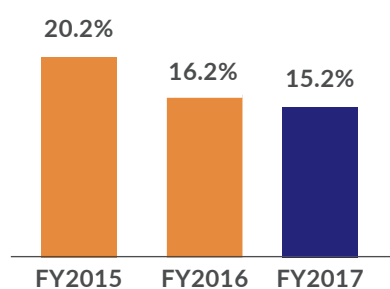
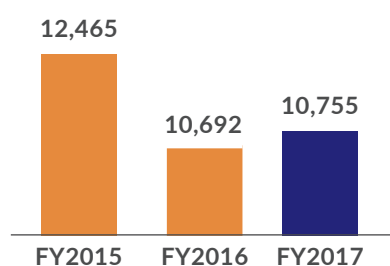
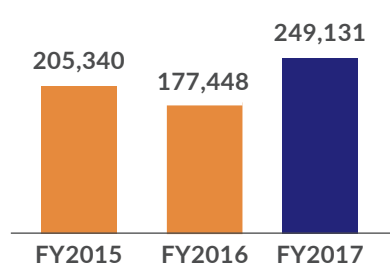
**(c) Sustainable Packaging**

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

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

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

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

**Performance Highlights (Environmental)****Materials (metals) consumption (tonnes)****Scrap (as % of materials)****Electricity Consumption (MWh)****Water Consumption (CuM)****Social: Labour Practices And Decent Work****Objective**

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

**Approach and Targets****(a) Attracting, developing and retaining talent**

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

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

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

**(b) Diversity and Inclusion**

Miyoshi's employees are diverse and we ensure that our leadership has broad, global perspectives. We recruit top talent from diverse backgrounds and cultures around the region. Our employees need



## Sustainability

to reflect the diverse markets and customers we serve.

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

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

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

### (c) Workplace safety, health and well-being

Creating and sustaining a safety-focused, zero-incident culture is a top priority for everyone at Miyoshi. This commitment starts with our CEO and permeates the entire organisation.

At Miyoshi, everyone is responsible for their own safety and the safety of their co-workers' safety. We promote open discussions with management regarding work-related hazards and safety issues.

Our manufacturing sites conduct monthly environmental, health and safety (EHS) meetings. These meetings raise awareness of safety compliance issues and provide our employees with opportunities to share best practices.

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

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

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

We have attained zero work-related fatality for the last three years.

## Performance Highlights (Social)

### Total Headcount



Male

**48.7%**  
408



Female

**51.3%**  
430

<30 years old

**20.9%**  
175

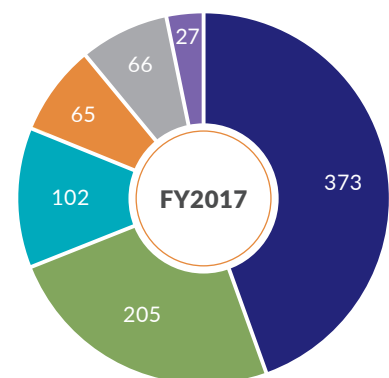
30-50 years old

**72.2%**  
605

>50 years old

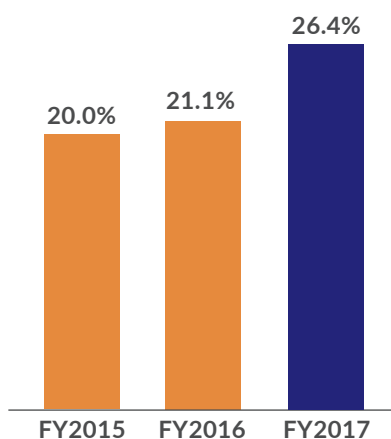
**6.9%**  
58

### Total Headcount (region)

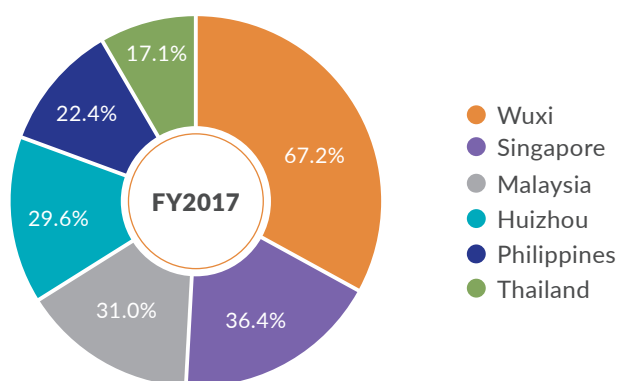


- Philippines
- Thailand
- Huizhou
- Wuxi
- Malaysia
- Singapore

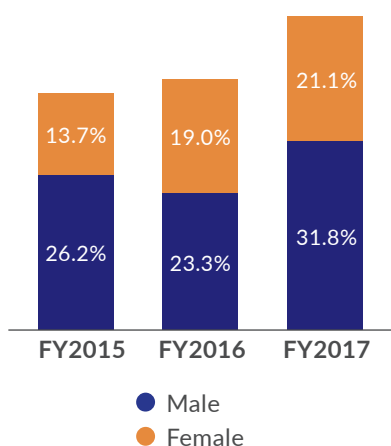
Attrition Rate (Group)



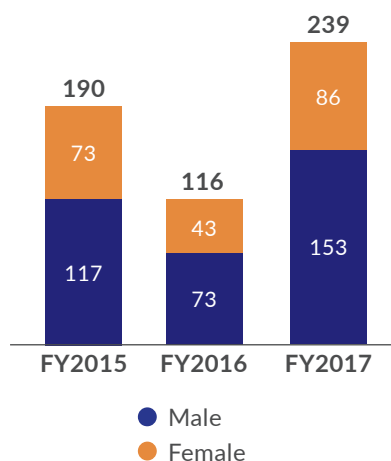
Attrition Rate (region)



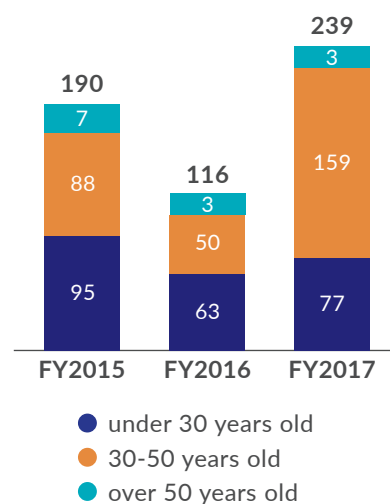
Attrition Rate (gender)



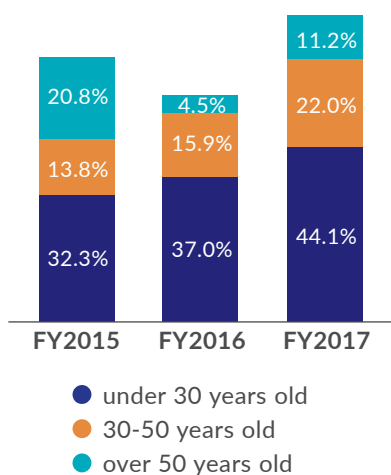
Total Number of New Hires (gender)



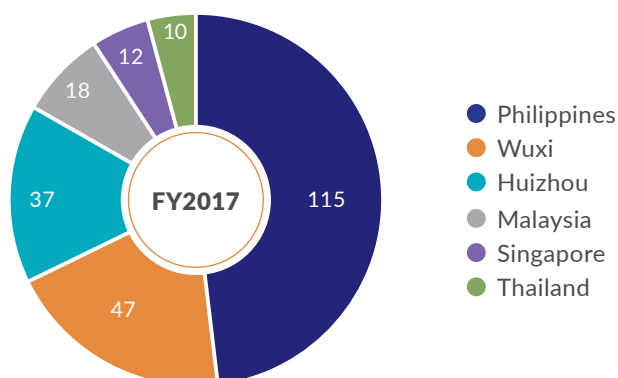
Total Number of New Hires (age)



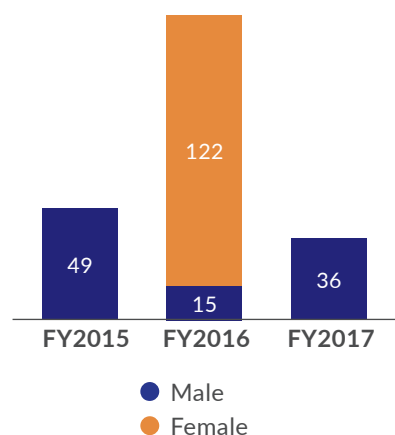
Attrition Rate (age)



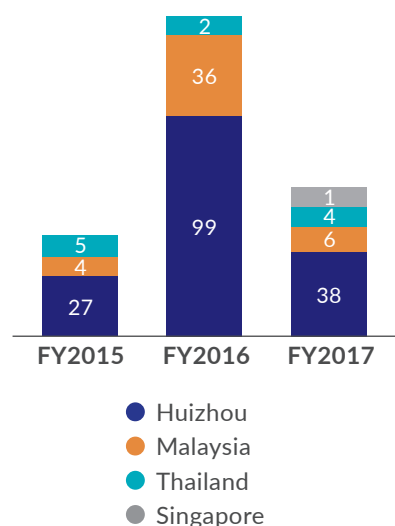
Total Number of New Hires (region)



Number of Lost Days (gender)



Number of Lost Days (region)



## Social: Society

### Objective

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

Employee-led volunteer Green Teams take part in community projects that seek to help the environment, increase capacity and enhance quality of life.

### Approach and Targets

#### Local Communities

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

Employee Green Team from Miyoshi Thailand are making a positive impact in their communities. We aim to build social sustainability programs with lasting impact in the communities where we operate and live. A pilot program in Kong Kon Samusakorn, Thailand, hosted a successful tree planting activity in their community on 24 November 2007. Since then, the

Green Team had tree planting activities in various parts of Thailand, including Bangpool, Khao Yai National Park and Nakhon Sawan Province.

On 17 June, 2017, the Miyoshi Thailand launched its fifth tree planting activity. The event attracted more than 200 volunteers from Miyoshi Thailand. This year's activity invited volunteers' families for participation. All the family members worked hand-in-hand to dig holes, plant seedlings and deliver on their commitments to environmental protection. A total of 600 trees were planted and lined up along the highly eroded coastal shoreline at Samut Sakhon. The program aims to plant 5,000 trees over 15 years to protect green environment in various parts of the Thailand. So far, a total of 3,000 trees have been planted.

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

## Governance: Corporate Governance, Risk Management And Transparency

### Objective

We strive to achieve high standards of corporate governance, business



From left to right:

- 1 Core Power Executives visit Miyoshi Singapore, July 2017
- 2 Sales Retreat in Bali, November 2016



integrity and professionalism to ensure sustainability of the Company's businesses and performance as well as to safeguard shareholders' interests and maximise long-term shareholder value.

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

## Approach and Targets

### (a) SGTI score

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

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

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

### (b) SGTI ranking

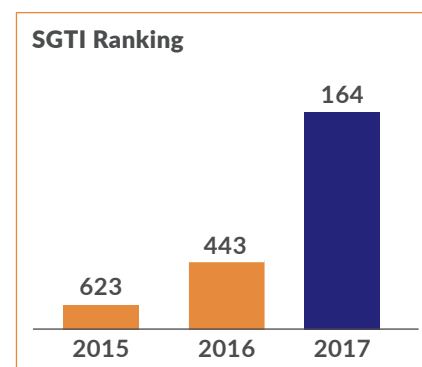
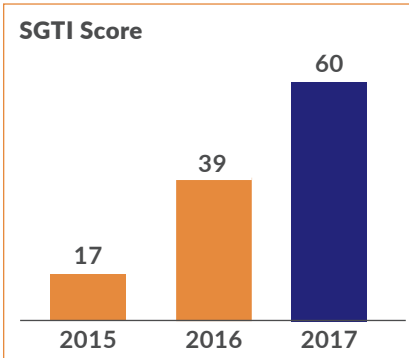
SGTI 2017 covered 606 Singapore-listed companies in the General Category and 42 Reits and business trusts which released their annual reports by 31 May 2017.

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

## Performance Highlights

### Sustainability Contact

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



# GRI Content Index

GRI Ref	General Standard Disclosures / Description	Where have we disclosed this
<b>Strategy and Analysis</b>		
G4-1	Board Statement	Letter from CEO on Sustainability (page 62)
G4-3	Name of the organisation	Miyoshi Limited
G4-4	Products and services	Our Business Model (pages 18 to 20)
G4-5	Location of the organisation's headquarters	Singapore
G4-6	Countries of operation	Where We Are (page 2)
G4-7	Nature of ownership and legal form	Note 1 (page 84)
G4-8	Markets served	CFO Statement (pages 24 to 27)
G4-9	Scale of the organisation	Who We Are (Cover inside page)
G4-10	Profile of workforce	Sustainability: Social (pages 69 to 72)
G4-11	Percentage of total employees covered by collective bargaining agreements	10.1%
G4-12	Organization's supply chain	Our Business Model (pages 18 to 20)
G4-13	Significant changes regarding the organisation's size, structure, ownership, or its supply chain	There were no significant changes to our organisational profile during the reporting period
G4-14	Precautionary approach or principle addressed by the organisation	Risk Management (pages 60 and 61)
G4-15	Subscription to externally developed economic, environmental and social charters, principles and initiatives	Not applicable
G4-16	Members of industry associations, committees	Sustainability (page 63)
<b>Identified Material Aspects and Boundaries</b>		
G4-17	List all entities included in the organisation's financial statements	Financial Statements: Subsidiaries (pages 105 to 108)
G4-18	a. Process for defining the report content and the Aspect Boundaries	About our Reporting (page 63)
	b. How the organisation has implemented the Reporting Principles for Defining Report Content	
G4-19	Material Aspects	Our Materiality Analysis (pages 63 and 64)
G4-20	Aspect Boundary within the organisation for each Material Aspect	Aspect Boundaries (page 64)
G4-21	Aspect Boundary outside the organisation for each Material Aspect	
G4-22	Effects of any restatements of information provided in previous reports and reasons for such restatements	None
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	Not applicable



GRI Ref	General Standard Disclosures / Description	Where have we disclosed this
Stakeholder Engagement		
G4-24	List of stakeholder groups engaged by the organisation	What our Stakeholders are telling us pages 64 to 66)
G4-25	The basis for identification and selection of stakeholders with whom to engage	
G4-26	Approach to stakeholder engagement, frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns.	
Report Profile		
G4-28	Reporting Period	1 September 2016 to 31 August 2017
G4-29	Date of most recent previous report (if any)	Not applicable
G4-30	Reporting cycle	Annual
G4-31	Contact point	Sustainability Contact (page 73)
G4-32	a. Choice of 'in accordance' option b. GRI Content Index c. External Assurance Report	GRI G4 - Core GRI Content Index (pages 74 to 76) None
G4-33	Policy and practice with regard to seeking external assurance for the report	Not externally audited
Governance		
G4-34	Governance structure	Corporate Governance (pages 32 to 40)
G4-35	Authority	
G4-38	Composition of the highest governing body and its committees	
G4-39	Board Chairman and CEO	
G4-40	Board nomination and selection processes	
G4-41	Conflicts of Interest	
G4-42	Roles of highest governance body and senior executives	
G4-44	Board Performance	
G4-46	Review of Risk Management	Risk Management (pages 60 and 61)
G4-51	Remuneration Policy	Corporate Governance (pages 41 to 43)
G4-52	Process for determining remuneration	

## GRI Content Index

GRI Ref	General Standard Disclosures / Description	Where have we disclosed this
<b>Governance</b>		
G4-56	Values, principles, standards and norms of behaviour	Our vision, mission and values (page 1)
G4-58	Whistle-blowing	Corporate Governance (page 47)
<b>Category: Economic</b>		
G4 DMA	Disclosures on Management Approach	Our EESG Factors: Economic (page 67)
<b>Aspect: Economic Performance</b>		
G4-EC1	Direct Economic Value Generated and Distributed	Economic Value and Our Stakeholders (page 21)
<b>Aspect: Market Presence</b>		
G4-EC6	Proportion of Senior Management Hired from the Local Community	Our EESG Factors: Economic (page 67)
<b>Aspect: Procurement Practices</b>		
G4-EC9	Proportion of Spending on Local Suppliers	Our EESG Factors: Economic (page 67)
<b>Category: Environment</b>		
G4 DMA	Disclosures on Management Approach	Our EESG Factors: Environment (pages 68 and 69)
<b>Aspect: Materials</b>		
G4-EN1	Materials Used by Weight or Volume	Our EESG Factors: Environment (pages 68 and 69)
<b>Aspect: Energy</b>		
G4-EN3	Energy Consumption Within the Organisation	Our EESG Factors: Environment (pages 68 and 69)
<b>Aspect: Water</b>		
G4-EN8	Total Water Withdrawal by Source	Our EESG Factors: Environment (pages 68 and 69)
<b>Category: Social</b>		
G4 DMA	Disclosures on Management Approach	Our EESG Factors: Social (pages 69 to 72)
<b>Aspect: Employment</b>		
G4-LA1	Total Number and Rates of New Employee Hires and Employee Turnover by Age Group, Gender and Region	Our EESG Factors: Social (pages 69 to 72)
<b>Aspect: Occupational Health and Safety</b>		
G4-LA6	Type of Injury and Rates of Injury, Occupational Diseases, Lost Days, And Absenteeism, and Total Number of Work-Related Fatalities, by Region and by Gender	Our EESG Factors: Social (pages 69 to 72)
<b>Aspect: Training and Education</b>		
G4-LA9	Average Hours of Training Per Year Per Employee by Gender, and Employee Category	Our EESG Factors: Social (pages 69 to 72)
<b>Sub-category: Society</b>		
G4 DMA	Disclosures on Management Approach	Our EESG Factors: Social (pages 69 to 72)
<b>Aspect: Local Communities</b>		
G4-SO1	Local community engagement	Our EESG Factors: Social (pages 69 to 72)

# Statements of Financial Position

As at 31 August 2017

		Group		Company	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and bank balances	4	8,697	12,422	1,545	5,638
Fixed deposits	4	133	137	-	-
Trade and other receivables	5	18,372	14,065	6,958	4,430
Prepayments		195	96	98	21
Inventories	6	5,449	5,203	-	70
		32,846	31,923	8,601	10,159
Assets classified as held for sale	7	3,569	-	3,569	-
<b>Total current assets</b>		36,415	31,923	12,170	10,159
<b>Non-current assets:</b>					
Subsidiaries	8	-	-	27,758	19,839
Available-for-sale financial assets	9	8,978	9,013	8,978	9,013
Property, plant and equipment	10	27,504	28,883	931	4,598
Investment properties	11	6,584	7,503	-	-
Intangible assets	12	13	18	-	4
Deferred tax assets	13	20	3	-	-
Other receivables	5	103	320	-	320
<b>Total non-current assets</b>		43,202	45,740	37,667	33,774
<b>Total assets</b>		79,617	77,663	49,837	43,933
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities:</b>					
Trade and other payables	14	9,053	8,476	2,743	3,422
Current income tax payable		110	32	-	-
Bank loans	15	7,348	6,241	1,702	1,892
<b>Total current liabilities</b>		16,511	14,749	4,445	5,314
<b>Non-current liabilities:</b>					
Bank loans	15	2,665	5,009	642	2,276
Other payable	14	436	824	2,086	781
Provisions	16	368	463	-	-
Deferred tax liabilities	17	226	427	-	-
<b>Total non-current liabilities</b>		3,695	6,723	2,728	3,057
<b>Total liabilities</b>		20,206	21,472	7,173	8,371

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

# Statements of Financial Position

As at 31 August 2017

		Group		Company	
	Note	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Equity:</b>					
Share capital	18	42,259	39,309	42,259	39,309
Treasury shares	18	(200)	–	(200)	–
Revaluation reserve	18	666	666	–	–
Fair value reserve	18	(12)	(12)	–	–
Other reserve	18	964	823	–	–
Share options reserve	18	–	217	–	217
Currency translation reserve	18	(11,402)	(11,514)	(11,625)	(11,388)
Retained earnings		24,782	24,191	12,230	7,424
<b>Equity attributable to owners of the parent</b>		<b>57,057</b>	<b>53,680</b>	<b>42,664</b>	<b>35,562</b>
Non-controlling interests		2,354	2,511	–	–
<b>Total equity</b>		<b>59,411</b>	<b>56,191</b>	<b>42,664</b>	<b>35,562</b>
<b>Total liabilities and equity</b>		<b>79,617</b>	<b>77,663</b>	<b>49,837</b>	<b>43,933</b>

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

# Consolidated Statement of Comprehensive Income

Year ended 31 August 2017

	Note	2017 \$'000	2016 \$'000
Revenue	20	50,668	49,239
Other income	21	3,501	4,150
Raw materials, consumables used and changes in inventories		(27,012)	(28,847)
Employee benefit expenses	22	(11,027)	(10,586)
Depreciation and amortisation expenses		(2,867)	(3,290)
Other operating expenses	23	(10,101)	(8,490)
Finance costs	24	(488)	(403)
<b>Profit before income tax</b>		<b>2,674</b>	<b>1,773</b>
Income tax expense	25	(472)	(728)
<b>Profit for the financial year</b>	26	<b>2,202</b>	<b>1,045</b>
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		162	(2,222)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Actuarial gain/(loss) on defined benefit plan	16	119	(80)
Revaluation loss from transfer of investment property to owner-occupied property	11	-	(21)
<b>Other comprehensive income for the financial year, net of tax</b>		<b>281</b>	<b>(2,323)</b>
<b>Total comprehensive income for the financial year</b>		<b>2,483</b>	<b>(1,278)</b>
<b>Profit/(Loss) attributable to:</b>			
Owners of the parent		2,207	1,153
Non-controlling interests		(5)	(108)
		<b>2,202</b>	<b>1,045</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent		2,438	(1,151)
Non-controlling interests		45	(127)
		<b>2,483</b>	<b>(1,278)</b>
<b>Earnings per share</b>			
Basic and diluted (cents)	27	0.48	0.25

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



# Consolidated Statement of Changes in Equity

Year ended 31 August 2017

	Share capital \$'000	Treasury shares \$'000	Revaluation reserve \$'000	Fair value reserve \$'000	Other reserve \$'000	Share options reserve \$'000	Currency translation reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the parent \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 September 2016	39,309	-	666	(12)	823	217	(11,514)	24,191	53,680	2,511	56,191
Profit for the financial year	-	-	-	-	-	-	-	2,207	2,207	(5)	2,202
Other comprehensive income for the financial year:											
Actuarial gain on defined benefit plan	-	-	-	-	119	-	-	-	119	-	119
Foreign currency translation	-	-	-	-	-	-	112	-	112	50	162
Total other comprehensive income for the financial year	-	-	-	-	119	-	112	-	231	50	281
Total comprehensive income for the financial year	-	-	-	-	119	-	112	2,207	2,438	45	2,483
Transactions with owners of the parent recognised directly in equity											
Transfer to statutory reserve	-	-	-	-	22	-	-	(22)	-	-	-
Share options lapsed	-	-	-	-	-	(217)	-	217	-	-	-
Total transactions with owners of the parent recognised directly in equity	-	-	-	-	22	(217)	-	195	-	-	-
Transactions with non-controlling interests											
Dividends to non-controlling interests	-	-	-	-	-	-	-	-	-	(202)	(202)
Total transactions with non-controlling interests	-	-	-	-	-	-	-	-	-	(202)	(202)
Contributions by and distribution to owners											
Dividends	-	-	-	-	-	-	-	(1,811)	(1,811)	-	(1,811)
Share placement	2,950	-	-	-	-	-	-	-	2,950	-	2,950
Purchase of treasury shares	-	(200)	-	-	-	-	-	-	(200)	-	(200)
Total transactions by and distributions to owners	2,950	(200)	-	-	-	-	-	(1,811)	939	-	939
Balance at 31 August 2017	42,259	(200)	666	(12)	964	-	(11,402)	24,782	57,057	2,354	59,411

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

# Consolidated Statement of Changes in Equity

Year ended 31 August 2017

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

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

# Consolidated Statement of Cash Flows

Year ended 31 August 2017

	2017 \$'000	2016 \$'000
<b>Operating activities:</b>		
Profit before income tax	2,674	1,773
Adjustments for:		
Allowance for doubtful trade and other receivables	308	-
Allowance for inventory obsolescence	120	209
Amortisation of intangible assets	-	264
Bad debts written off - trade	3	-
Depreciation expense	2,867	3,026
Fair value loss/(gain) on investment property	730	(633)
(Gain)/loss on disposal of plant and equipment	(932)	128
Gain on disposal of associate	-	(28)
Gain on disposal of subsidiary	-	(901)
Gain on disposal of club membership	(41)	-
Interest expense	488	403
Interest income	(19)	(56)
Plant and equipment written off	1	11
(Reversal of)/impairment loss on plant and equipment	(259)	147
Unrealised exchange difference	(10)	(426)
<b>Operating cash flows before changes in working capital</b>	<b>5,930</b>	<b>3,917</b>
Trade and other receivables	(641)	698
Prepayments	(99)	27
Inventories	(348)	113
Trade and other payables	98	3,425
<b>Cash generated from operations</b>	<b>4,940</b>	<b>8,180</b>
Interest paid	(488)	(403)
Interest received	19	56
Income tax paid	(463)	(488)
<b>Net cash from operating activities</b>	<b>4,008</b>	<b>7,345</b>

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

# Consolidated Statement of Cash Flows

Year ended 31 August 2017

	2017 \$'000	2016 \$'000
<b>Investing activities:</b>		
Acquisition of available-for-sale financial assets	-	(3,954)
Advances and deposit paid for proposed investment	(3,780)	-
Disposal of subsidiary, net of cash disposed	-	(8)
Proceeds from disposal of associate	-	28
Proceeds from disposal of property, plant and equipment	1,092	444
Proceeds from disposal of club membership	41	-
Purchase of property, plant and equipment	(4,825)	(3,244)
<b>Net cash used in investing activities</b>	<b>(7,472)</b>	<b>(6,734)</b>
<b>Financing activities:</b>		
Dividend payments	(1,811)	-
Dividend paid to non-controlling interests	(202)	(195)
Proceeds from bank loans	5,009	7,593
Net proceeds from share placement	2,950	-
Purchase of treasury shares	(200)	-
Repayment of bank loans	(6,246)	(1,915)
<b>Net cash (used in)/from financing activities</b>	<b>(500)</b>	<b>5,483</b>
(Decrease)/Increase in cash and cash equivalents	(3,964)	6,094
Effect of exchange rate changes on cash and cash equivalents	239	(351)
Cash and cash equivalents at beginning of financial year	12,422	6,679
<b>Cash and cash equivalents at end of financial year (Note 4)</b>	<b>8,697</b>	<b>12,422</b>

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

## 1. General corporate information

Miyoshi Limited ("the Company") is a public limited company incorporated and domiciled in Singapore. The Company is listed on the Catalist board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's registration number is 198703979K. Its principal place of business and registered office is at No. 5 Second Chin Bee Road, Singapore 618772.

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

The principal activities of the subsidiaries are disclosed in Note 8 to the financial statements.

The statement of financial position of the Company and the consolidated financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 August 2017 were authorised for issue by the Board of Directors on 23 November 2017.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation of financial statements

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

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Company's functional currency is United States dollar. The financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar and all values are rounded to the nearest thousand (\$'000) except where otherwise indicated as the Company is listed on the Singapore Exchange Securities Trading Limited, and management is of the opinion that the Singapore dollar is the currency which would best facilitate trading in its shares.

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

During the financial year, the Group and the Company adopted the new or revised FRS that are relevant to their operations and effective for the current financial year. The adoption of the new or revised FRS did not result in any substantial changes to the Group's and the Company's accounting policies and had no material effect on the amounts reported for the current and prior financial years.



# Notes to the Financial Statements

Year ended 31 August 2017

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

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: Disclosure Initiative	1 January 2017
FRS 40 (Amendments)	: Transfers of Investment Property	1 January 2018
FRS 109	: Financial Instruments	1 January 2018
FRS 115	: Revenue from Contracts with Customers	1 January 2018
FRS 115 (Amendments)	: Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 116	: Leases	1 January 2019
INT FRS 122	: Foreign Currency Transactions and Advance Consideration	1 January 2018
Improvements to FRSs (December 2016)		
FRS 112 (Amendments)	: Disclosure of Interests in Other Entities	1 January 2017

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

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

#### Adoption of IFRS-identical financial reporting standards

Singapore-incorporated companies listed on SGX-ST are required to apply a new financial reporting framework identical to IFRS in 2018. The Group will adopt the new financial framework on 1 September 2018 and will apply the equivalent of IFRS 1 *First-time Adoption of International Financial Reporting Standards* to the transition. This will involve restating the comparatives for the financial year ending 31 August 2018 and the opening statements of financial position as at 1 September 2017 in accordance with the new framework. The Group is in the process of assessing the impact of transition, including the impact from the adoption of IFRS 9 and 15 which is expected to be similar to the impact of FRS 109 and 115 disclosed below, as well as other transitional adjustments that may be required or elected under IFRS 1.

#### FRS 109 Financial Instruments

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

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

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

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

##### *Classification and measurement*

Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

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

The Group has commenced its preliminary assessment of the classification and measurement of its financial assets and liabilities, and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised cost upon adoption of the standard. The investment in quoted equity securities currently classified as available for sale would appear to satisfy the conditions for classification as at fair value through other comprehensive income when FRS 109 is adopted.

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

##### *Impairment*

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

The new impairment requirements are expected to result in changes to impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.

##### *Transition*

The Group plans to adopt FRS 109 in the financial year beginning on 1 September 2018 with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year and will include the additional financial statement disclosures for the financial year when FRS 109 is adopted.

## 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 115 Revenue from Contracts with Customers**

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

On initial adoption of this standard there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group is in the process of making a detailed assessment of the impact of this standard. The Group plans to adopt FRS 115 in the financial year beginning on 1 September 2018 using the full retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

#### **FRS 116 Leases**

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

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

On initial adoption of this standard, there may be a potentially significant impact on the accounting treatment for the Group's leases, particularly rented leasehold land and building, which the Group, as lessee, currently accounts for as operating leases.

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

The Group plans to adopt the standard in the financial year beginning on 1 September 2019 using the modified retrospective method in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.

### 2.2 Basis of consolidation

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

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 2.2 Basis of consolidation (Continued)

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

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

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

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

### 2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

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

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

### 2.3 Business combinations (Continued)

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

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

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

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

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

### 2.4 Financial instruments

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

#### Effective interest method

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

#### **Financial assets**

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

All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.



# Notes to the Financial Statements

Year ended 31 August 2017

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

### 2.4 Financial instruments (Continued)

#### Financial assets (Continued)

##### Available-for-sale financial assets

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

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

##### Loans and receivables

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

##### Impairment of financial assets

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

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

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

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

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

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

### 2.4 Financial instruments (Continued)

#### Financial liabilities and equity instruments

##### Classification as debt or equity

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

##### Equity instruments

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

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

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

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

##### Financial liabilities

Financial liabilities are classified as other financial liabilities.

##### Other financial liabilities

##### *Trade and other payables*

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

##### *Bank borrowings*

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

##### Derecognition of financial liabilities

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

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 2.5 Leases

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

#### The Group and the Company as lessees

##### *Operating leases*

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

#### The Group as lessor

##### *Operating leases*

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

### 2.6 Inventories

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

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

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

### 2.7 Assets classified as held for sale

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

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

### 2.8 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.

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

### 2.9 Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

### 2.10 Investment properties

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 2.10 Investment properties (Continued)

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

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

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

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

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

### 2.11 Intangible assets

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

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

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

#### Club memberships

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

### 2.12 Impairment of non-financial assets excluding goodwill

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

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

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

### 2.12 Impairment of non-financial assets excluding goodwill (Continued)

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 2.13 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.

### 2.14 Share-based payments

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

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

### 2.15 Revenue recognition

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

#### (i) Sale of goods and scrap

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



# Notes to the Financial Statements

Year ended 31 August 2017

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

### 2.15 Revenue recognition (Continued)

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Rental income

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

### 2.16 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.

### 2.17 Employee benefits

(i) Retirement benefit costs

Defined contribution plans

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

Defined benefit plans

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

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

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

Defined benefit costs comprise the following:

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

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

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

### 2.17 Employee benefits (Continued)

#### (i) Retirement benefit costs (Continued)

##### Defined benefit plans (Continued)

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

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

##### Retirement gratuity

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

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

#### (ii) Employee leave entitlement

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

### 2.18 Income tax

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

##### Current income tax

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

##### Deferred tax

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 2.18 Income tax (Continued)

#### Deferred tax (Continued)

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

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

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

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

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

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

#### Sales tax

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

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

### 2.19 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.

### 2.20 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)

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

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

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

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

### 2.21 Valuation policies and procedures

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

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

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

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

### 2.22 Segment reporting

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 3.1 Critical judgements in applying the accounting policies

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

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

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

#### Investment in Miyoshi International Philippines Inc

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

### 3.2 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### Impairment and depreciation of property, plant and equipment

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

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

The carrying amounts of the Group's and the Company's property, plant and equipment as at 31 August 2017 were \$27,504,000 (2016: \$28,883,000) and \$931,000 (2016: \$4,598,000) respectively.

#### Allowances for doubtful receivables

The Group makes allowances for doubtful receivables based on an assessment of the recoverability of trade and other receivables. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of doubtful receivables requires the use of management's assessment of collectibility. Where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and doubtful debts expenses in the period in which such estimate has been changed. The aggregate carrying amounts of the Group's and the Company's trade and other receivables as at 31 August 2017 were \$18,475,000 (2016: \$14,385,000) and \$6,958,000 (2016: \$4,750,000) respectively.

# Notes to the Financial Statements

Year ended 31 August 2017

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

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

#### Net realisable value of inventories

In determining the net realisable value of the Group's and the Company's inventories, an estimation of the recoverable amount of inventories on hand is performed based on the most reliable evidence available at the time the estimates are made. This represents the value of the inventories which are expected to realise as estimated by the management. These estimates take into consideration the fluctuations of price or cost, or any inventories on hand that may not be realised, directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the financial year. As at 31 August 2017, the carrying amounts of the Group's and the Company's inventories were \$5,449,000 (2016: \$5,203,000) and Nil (2016: \$70,000) respectively.

#### Fair value of available-for-sale financial assets

The Group's and the Company's available-for-sale financial assets are equity instrument with no active quoted market value. Management engaged an external valuer to perform a valuation on the investment. Given that a reliable fair value measurement is available during the current financial year, the available-for-sale financial asset is measured at fair value. Management works closely with external valuer to establish the appropriate valuation methodology and input to the valuation, taking into account that the fair value is measured using significant unobservable inputs (Level 3). As at 31 August 2017, the carrying amount of the Group's and the Company's investment in available-for-sale financial assets was \$8,978,000 (2016: \$9,013,000).

#### Fair value of investment properties

The Group's investment properties are stated at fair value in accordance with the accounting policy stated in Note 2.10 to the financial statements. As at 31 August 2017, the fair value of the Group's investment properties was determined by independent professional valuation firms and the carrying amounts of the investment properties were \$6,584,000 (2016: \$7,503,000). The valuation was based on certain assumptions, which are subject to uncertainty and might differ from the actual results. In making the judgement, consideration has been given to assumptions that are mainly based on market conditions existing as at the end of the financial year. These estimates are regularly compared to actual market data.

## 4. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	8,697	12,422	1,545	5,638
Fixed deposits	133	137	-	-
Restricted cash	(133)	(137)	-	-
	<u>8,697</u>	<u>12,422</u>	<u>1,545</u>	<u>5,638</u>

The Group's fixed deposits earn interest at 3.10% (2016: 3.35%) per annum and are for a tenor ranging from 90 to 365 (2016: 90 to 365) days.



# Notes to the Financial Statements

Year ended 31 August 2017

## 4. Cash and cash equivalents (Continued)

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

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
United States dollar	2,750	1,316	-	-
Singapore dollar	556	768	556	768
Philippine peso	224	248	-	-
Malaysia ringgit	162	195	-	-
Japanese yen	-	6	-	6

## 5. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Trade receivables				
- third parties	12,739	12,400	81	384
- subsidiaries	-	-	5,355	6,929
	12,739	12,400	5,436	7,313
Allowance for doubtful trade receivables	(77)	(59)	(4,183)	(4,188)
	12,662	12,341	1,253	3,125
<b>Non-trade receivables</b>				
- third parties	5,681	1,647	4,594	313
- loan to employees	312	77	312	77
- subsidiaries	-	-	4,932	4,323
	5,993	1,724	9,838	4,713
Allowance for doubtful non-trade receivables	(283)	-	(4,133)	(3,408)
	5,710	1,724	5,705	1,305
	18,372	14,065	6,958	4,430
<b>Non-current</b>				
Non-trade receivables				
- loan to employees	103	320	-	320
<b>Total</b>	<b>18,475</b>	<b>14,385</b>	<b>6,958</b>	<b>4,750</b>

Trade receivables from third parties are non-interest bearing and are generally on a 30 to 120 (2016: 30 to 90) days credit terms. The amounts owing from subsidiaries are unsecured, interest-free and are generally on a 30 to 120 (2016: 30 to 60) days.

# Notes to the Financial Statements

Year ended 31 August 2017

## 5. Trade and other receivables (Continued)

The Group's and Company's current non-trade receivables due from third parties includes advances of \$692,000 and refundable deposit of \$3,088,000 due from Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power") for a proposed increase in investment in Core Power. The amount owing from third parties are unsecured, interest-free and repayable on demand.

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

The Group's and Company's loan to employees are expected to be repaid within 5 years. The amount is unsecured and bore interest ranging from 5% to 7% (2016: 6.9% to 7%) per annum. The carrying amount of the non-current staff loans approximate their fair value.

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	59	64	4,188	4,301
Charge to profit or loss	17	-	12	-
Currency realignment	1	(5)	(17)	(113)
At end of financial year	77	59	4,183	4,188
Comprising:				
- third parties	77	59	-	-
- subsidiaries	-	-	4,183	4,188
	77	59	4,183	4,188

As at 31 August 2017, the Group and the Company have determined trade receivables of \$77,000 (2016: \$59,000) and \$4,183,000 (2016: \$4,188,000) respectively as individually impaired.

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	-	1,065	3,408	3,289
Charge to profit or loss	291	-	760	228
Bad receivables written off	-	(1,034)	-	-
Currency realignment	(8)	(31)	(35)	(109)
At end of financial year	283	-	4,133	3,408
Comprising:				
- third parties	283	-	-	-
- subsidiaries	-	-	4,133	3,408
	283	-	4,133	3,408

As at 31 August 2017, the Group and the Company have determined non-trade receivables of \$283,000 (2016: Nil) and \$4,133,000 (2016: \$3,408,000) respectively as individually impaired.

# Notes to the Financial Statements

Year ended 31 August 2017

## 5. Trade and other receivables (Continued)

As at 31 August 2017, the Group and the Company have recognised an allowance for doubtful trade and other receivables of \$308,000 (2016: Nil) and \$474,000 (2016: \$228,000) respectively in profit or loss under "other operating expenses" subsequent to a debt recovery assessment performed by the management.

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
United States dollar	3,684	2,230	-	-
Chinese renminbi	3,780	-	3,780	-
Singapore dollar	254	760	357	855
Philippine peso	644	202	-	-
Malaysia ringgit	271	168	-	-

## 6. Inventories

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Finished goods	2,812	2,237	-	55
Work-in-process	143	315	-	15
Raw materials	2,494	2,651	-	-
Total inventories at lower of cost and net realisable value	5,449	5,203	-	70

Allowance for inventory obsolescence of \$120,000 (2016: \$209,000) was recognised in profit or loss under "other operating expenses" after a review of the realisability of the inventories conducted at the end of the financial year.

The cost of inventories recognised as an expense in the Group's profit or loss amounted to \$27,012,000 (2016: \$28,847,000)

## 7. Assets classified as held for sale

	Group and Company 2017 \$'000
Reclassified from property, plant and equipment and balance at the end of financial year	3,569

In the current financial year, the Company entered into an option to sell its leasehold building located at No. 5 Second Chin Bee Road, Singapore 618774 of gross floor area of approximately 4,883.80 square metre for a sales consideration of \$7,800,000. The sale is expected to be completed within the next twelve months.

# Notes to the Financial Statements

Year ended 31 August 2017

## 8. Subsidiaries

	Company	
	2017	2016
	\$'000	\$'000
Unquoted equity shares, at cost	20,383	20,383
Loans deemed as investments in subsidiaries	16,368	21,157
Currency alignment	(1,661)	(1,612)
	35,090	39,928
Allowance for impairment losses	(7,332)	(20,089)
	27,758	19,839

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

	Company	
	2017	2016
	\$'000	\$'000
At beginning of financial year	20,089	24,097
Reversal during the financial year	(8,655)	(3,281)
Written off during the financial year	(4,378)	-
Currency realignment	276	(727)
At end of financial year	7,332	20,089

During the current financial year, due to a significant increase in revenue from a certain customer in the automotive business segment, management assessed that there is an indication that the impairment loss recognised in prior financial years may no longer exist. The review led to a reversal of impairment loss of \$8,655,000 in a Philippines subsidiary.

The recoverable amount of the investment of \$29,974,000 has been determined based on the discounted cash flow forecasts approved by management covering a five-year period and projection to terminal year. Key assumptions used by management include revenue growth rate, discount rate and terminal growth rate.

In the previous financial year, the management had performed a review on the recoverable amount of its investment in subsidiaries. The review led to a reversal of impairment loss of \$3,281,000 as a subsidiary in Philippines made repayment of the same amount for a loan due to the Company.

The reversal of impairment loss has been recognised in profit or loss under "other income".

Management has written off a loan deemed as investment in subsidiary amounting to approximately \$4,378,000 as the subsidiary was liquidated during the year.

The loans deemed as investments in subsidiaries are unsecured.

# Notes to the Financial Statements

Year ended 31 August 2017

## 8. Subsidiaries (Continued)

Details of the Company's significant subsidiaries are as follows:

Name of company (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non- controlling interest	
		2017 %	2016 %	2017 %	2016 %
Miyoshi Saitoh Pte Ltd <sup>(1)</sup> (Singapore)	Investment holding and trading of machine	100	100	–	–
Miyoshi Precision (Malaysia) Sdn. Bhd. <sup>(2)</sup> (Malaysia)	Metal stamping, fabrication of parts and components of machine tools	100	100	–	–
Miyoshi Technologies Phils., Inc. <sup>(3)</sup> (Philippines)	Metal stamping, fabrication of parts and components of machine tools	100	100	–	–
Miyoshi International Philippines, Inc. <sup>(3)(4)</sup> (Philippines)	Property holding	40	40	60	60
Miyoshi Hi-Tech Co., Ltd <sup>(5)</sup> (Thailand)	Metal stamping	80	80	20	20
Wuxi Miyoshi Precision Co., Ltd. <sup>(6)</sup> (People's Republic of China)	Metal stamping and plastic injection moulding	100	100	–	–
Miyoshi Precision Huizhou Co., Ltd. <sup>(6)</sup> (People's Republic of China)	Metal stamping and assembly of electronic components	100	100	–	–
Miyoshi Optoelectronics (S) Pte Ltd <sup>(7)</sup> (Singapore)	Manufacturing of communications equipment, other electronic and boards	100	100	–	–

Notes:

(1) Audited by BDO LLP, Singapore.

(2) Audited by BDO, Malaysia.

(3) Audited by BDO Roxas Cruz Tagle and Co. Philippines.

(4) Deemed to be a subsidiary as the Company has the ability to direct relevant activities of the entity.

(5) Audited by BDO Limited, Thailand.

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

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

# Notes to the Financial Statements

Year ended 31 August 2017

## 8. Subsidiaries (Continued)

### Non-controlling interests

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

Name of subsidiary	Profit/(Loss) allocated to NCI		Total comprehensive income attributable to NCI		Accumulated NCI	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Miyoshi Hi-Tech Co., Ltd	194	7	276	7	2,239	2,164
Green Galaxy Limited(1)	-	(133)	-	(152)		
Miyoshi International Philippines, Inc.	(199)	18	(231)	18	115	347
<b>Total</b>	<b>(5)</b>	<b>(108)</b>	<b>45</b>	<b>(127)</b>	<b>2,354</b>	<b>2,511</b>

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

	Miyoshi Hi-Tech Co., Ltd		Green Galaxy Limited <sup>(1)</sup>		Miyoshi International Philippines, Inc.	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Assets and liabilities</b>						
Non-current assets	5,778	6,516	-	-	3,342	5,100
Current assets	7,087	6,477	-	-	215	215
Non-current liabilities		-	-	-	(2,970)	(942)
Current liabilities	(1,672)	(2,173)	-	-	(226)	(2,516)
Net assets	<b>11,193</b>	<b>10,820</b>	<b>-</b>	<b>-</b>	<b>361</b>	<b>1,857</b>
Revenue	13,016	13,854	-	709	70	147
Expenses	(12,045)	(13,820)	-	(990)	(401)	(36)
Profit/(Loss) for the year, representing total comprehensive income	<b>971</b>	<b>34</b>	<b>-</b>	<b>(281)</b>	<b>(331)</b>	<b>111</b>
Dividend paid to non-controlling interests	(202)	(195)	-	-	-	-
Net cash inflow (outflow) from operating activities	2,249	3,086	-	(1,078)	707	32
Net cash inflow (outflow) from investing activities	(1,157)	(1,023)	-	62	(360)	-
Net cash inflow (outflow) from financing activities	-	-	-	-	-	-

- (1) Green Galaxy Limited ("GGL") represents the consolidated financial position and financial performance of GGL which include its subsidiaries of Green Galaxy New Energy (Jiangxi) Co., Ltd and Suqian Miyoshi Trading Co., Ltd. In the prior financial year, GGL's results for the period up to 25 July 2016 (date of disposal) were included in the Group's consolidated statement of comprehensive income.

In the previous financial year, gain on disposal of GGL of \$901,000 has been recognised in profit or loss, represented by the difference between total consideration received of \$5,200,000 and net identifiable assets disposed of \$4,299,000.



# Notes to the Financial Statements

Year ended 31 August 2017

## 8. Subsidiaries (Continued)

### Significant restrictions

Cash and cash equivalents of \$2,096,000 (2016: \$1,853,000) held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

## 9. Available-for-sale financial assets

	Group and Company	
	2017	2016
	\$'000	\$'000
Unquoted equity shares		
At beginning of financial year	9,013	–
Additions	–	9,194
Currency realignment	(35)	(181)
At end of financial year	8,978	9,013

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

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

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

In the prior financial year, the cost of the investment in unquoted equity shares approximated the fair value as the transaction was completed close to the end of the financial year.

For the current financial year, management engaged an external valuer to perform a valuation on the investment. Given that a reliable fair value measurement is available during the current financial year, the available-for-sale financial asset is measured at fair value.

# Notes to the Financial Statements

Year ended 31 August 2017

## 9. Available-for-sale financial assets (Continued)

The valuation of the unquoted shares is categorised into Level 3 of the fair value hierarchy, the following information is relevant:

Description	Fair value at 31 August	Valuation technique	Significant unobservable inputs	Relationship of unobservable input to fair value
<b>2017</b>				
15% equity interest in Core Power	RMB 43.8 million (Approximately \$9 million)	Income approach	• Revenue growth rate	The higher the revenue growth rate, the higher the fair value, vice versa.
			• Gross profit margin	The higher the gross profit margin, the higher the fair value, vice versa.
			• Discount rate	The lower the discount rate, the higher the fair value, vice versa.

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

	Group and Company	
	2017 \$'000	2016 \$'000
Chinese renminbi	8,978	9,013

# Notes to the Financial Statements

Year ended 31 August 2017

## 10. Property, plant and equipment

	Freehold land \$'000	Buildings and improvements \$'000	Leasehold land and buildings \$'000	Plant and equipment \$'000	Office furniture and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
<b>Group</b>								
<b>Cost:</b>								
At 1 September 2015	3,342	11,844	14,505	45,201	2,476	1,133	1,405	79,906
Currency realignment	(70)	(384)	(849)	(1,067)	(98)	(56)	(56)	(2,580)
Additions	-	325	720	1,426	107	124	542	3,244
Transfer from investment property (Note 11)	-	230	-	-	-	-	-	230
Transfer from construction- in-progress	-	-	3	-	-	-	(3)	-
Disposal of a subsidiary	-	-	(95)	(21)	(18)	(52)	-	(186)
Disposals/Write-offs	-	-	-	(1,630)	(170)	(69)	-	(1,869)
At 31 August 2016	3,272	12,015	14,284	43,909	2,297	1,080	1,888	78,745
Currency realignment	(127)	141	57	514	17	2	35	639
Additions	380	3,444	141	469	12	-	379	4,825
Transfer from construction- in-progress	-	-	2,027	4	-	-	(2,031)	-
Reclassified as assets held for sale (Note 7)	-	-	(6,103)	-	-	-	-	(6,103)
Disposals/Write-offs	-	-	(1,212)	(3,464)	(476)	(25)	-	(5,177)
At 31 August 2017	3,525	15,600	9,194	41,432	1,850	1,057	271	72,929
<b>Accumulated depreciation and impairment:</b>								
At 1 September 2015	-	5,707	3,848	38,175	555	945	-	49,230
Currency realignment	-	(70)	(207)	(825)	(75)	(38)	-	(1,215)
Depreciation for the financial year	-	665	645	1,444	203	69	-	3,026
Disposal of a subsidiary	-	-	(17)	(5)	(8)	(10)	-	(40)
Disposals/Write-offs	-	-	-	(1,077)	(164)	(45)	-	(1,286)
Impairment loss	-	-	-	149	(2)	-	-	147
At 31 August 2016	-	6,302	4,269	37,861	509	921	-	49,862
Currency realignment	-	109	(4)	393	14	(7)	-	505
Depreciation for the financial year	-	607	635	1,433	140	52	-	2,867
Reclassified as assets held for sale (Note 7)	-	-	(2,534)	-	-	-	-	(2,534)
Disposals/Write-offs	-	-	(1,137)	(3,390)	(474)	(15)	-	(5,016)
Reversal of impairment loss	-	-	-	(259)	-	-	-	(259)
At 31 August 2017	-	7,018	1,229	36,038	189	951	-	45,425
<b>Net carrying value:</b>								
At 31 August 2016	3,272	5,713	10,015	6,048	1,788	159	1,888	28,883
At 31 August 2017	3,525	8,582	7,965	5,394	1,661	106	271	27,504

# Notes to the Financial Statements

Year ended 31 August 2017

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

	Leasehold land and buildings \$'000	Plant and equipment \$'000	Furniture and equipment \$'000	Motor vehicles \$'000	Construction- in-progress \$'000	Total \$'000
<b>Company</b>						
<b>Cost:</b>						
At 1 September 2015	5,319	2,117	482	494	1,405	9,817
Currency realignment	(173)	(65)	(18)	(16)	(56)	(328)
Additions	610	434	91	-	542	1,677
Transfer from construction- in-progress	3	-	-	-	(3)	-
Disposals/Write-offs	-	(470)	(3)	-	-	(473)
At 31 August 2016	5,759	2,016	552	478	1,888	10,693
Currency realignment	(49)	35	10	(2)	41	35
Additions	141	59	1	-	98	299
Transfer from construction- in-progress	2,027	-	-	-	(2,027)	-
Reclassified as assets held for sale (Note 7)	(6,103)	-	-	-	-	(6,103)
Disposals/Write-offs	(1,137)	(1,730)	(461)	-	-	(3,328)
At 31 August 2017	638	380	102	476	-	1,596
<b>Accumulated depreciation and impairment:</b>						
At 1 September 2015	3,466	2,006	449	494	-	6,415
Currency realignment	(115)	(60)	(15)	(16)	-	(206)
Depreciation for the financial year	183	61	19	-	-	263
Disposals/Write-offs	-	(328)	(3)	-	-	(331)
Impairment loss	-	(46)	-	-	-	(46)
At 31 August 2016	3,534	1,633	450	478	-	6,095
Currency realignment	10	34	9	(2)	-	51
Depreciation for the financial year	209	62	26	-	-	297
Reclassified as assets held for sale (Note 7)	(2,534)	-	-	-	-	(2,534)
Disposals/Write-offs	(1,137)	(1,647)	(460)	-	-	(3,244)
At 31 August 2017	82	82	25	476	-	665
<b>Net carrying value:</b>						
At 31 August 2016	2,225	383	102	-	1,888	4,598
At 31 August 2017	556	298	77	-	-	931

# Notes to the Financial Statements

Year ended 31 August 2017

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

As at 31 August 2017, the Group's and Company's land and buildings with carrying amount of \$15,783,000 (2016: \$16,853,000) and \$556,000 (2016: \$2,225,000) respectively are held as security for certain bank loans (Note 15).

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

The recoverable amount of the property, plant and equipment has been determined based on value in use calculations from discounted cash flow forecasts approved by management covering a five-year period and projection to terminal year. Key assumptions used by management include revenue growth rate, discount rate and terminal growth rate.

In the prior financial year, the Group carried out a review of the recoverable amounts of their property, plant and equipment in view of the operating losses sustained by certain subsidiaries and negative cash flows projected for the next five years. The review led to the recognition by the Group of impairment loss amounting to \$147,000 in profit or loss under "other operating expenses".

The Group's land and buildings comprise the following:

Location	Title	Description
Lot B1-5 Carmelray Industrial Park II, Barangay Tulo, Calamba, Laguna 4027, Philippines	Freehold	A two-storey factory building
Lot 3 Blk. 2 Daiichi Industrial Park, Barangay Maguyam, Silang Cavite	Freehold	A two-storey factory building
38 Moo 1 Tumbol Banpo Amphur Bangpa-In Ayutthaya Province, Thailand	Freehold	A factory cum office building
No. 4, Jalan Wira 3, Taman Tan Sri Yaacob, 81300 Skudai, Johor Bahru, Johor, Malaysia	Freehold	A factory cum office building
Tongqiao Industrial Base Huicheng District Huizhou, Guangdong China 516001	Leasehold (50 years from 12 March 2008)	A factory cum office building
No.108 Hongda Road, Hongshan Town, Wuxi City, Jiangsu, China	Leasehold (50 years from 25 December 2006)	A factory cum office building
28D Penjuru Close, #01-07, Singapore 609132	Leasehold (30 years from 16 November 1995 which expired on 15 November 2025.)	A factory cum office building

# Notes to the Financial Statements

Year ended 31 August 2017

## 11. Investment properties

	Group	
	2017	2016
	\$'000	\$'000
<b>At fair value</b>		
At beginning of financial year	7,503	7,357
Transfer to property, plant and equipment (Note 10)	–	(230)
Net fair value (loss)/gain recognised in profit or loss	(730)	633
Revaluation loss from transfer of investment property to owner-occupied property	–	(21)
Currency realignment	(189)	(236)
At end of financial year	6,584	7,503

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

As at 31 August 2017, the Group's investment properties with carrying amount of \$4,771,000 (2016: \$5,563,000) was held as security for a bank loan (Note 15).

The Group's investment properties were valued as at 31 August 2017 and 31 August 2016 by certain independent professional valuation firms with recent experience in the location and category of the investment properties held by the Group. The valuations were arrived at by using:

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

As at 31 August 2017 and 31 August 2016, the valuation is based on the asset's highest and best use, which is in line with its actual use. The resulting fair value of investment property is considered level 3 recurring fair value measurement.



# Notes to the Financial Statements

Year ended 31 August 2017

## 11. Investment properties (Continued)

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

Country	Description	Fair value at 31 August		Valuation technique	Unobservable input	Relationship of unobservable input to fair value
		2017 \$'000	2016 \$'000			
Philippines	Industrial land	1,585	2,010	Sales comparison approach	Selling price per square metre	The higher the selling price per square metre, the higher the fair value, vice versa
Philippines	Industrial building	3,187	3,553	Cost approach	Replacement cost of each replaceable asset Accrued depreciation Extent, character and utility of the property	The higher the replacement cost, the higher the fair value, vice versa
Malaysia	Industrial land	206	244	Sales comparison approach	Selling price per square metre	The higher the selling price per square metre, the higher the fair value, vice versa
Malaysia	Industrial building	1,606	1,696	Cost approach	Replacement cost of each replaceable asset Accrued depreciation Extent, character and utility of the property	The higher the replacement cost, the higher the fair value, vice versa

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

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

The following amounts are recognised in profit or loss:

	Group	
	2017 \$'000	2016 \$'000
Rental income from investment properties	820	758
Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties	26	22

# Notes to the Financial Statements

Year ended 31 August 2017

## 11. Investment properties (Continued)

As at 31 August 2017 and 31 August 2016, the Group's investment properties comprise the following:

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

## 12. Intangible assets

Intangible assets represent club memberships acquired at cost.

## 13. 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
<b>Group</b>			
At 1 September 2015	276	(23)	253
Currency realignment	(1)	–	(1)
(Charge)/Credit to profit or loss	(272)	23	(249)
At 31 August 2016	3	–	3
Credit to profit or loss	17	–	17
At 31 August 2017	20	–	20

# Notes to the Financial Statements

Year ended 31 August 2017

## 14. Trade and other payables

	Group		Company	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current</b>				
Trade payables				
- third parties	8,018	7,053	52	113
- subsidiaries	-	-	10	83
- related party	9	9	-	-
	8,027	7,062	62	196
Non-trade payables				
- third parties	98	453	210	291
- subsidiaries	-	-	1,830	2,551
- related party	1	1	1	1
Accrued expenses	927	960	640	383
	1,026	1,414	2,681	3,226
	9,053	8,476	2,743	3,422
<b>Non-current</b>				
Non-trade payables				
- third party	436	824	-	-
- subsidiaries	-	-	2,086	781
	436	824	2,086	781
<b>Total</b>	<b>9,489</b>	<b>9,300</b>	<b>4,829</b>	<b>4,203</b>

Trade payables to third parties are non-interest bearing and are normally settled on 30 to 90 (2016: 30 to 90) days terms.

The trade payables due to subsidiaries and a related party are unsecured, interest-free and are normally settled on 30 to 120 (2016: 30 to 120) days terms.

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

The Group's non-current non-trade payables to a third party represents the amount payable in relation to a settlement with a customer. The amount is interest-free, unsecured and repayable in 42 monthly instalments commencing July 2016.

The Company's non-trade payables to subsidiaries comprise mainly of loans payable amounted to \$3,614,000 (2016: \$3,200,000) which are expected to be repaid within 5 years. The amounts are unsecured and bore interest ranging from 5.6% to 7.0% (2016: 5.6% to 6.5%) per annum. The carrying amount of the non-trade payables to subsidiaries approximate their fair value.

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

# Notes to the Financial Statements

Year ended 31 August 2017

## 14. Trade and other payables (Continued)

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Philippine peso	1,689	1,787	-	-
Singapore dollar	898	1,316	2,008	1,767
United States dollar	-	1,031	-	-
Malaysia ringgit	302	229	-	-
Japanese yen	9	10	-	-
Euro	6	-	-	-
Chinese renminbi	-	-	1,347	2,159

## 15. Bank loans

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<u>Secured - at amortised cost</u>				
Bank loans	10,013	11,250	2,344	4,168
Less: Amount due for settlement within 12 months	(7,348)	(6,241)	(1,702)	(1,892)
Amount due for settlement after 12 months	2,665	5,009	642	2,276

The bank loans are secured by charges over certain of the Group's properties as disclosed in Notes 10 and 11 to the financial statements. The effective interest rates of the bank borrowings range from 2.50% to 7.00% (2016: 2.50% to 6.90%) per annum. The carrying amount of the borrowings approximates its fair value due to frequent re-pricing.

The Group and the Company have the following principal bank loans:

- A loan of \$266,000 (2016: 412,000) which is repayable in 36 monthly instalments commencing September 2015. The loan carries interest at 3.37% (2016: 3.37%) per annum.
- A loan of \$880,000 (2016: \$1,828,000) which is repayable in 36 monthly instalments commencing June 2016. The loan carries interest at 5.98% (2016: 5.98%) per annum.
- A loan of \$1,198,000 (2016: \$1,928,000) which is repayable in 34 monthly instalments commencing September 2015. The loan carries interest at 5.37% (2016: 5.37%) per annum.

The Group has the following principal bank loans:

- A loan of \$3,123,000 (2016: Nil) which is repayable in September 2017. The loan carries interest at 2.5% (2016: Nil) per annum.
- A loan of \$2,173,000 (2016: \$2,727,000) which is repayable in 60 monthly instalments commencing September 2015. The loan carries interest at 2.5% (2016: 2.5%) per annum.

# Notes to the Financial Statements

Year ended 31 August 2017

## 15. Bank loans (Continued)

- (c) A loan of \$1,235,000 (2016: \$1,632,000) which is repayable in March 2018 (2016: March 2017). The loan carries interest at 6.3% (2016: 6.0%) per annum.
- (d) Loans of \$1,138,000 (2016: \$2,723,000) which are expected to be repaid in 15 years repayable and bore interest ranging from 5.85% to 6.63% (2016: 5.59% to 6.63%)

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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Singapore dollar	2,344	4,168	2,344	4,168
Malaysia ringgit	525	682	-	-

## 16. Provisions

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

	Group	
	2017	2016
	\$'000	\$'000
Provision for employee service entitlement benefits	368	463

	Group	
	2017	2016
	\$'000	\$'000
<u>Defined benefit plan</u>		
Present value of defined benefit obligation	403	465
Currency alignment	(35)	(2)
Net benefit liability	368	463

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

	Group	
	2017	2016
	\$'000	\$'000
Current services	42	35
Interest costs	17	14
Total	59	49

# Notes to the Financial Statements

Year ended 31 August 2017

## 16. Provisions (Continued)

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

	Group	
	2017	2016
	\$'000	\$'000
At beginning of financial year	463	336
Charged to profit or loss	59	49
Net actuarial loss recognised	(119)	80
Present value of unfunded obligations	403	465
Currency realignment	(35)	(2)
At end of financial year	368	463

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

	Group	
	2017	2016
Annual discount rate	5%	4%
Annual salary growth rate	3%	3%
Weighted average duration	18.6 years	21.6 years
Normal retirement age	60 years	60 years

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

- If the discount rate is 100 basis points higher (lower), the defined benefit obligation would decrease by \$60,000 (increase by \$74,000).
- If the salary growth rate increases (decreases) by 100 basis points, the defined benefit obligation would increase by \$76,000 (decrease by \$62,000).

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

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



# Notes to the Financial Statements

Year ended 31 August 2017

## 17. Deferred tax liabilities

	Revaluation of property	
	2017	2016
	\$'000	\$'000
At beginning of the financial year	427	421
(Credit)/charge to profit or loss	(175)	17
Currency realignment	(26)	(11)
At end of the financial year	226	427

As at the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$10,718,000 (2016: \$11,012,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 18. Share capital and reserves

### Share capital

	Group and Company			
	2017		2016	
	Number of ordinary shares '000	\$'000	Number of ordinary shares '000	\$'000
<b>Issued and fully paid:</b>				
Share capital	452,670	39,309	452,670	39,309
Issued for cash	45,000	3,060	-	-
Share issue expenses	-	(110)	-	-
	497,670	42,259	452,670	39,309

On 14 June 2017, the Company issued and placed 45,000,000 of ordinary shares for cash consideration of \$2,950,000 net of share issue expenses of \$110,000. The issued share capital of the Company increased from 452,669,490 to 497,669,490.

The Company has one class of ordinary shares which have no par value and carry no right to fixed income. All ordinary shares carry one vote per share without restriction. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company.

### Treasury shares

	Group and Company	
	2017	
	Number of ordinary shares '000	\$'000
Repurchased during the year and at the end of the year	3,640	200

## 18. Share capital and reserves (Continued)

### Treasury shares (Continued)

On 16 February 2017, the Company acquired 3,640,000 of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was \$200,000 and has been deducted against shareholders' equity. These shares are held as 'treasury shares'.

### Reserves

The amounts of the Group's reserves and the movements therein for the financial year ended 31 August 2017 are presented in the consolidated statement of changes in equity of the financial statements.

#### (a) Revaluation reserve

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

#### (b) Fair value reserve

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

#### (c) Other reserve comprises:

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

- People's Republic of China

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

- Thailand

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

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

The Group operates a non-contributory defined benefit plan for all qualifying employees of a subsidiary to comply with local statutory requirements. The Group has recognised the actuarial gains/losses on remeasuring defined benefit obligations in other comprehensive income, rather than profit or loss.

#### (d) Share options reserve

Share options reserve represents the equity-settled share options granted to employees (Note 19). The reserve is made up of the cumulative value of services received from employees recorded on grant of equity-settled share options.

# Notes to the Financial Statements

Year ended 31 August 2017

## 18. Share capital and reserves (Continued)

### Reserves (Continued)

#### (e) Currency translation reserve

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

## 19. Share-based payments

### Share plans

The Miyoshi Restricted Share Plan ("Miyoshi RSP") and the Miyoshi Performance Share Plan ("Miyoshi PSP") were approved by the Company's shareholders at the Extraordinary General Meeting of the Company on 23 December 2016. The two share plans are administrated by the Remuneration Committee where members are:

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

The number of shares available under the two share plans shall not exceed 15% of the issued share capital of the Company.

Details of share plans under the Miyoshi RSP and Miyoshi PSP as set out in the circular to the shareholders dated 30 November 2016 are as follows:

#### **Miyoshi RSP**

Awards granted under the Miyoshi RSP will typically vest only after the satisfactory completion of time-based service conditions, that is, after the participant has served the Group for a specified number of years (time-based restricted awards) or, where the award is performance-related (performance-based restricted awards), after a further period of service beyond the performance target completion date. No minimum vesting periods are prescribed under the Miyoshi RSP, and the length of the vesting period(s) in respect of each award will be determined on a case-by-case basis.

A time-based restricted award may be granted, for example, as a supplement to the cash component of the remuneration packages of senior executives. A performance-based restricted award may be granted, for example, with a performance target based on the successful completion of a project, or on the Company meeting certain specified corporate target(s), and thereafter with a further vesting period to encourage the participant to continue serving the Group for a further period of time following completion of the project.

#### **Miyoshi PSP**

Awards granted under the Miyoshi PSP are performance-based. Performance targets set under the Miyoshi PSP are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth. The performance targets are stretched targets aimed at sustaining long-term growth. Examples of performance targets to be set include targets based on criteria such as total shareholders' return, economic value added, market share, market ranking or return on sales.

Awards granted under the Miyoshi RSP differ from those granted under the Miyoshi PSP in that an extended vesting period is normally (but not always) imposed for performance based restricted awards granted under the Miyoshi RSP beyond the performance target completion date, that is, they also incorporate a time-based service condition as well, to encourage participants to continue serving the Group beyond the achievement date of the pre-determined performance targets.

There were no shares under share plans awarded during the financial year.

# Notes to the Financial Statements

Year ended 31 August 2017

## 19. Share-based payments (Continued)

### Share Option

There were 1,044,000 share options outstanding at the beginning of the financial year in relation to the Company's share option scheme, the 2001 Miyoshi ESOS, which was adopted at an extraordinary general meeting of the Company held on 4 May 2001.

There were no share options exercised during the current financial year. There were no share options outstanding as of the financial year as the 1,044,000 share options lapsed during the financial year.

## 20. Revenue

	Group	
	2017	2016
	\$'000	\$'000
Sales of goods	46,768	45,337
Revenue from services rendered	3,900	3,902
	<u>50,668</u>	<u>49,239</u>

## 21. Other income

	Group	
	2017	2016
	\$'000	\$'000
Fair value gain on investment property	-	633
Gain on disposal of club membership	41	-
Gain on disposal of interest in subsidiary	-	901
Gain on disposal of plant and equipment	932	-
Gain on disposal of interest in associate	-	28
Gain on foreign exchange, net	-	281
Income from sales of scrap	1,121	1,304
Interest income from bank deposits	19	56
Rental income	974	765
Reversal of impairment of plant and equipment	259	-
Miscellaneous income	155	182
	<u>3,501</u>	<u>4,150</u>

## 22. Employee benefit expenses

	Group	
	2017	2016
	\$'000	\$'000
Short-term benefits	10,236	9,853
Post-employment benefits	791	733
	<u>11,027</u>	<u>10,586</u>

The above includes remuneration of Directors and key management as disclosed in Note 31 to the financial statements.

# Notes to the Financial Statements

Year ended 31 August 2017

## 23. Other operating expenses

	Group	
	2017	2016
	\$'000	\$'000
Allowance for doubtful trade and other receivables	308	-
Allowance for inventory obsolescence	120	209
Allowance for impairment of property, plant and equipment	-	147
Bad debts written off - trade	3	-
Fair value loss on investment properties	730	-
Loss on disposal of plant and equipment	-	128
Loss on foreign exchange, net	146	-
Repairs and maintenance	568	528
Professional fees	598	428
Plant and equipment written off	1	11
Supplies and services	3,759	3,778
Office and sundry expenses	678	344
Transportation and travelling	876	883
Utilities	1,886	1,822
Others	428	212
	<u>10,101</u>	<u>8,490</u>

## 24. Finance costs

	Group	
	2017	2016
	\$'000	\$'000
Interest expense on:		
- bank loans	<u>488</u>	<u>403</u>

## 25. Income tax expense

	Group	
	2017	2016
	\$'000	\$'000
Current tax		
- Current year	519	355
- Under provision in prior financial years	23	-
Deferred tax		
- Current year	(192)	266
Withholding tax	<u>121</u>	<u>107</u>
	<u>472</u>	<u>728</u>

# Notes to the Financial Statements

Year ended 31 August 2017

## 25. Income tax expense (Continued)

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the financial year. Taxation of other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group	
	2017	2016
	\$'000	\$'000
Profit before income tax	2,674	1,773
Income tax calculated at statutory tax rate	455	301
Effect of different tax rates of overseas operations	(478)	70
Expenses not deductible for income tax purposes	517	745
Income not subject to tax	(528)	(412)
Income tax exemptions	-	(11)
Utilisation of deferred tax assets not recognised in prior financial years	(1)	(66)
Deferred tax assets not recognised	398	-
Under provision of current income tax in prior years	23	-
Withholding tax	121	107
Other items	(35)	(6)
	472	728

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

	Group	
	2017	2016
	\$'000	\$'000
Unabsorbed capital allowance	5,916	5,860
Unutilised tax losses	18,752	16,461
	24,668	22,321
Deferred tax benefits not recognised	4,193	3,795

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

The future income tax benefits of the Group's unutilised tax losses as at 31 August 2017 are available for an unlimited future period, except for unutilised tax losses amounting to \$1,286,000 (2016: \$1,327,000) which will expire 2020 to 2022 (2016: 2019 to 2021), and are subject to the conditions imposed by law including the retention of majority shareholders.



# Notes to the Financial Statements

Year ended 31 August 2017

## 26. Profit for the financial year

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

	Group	
	2017	2016
	\$'000	\$'000
Audit fees:		
Auditors of the Company	80	78
Other auditors	71	71
Non-audit fees:		
Auditors of the Company	-	-
Other auditors	9	8
Directors' remuneration:		
Directors of the Company	502	501
Other directors of the subsidiaries	180	179
Directors' fees:		
Directors of the Company	106	106
Other directors of the subsidiaries	42	27

## 27. Earnings per share

Earnings per share are calculated by dividing the net profit attributable to owners of the parent by the weighted average/actual number of ordinary shares outstanding during the financial year:

	Group	
	2017	2016
Profit attributable to owners of the parent (\$'000)	2,207	1,153
Weighted average/Actual number of ordinary shares in issue ('000)	460,321	452,670
Basic and diluted earnings per share (cents per share)	0.48	0.25

The basic earnings per share is computed by dividing the profit attributable to owners of the parent in each financial year by the weighted average/actual number of ordinary shares in issue during the respective financial year.

The diluted earnings per share for the relevant periods are the same as the basic earnings per share as the Group does not have any dilutive options for the relevant periods.

## 28. Dividends

The Directors of the Company recommend a final tax-exempt dividend of \$0.004 (2016: \$0.004) per share amounting to approximately \$1,976,000 (2016: \$1,811,000) be paid in respect of current financial year. This final dividend has not been recognised as a liability as at the end of the financial year as it is subject to approval by shareholders at the Annual General Meeting of the Company.

# Notes to the Financial Statements

Year ended 31 August 2017

## 29. Operating lease arrangements

*The Group and the Company as lessees*

	Group and Company	
	2017	2016
	\$'000	\$'000
Minimum lease payments under operating leases included in profit or loss	161	153

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

	Group and Company	
	2017	2016
	\$'000	\$'000
Within one year	161	161
After one year but within five years	641	643
After five years	2,477	2,483
	3,279	3,287

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

*The Group as lessor*

The Group leased out its investment properties in Malaysia and Philippines under non-cancellable operating leases. The leases are contracted for 1 to 7 (2016: 3 to 9) years.

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

	Group	
	2017	2016
	\$'000	\$'000
Within one year	811	727
After one year but within five years	1,688	2,112
After five years	358	566
	2,857	3,405

## 30. Financial instruments, financial risks and capital management

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

### 30.1 Credit risk

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 30.1 Credit risk (Continued)

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

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the consolidated statement of financial position.

The Group and Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except the Company has trade and non-trade receivables from its subsidiaries of \$2,249,000 (2016: \$3,656,000) which are neither past due nor impaired. As at 31 August 2017, these receivables comprises 32% (2016: 77%) of the Company's total trade and other receivables.

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

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

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Past due < 3 months	5,025	6,378	64	279
Past due 3 to 6 months	193	251	22	11
Past due over 6 months	6	176	1,151	2,569

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Past due and impaired	77	59	4,183	4,188

### 30.2 Market risks

#### Foreign exchange risk

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

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

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 30.2 Market risks (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	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
United States dollar	6,434	2,515	-	-
Singapore dollar	(2,432)	(3,956)	1,141	220
Japanese yen	(9)	(4)	170	188
Philippine peso	(821)	(1,337)	-	-
Chinese renminbi	12,758	9,013	11,411	6,854
Malaysia ringgit	(394)	(549)	-	-
Euro	(6)	-	-	-

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

The following table details the Group's and the Company's sensitivity to a 5% (2016: 5%) change in USD against RMB, SGD against USD and RMB against USD respectively, which are functional currencies of certain Group entities. In the analysis, the net monetary assets/liabilities of only certain entities in the Group are used in sensitivity analysis. The sensitivity analysis assumes an instantaneous 5% (2016: 5%) change in the foreign currency exchange rates from the end of the financial year, with all other variables held constant. The results of the model are also constrained by the fact that only monetary items, which are denominated in USD, SGD and RMB are included in the analysis.

#### Foreign currency sensitivity analysis

	Gain/(Loss)			
	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>USD</b>				
Strengthens against RMB	176	117	-	-
Weakens against RMB	(176)	(117)	-	-
<b>SGD</b>				
Strengthens against USD	(22)	(194)	57	11
Weakens against USD	22	194	(57)	(11)
<b>RMB</b>				
Strengthens against USD	571	343	571	343
Weakens against USD	(571)	(343)	(571)	(343)

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 30.2 Market risks (Continued)

#### Interest rate risk

The Group's and the Company's exposure to interest rate risk mainly arises from bank loans. Their interest rates and terms of repayment are disclosed in Notes 15 to the financial statements.

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Bank loans	10,013	11,250	2,344	4,168

Assuming that the amount of borrowings outstanding at the end of the financial year was outstanding for the whole year and interest rates increase/decrease instantaneously by 100 basis points from the end of the financial year, with all other variables held constant, the interest expense of the Group would increase/decrease by approximately \$100,000 (2016: \$113,000), while the interest expense of the Company would increase/decrease by approximately \$23,000 (2016: \$42,000).

### 30.3 Liquidity risk

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. The Group's and the Company's liquidity risk management policy is to maintain a sufficient level of liquid financial assets through proper management of its receivables and payables and by arranging for appropriate bank financing facilities.

#### Contract maturity analysis

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

#### Financial liabilities

	2017			2016		
	1 year or less	2 to 5 years	Total	1 year or less	2 to 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Group</b>						
Trade and other payables	9,053	436	9,489	8,476	824	9,300
Bank loans	7,636	2,845	10,481	6,573	5,378	11,951
	16,689	3,281	19,970	15,049	6,202	21,251
<b>Company</b>						
Trade and other payables	2,973	2,340	5,313	3,431	1,001	4,432
Bank loans	1,772	688	2,460	1,971	2,460	4,431
	4,745	3,028	7,773	5,402	3,461	8,863

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 30.3 Liquidity risk (Continued)

#### *Corporate guarantees*

As at 31 August 2017 the Company has given corporate guarantees of \$558,000 (2016: \$756,000) to a financial institution and a supplier in connection with facilities granted by these parties to subsidiaries. The carrying amount of the facilities utilised represents the maximum amount of the guarantee that the Company would be called upon to pay. The Directors are of the view that no material losses will arise from these corporate guarantees.

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

	1 year or less	
	2017	2016
	\$'000	\$'000
<b>Company</b>		
Financial guarantees	558	756

### 30.4 Capital management policies and objectives

The Group manages capital to ensure that it is able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. It maintains sufficient cash and cash equivalents and internally generated cash flows to finance its activities. Adequate lines of credit and availability of committed funding lines are maintained at all times to meet its obligations as and when they fall due.

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

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

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

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

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Trade and other payables	9,489	9,300	4,829	4,203
Bank loans	10,013	11,250	2,344	4,168
Less: Cash and cash equivalent	(8,697)	(12,422)	(1,545)	(5,638)
Net debt	10,805	8,128	5,628	2,733
Equity attributable to owners of the parent	57,057	53,680	42,664	35,562
Total capital	67,862	61,808	48,292	38,295
Gearing ratio	15.9%	13.2%	11.7%	7.1%



# Notes to the Financial Statements

Year ended 31 August 2017

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

### 30.4 Capital management policies and objectives (Continued)

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

As disclosed in Note 18 to the financial statements, the Group's subsidiaries in the People's Republic of China and Thailand are required by local regulations to contribute to and maintain a non-distributable statutory reserve fund.

The Group and the Company are in compliance with the externally imposed capital requirements for the financial years ended 31 August 2017 and 2016.

The Group's overall strategy remains unchanged from 2016.

### 30.5 Fair value of financial assets and financial liabilities

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

#### *Fair value hierarchy*

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

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

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

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

The fair values of non-current financial liabilities that are not carried at fair value in relation to non-trade payables and bank loans are disclosed in Notes 14 and 15 to the financial statements respectively.

#### *Fair value of financial instruments carried at fair value*

The fair value of non-current financial assets carried at fair value in relation to available-for-sale financial assets is disclosed in Note 9 to the financial statements.

# Notes to the Financial Statements

Year ended 31 August 2017

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

### 30.6 Categories of financial instruments

	Group		Company	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
<b>Loans and receivables</b>				
Cash and bank balances	8,697	12,422	1,545	5,638
Fixed deposits	133	137	–	–
Trade and other receivables	18,475	14,385	6,958	4,750
	<u>27,305</u>	<u>26,944</u>	<u>8,503</u>	<u>10,388</u>
<b>Available-for-sale financial assets</b>	<u>8,978</u>	<u>9,013</u>	<u>8,978</u>	<u>9,013</u>
<b>Financial liabilities</b>				
<b>Other financial liabilities, at amortised cost</b>				
Trade and other payables	9,489	9,300	4,829	4,203
Bank loans	10,013	11,250	2,344	4,168
	<u>19,502</u>	<u>20,550</u>	<u>7,173</u>	<u>8,371</u>

## 31. Significant related party transactions

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

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

	Company	
	2017	2016
	\$'000	\$'000
<b>With subsidiaries</b>		
Sales	162	616
Management fee charged	167	166
Payment on behalf of	377	569
Purchases	<u>9</u>	<u>776</u>

# Notes to the Financial Statements

Year ended 31 August 2017

## 31. Significant related party transactions (Continued)

### Compensation of Directors and key management personnel

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

	Group	
	2017	2016
	\$'000	\$'000
Short-term benefits	1,519	1,501
Post-employment benefits	71	63
	<u>1,590</u>	<u>1,564</u>
Directors' remuneration		
- of the Company	608	607
- of the subsidiaries	222	206
	<u>830</u>	<u>813</u>

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

## 32. Group segmental information

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

# Notes to the Financial Statements

Year ended 31 August 2017

## 32. Group segmental information (Continued)

### 32.1 Analysis by Business Segments (Continued)

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

(i) Data Storage

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

(ii) Consumer Electronics

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

(iii) Automotive, Microshaft and Others

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

The Group adopts these three business segments for segment reporting.

The revenue from two major customers of the Group's data storage segment represents \$12,044,000 (2016: \$11,648,000).

	Data Storage		Consumer Electronics		Automotive, Microshaft and others		Unallocated		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue</b>										
External sales	19,747	19,475	17,622	21,964	13,299	7,800	-	-	50,668	49,239
<b>Results</b>										
Segment results	967	2,037	749	(186)	1,427	269	-	-	3,143	2,120
Interest expense	-	-	-	-	-	-	(488)	(403)	(488)	(403)
Interest income	-	-	-	-	-	-	19	56	19	56
Profit before income tax	967	2,037	749	(186)	1,427	269	(469)	(347)	2,674	1,773
Income tax expense									(472)	(728)
Profit for the financial year									2,202	1,045

# Notes to the Financial Statements

Year ended 31 August 2017

## 32. Group segmental information (Continued)

### 32.1 Analysis by Business Segments (Continued)

	Data Storage		Consumer Electronics		Automotive, Microshaft and others		Unallocated		Group	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(Reversal of)/										
Allowance for impairment of:										
- trade and other receivables	-	-	304	-	4	-	-	-	308	-
- plant and equipment	-	-	(259)	147	-	-	-	-	(259)	147
(Reversal of)/										
Allowance for inventory obsolescence	(46)	(84)	323	309	(157)	(16)	-	-	120	209
Amortisation of intangible asset	-	-	-	-	-	264	-	-	-	264
Depreciation	1,083	1,036	1,093	1,522	691	468	-	-	2,867	3,026
Fair value loss/(gain) on investment property	-	-	-	-	-	-	730	(633)	730	(633)
Plant and equipment written off	-	6	-	4	1	1	-	-	1	11
<b>Segment assets</b>	<b>14,856</b>	<b>17,950</b>	<b>29,720</b>	<b>30,150</b>	<b>19,446</b>	<b>13,025</b>	<b>15,595</b>	<b>16,538</b>	<b>79,617</b>	<b>77,663</b>
Segment assets include:										
Additions to:										
- capital expenditure	1,880	1,283	1,678	1,447	1,267	514	-	-	4,825	3,244
<b>Segment liabilities</b>	<b>625</b>	<b>1,465</b>	<b>4,176</b>	<b>3,294</b>	<b>4,688</b>	<b>4,540</b>	<b>10,717</b>	<b>12,173</b>	<b>20,206</b>	<b>21,472</b>

# Notes to the Financial Statements

Year ended 31 August 2017

## 32. Group segmental information (Continued)

### 32.2 Analysis by Geographical Segments

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

	External sales		Non-current assets	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Philippines	15,398	16,833	16,097	13,813
Thailand	12,774	12,929	2,952	4,306
China	13,007	12,770	8,549	9,052
Hungary	4,102	1,921	-	-
Singapore	1,339	1,760	1,799	4,806
Malaysia	995	1,013	4,794	4,729
Mexico	2,043	973	-	-
Others	1,010	1,040	-	-
	<u>50,668</u>	<u>49,239</u>	<u>34,191</u>	<u>36,706</u>

# Directors' Statement

The Directors present their statement together with the audited consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 August 2017.

## 1. Opinion of the Directors

In the opinion of the Board of Directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 August 2017, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Share options

### Employee Share Option Scheme

The Company has implemented a share option scheme known as Miyoshi Employee Share Option Scheme ("Miyoshi ESOS") in 2001. The duration for the Miyoshi ESOS is for a maximum of one hundred and twenty months commencing on 4 May 2001. Accordingly, the Miyoshi ESOS has automatically terminated on 3 May 2011. As at the end of the financial year, there were no outstanding and unexercised options granted to participants under the Miyoshi ESOS.

### Restricted Share Plan and Performance Share Plan

The Company has implemented a Miyoshi Restricted Share Plan ("Miyoshi RSP") and Miyoshi Performance Share Plan ("Miyoshi PSP"). The two share plans were approved and adopted by the shareholders at an Extraordinary General Meeting of the Company held on 23 December 2016. Both the Miyoshi RSP and Miyoshi PSP are administered by the Remuneration Committee.

The Miyoshi RSP and Miyoshi PSP apply to group employees, executive directors and non-executive directors, who are not controlling shareholders or their associates.

There were no shares granted from the share plans during the financial year.

## 3. Directors

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

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

## 4. Arrangements to enable Directors to acquire shares or debentures

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



## 5. Directors' interests in shares or debentures

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

Name of Directors and company in which interests are held	Shareholdings registered in the name of Directors or their nominees		Shareholdings in which Directors are deemed to have an interest	
	At beginning of year	At end of year	At beginning of year	At end of year
<b>The Company</b>	<b>Number of ordinary shares</b>			
Mr Sin Kwong Wah, Andrew	80,946,000 <sup>(1)</sup>	75,742,900 <sup>(1)</sup>	62,944,000 <sup>(2)</sup>	77,944,000 <sup>(2)</sup>
Mr Masayoshi Taira	–	–	69,509,290 <sup>(3)</sup>	65,509,290 <sup>(3)</sup>
Mr Lim Thean Ee	100,000	100,000	–	–
Mr Pek Ee Perh, Thomas	15,954,500	15,954,500	–	–

Name of Directors and company in which interests are held	Shareholdings registered in the name of the Directors	
	At beginning of year	At end of year
<b>Subsidiaries</b>	<b>Ordinary shares of Philippine Peso 1,000 each</b>	
<b>- Miyoshi Technologies Phils., Inc.</b>	<b>Held in the name of Directors</b>	
Mr Sin Kwong Wah, Andrew	1 <sup>(4)</sup>	1 <sup>(4)</sup>

- (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 45,175,000 shares (2016: 30,175,000 shares) held by DBS Nominees Pte Ltd, 31,269,000 shares (2016: 31,269,000 shares) held by his spouse, Mdm Pek Yee Chew and 1,500,000 (2016: 1,500,000) shares held by his daughter, Sin Shi Min Andrea.
- (3) Mr Masayoshi Taira is deemed to have an interest in the 69,509,290 shares held by Miyoshi Industry Co., Ltd.
- (4) Shares held in trust for the Company.

In accordance with the continuing listing requirements of the Catalist of Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 September 2017 in the shares or debentures of the Company and its related corporations have not changed from those disclosed as at 31 August 2017.

# Directors' Statement

## 6. Audit committee

The members of the Audit Committee are:

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

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

- (i) Reviews the audit plans and scope of audit examination of external auditors and approves the audit plans of the internal auditors;
- (ii) Reviews the nature and extent of non-audit services performed by the external auditors;
- (iii) Evaluates the overall effectiveness of both the internal and external audits through meetings with each group of auditors;
- (iv) Evaluates the adequacy of the Group's internal controls by reviewing written reports from the internal and external auditors, and management's responses and actions to correct any deficiencies;
- (v) Reviews the annual financial statements and quarterly financial announcements to shareholders before submission to the Board of Directors for approval;
- (vi) Reviews interested person transactions;
- (vii) Nominates the internal and external auditors for re-appointment;
- (viii) Reviews the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company; and
- (ix) Reviews the co-operation and assistance given by the management to the Company's internal and external auditors.

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

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

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

## 7. Auditor

The auditor, BDO LLP, has expressed its willingness to accept re-appointment.

## 8. Additional disclosure requirements of the Listing Manual of the SGX-ST

The auditors of the subsidiaries of the Company are disclosed in Note 8 to the financial statements. In the opinion of the Board of Directors and the Audit Committee, Rules 712 and 715 of the Listing Manual of SGX-ST have been complied with.

On behalf of the Board of Directors



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Sin Kwong Wah, Andrew  
Director



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Pek Ee Perh, Thomas  
Director

Singapore  
23 November 2017

# Independent Auditor's Report

To the Members of Miyoshi Limited

Report on the Audit of the Financial Statements	
Opinion	
<p>We have audited the financial statements of Miyoshi Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 77 to 137, which comprise:</p> <ul style="list-style-type: none"> <li>the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 August 2017;</li> <li>the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the financial year then ended; and</li> <li>notes to the financial statements, including a summary of significant accounting policies.</li> </ul>	
<p>In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 August 2017, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial year ended on that date.</p>	
Basis for Opinion	
<p>We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the <i>Auditor's Responsibilities for the Audit of the Financial Statements</i> section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") <i>Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities</i> ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.</p>	
Key Audit Matters	
<p>Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.</p>	
KEY AUDIT MATTER	AUDIT RESPONSE
<p><b>1</b> Impairment Assessment of Property, Plant and Equipment ("PPE") and Cost of Investment in Miyoshi Hi-Tech Co., Ltd ("Thailand subsidiary")</p> <p>As at 31 August 2017, the Thailand subsidiary's PPE amounted to approximately S\$4.75 million and accounted for 6% of the Group's total assets. The cost of investment in the Thailand subsidiary amounted to approximately S\$2.17 million and accounted for 4.4% of the Company's total assets.</p> <p>Management assessed that there is an indication of impairment of these assets due to an expected decline in revenue from the Thailand subsidiary in the next financial year. Accordingly, management prepared discounted cash flow forecasts and determined that there is no impairment loss required for these assets.</p> <p>We have determined the impairment assessment of PPE and cost of investment in the Thailand subsidiary to be a key audit matter as the impairment assessment involved significant judgements and estimates with regard to the key assumptions on the future market conditions, growth rates and discount rates used in the discounted cash flow forecasts prepared by management.</p> <p>Refer to Notes 3.2, 8 and 10 to the financial statements.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>Discussed with management and evaluated the key assumptions made by management, including comparing the revenue growth rate against historical performance and terminal growth rate against market data; and</li> <li>Performed sensitivity analysis around the key assumptions, including the revenue growth rate, discount rate and terminal growth rate, used in the cash flow forecasts.</li> </ul>

# Independent Auditor's Report

To the Members of Miyoshi Limited

KEY AUDIT MATTER	AUDIT RESPONSE
<p><b>2</b></p> <p><b>Reversal of Impairment in the Cost of Investment in Miyoshi Technologies Phils., Inc. ("Philippines subsidiary")</b></p> <p>As at 31 August 2017, the cost of investment in a Philippines subsidiary amounted to approximately S\$14.2 million and accounted for 28.5% of the Company's total assets.</p> <p>During the current financial year, due to a significant increase in revenue from a certain customer in the automotive business segment, management assessed that there is an indication that the impairment loss recognised in the prior financial years may no longer exist.</p> <p>Based on the discounted cash flows forecasts prepared by management to estimate the recoverable amount of the investment in the Philippines subsidiary, a full reversal of the impairment loss of approximately S\$8.66 million was recognised during the financial year.</p> <p>Determining whether a reversal of impairment loss should be made for the investment in the Philippines subsidiary involved significant judgements in assessing the indication of reversal and making estimates with regard to the key assumptions on the future market conditions, growth rates and discount rate used in the discounted cash flow forecasts prepared by management. We have therefore determined this to be a key audit matter.</p> <p>Refer to Notes 3.2 and 8 to the financial statements.</p>	<p>Our procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>Discussed with management and evaluated their assessment of the indication of the reversal of impairment loss recognised previously ;</li> <li>Evaluated the key assumptions made by management, including performing a sensitivity analysis on the key assumptions such as the orders placed by the customer in the next financial year, revenue growth rate, discount rate and terminal growth rate, used in the cash flow forecasts; and</li> <li>Assessed the adequacy of the disclosure in the financial statements with respect to the reversal of the impairment loss.</li> </ul>
<p><b>3</b></p> <p><b>Fair value of Available-for-Sale Financial Assets</b></p> <p>As at 31 August 2017, the carrying amount of the Group's investment in an available-for-sale ("AFS") financial assets is approximately S\$9 million, which represents a 15% equity interest in the unquoted shares of Core Power (Fujian) New Energy Automobile Co., Ltd ("Core Power"), a company that manufactures, assembles and sells light electric vehicles in the People's Republic of China.</p> <p>Management engaged an external valuer to perform a valuation on the investment in Core Power which amounted to approximately S\$9 million as at the end of the financial year. Given that a reliable fair value measurement is available during the current financial year, the AFS financial asset is measured at fair value.</p> <p>We have determined the fair value of the AFS financial assets to be a key audit matter because significant judgements and estimates are involved in evaluating the appropriateness of the valuation methodology and reasonableness of the key assumptions used by management and the independent valuer, taking into account that the fair value is measured using significant unobservable inputs (Level 3).</p> <p>Refer to Notes 3.2 and 9 to the financial statements.</p>	<p>Our procedures on the fair value of the AFS financial assets included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>Assessed the independence and competency of the valuer which included considering their experiences and qualification in performing valuations for similar types of assets;</li> <li>Discussed with the management and the valuer on the valuation methodologies used and the results of their work;</li> <li>Engaged our internal valuation specialists to evaluate the valuation methodologies used and the reasonableness of the discount rate applied;</li> <li>Assessed and reviewed the reasonableness of the key assumptions and estimates used, including the revenue growth rate, gross margins and discount rate; and</li> <li>Evaluated the appropriateness and adequacy of the related fair value disclosures in the financial statements</li> </ul>

# Independent Auditor's Report

To the Members of Miyoshi Limited

## Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Directors' responsibilities include overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

# Independent Auditor's Report

To the Members of Miyoshi Limited

## Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Adrian Lee Yu-Min.

**BDO LLP**  
Public Accountants and  
Chartered Accountants

Singapore  
23 November 2017



# Group Five-Year Financial Summary

GROUP FINANCIAL HIGHLIGHTS	(Restated)	(Restated)			
FOR THE YEAR (\$\$'000)	FY2013	FY2014	FY2015	FY2016	FY2017
Revenue	190,371	70,086	54,408	49,239	50,668
Revenue Growth (%)	19%	-63%	-22%	-10%	3%
Profit for the Period	(5,945)	(17)	627	1,045	2,202

GROUP SEGMENTAL INFORMATION	(Restated)	(Restated)			
FOR THE YEAR (\$\$'000)	FY2013	FY2014	FY2015	FY2016	FY2017
Consumer Electronics	124,225	28,796	22,460	21,964	17,622
Data Storage	40,118	34,341	27,071	19,475	19,747
Automotive and Others	26,028	6,949	4,877	7,800	13,299
	<b>190,371</b>	<b>70,086</b>	<b>54,408</b>	<b>49,239</b>	<b>50,668</b>

GROUP CASH FLOWS	(Restated)	(Restated)			
FOR THE YEAR (\$\$'000)	FY2013	FY2014	FY2015	FY2016	FY2017
Operating cash flow before working capital changes	3,981	1,380	4,070	3,917	5,930
Work capital changes	(3,089)	2,805	(4,586)	4,263	(990)
Interest paid, net	(197)	(191)	(218)	(347)	(469)
Income tax paid	(203)	(248)	(348)	(488)	(463)
Net cash from/(used in) operating activities	492	3,746	(1,082)	7,345	4,008
Net cash used in investing activities	(1,149)	(1,761)	(5,966)	(6,734)	(7,472)
Net cash used in financial activities	(2,088)	(6,843)	3,508	5,483	(500)
<b>Increase/(Decrease) In cash and cash equivalents</b>	<b>(2,745)</b>	<b>(4,858)</b>	<b>(3,540)</b>	<b>6,094</b>	<b>(3,964)</b>

# Group Five-Year Financial Summary

GROUP FINANCIAL RATIOS	(Restated)	(Restated)			
FOR THE YEAR (S\$'000)	FY2013	FY2014	FY2015	FY2016	FY2017
Earnings per share (cents)	(1.47)	0.11	0.12	0.25	0.48
Net asset value per share (cents)	12.06	11.16	12.11	11.86	11.55
Dividend per share (cents)	0.4	0.35	–	0.4	0.4
Return on equity (%)	(12.22)	1.01	1.00	2.15	3.87
Return on assets (%)	(5.96)	(0.02)	0.92	1.38	2.80
Gearing ratio	0.14	0.06	0.11	0.21	0.18
Current ratio	1.86	2.74	2.65	2.16	2.21
Cash ratio	0.31	0.82	0.56	0.85	0.53

GROUP FINANCIAL POSITION	(Restated)	(Restated)			
FOR THE YEAR (S\$'000)	FY2013	FY2014	FY2015	FY2016	FY2017
Property, plant and equipment	27,758	28,053	30,676	28,883	27,504
Available-for-sale financial assets (non-current)	10,594	–	–	9,013	8,978
Investment properties	819	840	7,357	7,503	6,584
Intangible assets	18	18	2,900	18	13
Other non-current assets	50	5	538	323	123
Cash and cash equivalents	10,974	10,118	6,812	12,559	8,830
Trade and other receivables (current)	19,144	15,177	17,937	14,161	18,567
Inventories	7,555	6,807	7,321	5,203	5,449
Assets held for sale (current)	28,096	1,924	–	–	3,569
<b>Total Assets</b>	<b>76,982</b>	<b>62,942</b>	<b>73,541</b>	<b>77,663</b>	<b>79,617</b>
Equity attributable to owners of the parent	50,692	46,952	54,831	53,680	57,057
Non-controlling interests	6,724	2,020	3,252	2,511	2,354
Borrowings: non-current	1,440	1,303	2,603	5,009	2,665
Borrowings: current	5,540	1,961	3,381	6,241	7,348
Trade and other payables (current)	12,294	10,424	8,661	8,476	9,053
Other liabilities	292	282	813	1,746	1,140
<b>Total Equity and Liabilities</b>	<b>76,982</b>	<b>62,942</b>	<b>73,541</b>	<b>77,663</b>	<b>79,617</b>

# Group Five-Year Financial Summary

## FY2017

The Group recorded a 2.9% increase in revenue from \$49.2 million in FY2016 to \$50.7 million in FY2017. The increase was mainly due to more orders from automotive customers.

Profit after tax increased by \$1.2 million from \$1.0 million in FY2016 to \$2.2 million in FY2017. The increase was mainly due to increase in revenue of \$1.5 million, decreases in income tax expense of \$0.2 million, offset, by decrease in other income of \$0.7 million.

## FY2016

The Group recorded a 9.5% decrease in revenue from \$54.4 million in FY2015 to \$49.2 million in FY2016. Consumer electronics segment, which includes manufacturers of photocopiers, printers, projectors and home appliances, contributed 44.6% of the Group's revenue. Data storage segment contributed to 39.6% of Group's revenue. Automotive and others segment grew 59.9% year-on-year and contributed to 15.8% of Group's revenue.

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

On 6 June 2016, the Group completed the transfer of listing from the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST") to the Catalist sponsored regime. The Company has appointed CIMB Bank Berhad, Singapore Branch to act as its continuing sponsor. Following the transfer, the Company also exited from the SGX-ST's Watch-Lists with effect from 6 June 2016.

In August 2016, the Group completed its 15% investment in Core Power (Fujian) New Energy Automobile Co., Ltd.

## FY2015

The Group recorded a 22.4% decrease in revenue from \$70.1 million in FY2014 to \$54.4 million in FY2015. The decrease was mainly due to dilution of shareholding interest and subsequent disposal of principal subsidiary, Giken Sakata (S) Limited ("Giken") in the last financial year. Excluding Giken's revenue, revenue decreased 4.7% from \$57.1 million in FY2014 to \$54.4 million in FY2015.

Revenue from data storage segment decreased by 21.0% from \$34.3 million in FY2014 to \$27.1 million in FY2015. In the near term, our operating landscape remains challenging as a result of intense competition in the data storage segment. Revenue from consumer electronics segment decreased 22.0% from \$28.8 million in FY2014 to \$22.5 million in FY2015.

Profit before tax increased by \$0.9 million from \$0.3 million for FY2014 to \$1.2 million in FY2015.

Fair value gain on investment property for other comprehensive income of \$0.7 million arose from the transfer of Senai property from Property, Plant and Equipment to Investment Property in 4Q2015.

# Group Five-Year Financial Summary

## FY2014

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

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

Other income increased by \$4.9 million mainly due to gain on disposal of property in Singapore.

Profit before tax improved by \$4.9 million to \$318,000 for the financial year ended 31 August 2014. The Group reported a loss before tax of \$4.6 million for the financial year ended 31 August 2013.

## FY2013

Group revenue was \$190.4 million in FY2013 as compared with \$159.4 million in FY2012. The increase of \$31.0 million or 19.5% was mainly due to new consumer electronics product which had contributed to the robust growth in revenue for four continuous quarters since it was launched in 3QFY2012.

Full year Group loss attributable to the owners for FY2013 and FY2012 were \$4.9 million and \$7.4 million respectively. The loss for FY2013 included the non-recurring and exceptional charges of \$3.2 million which was mainly comprised of impairment of property, plant and equipment and impairment of disposal group. The loss for FY2012 included the non-recurring charges of \$4.5 million which mainly comprised of impairment of investment in an associate, allowance for doubtful trade receivables and doubtful loan receivables, net of insurance claims in relation to the flood damage of our Thailand factory in FY2012. Excluding the effects of those non-recurring and exceptional charges, the losses for FY2013 and FY2012 were \$1.7 million and \$2.9 million respectively.

# Contact Details

**MIYOSHI LIMITED**  
**MIYOSHI SAITOH PTE LTD**  
**OE AQUITECH (SINGAPORE) PTE LTD**

5 Second Chin Bee Road  
Singapore 618772  
Tel: (65) 6265-5221

**MIYOSHI OPTOELECTRONICS (S) PTE LTD**

28D Penjuru Close #01-07  
Singapore 609132  
Tel: (65) 6904-4376

**MIYOSHI TECHNOLOGIES PHILS., INC.**  
**MIYOSHI INTERNATIONAL PHILIPPINES., INC.**  
**MIYOSHI FL SYSTEMS, INC.**

Lot B1-5, Road 6, Carmelray Industrial Park II,  
Barangay Tulo, Calamba City, Laguna 4027,  
Philippines  
Tel: (63) (049) 508-1388

**MIYOSHI HI-TECH CO., LTD**

38 Moo 1, Hi-Tech Industrial Estate,  
BanPo, Ban Pa-In, Ayutthaya 13160  
Thailand  
Tel: (66) (35) 314-031

**WUXI MIYOSHI PRECISION CO., LTD**

No. 108, Hong Da Road, Hongshan Machine Photoelectric Industrial Park,  
Wuxi New District, Jiangsu Province, 214115,  
People's Republic of China  
Tel: (86) (510) 8530-0128

**MIYOSHI PRECISION HUIZHOU CO., LTD**

Jin Chuan Road, Tong Qiao Industrial Park  
Huicheng District, Houzhou,  
516032 Guangdong Province,  
People's Republic of China  
Tel: (86) (752) 711-9926

**MIYOSHI PRECISION (MALAYSIA) SDN BHD**

No. 4, Jalan Wira 3, Taman Tan Sri Yaacob  
81300 Skudai, Johor D.T.,  
Malaysia  
Tel: (60) 7511-1855

**CORE POWER (FUJIAN) NEW ENERGY AUTOMOBILE CO., LTD**

229 Luo Xi Road, Yong An City, Fujian Province,  
People's Republic of China  
Tel: (86) (598) 513-3888

## Awards and Accolades

**2017**

### **Governance and Transparency Index (GTA) 2017**

- Ranked 164 out of 606 Singapore Exchange (SGX) listed companies evaluated

### **Securities Investors Association Singapore (SIAS) Investors' Choice Awards 2017**

- Most Transparent Company Award (Winner, Small and Medium Enterprise)

### **DP Information Group**

- Ranked 354 of Singapore 500 Public Listed Companies (Ranked by Sales)

**2016**

### **Governance and Transparency Index (GTA) 2016**

- Ranked 443 out of 631 Singapore Exchange (SGX) listed companies evaluated

### **DP Information Group**

- Ranked 336 of Singapore 500 Public Listed Companies (Ranked by Sales)

**2015**

### **Governance and Transparency Index (GTA) 2015**

- Ranked 623 out of 639 Singapore Exchange (SGX) listed companies evaluated

### **DP Information Group**

- Ranked 197 of Singapore 500 Public Listed Companies (Ranked by Sales)

**2014**

### **Governance and Transparency Index (GTA) 2014**

- Ranked 634 out of 644 Singapore Exchange (SGX) listed companies evaluated

### **DP Information Group**

- Ranked 1,391 of Singapore 1000 Public Listed Companies (Ranked by Sales)

**2013**

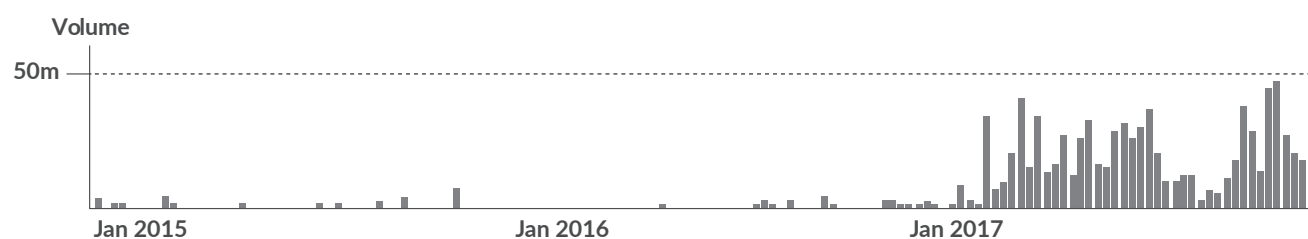
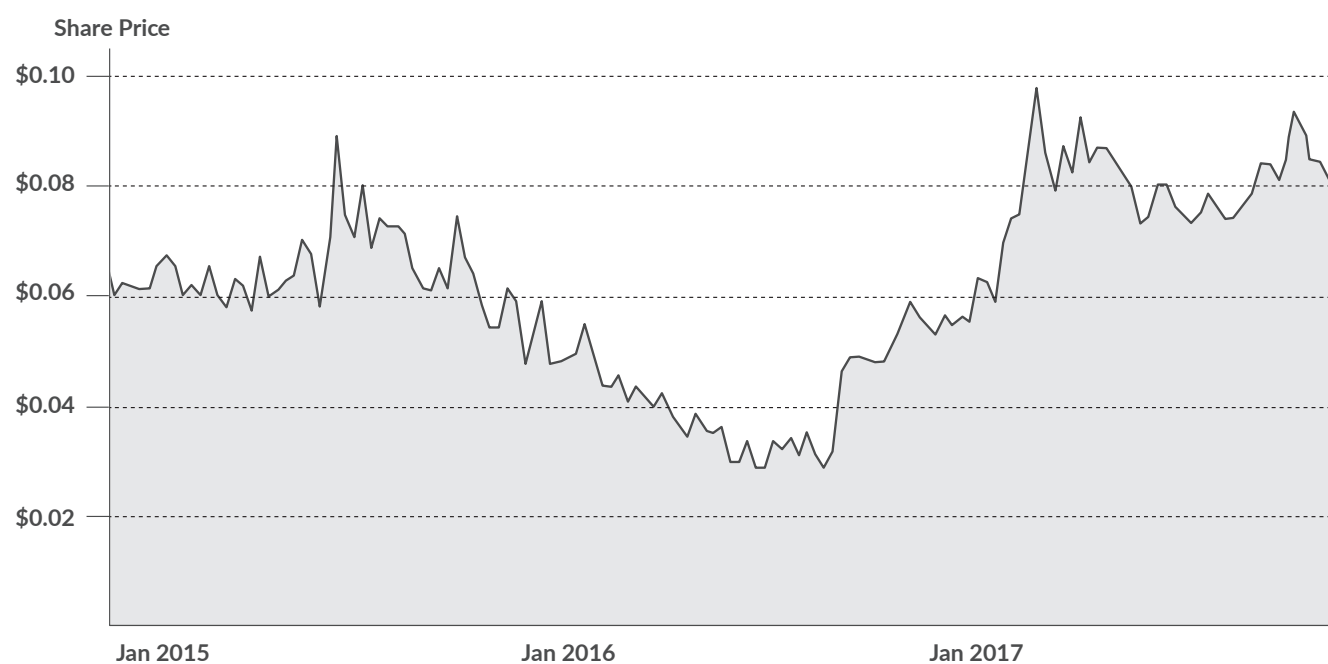
### **Governance and Transparency Index (GTA) 2013**

- Ranked 659 out of 664 Singapore Exchange (SGX) listed companies evaluated

### **DP Information Group**

- Ranked 212 of Singapore 500 Public Listed Companies (Ranked by Sales)

# Share Price





## 2017

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### **11 January**

2017 First Quarter Results

### **13 January**

Payment date of Final Dividends on Ordinary Shares for the financial year ended 31 August 2016

### **7 April**

2017 Second Quarter Results

### **14 June**

Completion of placement of 45 million new shares

### **10 July**

2017 Third Quarter Results

### **27 October**

2017 Full Year Results

### **29 December**

Annual General Meeting

## 2018

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### **11 January**

2018 First Quarter Results

### **January**

Payment date of Final Dividends on Ordinary Shares for the financial year ended 31 August 2017

### **6 April**

2018 Second Quarter Results

### **6 July**

2018 Third Quarter Results

### **26 October**

2018 Full Year Results

### **28 December**

Annual General Meeting

# Shareholding Statistics

As at 20 November 2017

Class of equity securities	:	Ordinary Shares
Number of shares issued (excluding treasury shares)	:	494,029,490
Number of subsidiary holdings	:	Nil
Voting Rights	:	One vote per share

As at 20 November 2017, the total number of treasury shares held is 3,640,000 (0.73%)

## DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 1000	250	8.50	137,356	0.03
1,001 - 10,000	970	32.98	5,374,100	1.09
10,001 - 1,000,000	1,690	57.46	151,870,880	30.74
1,000,001 and above	31	1.06	336,647,154	68.14
<b>TOTAL</b>	<b>2,941</b>	<b>100.00</b>	<b>494,029,490</b>	<b>100.00</b>

## LIST OF SUBSTANTIAL SHAREHOLDERS

	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
<b>Substantial shareholders</b>				
Miyoshi Industry Co., Ltd	69,509,290	14.07	-	-
Masayoshi Taira	-	-	69,509,290	14.07
Sin Kwong Wah Andrew	75,742,900	15.33	77,944,000	15.78
Pek Yee Chew	31,269,000	6.33	122,417,900	24.78

### Notes:

- Mr Masayoshi Taira is deemed to have an interest in the 69,509,290 shares held by Miyoshi Industry Co., Ltd.
- Mr Sin Kwong Wah, Andrew is deemed to have an interest in the 45,175,000 shares held by DBS Nominees Pte Ltd, 31,269,000 shares held by his spouse, Mdm Pek Yee Chew and 1,500,000 shares held by his daughter, Sin Shi Min Andrea.
- Mdm Pek Yee Chew is deemed to have an interest in the shares held or deemed to be held by her spouse, Mr Sin Kwong Wah, Andrew and 1,500,000 shares held by her daughter, Sin Shi Min Andrea.

# Shareholding Statistics

As at 20 November 2017

## TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	SIN KWONG WAH ANDREW	75,742,900	15.33
2	MIYOSHI INDUSTRY CO LTD	69,509,290	14.07
3	DBS NOMINEES PTE LTD	68,511,889	13.87
4	PEK YEE CHEW	31,269,000	6.33
5	PEK EE PERH THOMAS	15,954,500	3.23
6	LOW HUAT YEW	10,007,700	2.03
7	LIM YUH PING	9,407,700	1.90
8	PHILLIP SECURITIES PTE LTD	7,810,545	1.58
9	LEOW BENG LEE (LIAO MINGLI)	4,607,000	0.93
10	RAFFLES NOMINEES (PTE) LTD	4,521,400	0.92
11	LIM BUAH HUA	3,733,300	0.76
12	MAYBANK KIM ENG SECURITIES PTE LTD	3,468,530	0.70
13	KUAN BON HENG	2,877,000	0.58
14	KHOO THIAM HIM	2,500,000	0.51
15	WONG SIN TIN	2,190,000	0.44
16	OCBC SECURITIES PRIVATE LTD	2,042,800	0.41
17	WONG BARK CHUAN DAVID	1,950,000	0.39
18	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	1,708,700	0.35
19	KHOO TECK POH	1,700,000	0.34
20	NG HWEE KOON	1,664,500	0.34
<b>TOTAL</b>		<b>321,176,754</b>	<b>65.01</b>

As at 20 November 2017, 51.57% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of SGX-ST which require that at least 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of **Miyoshi Limited** (the "Company") will be held at 81 Choa Chu Kang Way, Warren Golf & Country Club, Singapore 688263, Conference Room 1 & 2 (Level 2) on 29 December 2017 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 August 2017 together with the Auditors' Report thereon. **(Resolution 1)**
2. To declare a first and final dividend of 0.4 Singapore cent per share tax exempt (one-tier) for the year ended 31 August 2017 (2016: 0.4 Singapore cent per share). **(Resolution 2)**
3. To re-elect the following Directors of the Company who retire by rotation in accordance with Regulation 89 of the Company's Constitution and who, being eligible, offer themselves for re-election:  
  
Mr Sin Kwong Wah, Andrew **(Resolution 3)**  
Mr Masayoshi Taira **(Resolution 4)**  
  
Mr Masayoshi Taira will, upon his re-election as director of the Company, remain as a member of the Audit Committee and Remuneration Committees and will be considered non-independent.
4. To approve the payment of Directors' fees of S\$106,000 for the year ended 31 August 2017 (2016: S\$106,000). **(Resolution 5)**
5. To re-appoint BDO LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

### 7. Authority to issue shares

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

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

provided that:

- (i) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Ordinary Resolution) and Instruments to be issued pursuant to this Ordinary Resolution shall not exceed 100% of the total issued Shares at the time of passing of this Ordinary Resolution (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-

# Notice of Annual General Meeting

paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 50% of the total issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

- (ii) (subject to such manner of calculation as may be prescribed by the Catalist Rules) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (1) above, the percentage of issued Shares shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
    - (1) new Shares arising from the conversion or exercise of any convertible securities;
    - (2) new Shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed; and
    - (3) any subsequent bonus issue, consolidation or subdivision of shares;
  - (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and the Constitution for the time being of the Company; and
  - (iv) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.  
[See Explanatory Note (i)]
- (Resolution 7)

## 8. Authority to allot, issue and deliver shares pursuant to Miyoshi Restricted Share Plan 2016

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards under the prevailing Miyoshi Restricted Share Plan ("Miyoshi RSP") and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be delivered pursuant to the vesting of RSP Awards under the Miyoshi RSP, provided that the aggregate number of (1) new Shares allotted and issued and/or be allotted and issued and (2) existing Shares (including Shares held in treasury) delivered and/or to be delivered, and (3) Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to the Miyoshi RSP and the Miyoshi Performance Share Plan and all options or awards granted under any other share option schemes or share schemes implemented by the Company and for the time being in force shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (ii)]

(Resolution 8)

## 9. Authority to allot, issue and deliver shares pursuant to Miyoshi Performance Share Plan 2016

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards under the prevailing Miyoshi Performance Share Plan ("Miyoshi PSP") and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be delivered pursuant to the vesting of PSP Awards under the Miyoshi PSP, provided that the aggregate number of (1) new Shares allotted and issued and/or be allotted and issued and (2) existing Shares (including Shares held in treasury) delivered and/or to be delivered, and (3) Shares released and/or to be released in the form of cash in lieu of Shares, pursuant to the Miyoshi RSP and the Miyoshi Performance Share Plan and all options or awards granted under any other share option schemes or share schemes implemented by the Company and for the time being in force shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iii)]

(Resolution 9)

# Notice of Annual General Meeting

## 10. Proposed Renewal of Share Buy-Back Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
  - (i) market purchase(s) (each a **"Market Purchase"**) on the SGX-ST; and/or
  - (ii) off-market purchase(s) (each an **"Off-Market Purchase"**) effected otherwise than on the SGX-ST in accordance with an equal access scheme as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Catalist Rules and the Companies Act,

and otherwise in accordance with all other laws and regulations, including but not limited to, the Catalist Rules as may for the time being be applicable be and is hereby authorised and approved generally and unconditionally (the **"Share Buy-Back Mandate"**);

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
  - (i) the conclusion of the next annual general meeting of the Company is held or date by which such annual general meeting is required to be held;
  - (ii) the date on which the Share Buy-Backs are carried out to the full extent of the Share Buy-Back Mandate; or
  - (iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked by an ordinary resolution of shareholders of the Company in general meeting;
- (c) for purposes of this ordinary resolution:

**"Average Closing Price"** means the average of the closing market prices of the Shares for the last five (5) Market Days on which transactions in the Shares were recorded immediately preceding the date of the market purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the off-market purchase, and deemed to be adjusted in accordance with the Catalist Rules of the SGX-ST for any corporate action that occurs after the relevant five (5)-Market Day period;

**"date of the making of the offer"** means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price (as hereinafter defined) for an off-market purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase;

**"Maximum Limit"** means ten per cent. (10%) of the total issued Shares of the Company as at the date of the passing of this ordinary resolution, unless the Company has effected a reduction of the share capital of the Company (other than a reduction by virtue of a share buy-back) in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined) in which event the issued Shares of the Company shall be taken to be the total number of the issued Shares as altered by such capital reduction (the total number of Shares shall exclude any Shares that may be held as treasury shares by the Company from time to time);

# Notice of Annual General Meeting

**"Maximum Price"**, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price;

**"Market Day"** means a day on which the SGX-ST is open for trading in securities;

- (d) the number of Shares which may in aggregate be purchased or acquired by the Company during the Relevant Period shall be subject to the Maximum Limit;
- (e) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased by the Company, pursuant to the Share Buy-Back Mandate in any manner as they think fit, which is permitted under the Companies Act; and
- (f) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they and/or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this ordinary resolution.  
[See explanatory note (iv) ] **(Resolution 10)**

By Order Of The Board

Ong Wei Jin  
Company Secretary

11 December 2017  
Singapore

## Explanatory Notes:

- (i) The Ordinary Resolution 7 in item 7 above, if passed, will empower the Directors, effective until the conclusion of the next annual general meeting of the Company, or the date by which the next annual general meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to existing shareholders of the Company.
- (ii) The Ordinary Resolution 8 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the RSP and such other share-based incentive schemes up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iii) The Ordinary Resolution 9 in item 9 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the PSP and such other share-based incentive schemes up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.



# Notice of Annual General Meeting

- (iv) The Ordinary Resolution 10 in item 10 above, if passed, will empower the Directors of the Company to exercise all powers of the Company in purchasing or acquiring Shares pursuant to the terms of the Share Buy-Back Mandate. This authority will continue in force until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting or the date on which the purchases or acquisitions of Shares pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated, whichever is the earlier. Information relating to this proposed Resolution is set out in the Circular dated 11 December 2017 (in relation to the proposed renewal of the Share Buy-Back Mandate) attached to the Company's Annual Report 2017.

## Notes:

1. (a) A member entitled to attend and vote at the AGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote on his/her behalf. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
- (b) A member of the Company who is entitled to attend and vote at the AGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

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

## MIYOSHI LIMITED

(Incorporated in the Republic of Singapore)

(Company Registration No. 198703979K)

### IMPORTANT

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 2 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy Miyoshi Limited's shares ("CPF Investors"), this Circular is forwarded to them at the request of the CPF Approved Nominees and is sent solely for information only.
3. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

### Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 December 2017.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

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

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

\*and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting of the Company (the "AGM") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Meeting to be held at 81 Choa Chu Kang Way, Warren Golf & Country Club, Singapore 688263, Conference Room 1 & 2 (Level 2) on Friday, 29 December 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. All resolutions put to vote at the AGM shall be decided by way of poll.

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

No.	Resolutions relating to:	No. of Votes For	No. of Votes Against
1	Directors' Report and the Audited for the Financial Statements year ended 31 August 2017		
2	Payment of proposed a first and final dividend		
3	Re-election of Mr Sin Kwong Wah, Andrew as a Director		
4	Re-election of Mr Masayoshi Taira as a Director		
5	Approval of Directors' fees amounting to S\$106,000		
6	Re-appointment of BDO LLP as Auditors		
7	Authority to issue new shares		
8	Authority to allot, issue and deliver shares pursuant to Miyoshi Restricted Share Plan 2016		
9	Authority to allot, issue and deliver shares pursuant to Miyoshi Performance Share Plan 2016		
10	Proposed renewal of Share Buy-Back Mandate		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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

Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder



**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2.
  - (a) A member of the Company who is entitled to attend and vote at the AGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.
  - (b) A member of the Company who is entitled to attend and vote at the AGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote in his stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a member of the Company. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 5 Second Chin Bee Road Singapore 618772 not less than 48 hours before the time appointed for the AGM.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation that is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.
7. The submission of an instrument or form appointing a proxy by a shareholder does not preclude him from attending and voting in person at the AGM if he so wishes.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



**A TOMORROW-FOCUSED MANUFACTURER**

**Miyoshi Limited**

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